



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 20, 2011

#### NATURAL GAS MARKET NEWS

##### North America

Encana responded to the EPA's preliminary report that the company had contaminated water supplies in Pavillion Wyoming on Tuesday by attacking the methods and conclusions of the agency's study. Encana has asked for the report to be independently reviewed to test the accuracies of the findings. The company said that the chemicals the EPA found came from test wells and not in any drink-water supplies. The company also said that some of the chemicals that the EPA cited

in its report are naturally occurring in the area and were not used by the company in the fracking process. The EPA report has divided the town between those who are complaining about polluted water and those that see that gas fields as beneficial. The EPA report which was published last week is currently subject to a 45-day public comment period and a 30-day peer review.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	85967	107012	-21045	8.658%
JAN	145782	139322	6460	14.682%
FEB	213992	209234	4758	21.551%
Dec-12	23286	22970	316	2.345%
Dec-13	8081	8080	1	0.814%
TOTAL	992955	995082	-2127	

##### International News

The UK's Easington gas terminal returned to full availability on Tuesday morning after Monday's outage but the company still expects some challenges to arise in the near future from yesterday's outage.

Shell's Ormen Lange gas field is ramping up output in the North Sea after output from the field fell on Monday night. Gas flows through the pipeline dropped to zero on Monday afternoon and were running at a reduced rate of about 40 million cubic meters per day on Tuesday morning.

##### Generation Outages

**SERC** - Southern Co's 883MW Unit 2 at the Hatch nuclear power plant started to exit an outage and increased to 5% power early on Tuesday.

**MRO** - NextEra Energy Inc's Unit 1 at the Point Beach nuclear power plant in Wisconsin increased up to 28% power by early Monday from 14% power on Friday. The unit which had been shut since Oct. 3 began to exit the outage on Dec. 13.

The NRC reported this morning that some 91,453 Mw of nuclear generation was online, unchanged from yesterday and off 2.84% from the same day a year ago.

Citigroup lowered its US natural gas price forecast to \$3.3 mmBtu due to expectations of a milder winter and strong hydropower generation. Citi's previous forecast projected gas prices to be \$4.1 per mmBtu and \$3.85 per mmBtu if the weather followed its ten year average.

#### Natural Gas Cash Market

ICE Next Day Cash Market

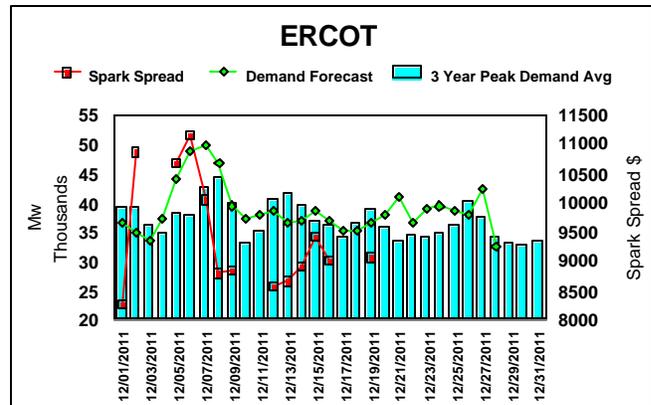
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	601,200	\$3.058	\$0.032	(\$0.043)	\$0.011	\$0.074
Chicago City Gate	548,100	\$3.228	\$0.063	\$0.127	\$0.062	\$0.059
NGPL- TX/OK	444,100	\$3.052	\$0.065	(\$0.049)	\$0.063	(\$0.102)
SoCal	697,000	\$3.394	\$0.048	\$0.293	\$0.046	\$0.314
PG&E Citygate	1,034,900	\$3.437	\$0.055	\$0.336	\$0.053	\$0.368
Dominion-South	638,100	\$3.147	\$0.022	\$0.046	\$0.020	\$0.020
USTrade Weighted	20,023,400	\$3.193	\$0.013	\$0.092	\$0.01	\$0.074

## Electric News

Three of the five NRC commissioners are expected to approve the new Westinghouse AP1000 reactor design, paving the way for the first new reactors in the US since the Three Mile Island accident in 1979. The commission is expected to make the announcement on Thursday. If the commission approves the reactor then the NRC will then have to decide whether to approve US companies Southern Co's and Scana Corp's application to build the reactor in the southeast.

The US Interior Department is moving ahead of its review of the Google-backed offshore transmission project that would transport electricity from wind farms off the Atlantic coast.

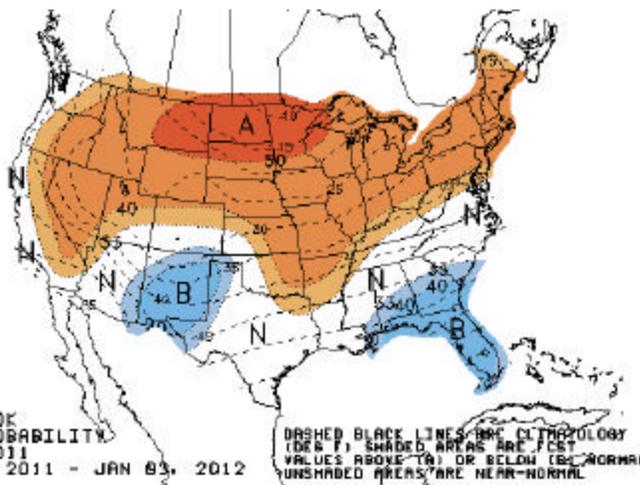
Secretary of the Interior Ken Salazar announced today that the department has approved two utility-scale renewable energy projects. The solar energy project will generate 300MW in Arizona to power 90,000 homes. The wind project in San Diego will produce 186MW of electricity from 62 wind turbines creating enough power for up to 65,000 homes.



The Texas grid operator has granted Luminant permission to close its two Monticello coal fired units to comply with stricter environmental rules that are set to take effect at the end of the year.

## Economic News

The US Commerce Department said US home building increased to the highest level in 19 months during November. It reported that home construction in November increased by 9.3% to a seasonally adjusted annual rate of 685,000 from October. The increase in November was driven by a 25.3% increase in multifamily homes with at least two units. Construction of single family homes, which made up of about 65% of the market, increased 2.3%. The Commerce data showed newly issued building permits increased 5.7% from a month earlier to an annual rate of 681,000, the highest since March 2010.



Barclays Capital said investment flows into commodities totaled \$3.7 billion in November. It said commodities assets under management increased by \$5 billion since the end of October to \$426 billion at the end of November.

The US CFTC approved a rule requiring the reporting of complex swap trades in real time. However the agency delayed a decision on block trades until next year.

## Market Commentary

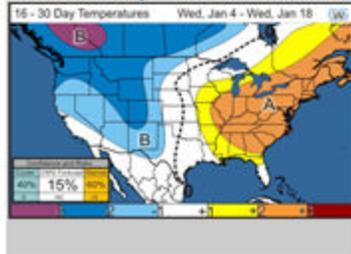
Despite the poor outlook for heating demand for the next couple of weeks the natural gas market today posted its first up day in five trading sessions. It appears that news that some private weather forecasters were beginning to see the faint possibility of a cooling trend next month may have been

enough to trigger some technical short covering in a market that has lost nearly 13% of its value in just this month alone and yesterday saw values settle near the high of the day after setting a new contract low and a 27 month spot chart low of \$3.05. The January natural gas contract today saw the daily 9-day stochastics roll back to the upside for the first time since December 2<sup>nd</sup>.

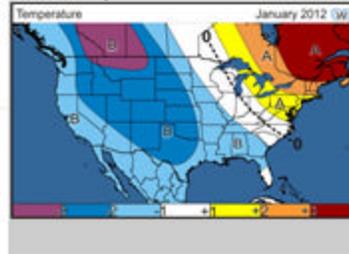
If longer term forecast continue leave open the possibility of some better seasonal heating demand next month then this market could see some follow through buying again tomorrow as some shorts seek to move to the sidelines in front of the Christmas holiday. We would look for key resistance at

\$3.306,  
\$3.385 and  
\$3.464.  
Support we  
see at \$3.122,  
\$3.05, \$3.012  
and \$2.949  
and \$2.90.

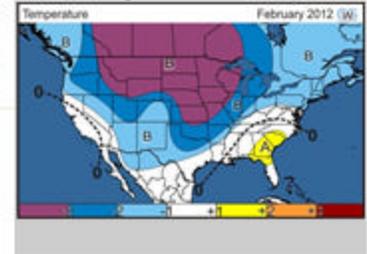
16-30 Day



January



February



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