



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 21, 2011

#### NATURAL GAS MARKET NEWS

##### North America

A consortium of natural gas producers and electric utilities announced plans to build a natural gas pipeline that connects shale gas fields in Ohio with consuming regions on Wednesday. The Ohio Pipeline Energy Network (OPEN) will be a 70 mile pipeline with an expected capacity of 1 bcf/d. The network is expected to come online in 2014.

Corridor Resources said that it does not expect to find a partner to help develop the Frederick Brook shale in Canada seven months after Apache Canada left the project. The company said its inability to find a partner was due to weak economic conditions and depressed gas prices.

##### Generation Outages

**SERC** - Entergy Corp's Unit 2 at the Arkansas nuclear power plant was reduced to 48% power by early Wednesday from full power on Tuesday.

**MRO** - The 1043MW Clinton nuclear power plant owned by Exelon Corp began to exit a fueling outage and increased to 3% power early Wednesday. The plant was shut on November 29<sup>th</sup> after its Unit 1 unexpectedly tripped. NextEra Energy Inc's Unit 1 at the Point Beach nuclear power plant increased power to 49% power early on Wednesday from 30% power on Thursday.

The NRC reported this morning that some 91,436 Mw of nuclear generation was online, down 0.02% from yesterday and down 3.23% from the same day a year ago.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	64979	85967	-20988	6.533%
JAN	161672	145782	15890	16.253%
FEB	214978	213992	986	21.612%
Dec-12	23614	23286	328	2.374%
Dec-13	8085	8081	4	0.813%
TOTAL	994703	992955	1748	

##### International News

Petroleo Brasileiro said it plans to make a decision whether to build floating natural gas liquefaction plants in the recently discovered oil fields off Brazil's Atlantic coast by March 2012. The decision will be predicated on the availability of natural gas.

Britain's energy regulator has proposed imposing fines of \$7.85 million on two British gas network operators for not meeting minimum times to respond

to reported gas escapes between April 2010 and March 2011. The companies have 21 days to dispute the amount they were fined.

Russia's and Ukraine's Prime Ministers met on Tuesday night to discuss a new gas deal. Some issues included the volume of transit, the price, and establishing a gas shipping consortium. Russia has little incentive to hurry to sign a deal because of Ukraine's worsening economic condition. A Moscow based analyst has even come out and said that even after agreeing to a new deal it will take Russia over a year to implement the new policy. Ukraine wants to decrease the price it pays for Russia gas to no more that \$250 per thousand cubic meters from its current \$400 per thousand cubic feet.

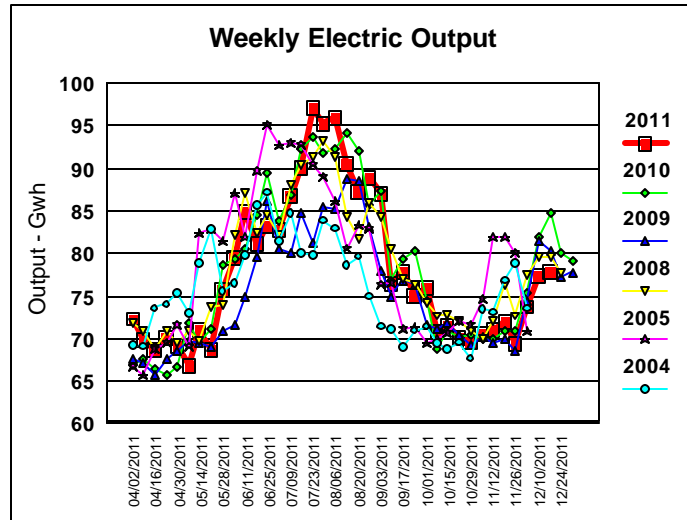
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	588,200	\$3.050	(\$0.007)	(\$0.138)	(\$0.114)	\$0.053
Chicago City Gate	844,500	\$3.169	(\$0.059)	(\$0.019)	(\$0.146)	\$0.042
NGPL- TX/OK	382,400	\$3.041	(\$0.012)	(\$0.148)	(\$0.099)	(\$0.113)
SoCal	663,600	\$3.361	(\$0.033)	\$0.173	(\$0.120)	\$0.269
PG&E Citygate	1,018,100	\$3.445	\$0.008	\$0.257	(\$0.079)	\$0.328
Dominion-South	479,600	\$3.108	(\$0.039)	(\$0.081)	(\$0.126)	\$0.002
UTrade Weighted	20,070,200	\$3.166	(\$0.027)	(\$0.022)	(\$0.11)	\$0.053

Gas deposits off the coast of Cyprus could exceed expectations and contain reserves of up to 13 tcf. It was previously expected that the block had deposits of 10 tcf. The find could lead to Cyprus becoming self sufficient in gas for decades.

### **Electric News**

The Obama administration plans to unveil environmental regulations that will restrict the amount of mercury that can be emitted from coal-fired plants for the first time in history on Wednesday. The EPA released a statement that said the rules are a result of 20 years of work that will prevent mercury harming developing fetuses and infants saving billions of dollars in healthcare costs. Opponents in the energy industry are concerned that the new measures will kill jobs and threaten the reliability of the electric grid.

The US Northwest River Forecast Center said that projected water runoff at The Dalles Dam on the Columbia River was 89 percent of normal for January-July on Wednesday.



### **Economic News**

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity fell 2.6% in the week ending December 16<sup>th</sup>. Its seasonally adjusted index of refinancing applications fell 1.6%, while the index of loan requests for home purchases fell 4.9%.

The National Association of Realtors said sales of previously owned US homes increased in November by 4% to an annual rate of 4.42 million units. October's sales pace was revised down to a 4.25 million unit pace, which was previously reported as a 4.97 million unit rate.

### **Market Commentary**

The natural gas market traded mostly sideways and posted a low of \$3.095 early in the session as warm weather forecasts in the coming days and weeks limited any upside. The market however bounced off its low and surged higher amid the strength in the oil market following the release of a bullish EIA petroleum inventory report. The natural gas market rallied to a high of \$3.192 in afternoon trading. It later erased some of its gains and settled up 2.7 cents at \$3.155. The market settled in positive territory for the second consecutive session.

The market expects the EIA natural gas storage report to show a draw of 104 bcf for the week ending December 16<sup>th</sup>. The estimates range from a draw of 93 bcf to a draw of 119 bcf. Natural gas inventories fell by an adjusted 181 bcf for the same week last year while the five year average draw for the week was 140 bcf.

The natural gas market will likely retrace its gains following the release of the natural gas storage report. Technically, the market is seen finding resistance at its high of \$3.192, \$3.204, \$3.244, \$3.287 and \$3.297. More distant resistance is seen at \$3.306, its 38% retracement off high of \$3.72 to a low of \$3.05, \$3.385, its 50% retracement level and \$3.464, its 62% retracement level. Support is however seen at \$3.142, \$3.103, \$3.095, \$3.086, \$3.05 and \$3.00.

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