



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 22, 2011

#### NATURAL GAS MARKET NEWS

##### North America

Williams Partners have agreed to buy a Marcellus Shale pipeline in Pennsylvania and New York from Delphi Midstream Partners for \$750 million. The pipeline operator will buy Laser Northeast Gathering system with 33 miles in Susquehanna Country and 10 miles in Southern New York along with the associated gathering facilities.

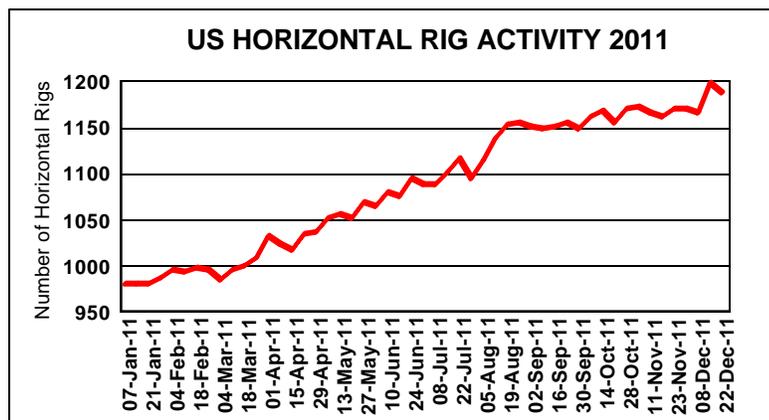
The consortium of natural gas producers and electric utilities on Wednesday that announced that they will build the Ohio Pipeline Energy Network (OPEN) plan to add 1 bcf/d of capacity in the Ohio market in 2014 to relieved expected bottlenecking.

##### Generation Outages

**SERC** - Southern Co's Unit 2 at the Hatch nuclear power plant increased power to 63% on Thursday from 47% power on Wednesday. The plants Unit 1 was operating at 98% power early on Wednesday. Entergy Corp's Unit 2 at the Arkansas nuclear power plant ramped up power to 81% by early Thursday from 48% power on Wednesday. The 938MW Unit 1 at Progress Energy Inc's Brunswick nuclear power plant decreased power to 37% on Thursday from full power on Wednesday.

**MRO** - American Electric Power Co's Unit 1 at the Cook nuclear power plant cut power to 58% by early Thursday from full power on Wednesday. Exelon Corp's Clinton nuclear power plant in Illinois ramped up to 19% power by early Thursday from 3% power on Wednesday.

The NRC reported this morning that some 91,143 Mw of nuclear generation was online, down 0.32% from yesterday and down 3.71% from the same day a year ago.



EV Energy Partners announced that along with EnerVest, Ltd the companies have made Barnett Shale acquisitions from two unrelated companies.

Excelerate Energy has signed an agreement with the Puerto Rico Electric Power Authority (PREPA) to develop an offshore LNG regasification facility off the southern coast of Puerto Rico.

Amaranth Advisors, a defunct hedge fund that lost approximately \$6 billion in

natural gas futures trades gone wrong in 2006 settled a \$77.1 million class action lawsuit with a group who accused the fund of manipulating gas prices. Plaintiffs claimed that Amaranth manipulated the NYMEX natural gas futures prices by driving prices lower and inflating spread prices.

##### International News

Stakeholders in the Shtokman gas project will meet before the end of the year to discuss a long-awaited final investment decision. The first phase of project is expected to begin construction in 2016 and is estimated to cost \$15 billion.

##### Canadian Gas Association

##### Weekly Storage Report

	17-Dec-11	09-Dec-11	17-Dec-10
<b>East</b>	229	235.1	204
<b>West</b>	436.5	444.1	334.8
<b>Total</b>	665.5	679.2	538.8

storage figures are in Bcf

	EIA Weekly Report			12/17/2010
	12/16/2011	12/09/2011	Change	
Producing Region	1214	3729	-2515	1146
Consuming East	1945	2008	-63	1791
Consuming West	470	493	-23	458
Total US	3629	3729	-100	3394

\*storage figures in Bcf

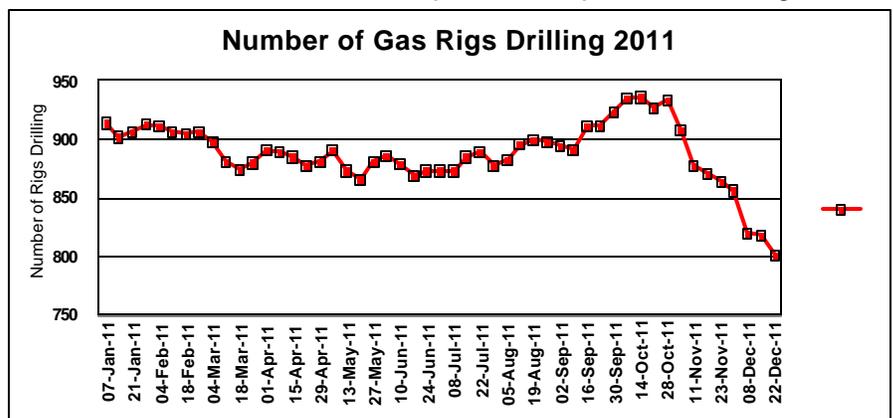
Mitsubishi Corp has invited KOGAS to become a partner in the Senoro-Toili natural gas field located in Indonesia. The field has been producing crude since 2005 and hopes to start producing gas in 2014. The gas will be supplied domestically and will also be exported to South Korea and Japan.

South Korea may receive a LNG shipment this week from the 140,000 cubic meters Golar Maria at its Tongyeong LNG terminal on December 24<sup>th</sup>.

### Electric News

The US NRC has voted to certify the latest version of Westinghouse Electric's AP1000 reactor design. The commission will now decide whether to approve Southern Co's and Scana Corp's applications to build the new AP1000s. The Obama administration has said this is a positive step toward cutting the US's dependence on greenhouse gas emitting resources. People in the industry expect that the construction approval will come soon and the first reactor will be built by 2016.

The US Northwest River Forecast Center said on Thursday that the projected water runoff at The Dalles Dam on the Columbia River fell to 87 percent of normal.



### Economic News

The US Commerce Department said the US economy expanded less than thought during the third quarter as consumer spending fell short of an earlier estimate. It reported that GDP grew at an inflation adjusted annual rate of 1.8% in the July to September period. It was down from its previous estimate of an annual rate of 2%. The overall price index for personal consumption expenditures increased by 2.3% in the third quarter, unchanged from its previous estimate and down from 3.3% in the second quarter.

The US Labor Department reported that initial unemployment claims fell by 4,000 to a seasonally adjusted 364,000 in the week ending December 17<sup>th</sup>. It revised the claims estimate for the week ending December 10<sup>th</sup> to 368,000 from an originally reported 366,000. The four week average fell by 8,000 to 380,250. The Labor Department reported that the number of continuing unemployment benefit claims fell by 79,000 to 3,546,000 in the week ending December 10<sup>th</sup>. The unemployment rate for workers with unemployment insurance in the week ending December 10<sup>th</sup> was 2.8%, down from 2.9% in the prior week.

The Conference Board index of leading indicators increased by 0.5% in November to 118 while the coincident index increased by 0.1% to 103.7 and the lagging index increased by 0.1% to 110.9.

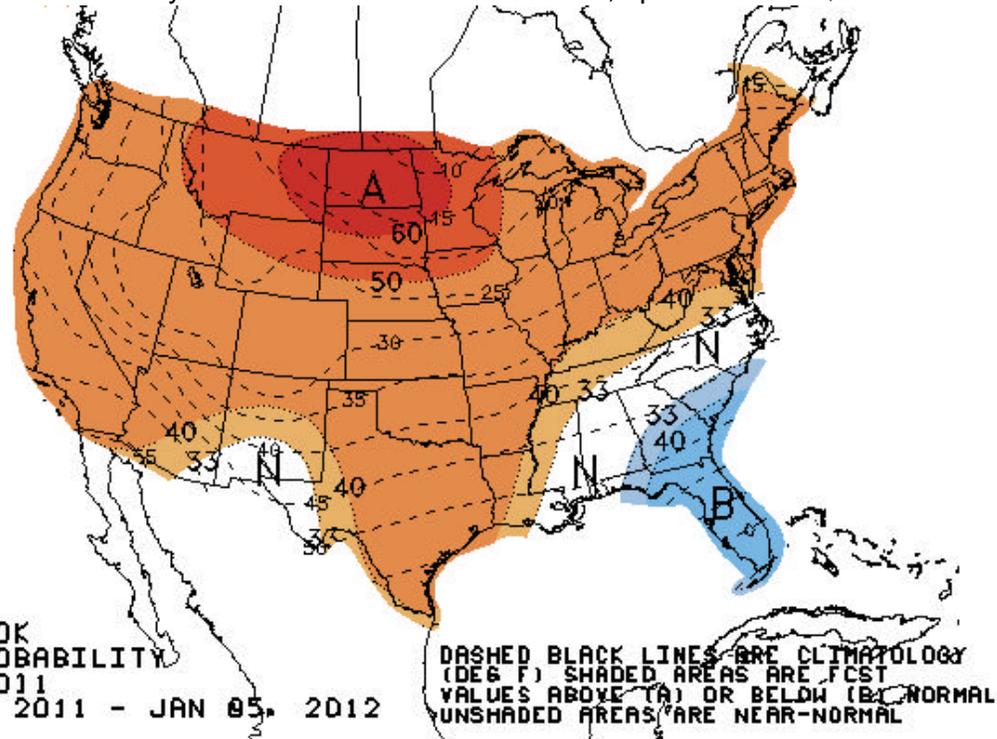
Thomson Reuters/University of Michigan Surveys of Consumers' final December consumer sentiment index increased to 69.9 from a preliminary estimate of 67.7. It increased to its highest level in six months. The current conditions index increased to 79.6 from 77.9 while the expectations index increased to 63.6 from 61.1.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	513,600	\$3.081	\$0.031	(\$0.045)	\$0.118	\$0.058
Chicago City Gate	583,700	\$3.177	\$0.008	\$0.051	\$0.070	\$0.044
NGPL- TX/OK	531,600	\$3.054	\$0.013	(\$0.072)	\$0.075	(\$0.109)
SoCal	508,200	\$3.480	\$0.119	\$0.354	\$0.181	\$0.268
PG&E Citygate	909,200	\$3.541	\$0.097	\$0.415	\$0.159	\$0.328
Dominion-South	619,800	\$3.167	\$0.060	\$0.041	\$0.122	\$0.009
UStTrade Weighted	19,717,300	\$3.223	\$0.056	\$0.097	\$0.12	\$0.058

The Federal Reserve Bank of Chicago's national activity index stood at -.37 in November from -.011 in October.

### Market Commentary

The natural gas market traded higher early in the session in follow through from Wednesday's gains. It breached its previous high and posted a high of \$3.201 ahead of the release of the EIA natural gas storage report. The market however gave up its gains and sold off to a low of \$3.10 in light of the EIA report showing a slightly lower than expected draw of 100 bcf. The market, which held support at its previous low of \$3.095, bounced higher and retraced most of its earlier losses ahead of the close. The natural gas market settled in positive territory for the third consecutive session, up 1.4 cents at \$3.169.



While the natural gas market may trade higher as traders position themselves ahead of the Christmas holiday, its gains will remain limited. Short term weather forecasts are showing temperatures that are far from seasonal. Above normal temperatures are expected to extend across the northern half of the country during December 28 to January 5<sup>th</sup> forecast period. Also, near term industrial demand for natural gas is expected to fall during the Christmas and New Year's holidays. The market is seen finding resistance at \$3.201, \$3.213, \$3.258, \$3.299 and \$3.306, its 38% retracement level. Further resistance is seen at \$3.314, \$3.385, its 50% retracement level and \$3.464, its 62% retracement level. Support is seen at \$3.15, \$3.112, its lows of \$3.10-\$3.095 followed by \$3.056 and \$3.011.

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