



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 30, 2010**

#### **NATURAL GAS MARKET NEWS**

Baker Hughes reported that the number of rigs drilling for natural gas in the US fell by 12 this week to 919, its fourth consecutive weekly decline.

Ukraine's Naftogaz will halt its natural gas delivery to Poland as of January 1<sup>st</sup>. Poland's gas monopoly PGNiG said the halt in Ukrainian gas delivery will have no impact on Poland's economy. According to Naftogaz, the halt in the delivery is due to the change in the Ukrainian regulations that demands satisfying domestic needs first. It did not say how long the halt would last. Under an existing agreement, in 2011, Naftogaz has to deliver about 168 million cubic meters of natural gas to PGNiG.

Russia's First Deputy Prime Minister Vladimir Semshko said Belarus hopes to reach an agreement with Russia within six to eight weeks on lower natural gas prices for 2011. This could limit the risk of a new year energy standoff between the two countries, which in the past has affected Russian energy supplies to Europe.

Russia's Federal Tariff Service said it will raise tariffs for non-state companies by 9.3% from January 1<sup>st</sup> via Gazprom pipelines. The current tariff amounts to 51.36 roubles per 1,000 cubic meters of gas shipped over a span of 100 kilometers.

Germany's RWE bought a liquefied natural gas tanker into Britain's Teesside Gasport. It is the first LNG cargo into Teesside in over a year. Britain is expecting eight LNG tankers over the next few weeks to meet high gas demand during the peak winter period.

The state gas company of Cyprus concluded talks to find a preferred liquid natural gas supplier for 20 years but declined to confirm reports it had picked Royal Dutch Shell. Defa has been in negotiations over a contract to purchase LNG for the country from 2014 to 2035. According to Defa projections, Cyprus will require an estimated 770,000 tons of LNG per year from 2014 to generate electricity. The amount is expected to gradually increase to 1.37 million tons per year in 2035.

#### **EIA Weekly Report**

	12/24/2010	12/17/2010	Change	12/24/2009
<b>Producing Region</b>	1117	1138	-21	1047
<b>Consuming East</b>	1671	1774	-103	1792
<b>Consuming West</b>	444	456	-12	455
<b>Total US</b>	3232	3368	-136	3294

\*storage figures in Bcf

#### **Generation Update**

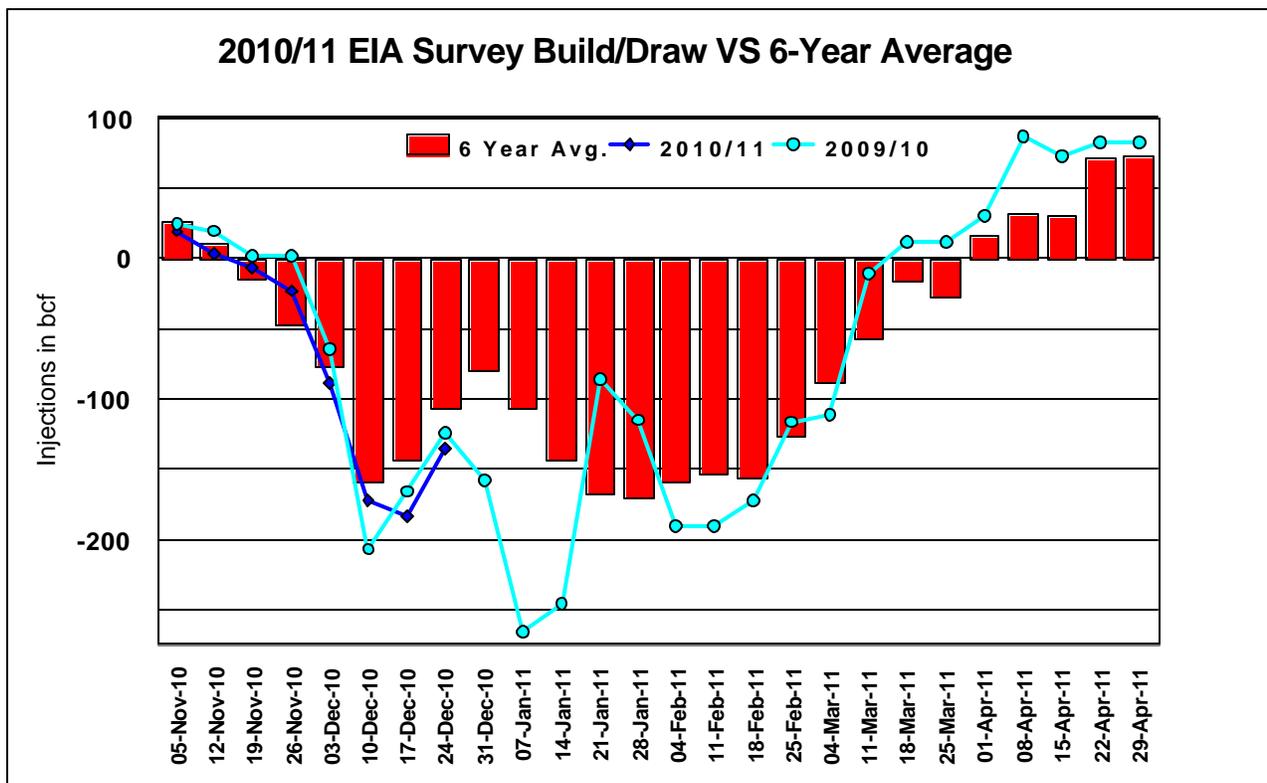
**MAPP** – Ontario Power Generation's 494 Mw units 3 and 4 at the Lambton coal fired power plant in Ontario were shut by early Thursday.

**ERCOT** – Luminant plans to shut its 568 Mw unit 4 at the Sandow coal fired power plant early Friday. The unit will be shut to update software to address turbine variation issues.

**The NRC reported today that some 95,411 Mw of generating capacity was online today, down 0.05% from yesterday and 1.9% higher than the same day a year ago.**

#### **ELECTRIC NEWS**

US Northwest River Forecast Center project water runoff at The Dalles Dam on the Columbia River in Oregon at 96% of



normal for January through July.

### ECONOMIC NEWS

The US Labor Department said the number of initial claims for unemployment benefits fell by 34,000 to 388,000 in the week ending December 25<sup>th</sup>. It was the first time the initial claims fell below 400,000 since July 2008. The previous week's figures were revised up slightly to 422,000 from 420,000. The four week moving average of new claims also fell to its lowest level since July 2008 by 12,500 to 414,000. It reported that the number of continuing claims increased by 57,000 to 4,128,000 in the week ending December 18<sup>th</sup> from an upwardly revised 4,071,000 the previous week. The unemployment rate for workers with unemployment insurance was 3.3% in the week ending December 18<sup>th</sup>, up from the prior week's 3.2%.

The Institute for Supply Management-Chicago's survey of regional purchasing managers showed an increase of new orders to 68.6 in December.

The National Association of Realtors' index for pending sales for existing homes increased by 3.5% to 92.2, the highest level in seven months. However the pending sales index was 5% below its level of 97 in November 2009.

#### Canadian Gas Association Weekly Storage Report

	24-Dec-10	17-Dec-10	25-Dec-09
<b>East</b>	189	204	211
<b>West</b>	315.2	334.8	311.2
<b>Total</b>	504.2	538.8	522.2

storage figures are in Bcf

### MARKET COMMENTARY

The natural gas market settled in positive territory following a seesaw session. The market breached its recent high as it posted a high of \$4.364 in early morning trading. It however erased its earlier gains and sold off sharply following the release of the EIA natural gas report. The report showed a draw of 136 bcf, which was on the lower end of expectations. The market sold off to a low of \$4.235 and traded sideways before it bounced back later in afternoon on short covering ahead of the New Year's holiday. The market traded back towards its high and settled up 5.1 cents at \$4.338. The market was also supported late in the session by weather forecasts showing temperatures falling back to normal or below normal next week following this week's late moderation in temperatures.

The natural gas market will likely continue to trade higher on Friday as traders square their books ahead of the New Year. However its gains will remain limited unless cold weather is sustained. The natural gas market is seen finding resistance at its high of \$4.364, \$4.387, its 62% retracement level from a high of \$4.635 to a low of \$3.985, followed by \$4.447, \$4.519 and \$4.554. Support is seen at \$4.30, \$4.261 and its low of \$4.235. More distant support is seen at \$4.216, \$4.183, \$4.132, \$4.112 and \$4.04.

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