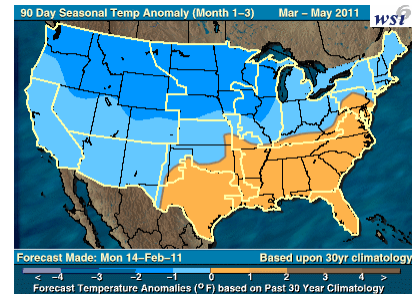


WSI: Notably Cold Spring Expected across Northern US; Slightly Warmer than Normal in South-Central & Southeast

*Expect Total US Gas Heating Demand During March-May Period To Be
20% More Than Last Year and 3% More Than 1971-2000 Average*

Andover, MA, February 22, 2011 - [WSI \(Weather Services International\)](#) expects the

upcoming period (March-May) to average colder than normal across the northern and western US, with above-normal temperatures expected to be confined to parts of the south-central and southeastern states. The WSI seasonal outlooks reference a standard 30-year normal (1971-2000).



WSI US Outlook March-May 2011

"As a very cold winter comes to a close, La Nina is clearly in complete control of the pattern as we head into spring. The tremendous North Atlantic blocking episode during the first half of winter has subsided allowing for a more textbook La Nina pattern to develop, specifically cold weather across much of the northern and western US and occasional glimpses of warmer temperatures across parts of the southern and eastern US" said WSI Chief Meteorologist Dr. Todd Crawford.

"We expect this general pattern to continue through much of spring, with the forecast risk focused around the less predictable subseasonal signals (Madden-Julian Oscillation). For the March-May period as a whole, we are forecasting 1248 gas-weighted heating degree days, 2-3% higher than the 1971-2000 mean and a whopping 20% higher than the very warm spring of 2010."

In March, WSI predicts regional temperature anomalies as follows:

- Northeast*** - Colder than normal
- Southeast*** - Warmer than normal
- N Central*** - Colder than normal
- S Central*** - Warmer than normal
- Northwest*** - Colder than normal
- Southwest*** - Colder than normal

Chris Kostas, Senior Power and Gas Analyst at ESAI, said, "Despite beginning the year in record territory, natural gas inventories diminished quickly in January and early February as widespread cold engulfed much of the country. After a brief respite from the unseasonably cold weather in mid-February, however, WSI is forecasting the return of colder-than-normal temperatures through much of the Consuming East and Consuming West in March. This should drawdown inventories to levels much lower than most analysts expected at the beginning of the season. Currently, ESAI expects an end-of-season inventory level of 1,550 Bcf. This represents a 100 Bcf reduction from our forecast just one month ago; and is a result of the very cold early February temperatures and WSI's forecast for March."

"If withdrawal rates were to match the five-year average over the next six weeks, ending stocks would end the season closer to 1,350 Bcf. We believe, however, that despite the above-normal weather-related demand in March, high production levels and the steeper contango between the CME April and August contracts will reduce weather-normalized withdrawal rates. Above-normal heating demand and increasing calendar spreads into summer should keep gas prices from collapsing in March. Conversely, high production rates and adequate inventory levels should keep gas prices under wraps should the final four weeks of the winter turn out to be colder than expected, Kostas said."

In April, WSI sees the monthly breakdown as:

- Northeast** - Warmer than normal
- Southeast** - Warmer than normal
- N Central** - Colder than normal
- S Central** - Warmer than normal
- Northwest** - Colder than normal
- Southwest** - Colder than normal

Kostas added, "Heating demand in April generally runs about 30 percent lower than March (on a weather-normalized basis). With the bulk of above-normal temperatures expected over key consuming areas of the Northeast and South Central regions of the country, we expect eastern gas basis prices - and power prices in PJM, New York, and New England - to be relatively soft in April. In the West, however, where April heating demand is still a factor for energy demand, gas and power prices may remain firm. In addition, Northwest hydro may get off to a slower than normal start with the colder-than-normal temperatures expected to be centered over that region; this would reduce early snowmelt rates. Implied

market heat rates and power prices could be higher than normal in California as a result of the widespread cold."

In May, WSI forecasts:

- Northeast** - Colder than normal
- Southeast** - Warmer than normal
- N Central** - Colder than normal
- S Central** - Warmer than normal
- Northwest** - Warmer than normal
- Southwest** - Warmer than normal

"While colder-than-normal temperatures are expected to be centered over the Great Lakes in May, weather-related demand, both heating and cooling, is generally low during this shoulder month. Implied market heat rates could run high in Texas if the warmer-than-normal temperatures arrive early in the month (while some generators are still on maintenance). The cooler-than-normal temperatures in the Northeast could also keep implied market heat rates firm there as lingering heating demand remains a minor factor (particularly when combined with the generator maintenance season). On-balance, gas prices could be soft but well supported as the Consuming East continues to burn gas for heat and the storage injections begin in earnest." Kostas noted.

WSI, which provides customized weather information to energy traders, will issue its next seasonal outlook on March 22.

*To view the map defining WSI's US regions, [click here](#).