



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 1, 2011

NATURAL GAS MARKET NEWS

North America

AccuWeather released their latest winter forecast today predicting a stormy winter centralized in the Northwest and Midwest. The Midwest and Northeast are expected to experience a cold December however; recent forecasts show the frequency and period will be lower than expected. The northeast is expected to have stretches of long-lasting arctic cold but the average temperature is expected to be slightly above normal. The forecasts for the southeast are now predicting a colder December but a warmer January and February. Texas and the Mid- and Lower Mississippi are expected to have a few ice events in December and January but forecasts for the rest of the southwest are dry and mild.

Generation Outages

SERC - Progress Energy Inc's Unit 2 at the Brunswick nuclear power plant started to exit an outage and increased to 1% power early on Thursday. The unit was shut on Nov. 16th due to an unusual event to a reactor coolant system leakage.

The NRC reported this morning that some 89,904 Mw of nuclear generation was online, down 0.3% from yesterday and off 2.2% from the same day a year ago.



Anadarko Petroleum Corp has made a natural gas discovery at the Cheyenne East prospect in the Gulf of Mexico in the first well the company drilled since the US government lifted a drilling moratorium. The first production from the '50 foot of high quality gas play' is expected next year.

International

France has cut its LNG import schedule for December by more than 50%. France's three terminals booked a total

of 15 berthing slots down from 34 berths of regasification forecast in the terminal operators' previous update. The move has created a great deal of berthing capacity on the secondary market.

Goldman Sachs has predicted that European gas prices will rise in 2012 and has recommended long positions in UK gas prices for delivery in the fourth quarter of 2012 despite many banks and utilities forecasting weaker prices. 2012 gas prices have fallen 16% since August due to economic turmoil in

Europe and temperatures warmer than normal. Goldman's analysts are predicting that temperatures will return to normal and a modest recovery in the Euro Zone.

EIA Weekly Report

	11/25/2011	11/18/2011	Change	11/26/2010
Producing Region	1261	1247	14	1253
Consuming East	2074	2091	-17	2055
Consuming West	516	514	2	501
Total US	3851	3852	-1	3810

*storage figures in Bcf

Norway's Kollsnes is resuming operations after a power supply problem shut the plant for the second time in less than a week early on Thursday. Five of the plants six compressors have already returned to service. The gas processing plant has the capacity to process 143 million standard cubic meters a day.

Mitsui & Co. plans to sell a minimum of 5 mtpa of LNG from a major offshore project in Mozambique to Japan. The Mozambique project is expected to produce 5 mtpa from each of its two trains starting in 2018. Mitsui has a 20% stake in the project.

Canadian Gas Association

Weekly Storage Report

	25-Nov-11	18-Nov-11	26-Nov-10
East	236.6	237.5	236.8
West	449.7	448.8	390.4
Total	686.3	686.3	627.2

storage figures are in Bcf

Taiwan increased LNG imports 20.5% in November from a year before. The country purchased 1,106,015 metric tons in November.

China is expected to increase total domestic LNG production capacity to 7.5 mtpa by 2015. The country has 20 operating LNG plants and is currently building 40 more. China plans to complete the construction of 17 LNG receiving terminals

during the Five-Year Plan with the capacity of LNG terminals expected to total 65 million tons per year.

Electric Market News

High winds in California had cut power to approximately 300,000 homes and businesses in the Los Angeles area early on Thursday. California power company, Edison International said that the area was still experiencing windy conditions and could not say when power would be restored.

ERCOT said the state's electric power reserve margin, which serves as a cushion against blackouts will fall to 12.11% next summer below the agencies minimum 13.75% target. As a result the state may face more rolling blackouts as surplus electricity shrinks.

The reserve margin is forecasted to continue to fall through 2019 and turn negative in 2020.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	759,000	\$3.488	(\$0.040)	(\$0.145)	(\$0.118)	(\$0.167)
Chicago City Gate	910,500	\$3.574	(\$0.089)	(\$0.059)	(\$0.125)	(\$0.073)
NGPL- TX/OK	766,300	\$3.377	(\$0.087)	(\$0.257)	(\$0.123)	(\$0.333)
SoCal	802,100	\$3.746	\$0.004	\$0.113	(\$0.032)	(\$0.020)
PG&E Citygate	981,600	\$3.856	(\$0.025)	\$0.223	(\$0.061)	\$0.279
Dominion-South	622,900	\$3.563	(\$0.097)	(\$0.070)	(\$0.133)	(\$0.168)
USTRade Weighted	22,734,200	\$3.544	(\$0.082)	(\$0.089)	(\$0.12)	(\$0.167)

Economic News

The US Labor Department said initial unemployment claims increased by 6,000 to a seasonally adjusted 402,000 in the week ending November 26th. Claims were revised to 396,000 from an originally reported 393,000 for the week ending November 19th. It reported that the four week moving average of new unemployment claims increased last week by 500 to 395,750. The report showed that the number of continuing unemployment claims increased by 35,000 to 3,740,000 in the week ending November 19th. The unemployment rate for workers with unemployment insurance in the week ending November 19th was 3% compared with 2.9% the prior week.

The US Commerce Department spending on construction projects in the US increased a third consecutive month in October. Construction spending increased by 0.8% to a seasonally adjusted

annual rate of \$798.53 billion following a 0.2% increase in September and 2.2% increase in August. Residential construction spending increased by 3.2% in October to \$247.30 billion compared with the prior month.

The pace of growth in the US manufacturing sector increased in November at its strongest level since June. The Institute for Supply Management said its index of national factory activity increased to 52.7 in November from 50.8 in October. Its new orders index increased to 56.7 from 52.4 while its employment index fell to 51.8 from 53.5.

According to JP Morgan, global manufacturing activity fell in November, dragged down by factories in Europe and Asia despite stronger than expected growth in the US. The Global Manufacturing PMI fell to 49.6 in November from October's 49.9.

China's HSBC Purchasing Managers' Index fell to a 32 month low in November. The purchasing managers' index fell to 47.7 in November from 51 in October. Its new orders index fell to 45 from October's 52.6.

The euro rallied against the Swiss Franc on speculation that Switzerland is considering negative interest rates to curb the Swiss currency's appreciation.

The International Monetary Fund said it would likely cut its growth forecast in late January when it updates its world economic projections. Separately, the IMF denied it was in talks with Italy on possible financing and said it had discussed details of a planned monitoring mission with Prime Minister Mario Monti.

Norway's oil and gas sector investments could reach a record in 2012 as companies take advantage of high oil prices and upgrading infrastructure. Statistics Norway said investment spending could reach 184.6 billion crowns or \$32 billion in 2012, up 7% from a September estimate and well above the 175 billion crown projection by the Norwegian Oil Industry Association.

Market Commentary

The natural gas market this morning was on the defensive prior to the release of the EIA weekly natural gas storage report as inconclusive weather forecasts kept natural gas values down near its lows of the prior three days. But following the release of the storage report prices quickly rebounded by a dime as traders appeared to be caught off guard by the unexpected draw in working gas inventories. While prices retraced about a nickel after the initial run up values remained in positive territory for the remainder of the day as bullish traders found comfort in AccuWeather's updated Winter 2011/2012 temperature outlook.

This market though does not appear ready to break out of its basically three week sideways pattern to the upside without confirmation of an extended period of near term forecasts for normal to below normal temperatures east of the Rockies. But if gas demand remains seasonally depressed through the middle of this month, the lows of the past two weeks appear will be challenged once again and breached.

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