



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 6, 2011

NATURAL GAS MARKET NEWS

North America

El Paso Gas Company released a statement on Tuesday warning that due to cold weather in the Southwest there was a good chance it would declare strained operating conditions on its natural gas pipeline. As of Tuesday morning 400 million cubic feet of natural gas was already shut in and the pipeline was operating at 86% capacity.

HIS Global Insight said that North America's natural gas supplies have supported 600,000 jobs, 148,000 of which are directly involved in drilling and each of those creates three spin off jobs. The companies estimates show that by 2015 jobs in the industry are expected to grow to 870,000 jobs. In addition, the shale gas industry is expected to contribute \$118.2 billion to the economy in 2015.

The EIA increased its estimate for domestic natural gas production growth in 2012 by 2.8% to 1.8 bcf per day to a record 67.72 bcf. The EIA also raised its natural gas consumption growth in 2012 estimating that average demand rise by 1.2 bcf per day to about 68.35 bcf per day.

Generation Outages

NPCC- TransCanada shut a unit at its Ravenswood power plant in Queens, New York this morning. The 2316MW natural gas/oil fired power plant made a loud noise this morning but the city said that there was no danger to the public. A spokesman for the company would not say what unit caused the problem or when the unit might return to service.

MRO- FirstEnergy Corp's Davis-Besse nuclear plant in Ohio increased power to 18% capacity early on Tuesday. The plant had been shut on October 10th when workers identified cracks in the shield building.

The NRC reported this morning that some 91,977 Mw of nuclear generation was online, up 0.33% from yesterday and down 2.04% from the same day a year ago.

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	687,300	\$3.425	\$0.048	(\$0.063)	(\$0.038)	(\$0.014)
Chicago City Gate	796,000	\$3.612	(\$0.065)	\$0.124	(\$0.107)	\$0.058
NGPL- TX/OK	854,200	\$3.429	\$0.042	(\$0.059)	(\$0.000)	(\$0.164)
SoCal	963,800	\$3.743	(\$0.037)	\$0.255	(\$0.079)	\$0.151
PG&E Citygate	772,900	\$3.782	(\$0.071)	\$0.294	(\$0.113)	\$0.292
Dominion-South	1,150,200	\$3.540	\$0.071	\$0.052	\$0.029	(\$0.034)
US Trade Weighted	24,743,500	\$3.559	\$0.004	\$0.071	(\$0.04)	(\$0.014)

International News

Norway's Ormen Lange resumed gas exports on Tuesday after an unexpected shutdown on Monday. The plant can supply up to 20% of Britain's gas needs.

The shale gas revolution in the US has forced Russia's

Shotkman gas project to be reconsidered by Gazprom, Total, and Statoil. The project has been delayed due to high costs and uncertainty in the global energy market. Shareholders in the project are currently waiting to see if the Russian government will give tax breaks to the project before making a final investment decision at the end of the year.

Ukraine's Energy minister said that Ukraine and Russia will likely secure a long term gas deal before the end of the month. Ukraine currently pays \$400 per thousand cubic meters but says the price is too high and has been trying to renegotiate the gas deal for over a year. Experts are predicting that Ukraine will offer Russia a stake in its pipeline system to secure a discount.

Qatar will not lift a ban on production at its North Field gas reservoir before 2015. The country wants to ensure the longevity of the world's largest non-associated gas field which it shares with Iran.

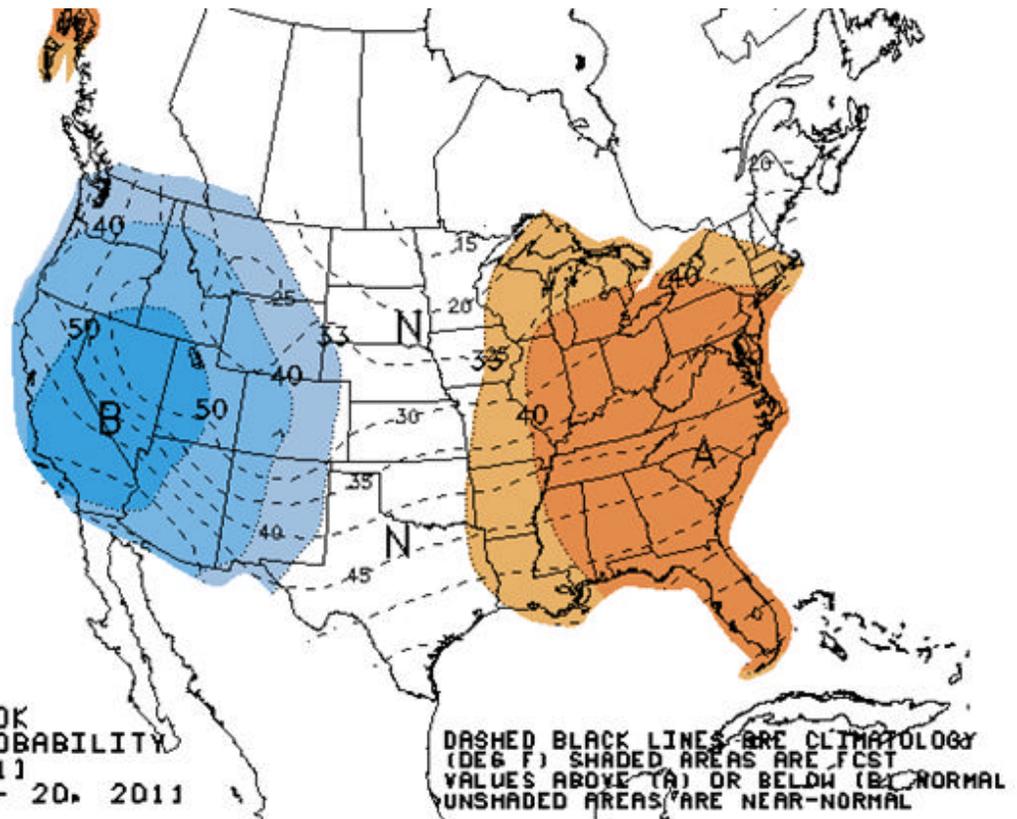
An official with PetroChina has said that its joint venture with Shell has discovered shale gas in China. Shell is currently drilling two vertical wells that have so far got good primary production. Experts from around the world do not expect a shale gas revolution in China like the US because of lack of available water, land access, and difficult geology. Shell did not confirm the find but said it plans to complete drilling activities by the end of the year.

Electric Market News

Entergy Corp struck a deal with ITC Holdings Corp to exit its power transmission business for \$1.78 billion. The company had been looking to get out of the energy transmission business due to expensive infrastructure upgrades and increasingly stricter regulation. Entergy tried to create its own independent power grid over the past few years but after falling short of its goals the company is now attempting to integrate its transmission operations into the MISO network where ITC currently operates.

	Natural Gas			
	O.I	Prior O.I	Change	% OF TTL
DEC	268940	269882	-942	28.305%
JAN	98360	97549	811	10.352%
FEB	130553	127023	3530	13.740%
Dec-12	24441	24558	-117	2.572%
Dec-13	6397	6359	38	0.673%
TOTAL	950156	945325	4831	

Researchers at MIT issued a report on Monday saying that the threat of cyberattacks on the US power



grid should be monitored by a single federal agency as opposed to the numerous groups that are currently in charge of the system's security. The team recommended that a single federal agency should work with the industry and have appropriate regulatory authority to increase cyber securities preparedness, response, and recovery.

Economic News

The International Council of Shopping Centers and Goldman Sachs reported that US chain store sales fell 2.3% in the week ending December 3rd to 514.7.

European statistics agency Eurostat confirmed its estimate that GDP in the euro zone increased by 0.2% in the third quarter compared with the previous quarter. It reported that GDP in the euro zone increased by 1.4%.

Market Commentary

The natural gas market continued to trend lower in overnight trading following Monday's sharp selloff. The market sold off to a low of \$3.405 in early morning trading. It however bounced off that level and retraced its losses on revised weather forecasts that eased the selling pressure. The market traded back above the \$3.50 level to a high of \$3.507 by midday. It settled in positive territory following two days of losses, up 2.6 cents at \$3.487. The market found some support as an updated weather forecast showed temperatures would not be as warm as previously forecast in the eastern half of the country.

While the weather forecasts are moderating, temperatures are still expected to average warmer than normal, which should continue to keep the market's gains limited. The market is seen finding resistance at its high of \$3.507, \$3.528, \$3.568 and \$3.63. Support is however seen at \$3.46, \$3.426, its low of \$3.405, \$3.364 and \$3.324.

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