



ENERGY RISK MANAGEMENT

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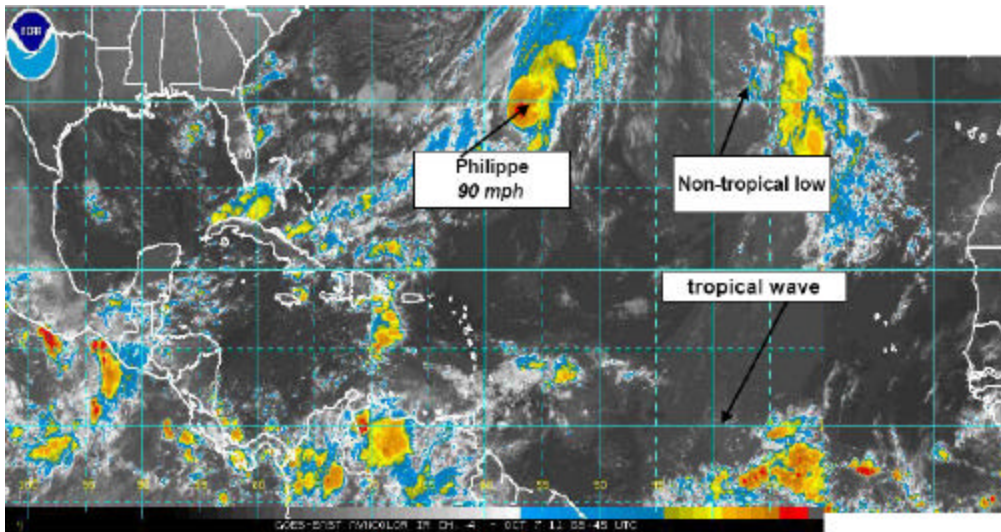
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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 7, 2011

NATURAL GAS MARKET NEWS

North America

A tropical or sub-tropical system is still expected to develop in the Gulf of Mexico or the western Caribbean over the weekend before tracking to Florida and up along the East Coast next week. The storm is expected to bring heavy rains, strong winds, and rough seas. A second system may form in the western Caribbean at the end of next week or next weekend. It is expected to strengthen into a tropical cyclone and stay in the northwestern Caribbean near Belize and the Yucatan Peninsula from October 15th to October 19th. The system is then expected to cross the Yucatan Peninsula on October 20th and October 21st.



Generation Outages

NPCC- NextEra Energy Inc said its Seabrook nuclear power plant will continue to be offline until repairs to the main feed pump are complete. The reactor went offline on Thursday when a condensate pump was being returned to service following maintenance.

The NRC reported this morning that some 83,086 Mw nuclear generation was operating this morning, down 1.4% from yesterday and some 1.58% above the same day a year ago.

El Paso has announced the MPP pipeline project to extend its current 300 line in Pennsylvania. The MPP project will expand the 300 Line by 240 mmcf and make deliveries from the Marcellus Shale. The estimated cost of the project is less than \$100 million. Pending regulatory approvals El

Paso hopes to begin construction in early 2013 and have the pipeline in service by November 1, 2013.

The EnCana corporation has agreed to sell approximately 52% interest in its Horn River Basin's Cabin Gas plant for about C\$220 million. The plant is expected to have a capacity of 800 mmcf and be commissioned in the third quarter of 2012.

International

Gazprom has increased hydrocarbon reserves at its Eastern Siberian Chonsk group of fields by 225 bcm of gas from 175bcm and 125 million tonnes of oil from 100 million tonnes.

Gazprom has been given a license to develop the Kovykta gas field in Siberia. The company bought the field in March for \$689 million. The reserves are estimated to have enough gas to supply the world's demand for eight months.

Poland's state-owned pipeline operator Gaz-System received five offers for virtual reverse flow services on the Yamal-Europe natural gas pipeline. The requests of the five bidders exceeded the pipeline's reverse flow capabilities.

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	1,248,500	\$3.398	(\$0.095)	(\$0.090)	(\$0.125)	(\$0.096)
Chicago City Gate	627,700	\$3.306	(\$0.137)	(\$0.182)	(\$0.076)	(\$0.063)
NGPL- TX/OK	1,017,400	\$3.272	(\$0.105)	(\$0.216)	(\$0.044)	(\$0.154)
SoCal	549,200	\$3.199	(\$0.294)	(\$0.289)	(\$0.233)	(\$0.049)
PG&E Citygate	789,200	\$3.431	(\$0.318)	(\$0.058)	(\$0.257)	\$0.186
Dominion-South	552,400	\$3.398	(\$0.103)	(\$0.090)	(\$0.042)	(\$0.013)
USTrade Weighted	21,220,600	\$3.251	(\$0.186)	(\$0.237)	(\$0.13)	(\$0.096)

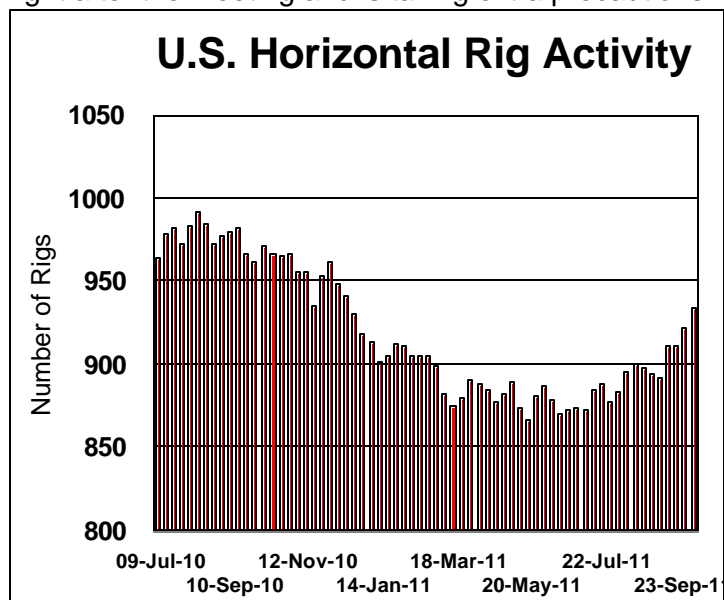
Malaysia may increase its natural gas output by 2.6% to 2.22 tcf/y and increase reserves to 88.9 tcf or 39 years worth of production. In 2012 Malaysia was the tenth largest holder of natural gas reserves.

Malaysia's Tenaga Nasional is seeking 100,000 tonnes of November delivery fuel oil. The company purchased a similar amount last month since the country's power sector is only receiving two-thirds of its natural gas allocation from Petronas. Tenga Nasional has been buying large volumes of fuel oil regularly since the second quarter and plans to continue making purchases into next year.

ELECTRIC MARKET NEWS

Los Angeles broke ground on a new \$782 million natural gas fired plant. The Los Angeles Department of Water and Power plans to eliminate using water from the ocean to cool its costal power plants. The two new units will replace units that were constructed in the 1960's. The new units will have the ability to ramp up to full power within ten minuets as opposed to the current units that take over a day to reach full power. The project hopes to be completed by the end of 2013.

The NRC does not plan on letting Dominion restart its North Anna nuclear power plant in Virginia before an October 21st meeting. The NRC was noncommittal on if the plant would be allowed to open right after the meeting and is taking extra precautions in the wake of the events that occurred in Japan that damaged the Fukushima Daiichi nuclear plant.

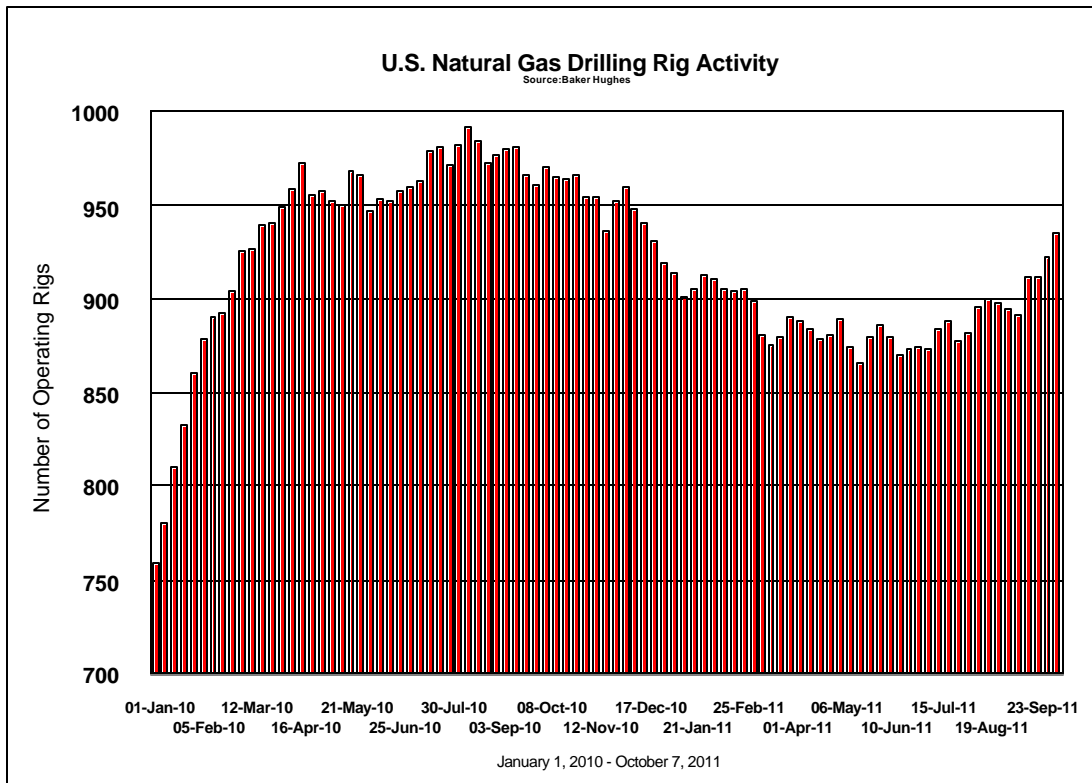


The number of rigs drilling for natural gas increased by 12 this week to 935 and the number of horizontal rigs increased by 13 to 1,148.

US coal consumption fell 13% last week and was down 7% when compared to the same week last year.

ECONOMIC NEWS

The US Labor Department said US employment grew more than expected in September. It said nonfarm payrolls increased 103,000 compared with an expected increase of 60,000. The



unemployment rate held steady at 9.1%. Private employment increased 137,000 in September up from 42,000 in August while government payrolls fell by 34,000 in September.

The US Commerce Department said US wholesale inventories increased less than expected in August as

sales increased. It reported that wholesale inventories increased by 0.4% to a seasonally adjusted \$464.32 billion after increasing 0.8% in July. Sales of US wholesalers increased 1% to a seasonally adjusted \$401.26 billion. The gain, the largest in five months, followed a 0.3% increase in July.

A survey by PNC Financial Services of small and mid-sized businesses shows that only 18% of these owners were optimistic about their company's outlook for the next six months, from 22% this spring. The construction sector remained the most pessimistic. In regards to sales the survey found that 40% of owners now expect sales to increase versus 48% thinking that back in the spring. Only 20% of the survey respondents said they expected to increase hiring vs. 48% earlier.

Germany's economy minister said today following his meeting with his Greek counterpart that Germany stands ready to defend the euro. The Greek Finance Minister Venizelos said Greece would fully honor its bailout loans.

Market Commentary

The natural gas market continued its downward trend during today's session amid forecasts for extended mild temperatures despite the market's oversold condition. The market opened lower and posted a lower high and lower low. It posted a high of \$3.60 in overnight trading before it continued to sell off throughout the session. The natural gas market settled down 11.7 cents at \$3.481. The market extended its losses over 12 cents in late afternoon trading as it hit a support line at \$3.47.

According to the Commitment of Traders' disaggregated futures and options report, managed money funds continued to cut their net short position for the second consecutive week by 9,588 contracts to 116,988 contracts in the week ending October 4th.

The natural gas market is likely to see some retracement of its recent losses as it remains in oversold territory. The market is seen finding support at its low of \$3.47 followed by \$3.445, basis its support line, \$3.437, \$3.392 and \$3.311. Resistance is however seen at \$3.563, its high of \$3.60, its 38%

retracement level off a low of \$3.47 to a high of \$3.926 at \$3.644, \$3.689, its 50% retracement level at \$3.698 and its 62% retracement level at \$3.752.

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