



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 12, 2011

NATURAL GAS MARKET NEWS

North America

The Atlantic and Gulf of Mexico are currently quiet but there is potential for a tropical cyclone to develop this weekend in the Western Caribbean. The storm is expected to roam around the Western Caribbean next week before entering the Bay of Campeche late next week where it is expected to develop into a tropical storm. The system is then projected to enter the Gulf of Mexico around October 23rd as a strong tropical storm or Category 1 Hurricane. It is estimated that Houston to New Orleans and the Mississippi coast may experience hurricane force winds before the storm moves inland bringing heavy rains from the Southeast to New England.

The EIA today released their latest short-term energy report. It is now estimating that U.S. dry gas production in the fourth quarter of this year will average 64.44 bcf/d, up nearly 1% from last month's estimate, with production in 2012 averaging 64.32 bcf/d also revised higher from last month, but only by 0.6%. Consumption meanwhile for the fourth quarter was revised downward by 0.8% to 70.86 bcf/d, with demand in 2012 pegged at 67.69 bcf/d, up from last month's estimate of 67.67 bcf/d. The EIA estimates that spot natural gas prices at Henry Hub should average in the fourth quarter of this year at \$4.03, some 19 cents lower than last month's estimate. For 2012, the EIA forecasts a price of \$4.45, an increase of 2 cents from last month's forecast.

International

Generation Outages

NPCC- Constellation Energy Nuclear Group's Ontario Ginna nuclear power plant was shut late on Tuesday from full power earlier in the day due to a turbine auto-stop valve closure. The plant will remain in 'hot standby mode' until the cause of the trip is determined.

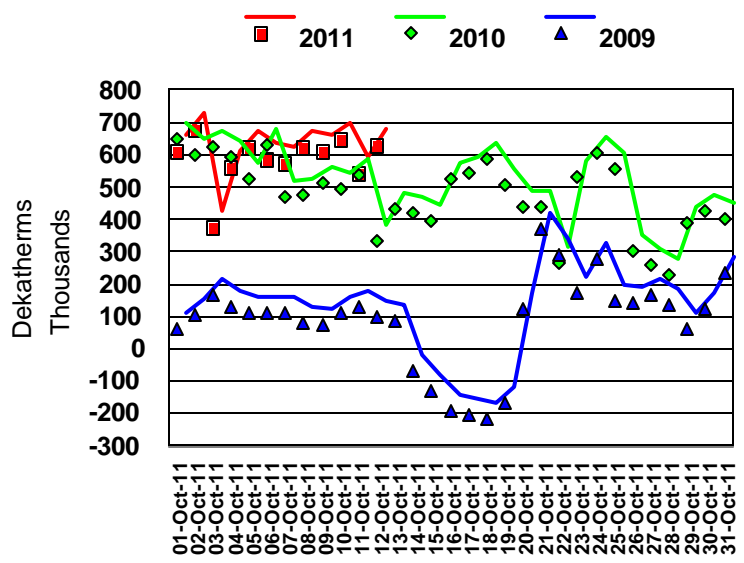
SERC- Unit 2 at the Vogtle nuclear power plant in Georgia began to exit an outage after being offline since September 19th for planned refueling. The Southern Co owned plant increased power to 3% early on Wednesday.

MRO- Exelon Corp's Unit 2 at the Byron power station ramped up power to 75% by early Wednesday morning from 25% on Thursday. The plant had been shut since September 18th for planned refueling.

WECC- PG&E finished work on an intake tunnel at its Unit 1 at Diablo Canyon and increased the unit to full power on Wednesday from 67% on Tuesday.

The NRC reported this morning that some 78,912 Mw of nuclear generation was online, up 0.6% from yesterday but down 2% from the same day a year ago.

Dominion Pipeline: Daily Net Storage Change



Statoil plans to shut down production at its Hammerfest LNG export facility for 2-3 weeks starting October 14th. The closure of the plant is caused by a contraction in a heat exchanger tube. While the plant is shut Statoil also plans to do some corrective maintenance.

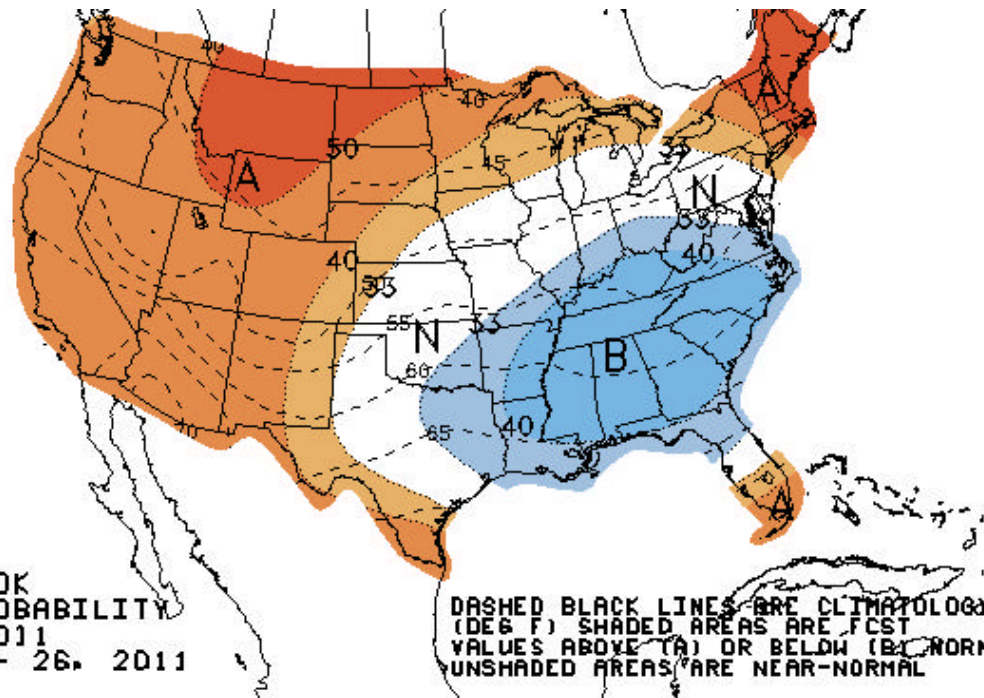
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	888,600	\$3.539	\$0.016	\$0.015	\$0.127	(\$0.147)
Chicago City Gate	763,500	\$3.550	\$0.042	\$0.026	\$0.119	(\$0.106)
NGPL- TX/OK	729,700	\$3.457	\$0.026	(\$0.067)	\$0.103	(\$0.170)
SoCal	461,400	\$3.518	\$0.101	(\$0.006)	\$0.178	(\$0.145)
PG&E Citygate	564,300	\$3.679	\$0.055	\$0.155	\$0.132	\$0.058
Dominion-South	344,800	\$3.592	\$0.016	\$0.068	\$0.093	(\$0.043)
USTrade Weighted	17,440,300	\$3.497	\$0.050	(\$0.027)	\$0.13	(\$0.147)

A pipeline transporting gas from Norway to Italy has been temporarily closed due to heavy rain causing snowmelt in Switzerland. The pipeline is currently being examined for damage and may reopen by October 16th depending on weather conditions. Italy has purchased gas from Algeria's Sonatrach and Russia's Gazprom to compensate for the loss.

The volume of Russian gas shipped via Ukraine to Europe increased by 11.3% year on year in the first nine months of 2011. Gas volumes were 76 bcm in 2011 compared to 68.3 bcm in 2010.

Iran is ready to fill the void in Turkish gas imports after Turkey ended its 6bcm gas deal with Gazprom. Turkey and Iran have discussed increasing gas flows between the two countries in the past but no talks have taken place recently. The managing director of the National Iranian Gas Company has recently said that Iran has the capabilities to increase gas exports to Turkey upon request.

Pakistan's Oil and Gas Regulatory Authority (OGRA) plans to award the contract to build an LNG import facility at the Port Qasim terminal early next month. Eighteen companies have shown interest in the project.



8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 12 OCT 2011
VALID OCT 20 - 26, 2011

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

ELECTRIC MARKET NEWS

The EIA expects U.S. coal consumption for electricity generation to decline by 19 million short tons or 1.9% in 2011, as the growth in total electricity generation of 0.6% is satisfied by increases in

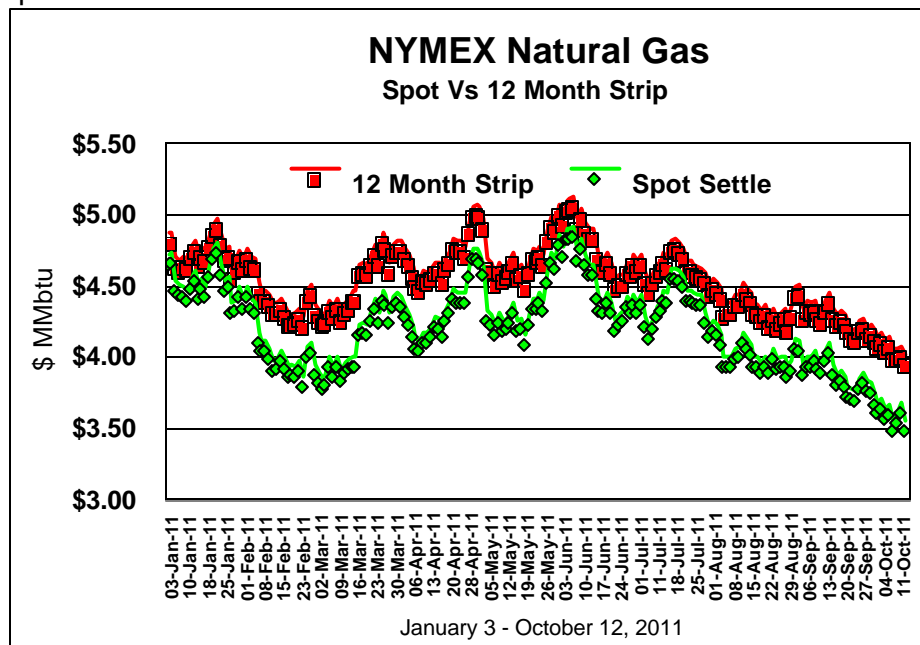
generation from natural gas (+1.2%) and hydropower (+23%). Projected increases in generation from natural gas and nuclear, combined with lower electricity consumption, are seen resulting in an additional 3.9% decline in electric power coal consumption in 2012.

ECONOMIC NEWS

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity increased by 1.3% in the week ending October 7th. Its seasonally adjusted index of refinancing applications increased by 1.3% while the index of loan requests for home purchases increased by 1.1% and refinancing share of mortgage activity was unchanged at 79.1% of total applications.

The Dow Jones-UBS Commodity Index will add Brent crude to its components for the first time next year. The DJ-UBS index, the world’s largest index with \$80 billion, would give Brent a 5% weighting while cutting the US crude oil weighting to 9.7% from 15%.

The European Union’s Statistics Office said industrial production in the 17 countries using the euro increased by 1.2% on the month in August for a 5.3% year on year increase. Its output was much stronger than expected. The European Commission expects economic growth in the euro zone to slow to 0.1% quarter on quarter in the third and fourth quarters of 2011 fom 0.2% in the second quarter.



The National Oceanic and Atmospheric Administration said colder than normal temperatures are expected in the Pacific Northwest and northern Plains states during December through February. It said warmer than normal temperatures are expected in the southern Plains and across the Gulf Coast states while the Northeast heating oil region does not yet show a clear seasonal trend. The Northeast region shows equal chances of normal, above normal or below normal temperatures for the season.

Market Commentary

The natural gas market today posted an outside trading session but the price rebound recorded over the prior two sessions was nearly erased by the end of the day. It appears that the bulls were on the defensive today from fundamental factors such as the poor outlook for upcoming heating demand, a slight uptick in nuclear generation and a bearish Short Term Energy Report released by the EIA today, that forecasted higher production coupled with lower demand for the fourth quarter of this year. Technically the market retraced 38% of the sell off from September 27th through October 10th and appears to have reverted back to its longer-term bearish trend that has been in place since mid-September. Also any bulls that were looking at Monday’s low as an oversold condition appear content to move to the sidelines in front of tomorrow’s EIA Storage Report.

Market expectations for tomorrow's report appear to be running around a 100 bcf build in working gas stocks, The same week a year ago saw a 90 bcf build with the five year seasonal average reflecting a 72 bcf.

With this market failing to reach our target of \$3.73 to begin to be a scale up seller, we will remain on the sidelines and not try to chase after this market given a limited risk reward profile. We see resistance at \$3.635 followed by \$3.691, \$3.73-\$3.746, \$3.815 and \$3.90. Support we see at \$3.455, \$3.391 and \$3.212.

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