



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

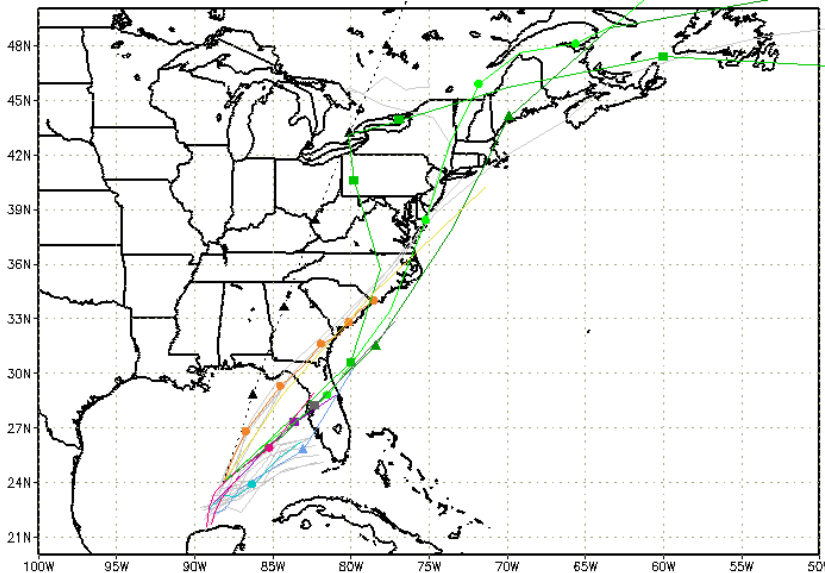
NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 18, 2011

NATURAL GAS MARKET NEWS

North America

Invest 95L was producing widespread thunderstorms and showers as well as tropical storm winds Tuesday morning. The system is expected to move north into a cold front reducing the chances of further development. The storm is expected to reach Florida on Tuesday afternoon with heavy rainfall and winds before moving into Georgia on Wednesday before moving up the east coast. Elsewhere in the Gulf of Mexico and Atlantic there are no systems that currently warrant monitoring.

XTRP 18/1200Z BAMD 18/1200Z GFDL 18/0000Z AVNO 18/0600Z GMC 18/1200Z
 TVCN 18/1200Z BAMM 18/1200Z UKM 18/1200Z AEMN 18/0600Z APX 18/0600Z
 NHC Not Avail BAMS 18/1200Z NGPS 18/0600Z HWRF 18/0000Z CLPS 18/1200Z



storm_95
sfwmd.gov
weather@sfwmd.gov
18-Oct 17:06EDT

NHC Advisories and County Emergency Management Statements supersede this product. This graphic should complement, not replace, NHC discussions. If anything on this graphic causes confusion, ignore the entire product. For full info, see <http://my.sfwmd.gov/sfwmd/common/images/weather/plots.html>



Generation Outages

SERC- Duke Energy Corp's Unit 1 at the McGuire nuclear power plant increased power to 80% early on Tuesday from 54% power on Monday. The reactor is currently in the process of exiting an outage.

PJM- The 1112mw Unit 3 at the Peach Bottom nuclear power plant ramped up 95% early on Tuesday from 68% power on Monday. The unit is currently exiting an outage from September 11, when the plant was closed for a scheduled refueling outage.

NPCC- NextEra Energy Inc's Seabrook nuclear power plant has finished repairs on a main feed pump and started to exit an outage ramping up to 16% power early on Tuesday.

The NRC reported this morning that some 81,391 of nuclear generation was online, up 1.4% from yesterday and up 2.1% from the same day a year ago.

International

Eni's chief executive said in a statement that Europe must be more proactive in developing shale gas and that Europe need to create a better gas pipeline infrastructure to create better energy supply security.

Qatar's RasGas plans to supply Korea's KOGAS with 8.3 million tons of LNG this year, about a quarter of the countries demand. RasGas and KOGAS have a long term LNG deal for RasGas to supply 7 million tons per year. In addition to the deal RasGas has supplied KOGAS with 1

million tons of spot cargos over the last several years.

India's Petronet plans to get between 12 and 14 spot cargoes of LNG before the end of the year to meet surging demand amid falling output. Petronet is trying to increase gas production at its

regassification plant from 10 to 15 mtpa before 2016 in addition to a \$612.8 million investment into a new terminal that is expected to have a capacity of 5 mtpa.

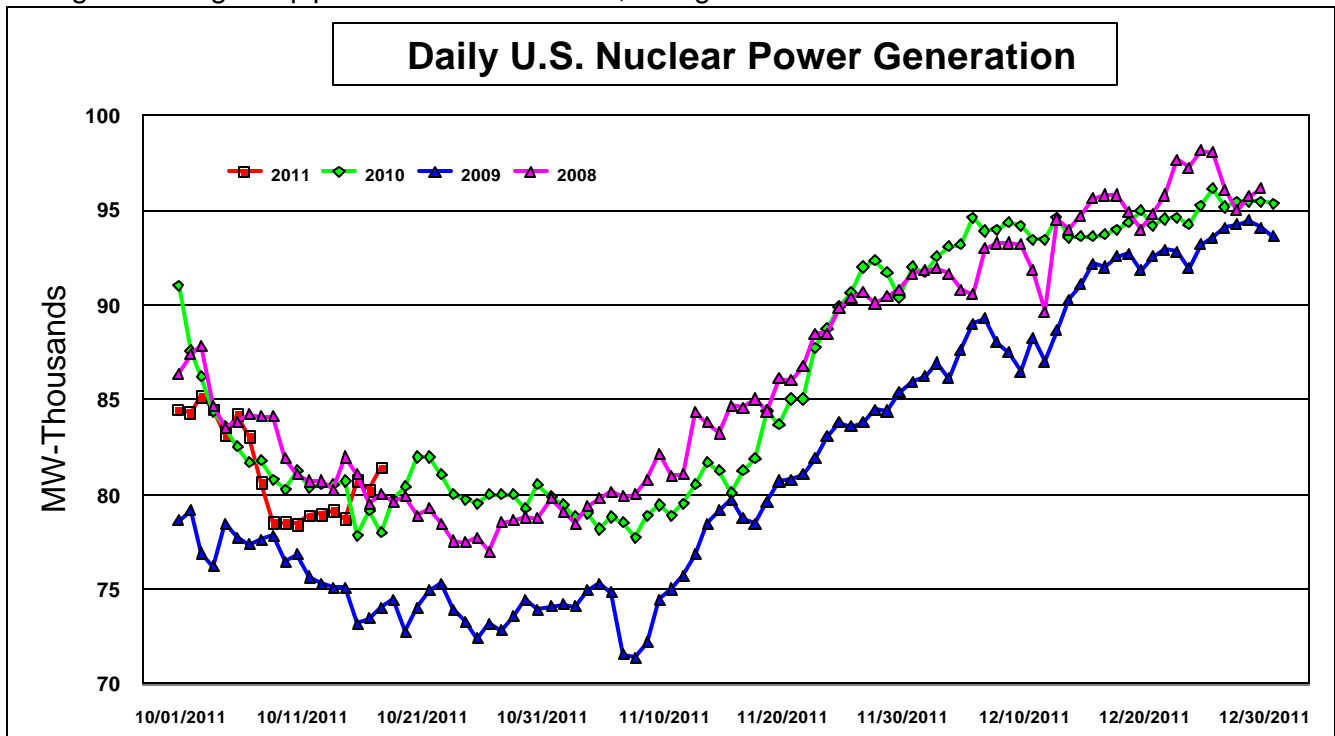
Azerbaijan's natural gas production fell 2.6% to 19.37 bcm for the January

through September period when compared to the same period in 2010. The reason for the decline can be attributed to repair work on some drilling platforms.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,042,700	\$3.627	(\$0.094)	\$0.039	(\$0.001)	(\$0.082)
Chicago City Gate	1,348,300	\$3.768	(\$0.045)	\$0.180	\$0.034	\$0.014
NGPL- TX/OK	658,900	\$3.563	(\$0.091)	(\$0.025)	(\$0.012)	(\$0.112)
SoCal	399,100	\$3.735	\$0.063	\$0.147	\$0.142	(\$0.046)
PG&E Citygate	1,176,300	\$3.734	(\$0.059)	\$0.146	\$0.020	\$0.069
Dominion-South	522,600	\$3.656	(\$0.140)	\$0.068	(\$0.061)	(\$0.013)
USTrade Weighted	21,047,400	\$3.607	(\$0.080)	\$0.019	(\$0.00)	(\$0.082)

Azerbaijan and its partners in the Shah Deniz consortium will decide by November on a gas export route to Europe. The Shah Deniz is believed to hold 1.2 trillion cubic meters of gas that will have the ability to supply Europe with gas for decades. Three pipelines have submitted competing bids to transport the gas.

Norway flooded the British market with gas causing prices to drop below their seven month high on Tuesday. Gas for delivery fell 8% in the afternoon after Norway's gas exports doubled. Gas flows through the Langede pipeline rose to 70mcm/d, its highest level in seven months.



The Al Gattara LNG tanker is expected to arrive on October 20th at UK's South Hook LNG terminal from Qatar.

ELECTRIC MARKET NEWS

Texas set a record for wind-power output on October 7th with 7,400mw of generation. Wind-power output was at 78% of the states 9,400mw maximum capacity. This is approximately double the average capacity of 30% to 40%.

ECONOMIC NEWS

Federal Reserve Chairman Ben Bernanke said policymakers might need to use monetary policy tools to halt asset bubbles from forming in the future even though other methods are preferable.

The US Labor Department said US wholesale prices increased in September, pointing to inflation pressures that could limit the Federal Reserve's leeway in providing more stimulus to a weak economy. The Producer Price Index increased by 0.8% in September as energy prices surged. Wholesale prices were flat in August and increased by 0.2% in July. The core PPI increased by 0.2% in September.

The International Council of Shopping Centers and Goldman Sachs reported that US chain store sales increased 0.1% in the week ending October 15th to 516.6.

The National Association of Home Builders said US homebuilder sentiment increased in October to its highest level in a year and a half. The NAHB/Wells Fargo Housing Market Index increased to 18 in October from 14 the month before.

China's economic expansion slowed in the third quarter to its weakest pace in more than two years. China's GDP in the third quarter grew 9.1% on the year, the third consecutive quarterly slowdown in growth following a 9.5% growth in the second quarter and 9.7% in the first quarter. China's inflation ran at an annual pace of 6.1% in September, down from its three-year highs of 6.5% in July and well over its 2011 official target of 4%. Meanwhile China's industrial production increased by 13.8% on the year in September, up from a 13.4% annual increase in August.

German investor morale fell to its lowest level in nearly three years in October. The Zew think tank's monthly survey showed economic sentiment fell to -48.3 from -43.3 in September. It was the eighth consecutive decline and lowest level since November 2008.

Germany's Chancellor Angela Merkel expects European leaders to produce a work plan for Greece at an October 23rd summit, possibly including a permanent troika mission to monitor its debts. She said the summit should find ways to ensure the euro zone rescue fund is used effectively. She said European leaders would make an important step at the upcoming summit but further steps would be necessary.

Moody's warned it may give a negative outlook on France's Aaa credit rating in the next three months if the costs for helping bail out banks and other euro zone members stretch its budget too much. It said France's progress on fiscal and economic reforms as well as potential adverse developments in financial markets or the economy will also be taken into account under the review. France now has less room to stretch its finances than it did during the financial crisis of 2008.

Goldman Sachs Group Inc's commodities trading risk fell sharply in the third quarter as it reported weaker than expected earnings. Value at Risk for commodities at Goldman Sachs averaged \$25 million per day in the third quarter compared with \$39 million in the second quarter and \$29 million in the third quarter of 2010.

Market Commentary

The natural gas market posted a lower settlement for the second day in a row. While weather forecasts appear supportive for the next two weeks this market saw selling pressure from the start of this morning's session, which surprised us. The only real bearish fundamental we saw on the day that could be supportive to the bearish cause that we saw was the strong rebound in nuclear generation which as of today was above the prior three year's recorded levels for this point in October. While the daily stochastics appear to be on the verge of rolling back to the downside we would still remain on the sidelines and not attempt to jump into this market and short it in front of Thursday's EIA Storage

Report. Current market estimates are for this report to show a 110-120 bcf build in stocks which will continue to help close the year on year deficit in stocks.

We see support tomorrow at \$3.53-\$3.51, followed by \$3.445, \$3.391 and \$3.212. Resistance we see \$3.777-\$3.779 followed by \$3.858 and \$4.09.

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