



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 21, 2011

NATURAL GAS MARKET NEWS

North America

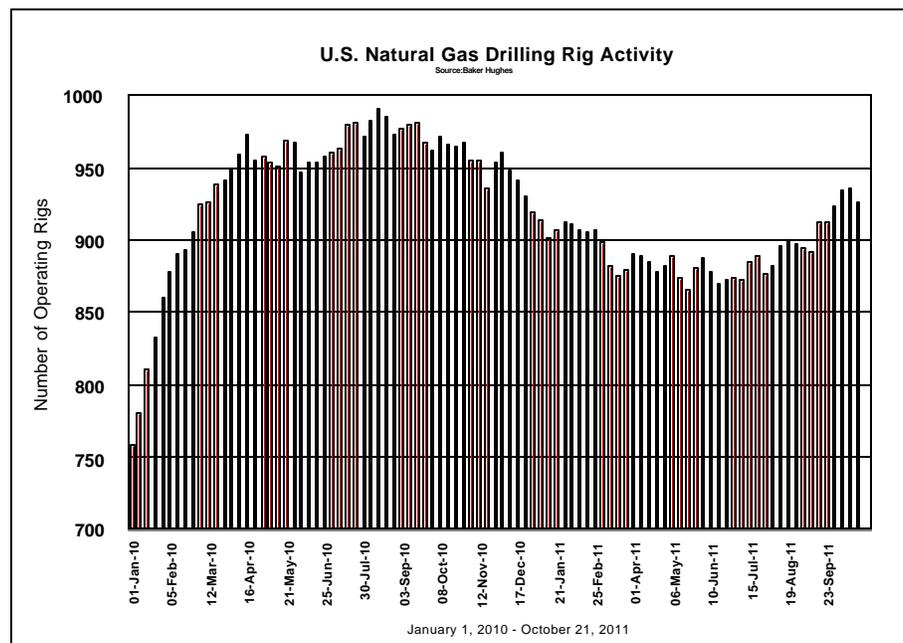
The U.S. National Hurricane Center this morning was warning of potential tropical activity over the Caribbean for the next week. Forecasters were watching an area of low pressure located over the southwestern Caribbean currently that has a 60% chance of becoming a tropical cyclone over the next 48 hours. Currently this system is in an area of light steering winds and as a result the computer models have various projections for its future track. The GFS model sees the system becoming

a tropical storm by Sunday night and will make landfall on the north coast of Honduras early next week. The model also sees a second system springing to life in the central Caribbean by the middle of next week that could strengthen into a tropical storm or a Category 1 hurricane by late next week and

impact Jamaica and eastern Cuba.

Baker Hughes reported this afternoon that the number of drilling rigs searching for natural gas in the United States this week stood at 927 rigs down 9 from the previous week.

Reuters reported today that despite the upcoming end of a drilling ban in New York, new regulations which are expected to be finalized early next year, will potentially impose a drilling ban on half the land energy companies have secured leases on. The proposed rules are looking to



impose an off limits buffer around the state's waterways due to environmental concerns about the effects that drilling will have on water supplies. These buffers appear will be 20 times larger than those set in Pennsylvania. As a result several energy companies are looking to abandon their activities in the

Generation Outages

MRO - Xcel Energy's 545 Mw Prairie Island #2 nuclear unit ramped up to 50% power this morning, after running at only 7% on Thursday. The unit was restarted following its refueling outage yesterday.

FRRC - NextEra Energy's 839 Mw St. Lucie #1 nuclear unit ramped higher and was at 41% power this morning. The unit had been shut on Wednesday for work on a non-nuclear component.

RFC - FirstEnergy's 1245 Mw Perry nuclear unit ramped up to 70% power on Friday from 36% power on early Thursday.

The NRC reported this morning that some 81,835 Mw of nuclear generation was online, up 0.8% from yesterday and some 2.25% above the same day a year ago.

state all together. One such company is Norse Energy, which leased 180,000 acres in New York. The company recently laid off half its staff last month, as its share price on the Oslo stock market has lost

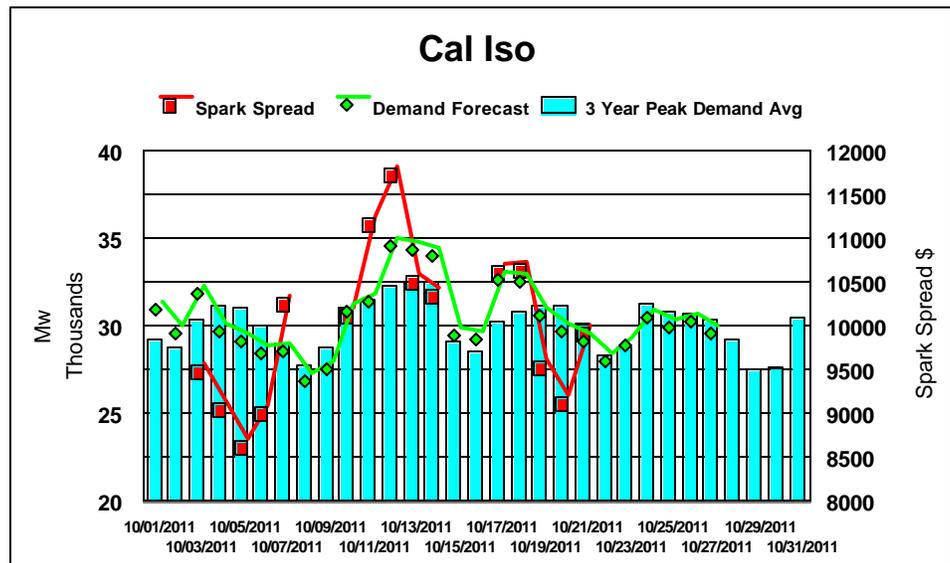
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	847,400	\$3.539	(\$0.069)	(\$0.068)	(\$0.072)	(\$0.030)
Chicago City Gate	683,200	\$3.722	(\$0.116)	\$0.115	(\$0.074)	\$0.166
NGPL- TXOK	578,100	\$3.464	(\$0.066)	(\$0.143)	(\$0.024)	(\$0.080)
SoCal	463,700	\$3.413	(\$0.166)	(\$0.194)	(\$0.124)	(\$0.028)
PG&E Citygate	922,100	\$3.702	(\$0.062)	\$0.095	(\$0.020)	\$0.121
Dominion-South	473,600	\$3.594	(\$0.093)	(\$0.013)	(\$0.051)	\$0.051
USTRade Weighted	18,340,300	\$3.493	(\$0.114)	(\$0.114)	(\$0.07)	(\$0.030)

nearly all their value. The proposed regulations are open to public comment until December, with drilling permits possibly being issued as early as mid-2012.

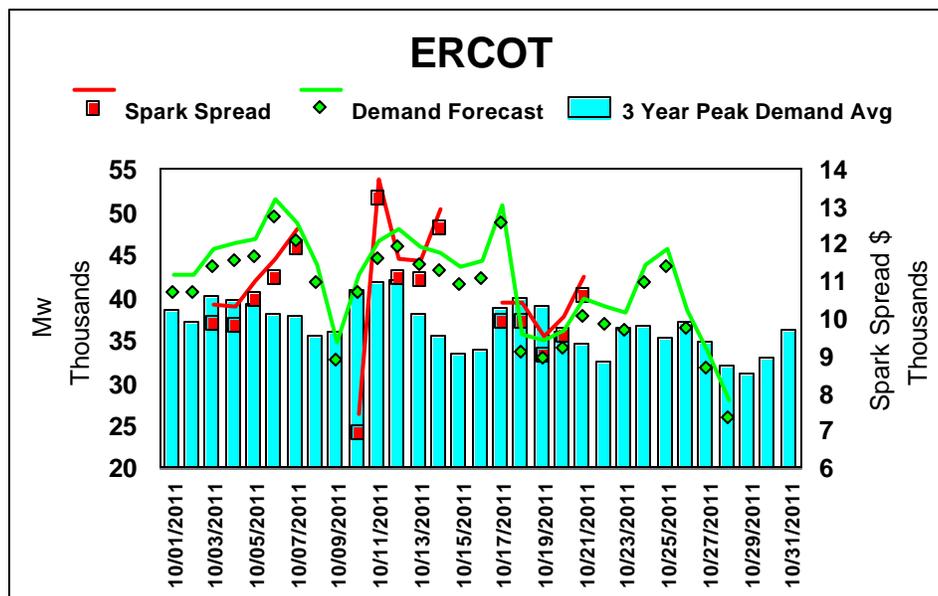
International

Tokyo Electric Power said today that it is considering buying LNG in the global spot markets to meet peak demand this winter. Last month TEPCO used 16.9% more lng than it did a year ago to make up for the shortfall in its nuclear power generation.

The EU's gas market could have around 50 bcm more excess supply in 2011 than it did last year according to Reuters research and analyst data. The research also suggested that the system is likely to remain similarly long in 2012.



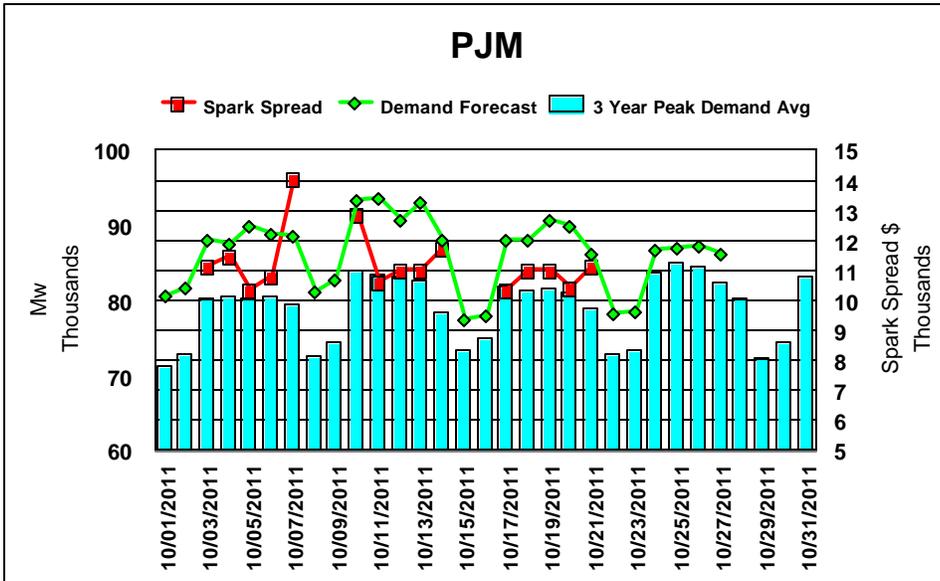
This compares with a net positive balance of just over 10.5 bcm in 2010.



Dominion said Friday it was ready to restart its 1806 Mw North Anna nuclear power plant as soon as federal regulators grant permission. Both units at the plant were shut in the wake of the August 23rd earthquake in the region.

ELECTRIC MARKET NEWS

Genscape reported today that it estimated U.S. coal consumption fell 3% last week and was down 10%

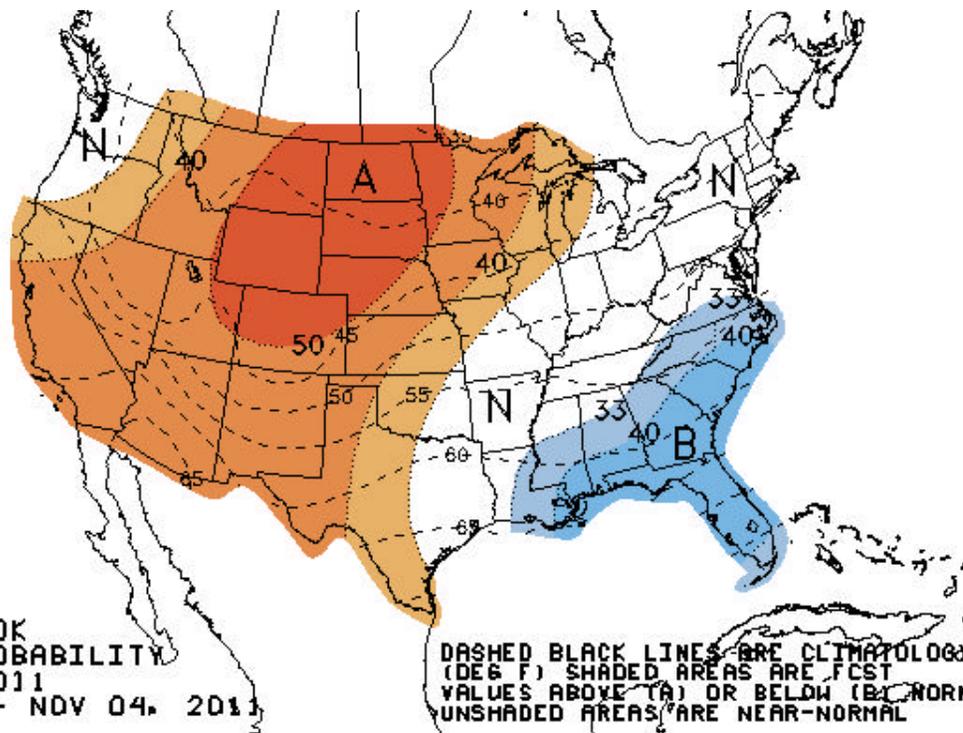


from the same week a year ago.

The EIA late yesterday reported that U.S. coal production for the week ending October 15th stood at 21.386 million short tons, down 1% from the previous week and off 1.6% from the same week a year ago. Year to date production has been running 0.5% less than a year ago.

The U.S. Senate approved a bill this week that would continue to deliver low cost hydroelectric power from the Hoover Dam to Los Angeles through 2067. The bill was previously approved by the House of Representatives. The dam provides about 6-8% of

the power used by the city at a cost of around 2.5 cents per Kwh vs. a market price for power in California of about 6 cents per Kwh. Meanwhile California regulators moved ahead with final regulations for a carbon market in California to combat climate change in the state.



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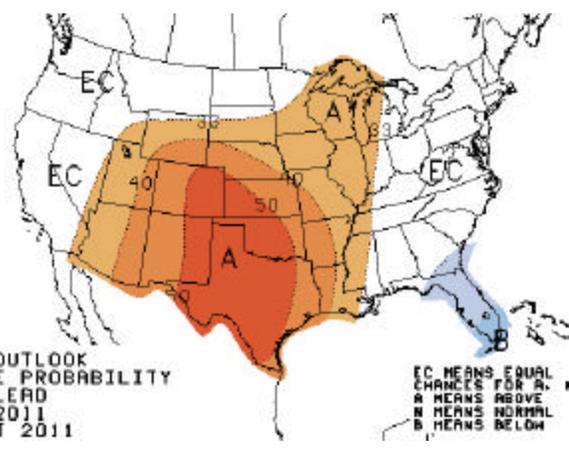
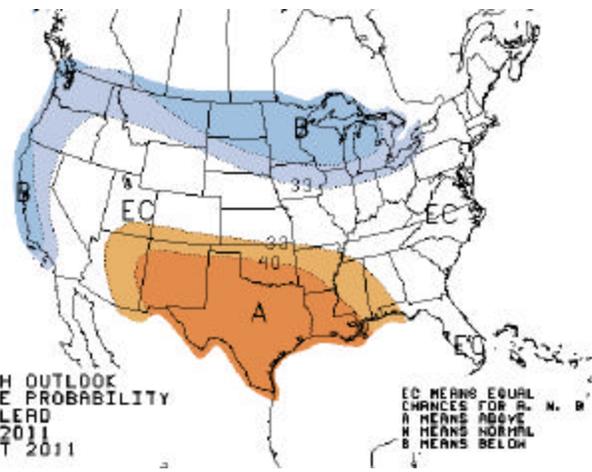
ECONOMIC NEWS

The Economic Cycle Research Institute said its Weekly Leading Index increased to 120.4 in the week ending October 14th from 120 the week before. The index's annualized growth rate fell to minus 10.1% from minus 9.7%.

Barclays Capital said investment flows into commodities fell in consecutive quarters for the first time since 2008 as institutional investors remained active in cutting positions amid intensifying global

growth concerns and downside risk to activity in emerging economies. The September outflow of almost \$10 billion is the largest in its monthly series. It said commodities assets under management ended at \$393 billion in the third quarter, down from \$408 billion at the end of the previous quarter.

France's push to use more European Central Bank money to resolve the euro zone debt crisis ran into strong resistance from Germany and other EU partners on Friday, leaving Paris increasingly isolated before their summit this weekend. The rift between France and Germany has already forced leaders to tack on an extra summit in the coming week. They are schedule to meet twice, on Sunday and Wednesday to adopt a comprehensive strategy to fight the crisis that started in Greece, spread to Ireland and Portugal and is now threatening to engulf the economies in the euro zone.

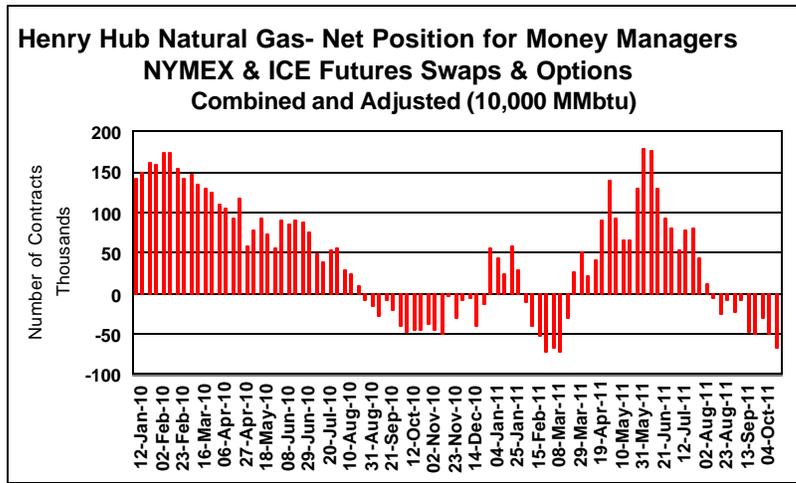


Market Commentary

The natural gas futures market posted a rather sleepy and quiet trading session today. While the futures market came under some early selling pressure as a result of weaker spot market values and a breach of a minor one week trend line during the first 30 minutes of trading for the floor session this morning, support was found just above the double bottom for the week (Tuesday and Wednesday's lows) at \$3.536-\$3.532. Prices from that point forward slowly ground higher and basically

finished back near unchanged levels. Prices officially settled lower on the day but still trended higher in late trading following the settlement.

It appears this market is trying to build a base of support around the \$3.60-\$3.65 area, with short term moves of 5-10 cents in either direction as traders await the end of the injection season and the start of the new winter heating season. Longer term forecasts (for what they are worth) released late yesterday by the NWS appear to point to a normal to slightly warmer than normal start to the heating season next month with the December through February period probably being normal to slightly cooler. This coupled with a slight decline in the Baker Hughes rig count provided little new fundamental news to drive this market today and with a low risk threat in the tropics there was little to drive this market lower going into the weekend.



We continue to resist the temptation to sell this market at these current levels seeing limited risk reward, especially given the tendency of this market seasonally to over react to any early spike in heating demand.

This evening's CFTC Commitment of Traders Report for the period ending October 18th showed that commodity fund managers increased their net short position by nearly 17,500 lots on a combined and adjusted basis in the Henry Hub futures, swaps and options on the NYMEX and ICE exchanges. This is the largest net short position since last March. Given the size of this net short position makes us believe there is little additional selling interest this group may have and any potential extended cold outbreak could trigger this group to cover some of these shorts and prompt an exaggerated upward spring in values.

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