



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 28, 2011

NATURAL GAS MARKET NEWS

North America

Rina has continued to weaken and is expected to dissipate within the next 36 hours. The low pressure system 97L is currently projected to run into Rina in the northwestern Caribbean and there is some chance a new storm could develop when the two systems collide. Elsewhere, an area of low pressure in the Atlantic has a small chance to develop but the system's trajectory poses little threat to land.

Alaska's governor said that the state's natural gas and oil producers should consider shipping its gas overseas instead of to the continental US because the Asian markets are better. In a statement he mentioned that he has already had discussions with BP, ConocoPhillips, and Exxon Mobil about building a natural gas export terminal.

Generation Outages

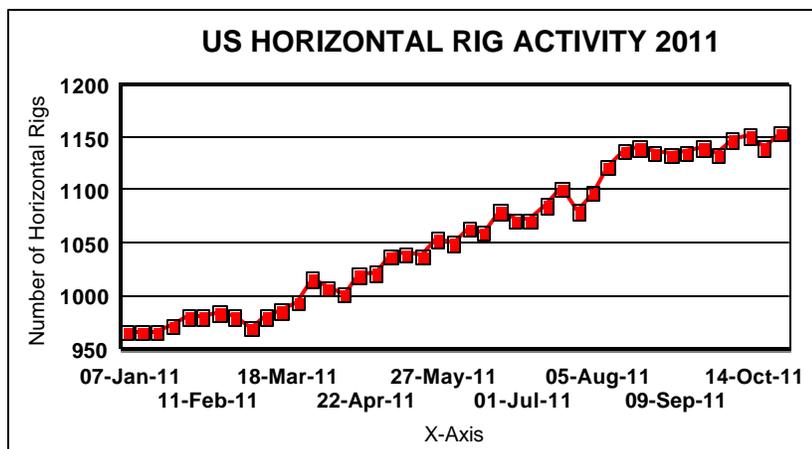
FRCC- Unit 1 at the Saint Lucie nuclear power plant started to exit an outage and increased power to 9% early on Friday. The NextEra Energy Inc owned plant was shut on Tuesday for repairs on unspecified equipment.

SERC- Progress Energy Inc's Unit 2 at the Brunswick nuclear power plant reduced power from full capacity on Thursday to 44% power on Friday.

NPCC- NextEra Energy Inc's Seabrook nuclear power plant started to exit an outage and increased power to 14% on Friday. The reactor had been shut since October 6th after it automatically tripped because of one its main feed pumps.

MRO- The 1,009MW Unit 1 at the Cook nuclear power station increased to 69% power early on Friday from 35% power on Thursday. The unit is currently returning to service after a refueling outage. Xcel Energy Inc's Monticello nuclear power station has started to exit an outage and ramped up power to 15% early on Friday. The station was shut on October 21st because of a transformer lockout.

The NRC reported this morning that some 80,361 Mw of nuclear generation was online, up 0.1% from yesterday and up some 0.4% the same day a year ago.



The CFO of Chevron released a statement saying that he sees strengthening of a medium-term market for LNG following the Fukushima disaster.

The EIA released their monthly natural gas report this morning and it showed that U.S. dry gas production in the United States in August continued to expand as it reached 63.2 bcf/d, a new all time high. This production was driven by gains in Louisiana and Oklahoma which saw

monthly output increase by 2.2% and 1.5% respectively. New emerge production areas such as Pennsylvania, Ohio and West Virginia saw gains of 1.7%. Even the production from the federal waters of the Gulf of Mexico, which had seen seven consecutive monthly declines rebounded in August and grew by 1.4%. Consumption of natural gas during August was pegged at 60.6 bcf/d, which was a 0.1% decline from August 2010. While residential demand was unchanged from the prior year, gains of 3.8%

and 2.1% were seen respectively in the commercial and industrial sectors. Power generation demand for natural gas was off 2.6% from a year ago.

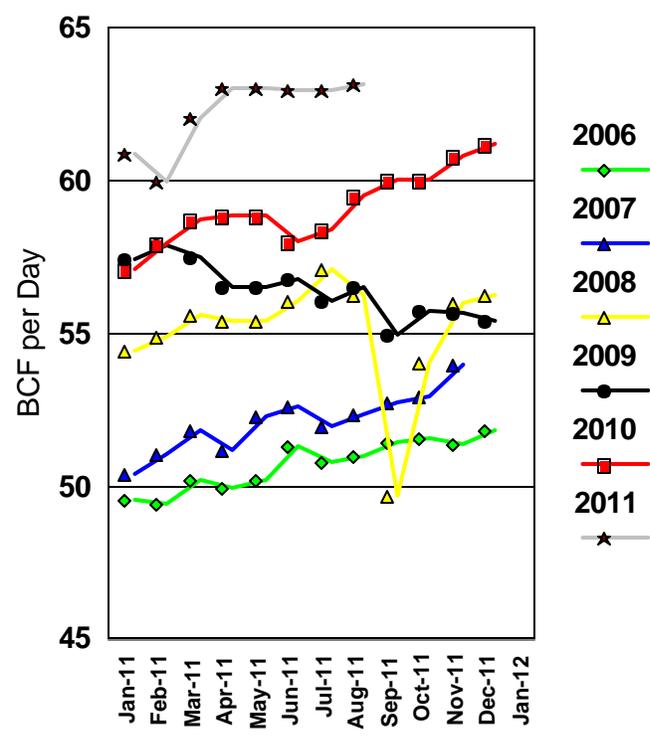
International

Gazprom has agreed on the framework of an asset swap with BASF subsidiary Wintershall. According to the deal the Achimov formation of the Urengoy field in Western Siberia will be developed jointly by both companies. Wintershall will hold a working interest of 25% and one share in the development of blocks four and five with the option of increasing its shareholding to 50%. Gazprom will gain interests of equal value in selected exploration and production projects by Wintershall in the North Sea.

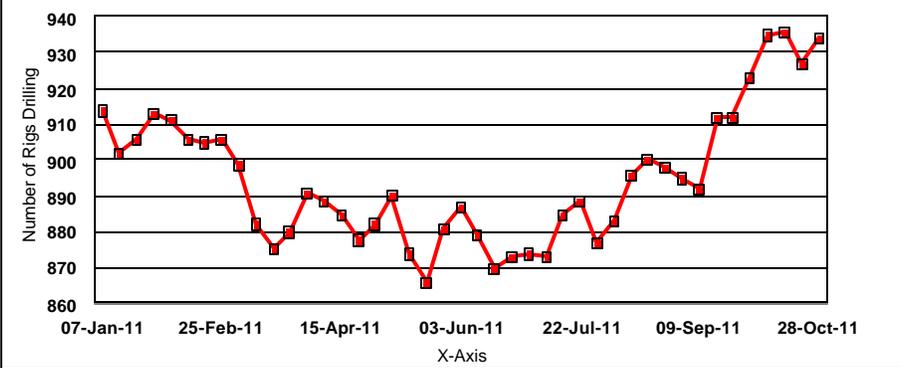
Qatar surpassed Malaysia as the biggest exporter of LNG to Japan in September. Qatar shipped 1.18 million tonnes to Japan while Malaysia exported 1.17 million tonnes.

India plans to increase imports from Qatar beginning in 2013 under a 20-25 year contract. Qatar currently exports 7.5 mtpa to India and plans to ship an additional 3 mtpa. The Dahej plant that is owned by Petronet, which currently has a 10 mtpa capacity, plans to expand its capacity to 15 mtpa by 2015 and increase imports from Qatar by 2 mtpa. The Dabhol LNG terminal plans to be commissioned in March and receive 1 mtpa from Qatar.

U.S Natural Gas Production



Number of Gas Rigs Drilling 2011



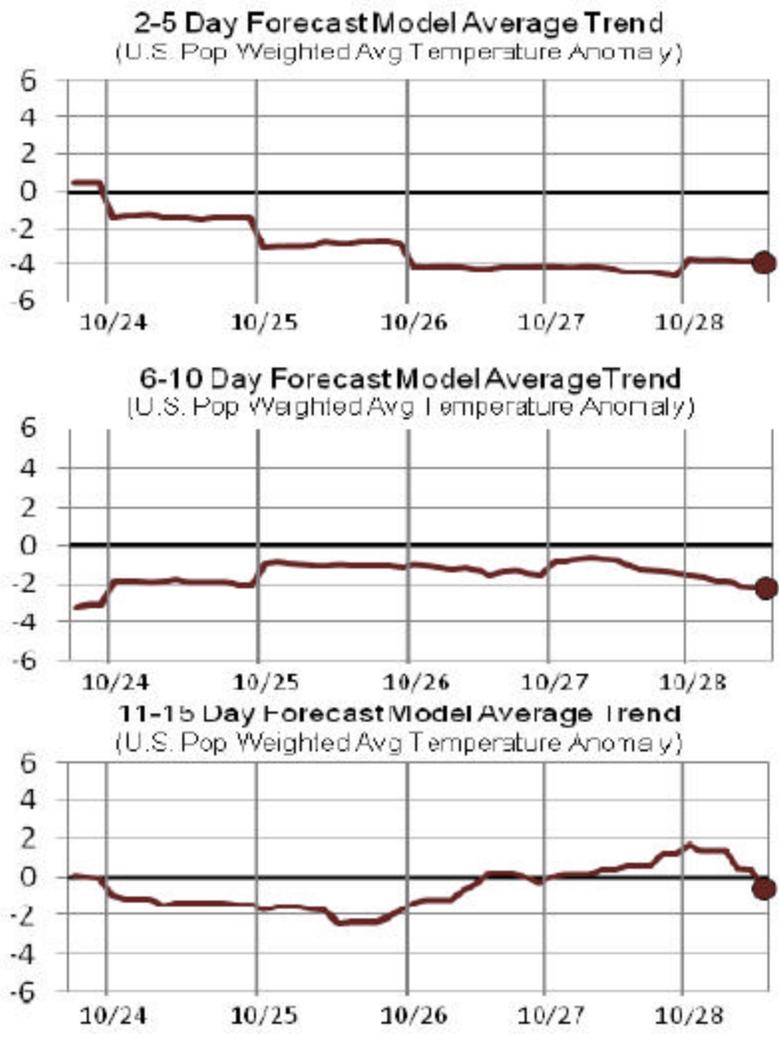
The first parts of the coming winter in Europe may be cooler than average but later on, the winter season is likely to show changeable, possibly milder weather than average. The second half of November and the first half of December could be cooler than normal.

US COAL CONSUMPTION				
		National	East	West
This week	10/27/2011	16.72	14.26	2.31
Last Week	10/20/2011	16.1	13.62	2.23
Last Year	10/28/2010	18.91	16.83	2.47

Electric Market News

Calpine Corp is trying to replace its coal-fired units with natural gas-fired plants because it believes its coal plants will be negatively affected by new federal regulations. Calpine along with Exelon and NextEra are pushing the federal government for stricter emission laws because they own power generation units that currently use clean burning fuel. Exelon Corp has recently said that the EPA

should move quickly to finalize the Cross-State Air Pollution Rule. The US currently generates about 45% of its power from coal powered plants.



In an attempt to encourage new investors to build new power generations units, Texas regulators plan to create a price floor of \$120 per MWh for online power plants that offer bids into the market for 'non-spinning reserve service' and \$180 per MWh for offline resources. The states \$34 billion a year industry is currently having difficulty in finding new investors despite a rising demand that is straining the current supply.

ECONOMIC NEWS

The US Labor Department said US employment costs slowed sharply over the summer. It reported that the employment cost index increased 0.3% in the third quarter, down from a 0.7% gain during the second quarter. Wages and salaries increased 0.3%. Benefit costs, however increased only 0.1%.

The US Commerce Department reported that personal consumption expenditures increased by 0.6% in September following an increase of 0.2% in August. The core PCE index increased 1.6% in September.

Meanwhile income was up 0.1% in September following a 0.1% fall in August. The personal saving rate fell to 3.6% in September, the lowest level since December 2007.

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	865,700	\$3.604	\$0.015	(\$0.287)	(\$0.312)	\$0.020
Chicago City Gate	919,300	\$3.864	(\$0.052)	(\$0.027)	(\$0.373)	\$0.231
NGPL- TX/OK	723,600	\$3.570	\$0.046	(\$0.321)	(\$0.275)	(\$0.109)
SoCal	521,500	\$3.578	(\$0.030)	(\$0.313)	(\$0.351)	\$0.001
PG&E Citygate	692,700	\$3.847	(\$0.007)	(\$0.044)	(\$0.328)	\$0.205
Dominion-South	661,300	\$3.829	\$0.009	(\$0.062)	(\$0.312)	\$0.119
USTrade Weighted	21,125,800	\$3.703	\$0.009	(\$0.188)	(\$0.31)	\$0.020

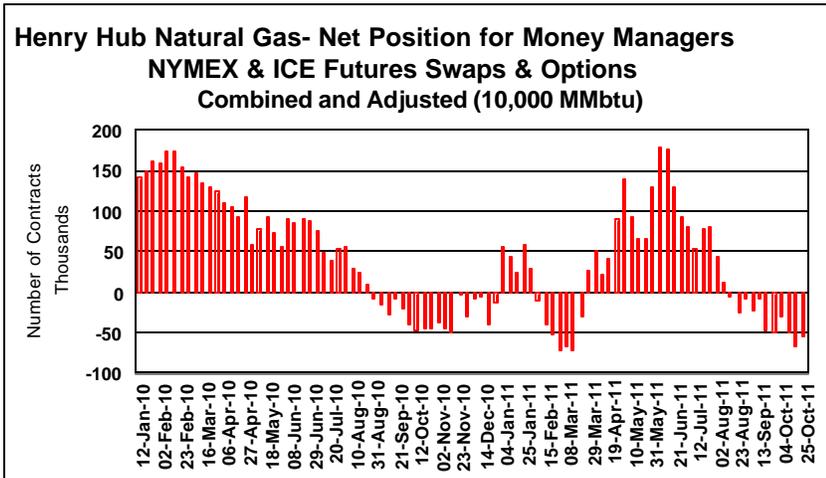
The Thomson Reuters/University of Michigan survey's on consumer sentiment increased in October to 60.9 from 59.4 in September. The preliminary October survey had seen a decline to 57.5. The survey's gauge of consumer expectations increased to 51.8 from 49.4 in September while the

index of current economic conditions was up at 75.1 from 74.9.

Market Commentary

The natural gas futures market jumped higher this morning as traders saw forecasts trend colder. These forecasts not only were calling for a large snowfall in the Northeast this weekend, but more importantly the outlook for the next two weeks saw higher heating demand for much of the country. This helped to push the December natural gas price to its highest settlement since October 14th as

prices finished the week at \$3.921. While weather was the key focus of most traders today the release of the latest Natural Gas Monthly by the EIA reaffirmed a bearish production overhang for this market. The government data showed that despite the deflated price of natural gas, domestic production continued to expand and set new records. As a result this we feel will act as a break on any further



significant price rally next week. We see resistance for the December contract at \$4.00, \$4.033-\$4.039, and \$4.094. More significant resistance where we would be aggressive sellers on a scale up basis, we see at \$4.215, \$4.255 and \$4.396. Support we see at \$3.87, \$3.751, \$3.693 and \$3.60.

Tonight's Commitment of Traders Report showed that commodity funds while maintaining a sizeable net short position actually decreased their combined positions

in Henry Hub futures, swaps and options contracts on the NYMEX and CE by 12,342 lots on an adjusted basis.

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