



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 31, 2011

NATURAL GAS MARKET NEWS

North America

The US Interior Department is preparing a proposal that will force companies to reveal the chemicals they use in the fracking drilling process on federal lands. The department hopes to disclose the new hydraulic fracking rules within a couple of months' and then finalize the guidelines about twelve months later.

Shell plans to focus on onshore US shale oil areas that are less developed to avoid the pricey competitive rush for more established acreage.

US heating demand this week is expected to be 7.2% below normal. Heating oil is expected to be 1.6 above normal while heating demand for natural gas is expected to be 10.3% below normal this week.

International

Singapore is willing to expand the capacity at its new LNG import terminal to accommodate spot trading because of increased domestic demand for power. BG has already filled orders for over 90% of its exclusive 3 mtpa franchise to import LNG through the terminal just two years into its 20 year deal.

Generation Outages

NPCC - NextEra Energy Inc's 1245MW Seabrook nuclear power plant ramped up to full power early on Monday from 14% power early on Friday. The plant had been shut since October 6th due to a shutdown of a main feed pump.

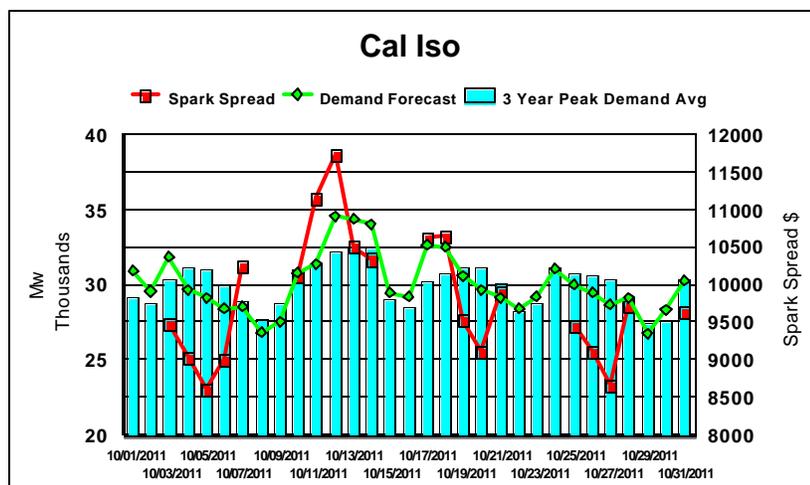
SERC - Progress Energy's Unit 2 at the Brunswick nuclear power plant increased power to 85% on Monday from 44% on Friday. The unit has been operating with reduced power since Thursday because of a variable frequency drive snag. The 883MW Unit 2 at the Hatch nuclear power plant began to exit an outage on Saturday and had increased power to 50% by early Monday morning.

FRCC - NextEra Energy Inc's Unit 1 at the Saint Lucie nuclear power plant started to exit an outage on Friday and had increased power to 85% early on Monday. The reactor had been shut since October 26th for repairs on unspecified equipment.

ERCOT - The 1,280MW Unit 2 at the South Texas nuclear power plant has closed for a planned refueling and maintenance outage. The STP Nuclear Operating Co owned plant plans to replace about one-third of the reactor's fuel assemblies. The 858MW Unit 2 at NRG Energy Inc's Limestone coal-fired plant shut for repairs on a boiler tube leak. The repairs are expected to last until November 3rd.

MRO - American Electric Power Co Inc's Unit 1 at the Cook nuclear power station increased to full power early on Monday from 69% power early on Friday after exiting a fueling outage. The 572MW unit at Xcel Energy Inc's Monticello nuclear power station ramped up to full power on Monday from 15% power on Friday. The station was shut on October 21st after a transformer lockout.

The NRC reported this morning that some 82,341 Mw of nuclear generation was online, up 2.46% from Friday and up some 3.05% from the same day a year ago.



into its 20 year deal.

Tokyo Gas Co raised its gas sales volume outlook by increasing it by 0.1% from its previous estimate in July.

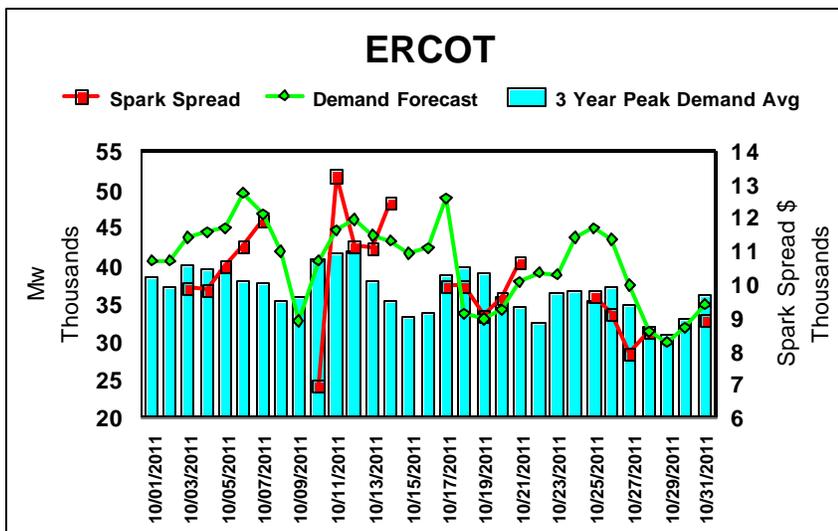
The CEO of Shell is predicting that LNG prices in Asia will continue to rise and refining margins will remain under pressure in 2012. Shell is currently trying to secure new supply sources that could influence long term prices. The company has recently

bought a marine terminal on Canada's Pacific Coast as a possible site to export LNG to Asia.

Qatar's RasGas has agreed to a joint venture with Qatar Petroleum and ExxonMobil to supply LNG to France's EDF Trading. The long term gas deal is a further extension of an already existing deal and stipulates that RasGas deliver 4.5 bcm per year to EDF, Europe's largest electricity producer.

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	971,800	\$3.661	\$0.057	(\$0.245)	(\$0.077)	(\$0.034)
Chicago City Gate	1,128,500	\$3.792	(\$0.072)	(\$0.114)	(\$0.087)	\$0.172
NGPL- TX/OK	881,500	\$3.540	(\$0.030)	(\$0.366)	(\$0.045)	(\$0.168)
SoCal	483,000	\$3.820	\$0.242	(\$0.086)	\$0.227	(\$0.045)
PG&E Citygate	700,000	\$3.950	\$0.103	\$0.044	\$0.088	\$0.171
Dominion-South	624,400	\$3.687	(\$0.142)	(\$0.219)	(\$0.157)	\$0.061
USTrade Weighted	23,533,900	\$3.642	(\$0.062)	(\$0.264)	(\$0.08)	(\$0.034)

The Iran-Pakistan pipeline project is expected to be completed in 2013, one year ahead of schedule. Gas flows along the pipeline are targeted to start near the end of 2014. Iran and Pakistan have signed a 25 year gas deal for Iran to supply Pakistan with 7.8 bcm per year through the natural gas pipeline. It is estimated that the project will cost \$1.5 billion.



State-owned Israel Natural Gas Lines has signed a \$140 million deal with Italian marine contractor Micoperi to build an off-shore LNG terminal. The terminal is expected to be built 10 km off the coast of Hadera. The terminal is expected to be built in the second half of 2012 and have a yearly capacity of 2.5 bcm.

Although Germany's decision to eliminate nuclear energy has helped increase the probability of the Nabucco gas pipeline being built a final decision will not be

made until the end of 2012 so construction could not start before 2013. Cost estimates of the project currently range between 7 and 26 billion euros. The Nabucco consortium is currently trying to secure the 10 bcm of gas that is expected to be available from the Shah Deniz II project.

Jamaica has extended the submission of bids for the government's LNG project eleven days. The original deadline was scheduled for the end of October.

Electric Market News

The US NRC said it is seeking the public's input on an environmental impact statement from Michigan power company DTE. DTE said that the proposed new reactor at the Fermi nuclear power plant in Michigan would have no environmental impacts. DTE has not yet made a final decision to build the new reactor because the company still needs to evaluate if the project makes economic sense when other generating resources like natural gas plants are cheaper and faster to build. The estimated cost to build the new reactor is \$8.5 billion.

Power Outages on Monday from Saturday's Storm	
Connecticut	750,000
Massachusetts	525,000
New Jersey	360,000
Pennsylvania	220,000
New York	128,000
New Hampshire	200,000
Maine	21,000
Rhode Island	1,700

Projects water runoff at The Dalles Dam on the Columbia River in Oregon climbed to 98 percent of normal on October 30th from 97 percent of normal on October 27th.

US power output increased by 1.2% for the week ending on October 27th from the previous week however output fell 0.91% when compared to the same week from last year.

ECONOMIC NEWS

The pace of business activity in the US Midwest slowed modestly in October as new orders eased. The Institute for Supply Management-Chicago business barometer fell to 58.4 in October from 60.4 in September. The new orders index fell to 61.3 from 65.3 while the employment component of the index increased to its highest level since April, increasing to 62.3 from 60.6.

The Dallas Federal Reserve Bank's Texas manufacturing outlook survey showed business activity increased to 2.3 this month from minus 14.4, its first positive reading in six months. New orders increased to 8.3 from 3.6.

The European Union's statistics office Eurostat reported that unemployment in the Euro zone increased to 10.2% in September from 10.1% in August. It also reported that unemployment in the European Union increased to 9.7% in September from 9.6% in August.

The Organization for Economic Cooperation and Development said the euro area is headed towards a sharp economic slowdown in 2012, with some countries set for negative growth and added that failure to restore confidence in state finances could prompt a major contraction in developed countries. It cut its 2012 growth forecast for the euro zone to 0.3% from 2% in May. It also cut its growth estimate for the US to 1.8% from 3.1% and warned of major downside risks to the global outlook if leaders fail in their bid to stop the sovereign debt crisis from rattling financial markets.

Market Commentary

The natural gas market continued to trend higher in overnight trading in follow through from last week's gains. The market posted a high of \$3.978 in early morning trading before it erased its gains. It sold off to a low of \$3.852 as the open outcry session opened amid weather forecasts calling for milder temperatures across much of the East Coast later this month. Temperatures are expected to lean to the warmer side along the East Coast over the next six to 15 days. The natural gas market later bounced off its low and traded back above the \$3.90 level ahead of the close. It settled up 1.1 cent at \$3.934.

The natural gas market will likely retrace their gains amid the weather forecasts. The market is seen finding resistance at \$3.937, \$3.963 and \$3.978. Further resistance is seen at \$3.991, \$4.047 and \$4.117. Support is seen at \$3.892, \$3.865, its low of \$3.852, followed by \$3.795, \$3.771, \$3.739 and \$3.724.