



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 3, 2011

NATURAL GAS MARKET NEWS

North America

EnCana plans to sell natural gas assets in North Texas for \$975 million and plans to have net divestitures equal approximately \$1.7 billion by the end of the year. The assets for sale produce about 125 mmcf/d.

Chesapeake Energy Corp is planning two deals totaling \$3.4 billion for some of its acreage in the Utica Shale in Ohio. As part of a \$2.1 billion deal, the partner would acquire a 25% interest in about 570,000 acres of the company's leasehold in the area of the Utica Shale that produces gas with a high liquids content.

Sunoco is trying to expand in both the Utica and Marcellus Shales with a possible pipeline conversation. The company's two Pennsylvania refineries that are for sale have an estimated value of \$400 million.

The IEA released a statement saying that more nuclear energy, more renewable energy, and better energy efficiency is needed to slow global warming.

International

Chevron started drilling its first shale gas exploration well in Poland this week on one of the company's four licenses. Poland has granted over 100 exploration permits in an attempt to start producing shale gas in 2014 at a rate of 200 million cubic meters per year to lower the country's dependence on Russian energy.

Azerbaijan has raised natural gas production estimates for 2012 through 2015 to 29 bcm. The country expects to produce 28.3 bcm in 2012, 29.2 bcm in 2013, 29.5 bcm in 2014, and 29.3 bcm in 2015.

Generation Outages

NPCC- Entergy Corp's Vermont Yankee nuclear power plant increased power to 22% early on Thursday. The plant was shut on October 6th for a planned refueling and maintenance outage. During the outage the plant replaced a third of the reactor's fuel assemblies.

The NRC reported this morning that some 82,882 Mw of nuclear generation was online, up 0.17% from yesterday and up some 4.88% from the same day a year ago.

Canadian Gas Association

Weekly Storage Report

	28-Oct-11	21-Oct-11	29-Oct-10
East	236.7	239.7	235.3
West	437.1	432.6	398.9
Total	673.7	672.3	634.2

storage figures are in Bcf

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	1,121,500	\$3.391	(\$0.001)	(\$0.443)	\$0.032	(\$0.271)
Chicago City Gate	914,100	\$3.674	\$0.041	(\$0.160)	(\$0.004)	(\$0.133)
NGPL- TX/OK	919,600	\$3.321	\$0.006	(\$0.513)	(\$0.039)	(\$0.428)
SoCal	637,200	\$3.716	\$0.159	(\$0.118)	\$0.114	(\$0.193)
PG&E Citygate	1,165,700	\$4.030	\$0.078	\$0.196	\$0.033	\$0.083
Dominion-South	690,000	\$3.523	\$0.100	(\$0.311)	\$0.055	(\$0.253)
USTrade Weighted	26,195,000	\$3.554	\$0.077	(\$0.280)	\$0.03	(\$0.271)

Azerbaijan plans to export 5.2 bcm of gas via the Baku-Tbilisi-Erzurum pipeline every year from 2011 to 2015. In addition, gas production is expected to increase further after 2017 when the Shah Deniz II is expected to start.

Apache is considering acquiring additional acreage to drill in Egypt's Western Desert.

Israel's Tamar offshore reservoir could be delayed by a year if the multibillion dollar gas delivery deal between Israel Electric Corporation and the Tamar Partners is not signed before the end of the month. The negotiations have been ongoing for two years and have taken steps forward recently when the parties settled key outstanding issues. The Tamar field is expected to come online in mid-2013 but the date will be pushed back if the contract cannot be signed this month.

Total and Shell have announced that they plan to expand capacity at their LNG terminal in western India at Hazira. The companies plan to increase capacity to 5 million tons from 3.6 million tons during the second quarter of 2012.

Electric Market News

The Edison Mission Group said that it plans to build a new wind farm in Nebraska with the capabilities to generate 80MW of power or enough electricity to power about 25,000 homes. The \$145 million wind project will sell all the power it produces to the Nebraska Public Power District (NPPD) under a 20 year purchase agreement. The Edison Mission Group expects the 50 wind turbine project to be complete by November 2012.

EIA Weekly Report

	10/28/2011	10/21/2011	Change	10/29/2010
Producing Region	1220	1181	39	2081
Consuming East	2069	2037	32	516
Consuming West	505	498	7	1214
Total US	3794	3716	78	3811

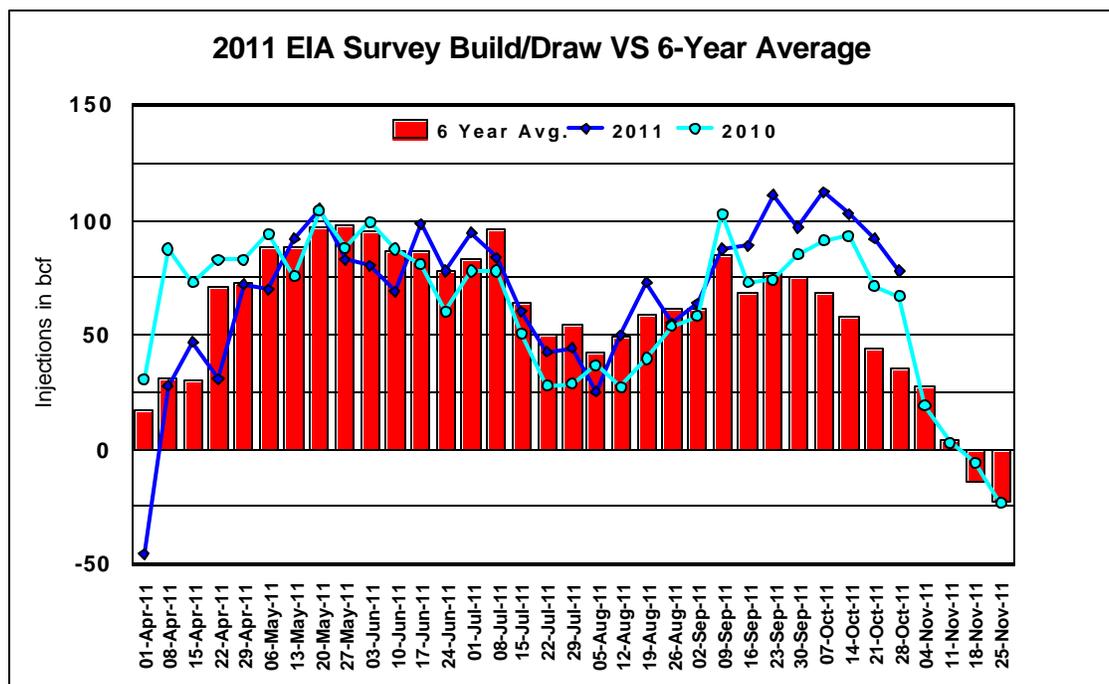
*storage figures in Bcf

Weekly US Coal production for the week ending on October 29th was 21.634 million short tons, according to the EIA.

ECONOMIC NEWS

The US Labor Department said US workers' productivity increased in the third quarter for the first time this year. Nonfarm business productivity increased at a 3.1% annual rate in the third quarter, after falling 0.1% in the second quarter and by 0.6% in the first quarter. Meanwhile it reported that unit labor costs fell by 2.4% in the third quarter.

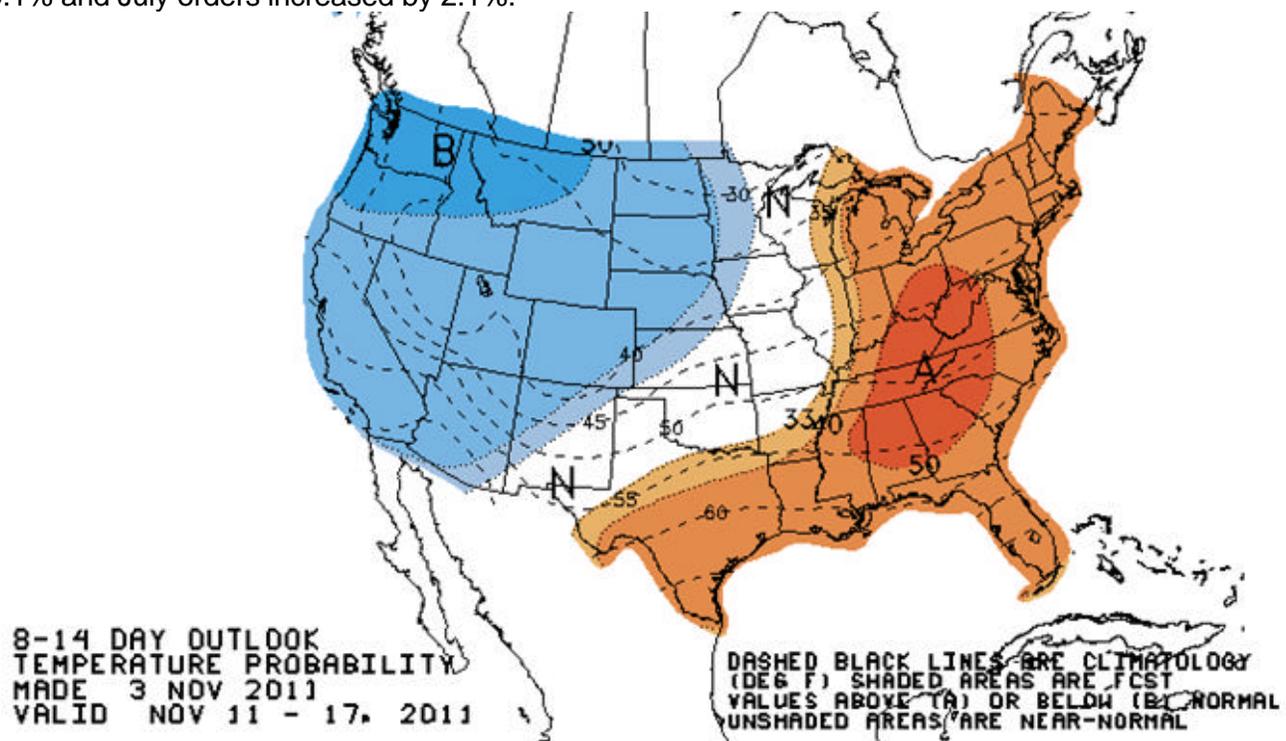
The Labor Department also reported that the number of new claims for unemployment benefits fell last week. Initial unemployment claims fell by 9,000 to a seasonally adjusted 397,000 in the week ending October 29th. In the prior week, jobless claims were revised up to 406,000 from an originally reported 402,000. The four week moving average of new claims fell by 2,000 to 404,500 last week. The report showed that the number of continuing unemployment benefit claims totaled 3,683,000 in the week



ending October 22. The unemployment rate for workers with unemployment insurance was 2.9% in the week ending October 22.

The US Commerce Department said US factory orders increased for

the third consecutive month in September, an unexpected gain for a key sector of the economy. It reported that total orders increased by 0.3% on the month to \$453.54 billion. August orders increased 0.1% and July orders increased by 2.1%.



The Institute for Supply Management reported that the US service sector saw little change in October. The ISM's non-manufacturing purchasing managers' index came in at 52.9 in October, relatively unchanged from September's 53. However it was the lowest level since July. The business activity/production index fell to 53.8 from 57.1 in September while the new orders index fell to 52.4 from 56.5. The employment index increased to 53.3 in October from 48.7 in September. The price index fell to 57.1 from 61.9.

The China Federation of Logistics and Purchasing said the country's official Purchasing Managers Index for its non-manufacturing sector fell to 57.7 in October from 59.3 in September. The index suggested China's services sector has declined in October in tandem with the country's industrial plants. China's manufacturing sector PMI fell to its lowest level since early 2009. The sub-index of new orders in services PMI fell slightly to 52.5 in October from 52.8 in September.

HSBC Hong Kong Purchasing Managers' Index increased to 49 in October from 45.9 in September. The sub-50 headline index for October was underpinned by modest contractions in business activity, new orders and employment.

Market Commentary

The natural gas market settled in positive territory after it retraced its recent losses. The market traded mostly sideways before it posted a low of \$3.741 following the release of the EIA natural gas storage report. Despite the report showing a larger than expected build of 78 bcf, the market bounced off its low and rallied to a high of \$3.863 by mid-day. The natural gas market, which failed to test its previous low on the bearish report, bounced higher on some bargain hunting. The market settled up 2.9 cents at \$3.778.

The natural gas market is seen remaining in its recent trading range, with its gains still limited below the \$4.00 level. Weather forecasts are still calling for above normal temperatures in the eastern coast of the country. The market is seen finding resistance at \$3.847, its high of \$3.863, followed by \$3.969,

\$3.955 and \$3.978. Support is however seen at \$3.765, its lows of \$3.741 and \$3.73. Further support is seen at \$3.725, \$3.672 and \$3.603.

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