



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 11, 2010

NATURAL GAS MARKET NEWS

National Grid said today that it sees British gas and electricity demand has bottomed out, but does not see any strong signs of a demand rebound at this time. It noted that there has been a slight increase in demand for natural gas in the power generation sector due to several new gas fired power plants being started up this year. But it expects that once the effect on heating demand during last winter, one of the coldest on record, is removed, demand for gas and electricity for the April 2010 through October 2010 is inline with demand for the April 2009-October 2009 period. National grid noted that British electricity demand has fallen by up to 9% from 2005/06 as a result of the economic slowdown, along with higher prices, and energy efficiency measures.

Reuters reported that according to shipping sources the LNG tanker, Al Thumama is expected to arrive at the Isle of grain terminal on December 9th. Meanwhile Reuters released a survey in which it found energy analysts expecting that Britain will see two LNG tankers arriving a week in December with imports increasing to three tankers per week during January.

Chevron Corp expects Atlas Energy, which it has agreed to purchase, to increase its output to 100,000 bpd of oil equivalent or more than seven times its current production level. It did not give a timeline for the increased production from Atlas' shale gas properties in western Pennsylvania.

Germany's E.ON's EONGn.DE project to build a LNG import terminal in Italy is on track. It said the project is still in line with the original schedule to start commercial operations in time for the start of the gas year 2011/12. This follows reports that authorities in Tuscany are concerned about its safety after experts expressed doubts the plant would resist a terrorist attack or a ship collision.

Barclays Capital Inc sees natural gas displacing more coal in 2011. It said with little other price responsive demand in the natural gas market, displacement of more expensive coal will remain a balancing mechanism for the gas market, as long as gas production continues running ahead of demand from other sources.

ICF International said natural gas prices are expected to rebound slowly through the winter heating season and continue higher in the long term with improvement in industrial consumption through 2035. It sees natural gas prices rebounding to average in a \$6/mmbtu to \$7/mmbtu range by 2035. It said in the long term, while gas use is not expected to see much growth in the

The NRC reported today that some 79,407 Mw of generating capacity was online today, up 0.6% from yesterday and 5.9% higher than the same day a year ago.

Canadian Gas Association

Weekly Storage Report

	05-Nov-10	19-Oct-10	06-Nov-09
East	235	235.3	237.8
West	403.3	398.9	371.1
Total	638.3	634.2	608.9

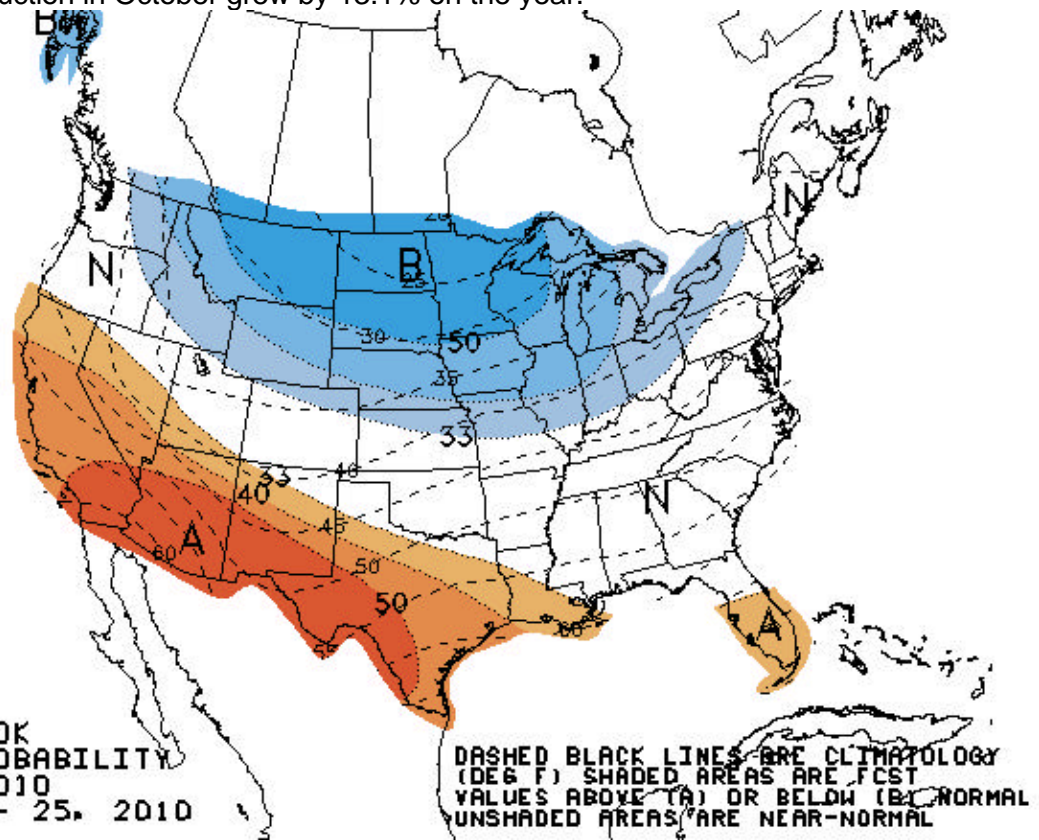
storage figures are in Bcf

residential/commercial/industrial sector, the power sector demand is expected to double in the next 20 years.

ECONOMIC NEWS

The National Association of Realtors said home prices fell in nearly half of US metropolitan areas in the third quarter. The median price for home resales fell compared with last year in 76 out of 155 areas tracked by the trade group. The national median price for single family homes was \$177,900 in the July-September quarter, down 0.2% on the year.

China's industrial production in October grew by 13.1% on the year.



The board of the California State Teachers Retirement System approved a \$150 million investment in commodities, scaling back plans to invest \$2.5 billion in the sector. The board approved the proposal and will begin its commodity investments in the spring of 2012.

MARKET COMMENTARY

Weather forecasts at midday again were trending towards warmer outlooks from this morning's forecasts for the 1-5, 6-10 and 11-15 day forecasts. As a result Natural gas values tumbled below \$4.00 at midday. The natural gas market retraced more than 38% of its move from a low of \$3.50 to a high of \$4.249 as it sold off to a low of \$3.917. The market later traded in a sideways pattern during the remainder of the session and settled in negative territory for the second consecutive session, down 11.9 cents at \$3.927.

The natural gas market is seen remaining pressured by the record high inventory levels and the lack of any supportive weather forecasts. The market is seen finding support at \$3.875, its 50% retracement level, followed by \$3.854, \$3.786, its 62% retracement level, and \$3.646. Resistance is seen at \$3.96, \$3.99, \$4.062 and its high of \$4.125. More distant resistance is seen at \$4.198, \$4.249 and \$4.27.

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