



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 17, 2011

NATURAL GAS MARKET NEWS

North America

The weather phenomenon La Nina is expected to intensify from its current state through early 2012. However, the increase in La Nina is not expected to reach 2010-2011 levels.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected to center on Texas and the Gulf Coast states and spread from the southwest to across the southern Plains and into the southern and mid-Atlantic states from December through February. Below normal temperatures are expected along the West Coast and across the Northern Tier states into the northwest Great Lakes region. In the northeast US, there isn't a definitive outlook over the next three months. It sees equal chances of normal, above normal or below normal temperatures for the area as well as south Florida and the country's midsection.

US gas storage levels reached a record high for the third straight year. Domestic gas inventories for the week ending on November 11th increased by 19 bcf to 3.85 tcf passing the record of 3.84 tcf. Trade experts are predicting if current weather forecasts hold that there will be one or two more weeks of injections before winter withdrawals begin.

US natural gas inventories are expected to end the winter at a 21-year peak. Unless this winter's cold can match last year's severe weather, high inventories next spring may cause problems for gas prices that hit a two-year low this week of \$3.11 mmbtu despite the approaching peak demand season.

International

Ukraine's president has stated that ongoing negotiations with Russia over gas prices are close to being resolved but nothing has been concluded yet. The Ukrainian government hopes to lower the price it pays for Russian gas to help cut its budget deficit without raising gas and heating prices for domestic consumers.

Generation Outages

SERC - Unit 1 at Dominion's 903MW North Anna nuclear power plant increased to 98% power early Thursday from 72% power on Wednesday. Unit 2 has yet to begin exiting an outage.

MRO - DTE Energy Co's Unit 2 at the Fermi nuclear power plant reduced power to 20% capacity early on Thursday from full power on Wednesday.

The NRC reported this morning that some 84,045 Mw of nuclear generation was online, down 0.87% from yesterday and up 2.61% from the same day a year ago.

EIA Weekly Report

	11/11/2011	11/04/2011	Change	11/12/2010
Producing Region	2094	1235	859	1237
Consuming East	510	2085	-1575	2080
Consuming West	1246	511	735	518
Total US	3850	3831	19	2836

*storage figures in Bcf

Bosphorus Gaz, a Turkish energy firm that is a unit of Gazprom announced that it will become clear next week what company Gazprom will choose to do business with to replace Turkish state pipeline company Botas. Botas exited an annual contract to purchase 6 bcm of gas due to pricing disagreement. Gazprom has said that more than 12 companies have contacted the company looking to receive the supply that went to Botas.

Azeri state company SOCAR said that Azerbaijan and Turkey have started to work on a trans-Anatolian gas pipeline project that is expected to have a capacity of 16-17 bcm and cost \$5-6 billion. A completion date has yet to be given but the pipeline is expected to stretch from Anatolia's eastern boarder to its western boarder. Despite Turkey and Azerbaijan breaking ground on the Trans-Anatolian project Botas plans to continue support for the Nabucco gas pipeline. SOCAR's president said that the decision on which project will receive supplies from the Shah Deniz II project will be made soon.

Azerbaijan GDP growth has slowed dramatically from January through October this year to 0.3% from 4.1% in the same period last year. Analysts attribute the fall in growth to shrinking oil and gas production due to repair work on drilling platforms and refineries. Natural gas output fell 2.7% over the January-October period to 21.6 bcm.

Canadian Gas Association			
Weekly Storage Report			
	04-Nov-11	04-Nov-11	12-Nov-10
East	235.9	234.7	235
West	445.9	441.3	407.4
Total	681.8	676	407.4

storage figures are in Bcf

Turkmenistan's state gas company Turkmengaz is in talks with international companies who are willing to build a cross-country gas pipeline that could supply 30 bcm annually to Europe. The 800 km "East-West" pipeline would transport gas from the prospective South Iolotan field to the shore of the Caspian Sea where it would meet up with a European Union backed undersea supply through Azerbaijan.

China's third West-to-East pipeline that is expected to carry gas from Central Asia to the Fujian province is expected to become operational by the end of 2013. The 5,200 km project is expected to ship 30 bcm of gas annually.

PetroChina's Dalian LNG receiving terminal received a LNG shipment aboard the Expedient on Wednesday. The report did not say where the cargo came from or specify the size of the shipment.

Electric Market News

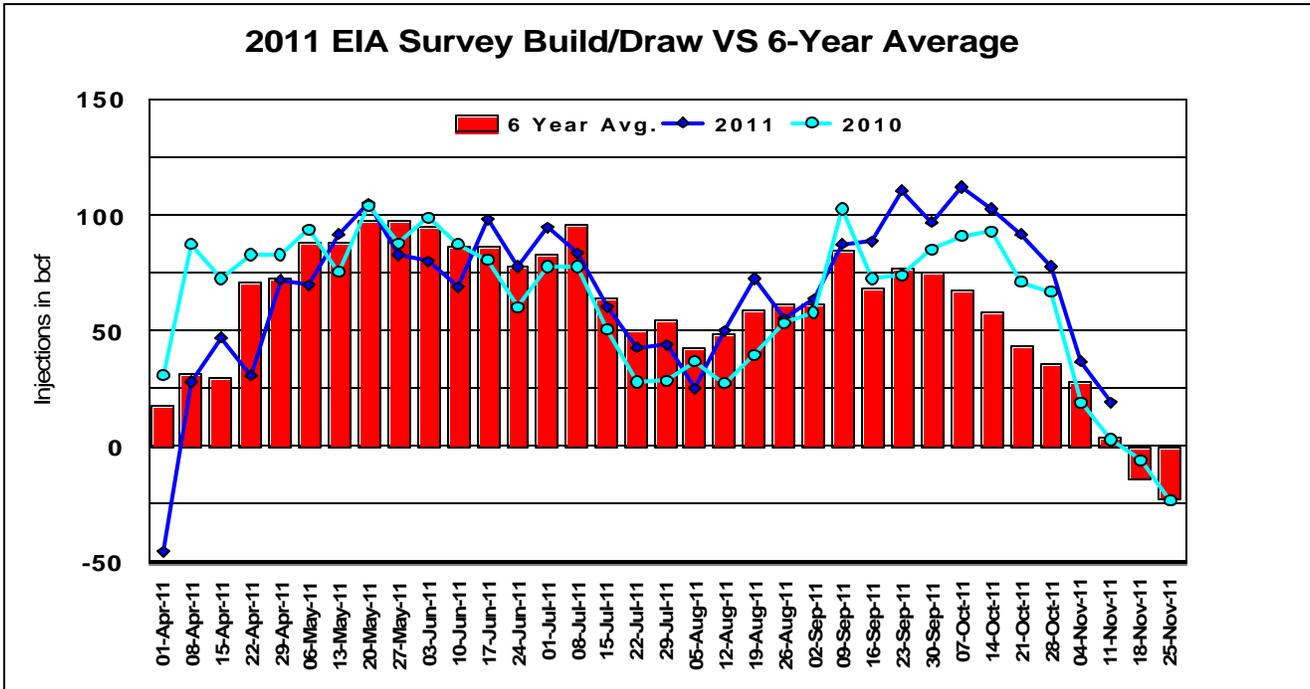
Operators of the US nuclear power generators will likely shut fewer reactors during the 2012 spring maintenance than they did during the 2011 season. Experts are predicating that operators will cut about 26,300MW of power during the height of refueling season compared to outages that peaked at 32,800MW in May.

Mississippi power utility Southern Co made three rate fillings with state regulators that will increase overall power bills by 11.35% to help pay for a new power plant. In one filling the company sought an 11.66% increase to help pay for the cost of the \$2.4 billion Kemper coal-fired power plant.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
						Moving Avg
(As of 12:30 PM)						
Henry Hub	686,300	\$3.113	(\$0.000)	(\$0.263)	\$0.015	(\$0.143)
Chicago City Gate	1,145,900	\$3.389	(\$0.019)	\$0.013	(\$0.024)	(\$0.068)
NGPL- TX/OK	1,101,500	\$3.100	\$0.014	(\$0.276)	\$0.009	(\$0.324)
SoCal	754,700	\$3.540	(\$0.010)	\$0.164	(\$0.015)	\$0.087
PG&E Citygate	1,220,400	\$3.875	(\$0.017)	\$0.499	(\$0.022)	\$0.446
Dominion-South	699,900	\$3.319	\$0.039	(\$0.057)	\$0.034	(\$0.165)
USTrade Weighted	25,052,200	\$3.322	\$0.020	(\$0.054)	\$0.01	(\$0.143)

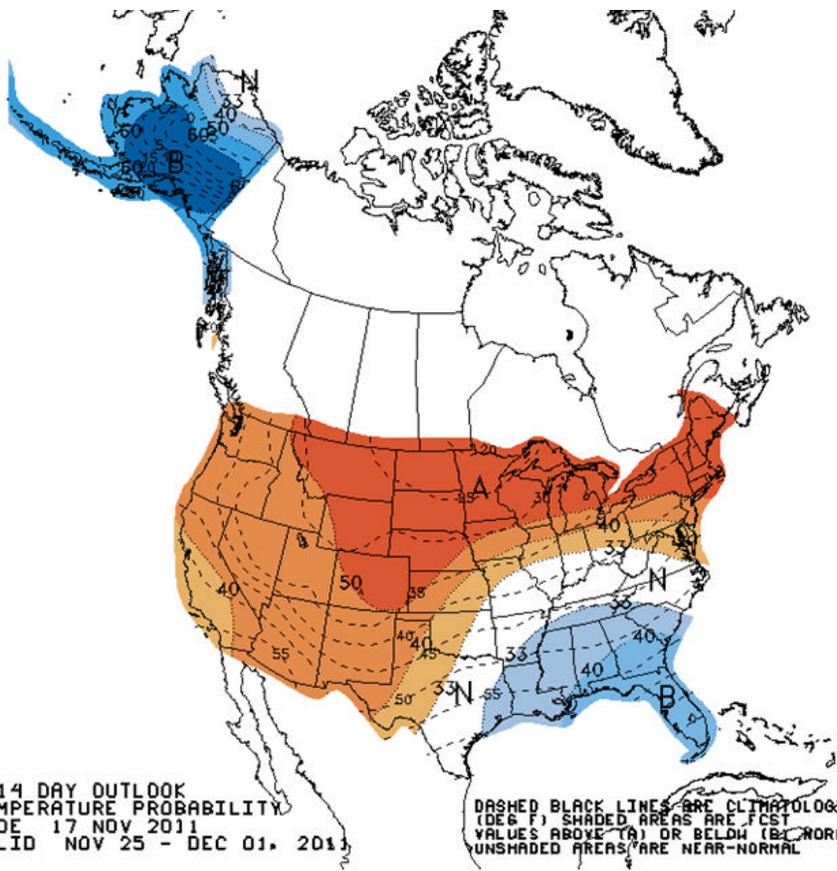
Economic News

The US Labor Department said the number of initial claims for unemployment benefits fell by 5,000 to a seasonally adjusted 388,000 in the week ending November 12th. In the prior week, jobless claims were revised up to 393,000 from an originally reported 390,000. The four week moving average of unemployment claims fell by 4,000 to 396,750. The report showed that the number of continuing unemployment benefit claims fell by 57,000 to 3,608,000 in the week ending November 5th. The



unemployment rate for workers with unemployment insurance for the week ending November 5th was unchanged from the prior week at 2.9%.

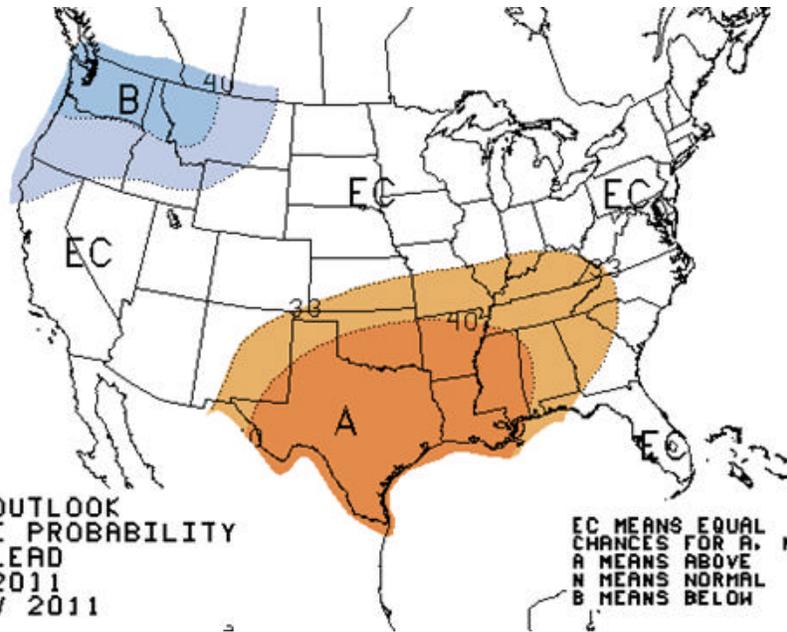
The US Commerce Department said US home building fell less than expected in October, while a measure of future construction increased. It reported that home construction in October fell 0.3% to a seasonally adjusted annual rate of 628,000 from September. The smaller than expected decline followed a big increase in starts during September. Construction that month increased 7.7% to 630,000, revised down from a previously estimated gain of 15% to 658,000. It reported that newly issued building permits increased 10.9% on the month to an annual rate of 653,000.



The pace of factory activity in the US Mid-Atlantic region slowed more than expected in November. The Philadelphia Federal Reserve Bank said its business activity index fell to 3.6 from October's 8.7.

Market Commentary

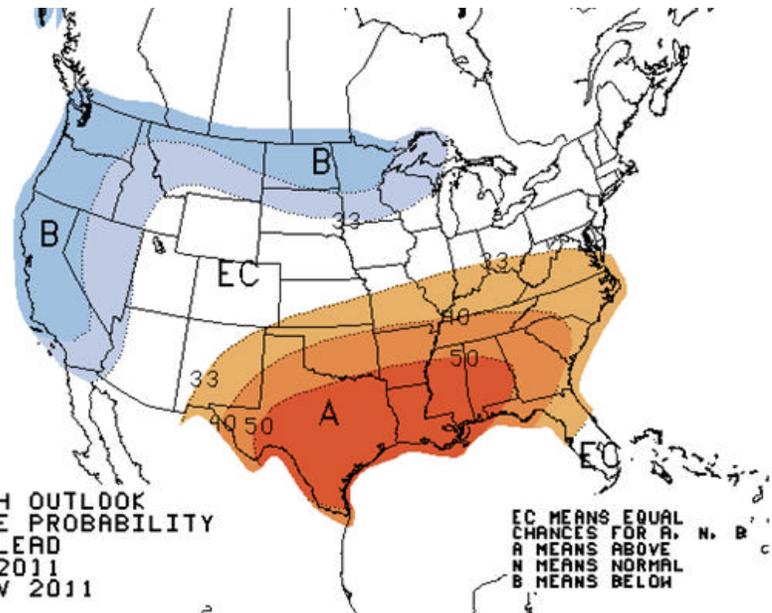
The natural gas market settled in positive territory after it posted an outside trading day, breaking its recent pattern seen in the previous six



sessions. The market posted a low of \$3.325 in overnight trading and traded mostly sideways ahead of the release of the EIA natural gas stock report. The market quickly rallied to a high of \$3.479 following the release of the report, which showed a lower than expected build of 19 bcf compared with an expected build of 27 bcf. It however

erased its gains only to seesaw back towards its high ahead of the close. It settled up 6.6 cents at \$3.41.

The natural gas market will likely retrace some of today's gains as natural gas inventories remain at record levels despite today's bearish report. The market will also remain pressured with mild temperatures still ahead. Technically, the natural gas market is seen finding resistance at its high of \$3.479, \$3.484, \$3.559 and \$3.638. More distant resistance is seen at \$3.659, \$3.708 and \$3.769. Support is seen at \$3.33, \$3.325, \$3.251 and \$3.176.



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