



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 18, 2010

NATURAL GAS MARKET NEWS

The National Oceanic and Atmospheric Administration reported that above normal temperatures are expected to be centered in Texas in December through February and extend throughout the south into the Rocky Mountains, Midwest and the mid-Atlantic regions. It stated that there is not a clear outlook for the US Northeast. It sees equal chances of normal, above normal or below normal temperatures in the region. Much of the west also has equal chances of normal, above normal and below normal temperatures.

Exxon Mobil Corp said that unconventional sources of natural gas could represent up to 70% of US supplies in 2030.

The FERC said it is investigating whether two US interstate pipeline companies overcharged their customers for shipping natural gas. The investigation of Kinder Morgan Interstate Gas Transmission LLC and Spectra Energy's Ozark Gas Transmission LLC stems from FERC's review of information from the companies on their cost of service and revenue. A Kinder Morgan spokesman defended the company's pipeline shipping rates as just and reasonable. Ozark said it benefitted in 2009 by transporting additional gas when another pipeline was offline.

Reuters reported today that another cargo of LNG has been re-exported from the U.S. probably headed to Asia. The Seri Balhaf LNG tanker departed Cheniere Energy's Sabine Pass terminal on Thursday.

Reuters reported today that the LNG tanker, Arctic Discoverer, carrying some 140,000 cubic meters of Norwegian LNG is slated to arrive in Britain in early December. It also reported that the Fraiha LNG tanker is slated to arrive at Britain's Isle of Grain terminal on December 5th. The vessel can carry up to 210,153 meters of natural gas.

China's LNG imports in October reached 830,000 tonnes, down 15% from September but some 91% higher than the same month a year ago.

The Simaisma LNG tanker from Qatar is scheduled to unload at Belgium's Zeebrugge terminal on December 3rd.

Generation Update

NPCC – Entergy's 852 Mw FitzPatrick nuclear unit has exited its recent outage and ramped up to 25% power this morning, up 3% from yesterday's levels.

PJM –

SERC – TVA's 1123 Mw Watts Bar #1 nuclear unit has exited its outage and ramped up to 17% power Thursday.

TVA's 1148 Mw Sequoyah #1 nuclear unit also has been restarted and was at 17% power this morning. The reactor had been shut on November 16th.

The NRC reported today that some 81,254 Mw of generating capacity was online today, up 1.5% from yesterday and 3.5% higher than the same day a year ago.

EIA Weekly Report

	11/13/2010	11/06/2010	Change	11/12/2010
Producing Region	1246	1233	13	1207
Consuming East	2079	2087	-8	2100
Consuming West	518	520	-2	524
Total US	3843	3840	3	3830

*storage figures in Bcf

A Chinese official said today that China and Russia have still not reached a pricing agreement for the gas that Russia plans to supply to China along a planned pipeline. The difference between the two sides appears to be \$100 per 1000 cubic meters. Chinese officials led by the premier are

scheduled to visit Russia next week and the pricing disagreement was hoped to be resolved in time for the visit.

Iran said it is ready to sell its gas production to Europe via the European union backed Nabucco pipeline project. President Ahmadinejad told reports in Azerbaijan that Europe needs Iranian gas and Iran is ready to sell them gas at an acceptable price "if they want".

The CEO of Gassco said he sees Norwegian gas flows to Europe this winter are likely to be more reliable this winter after suppliers took steps to avoid a repeat of production and processing problems were accounted last year. Last winter at Kaarstoe, steam injected into the flaring system turned to ice inside the piping, blocking the system and shutting the plant. Gassco has since decided it will no longer inject steam, which dampens the environmental impact of the gas, when temperatures are below freezing.

ECONOMIC NEWS

The US Labor Department reported that the number of initial unemployment claims increased by 2,000 to 439,000 in the week ending November 13th. The previous week's figures were revised slightly upward to 437,000 from 435,000. The four week moving average fell by 4,000 to 443,000 from the prior week's revised average of 447,000 to its lowest level since September 6, 2008. It reported that the number of continuing claims fell by 48,000 to 4,295,000 from the preceding week's revised level of 4,343,000. The unemployment rate for workers with unemployment insurance for the week ending November 6th was 3.4%, down 0.1% from the prior week's revised rate of 3.5%.

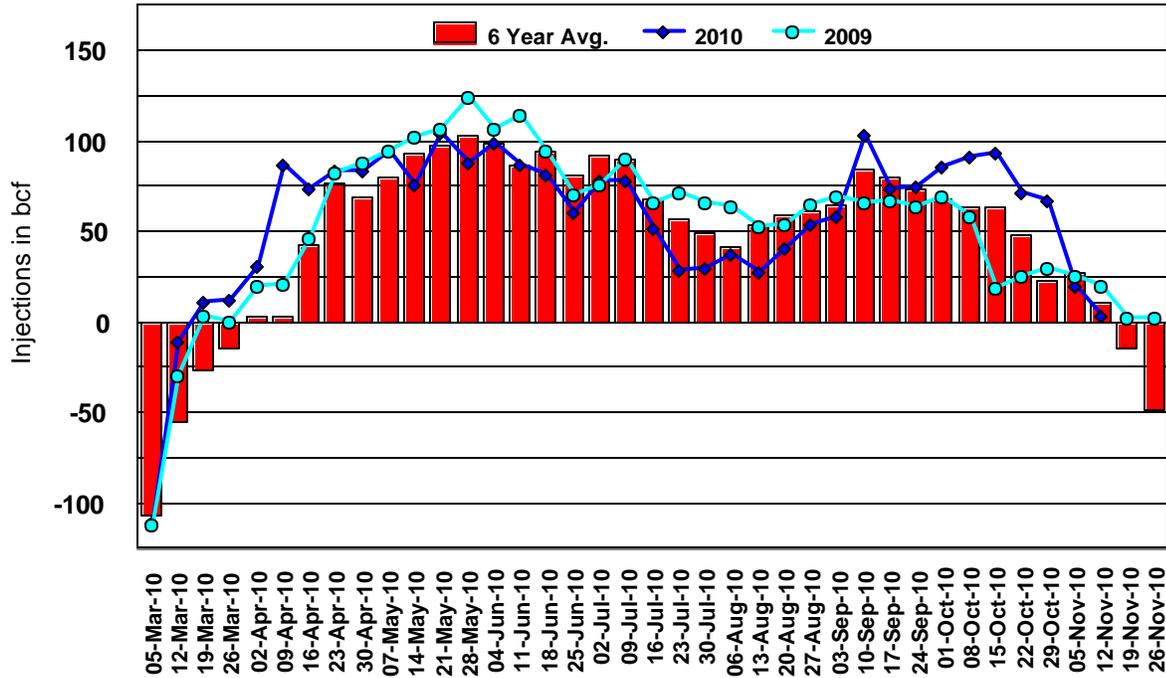
The Philadelphia Federal Reserve Bank said its business activity index increased to 22.5 in November from 1 in October. Factory activity in the US Mid-Atlantic region increased more than expected on the month.

The Conference Board index of leading indicators in October increased by 0.5% to 111.3 while the index of coincident indicators increased by 0.1% to 101.5 and the index of lagging indicators increased by 0.1% to 108.7.

MARKET COMMENTARY

Natural gas prices initially, rose for the fourth straight day, spurred higher by cold weather forecasts. With forecasts over the next six to ten days calling for below-normal temperatures, bulls once again left the pen, adding to their already long positions. Today's release of the EIA inventory numbers marked a smaller than expected build, with inventories climbing 3 billion cubic feet, 5 billion cubic feet below the expected 8. This too, added to today's early higher move. One weighing factor on prices is the fact that commercial and industrial demand continues to lag, while inventories remain above the five-year average, currently running 9.3 percent above that average. Some industry sources believe that supply is sufficient enough to last during the cold-weather months, when demand typically peaks. There is good resistance up around the \$4.306 level. If prices can hold on to current strength, we would look for a test up around this level, selling failed attempts to trade above it and buying successful ones.

2010 EIA Survey Build/Draw VS 6-Year Average



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.