



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 29, 2010

NATURAL GAS MARKET NEWS

The EIA released their latest Natural Gas Monthly report today. The agency reported that in September it estimates that dry natural gas production in the United States reached a new high of 60.4 bcf/d. This was the third consecutive monthly increase. September's production level was 0.7% higher than August and some 7.6% better than the same month a year ago. The production gains have come primarily from Louisiana and other producing states like Pennsylvania. These two categories have seen gains of 47.5% and 20.3% from a year ago. Meanwhile production from federal waters of the Gulf of Mexico has seen a 3.3% decline from the prior month and a 11.4% decline from a year ago. Net imports of natural gas though were down for the second consecutive month, off 7.5% from August and 11.7% less than September 2009 as it reached only 6.6 bcf/d. Consumption in September was estimated at 54.1 bcf/d up 4% from September 2009. While residential and utility demand for natural gas showed only modest gains from a year ago, up 0.8% and 0.5% respectively, demand was stronger by the commercial and industrial sectors, growing by 3.8% and 7.5% respectively from September 2009. Working gas stocks as of the end of September were estimated at 3.5 tcf some 7 bcf higher than the adjust stock figure estimated by the weekly storage report.

The Qatari LNG tanker Rasheeda, which has a 268,000 cubic meters capacity, is due to arrive at Britain's South Hook terminal on December 4th. The Trinity Glory LNG tanker, with a 154,200 cubic meters capacity, is due to unload at Belgium's Zeebrugge Terminal on December 14.

The Arctic Voyager LNG tanker, with a 145,000 cubic meters capacity, is due to arrive at the UK's Isle of Grain from Norway on December 3.

Royal Dutch Shell's U.S. arm has put its South Texas gas field up for sale in an auction that could fetch about \$1 billion, The Wall Street Journal reported on Sunday. It also reported that an energy-focused private-equity firm or master limited partnership would most likely buy Shell Oil Co's natural gas assets. Shell's 400 wells in South Texas produce about 210 million cubic feet of natural gas every day.

Generation Update

ERCOT – STP Nuclear 's 1280 Mw South Texas #2 nuclear unit ramped up to full power early Monday, from 30% recorded on Friday.

MRO Exelon's 867 Mw Dresden #3 nuclear unit returned to the grid late Friday afternoon. The unit had been shut for refueling and maintenance since October 31st.

NPCC- OPG's 515 Mw Pickering #4 nuclear unit was shut Saturday afternoon for maintenance.

OPG's 494 Mw Lambton #4 coal fired powerplant returned to service Sunday afternoon. The unit had been off line since November 19th.

Dominion's 877 Mw Millstone #2 nuclear unit tripped off line Sunday afternoon due to a turbine trip.

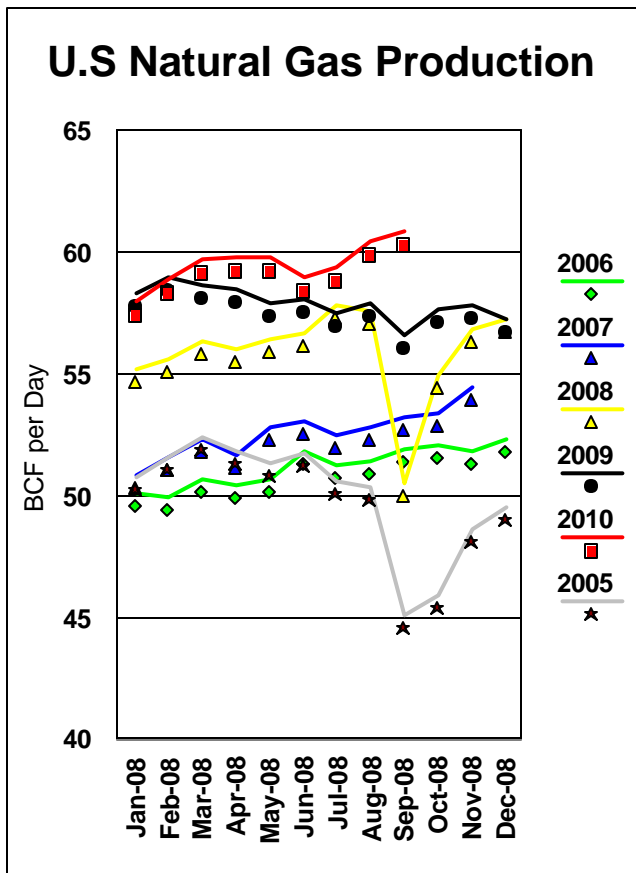
SERC – Duke Energy's 1129 Mw Catawba #1 nuclear unit dropped to 20% power this morning. The unit had been at full power on Friday. Operators cut operating rates to deal with a steam leak.

The NRC reported today that some 91,695 Mw of generating capacity was online today, up 1.1% from Friday and 7.3% higher than the same day a year ago.

Gazprom and the Ukraine's Naftogaz have agreed to settle a gas dispute dating back to 2008-2009. The agreement reduces the risk of another disruption of gas supplies to Europe. Under the terms of the agreement Naftogaz will return 12.1 bcm of gas to RosUkrEnergo (RUE) will redeem \$1.7 billion in debt to Naftogaz and \$810 million to Gazprom. The cost of the gas that Naftogaz will be returning is estimated at \$2.8 billion.

Israeli partners in the offshore Leviathan gas project said today that tests have revealed natural gas in sands 5,100 meters below the sea. Partners in the project—which include Delek Group Ltd subsidiaries Avner Oil and Gas and Delek Drilling, and U.S.-based Noble Energy Inc.—have estimated that the Leviathan reserve contains 16 trillion cubic feet of natural gas, by far the largest energy reserve found in Israel. The companies said tests will continue and they will make an announcement about the gas reserve in two weeks' time.

Marathon Oil Co. said it signed a deal to enter the Eagle Ford shale field with the \$10 million purchase of land from Denali Oil & Gas in one of the hottest areas in the U.S. oil and gas industry. Eagle Ford, located in south Texas, has drawn interest from several energy producers seeking to expand their operations into the total dense rock formations that could hold years' worth of natural gas and liquids. Under the terms of the deal, Marathon will pay Denali \$10 million and drill and complete four wells to receive about 17,000 acres. Marathon will have an option to buy another 58,000 acres from Denali in Wilson and Atacosa counties, which would bring the total deal price to \$209 million, or \$2,800 per acre. If Marathon fails to exercise that option by the October 31, 2011 deadline, Denali can opt to sell those 58,000 acres for \$92 million or \$1,225 per acre.



Planned maintenance work at the Sable Offshore Energy Project off the coast of Nova Scotia has been delayed a few days, Spectra Energy pipeline units and Maritimes Canada said in separate notices on Sunday. A revised outage schedule called for a partial day outage today, followed by a complete outage on Tuesday, a partial outage on Wednesday and a return to full operation on Thursday, December 2. The work was originally scheduled to start over the weekend.

UK natural gas prices across the time curve today moved higher as National Grid was reporting that British gas demand is running 25% higher than normal today and forecasters were extending their call for the length of the current cold snap..

ELECTRIC MARKET NEWS

U.S. power output for the week ended November 25 rose 2.5 percent and was 4.5 percent greater than the same week last year, Genscape said today. A blast of cold weather hit populous areas of the Midwest and Northeast while warm weather spread across the South, WSI Corp weather service said. Increased demand for heat in the North and cooling in the South pushed power

consumption higher, and the stronger economic activity also contributed to power use.

ECONOMIC INDICATORS

The Federal Reserve Bank of Dallas' Texas monthly manufacturing index stood at 16.2, up strongly from last month.

MARKET COMMENTARY

While spot natural gas prices soared at every price point today as the return of industrial demand following the Thanksgiving holiday period, helped to boost spot market values, sending spot prices to three-month highs, the futures market for much of the day remained on the defensive. The futures market dropped basically 30 cents from the early morning highs, as traders received a double dose of bearish reality; the first being new 11-15 day temperature outlooks which call for the return of above normal temperatures for much of the country, especially the midsection of the country, and the second from the EIA in which it estimates that in September U.S. domestic dry natural gas production surged higher for the third month in a row, pushing up over 60 bcf/d. These new production gains obviously continue to come from shale gas plays such as Haynesville and Marcellus, despite poor price levels recently.

The price decline today, which was more than a 50% retracement of the past two week rally was in excellent volume with the January contract posting over 126,000 lots traded. This makes us feel that today's price action did some serious damage to the November bull market for natural gas. The daily stochastics for this market as a result of today's price action moved toward the downside today for the first time since November 16th. The MACD also crossed over and turned lower today as well.

We look for this market once again to move lower in the next several weeks as high storage levels and stubbornly high domestic production levels continue to dampen price rallies. We see support starting tomorrow at \$4.16 followed by \$4.10-\$4.09, \$3.967, \$3.853 and \$3.767. Resistance we see at \$4.30, \$4.34 and \$4.38. Additional resistance we see at \$4.50-\$4.515, \$4.61, \$4.68 and \$4.73.