



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 30, 2011

NATURAL GAS MARKET NEWS

North America

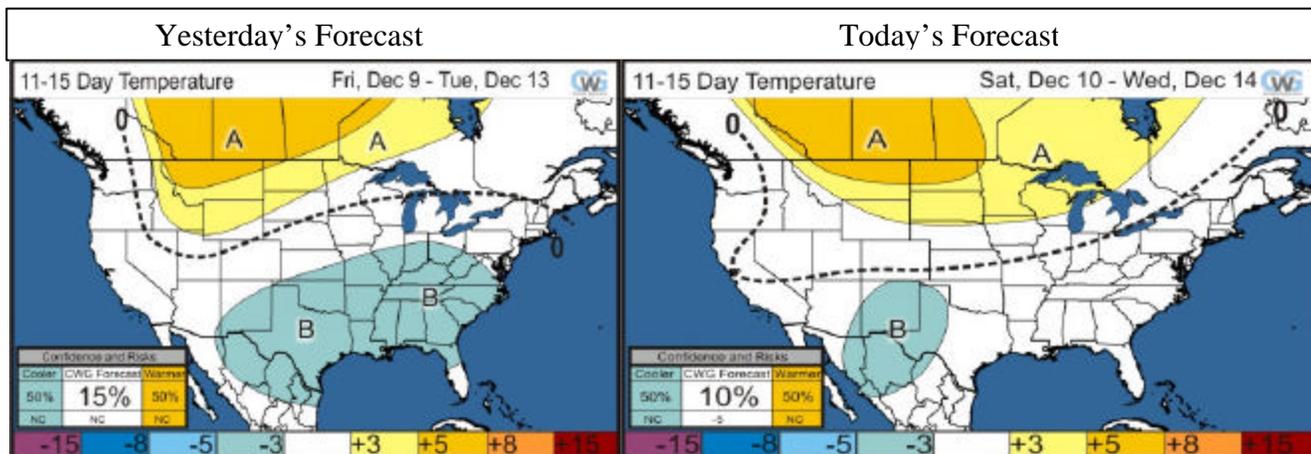
The Northeastern US, the world's largest heating oil market, is expected to post its warmest November in over a decade. Forecasters are predicting that it will be the warmest November in Boston since 1975 and the warmest in Indianapolis in over 50 years.

Chesapeake Energy Corp is still attempting to buy land in Ohio's Utica shale formation despite increased competition from Exxon Mobil and Hess Corp. Chesapeake's aggressive purchase strategy has put the company in too much debt and it can no longer pay for drilling forcing it to look for joint ventures. The company plans to stop making purchases next year and does not have any plans to sell assets outright.

Generation Outages

MRO- Exelon Corp's 1,043MW Clinton nuclear power plant tipped Tuesday night because a steam bypass valve pressure regulator error was found. The plant was scheduled to undergo a refueling outage during which Exelon planned to replace about 40% of the reactor's fuel.

The NRC reported this morning that some 89,904 Mw of nuclear generation was online, down 0.34% from yesterday and down 2.24% from the same day a year ago.



The final hearings on regulation that would end a drilling moratorium for natural gas began on Tuesday in Sullivan County. Tuesday's hearing will be followed by four hearings in New York City scheduled to start on Wednesday where environmentalists have already planned anti-fracking protests. The governor of New York hopes to lift the moratorium by the end of next year.

The US Army Corps of Engineers said that a proposed natural gas pipeline across Puerto Rico would have no significant environmental impact. The \$700 million 91 mile Via Verde pipeline would cut energy costs by \$1 billion annually as the country converted four oil-burning power plants into natural gas facilities reducing pollution by as much as 70%.

International

Due to the economic downturn in Europe along with warmer weather Gazprom has received pressure to reduce its tariffs. 40% of the EU's gas imports are supplied from Russia while 80% of Gazprom revenues come from EU countries. In addition, experts are predicting that the EU gas market could have approximately 60 bcm of excess gas supply in 2011 and the number is expected to remain constant through 2012.

Chinese state-run China Tianchen Engineering Corp will build a 1 bcm natural gas storage facility in Ankara, Turkey. The project is expected to take 8 years to build.

A parliamentary inquiry into Australia's coal-seam gas industry has called for a ban on gas production in prime agricultural land. The group also said gas firms should create a fund to pay for long term problems caused by sealed gas wells, stop new projects until

more environmental studies can be done, and ensure tougher rules to protect the water supply. The proposals have received support from many political parties putting pressure on the country's government to intervene and settle the growing disputes between gas exporters and farmers.

Tohoku Electric Power Co of Japan began construction on a new gas-fired 980MW unit at its Shin-Sendai plant. The company hopes to start operations at about 50% capacity in 2016 and raise output to full capacity in 2017.

The governor of Fukushima called for Tokyo Electric Power Co (TEPCO) to decommission all 10 of its nuclear reactors in Fukushima. TEPCO has already set aside \$12 billion to decommission its four most dangerous reactors at the Daiichi plant but has plans to reopen the other six reactors. If TEPCO is

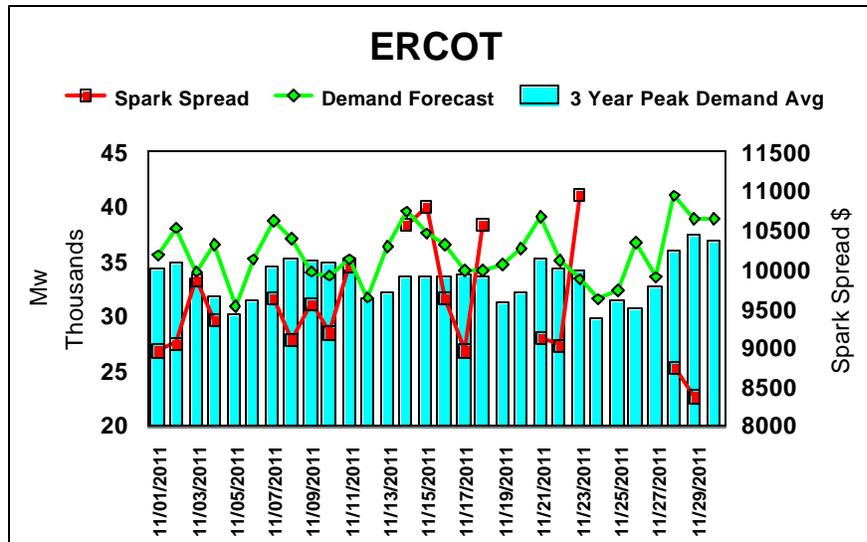
forced to decommission its other six units with a capacity of 6,284MW the cost is expected to more than double.

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	808,900	\$3.529	\$0.138	(\$0.068)	\$0.110	(\$0.174)
Chicago City Gate	882,100	\$3.663	\$0.007	\$0.066	(\$0.001)	(\$0.070)
NGPL- TX/OK	735,800	\$3.463	\$0.104	(\$0.134)	\$0.096	(\$0.350)
SoCal	767,900	\$3.742	\$0.168	\$0.145	\$0.160	(\$0.018)
PG&E Citygate	675,100	\$3.881	(\$0.006)	\$0.284	(\$0.014)	\$0.317
Dominion-South	636,700	\$3.661	\$0.148	\$0.064	\$0.140	(\$0.191)
USTRade Weighted	22,233,700	\$3.626	\$0.118	\$0.029	\$0.11	(\$0.174)

generation to shut down threatening the reliability of the electric system in some regions over the next decade. The regions most likely to be effected by the proposed rules are Texas and New England. NERC urged the EPA to be flexible when implementing the new regulations so power generators do not have to choose between violating rules or reliability.

The Edison Electric Institute reported that electricity generation in the US during the week ending November 26th fell 3% on the year to 69,366 Gwh.

Economic News



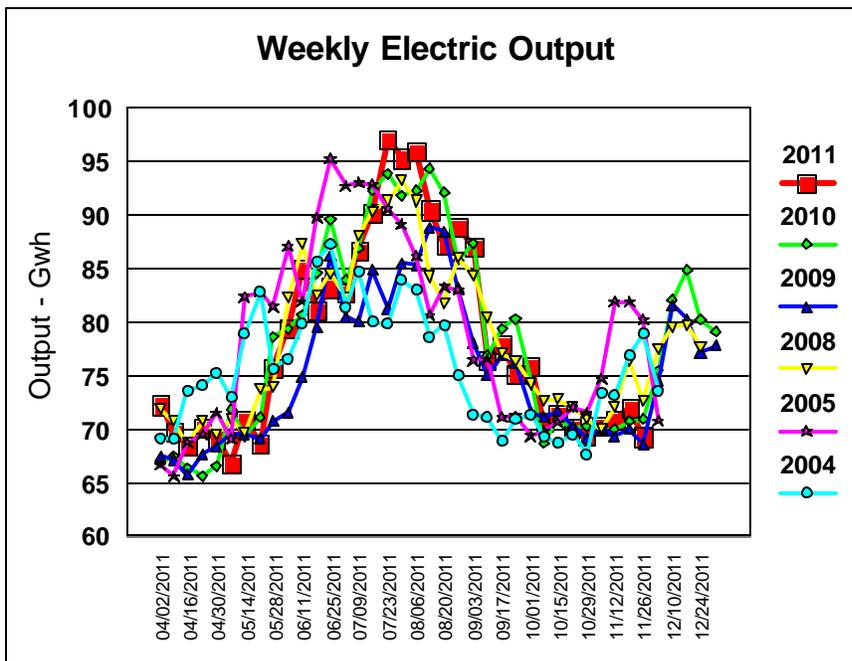
Electric Market News

The North American Electric Reliability Corp (NERC) said that new EPA rules could force thousands of megawatts of

The US Labor Department said the productivity of US workers in the third quarter was less than initially reported. It reported that nonfarm business productivity grew 2.3% in July through September, revised down from the previously estimated gain of 3.1%. Productivity fell 0.1% in the second quarter. Unit labor costs fell at a 2.5% annual rate in the third quarter, revised down from an originally reported decline of 2.4%.

ADP reported that private sector jobs in the US increased by 206,000 in November. The October data was revised to show an increase of 130,000

compared with 110,000 reported earlier. The November unemployment rate is expected to remain at 9%. The ADP report showed that large businesses with 500 employees or more added 12,000 employees to their staffs, while medium size businesses added 84,000 workers in November and small businesses that employ fewer than 50 workers hired 110,000 new workers.



The National Association of Realtors' monthly index of pending sales of existing US homes increased 10.4% to 93.3 in October from 84.5 in September.

The Institute for Supply Management-Chicago said its index of Midwest business activity increased in November to 62.6 from 58.4 in October.

Market Commentary

The natural gas market posted yet another inside trading day but ended the day in negative territory. The market erased Tuesday's gains ahead of the release of the EIA natural gas report, which is expected to show a build in inventories. The natural gas market failed to breach its resistance as it posted a high of \$3.639 in early morning trading and sold off to its low of \$3.54 early in the open outcry session. The natural gas market, which also failed to test its previous low, retraced its early losses and traded in a seesaw pattern ending the session lower. It settled down 8.3 cents at \$3.55. This was despite the gains seen in the cash market.

The EIA natural gas inventory report is expected to show a build ranging from 2 bcf to 21 bcf, with an average estimate of 9 bcf. Natural gas inventory fell an adjusted 21 bcf in the same week last year while the five year average for the week was a 29 bcf draw.

The natural gas market will remain range bound ahead of the report and will remain pressured amid the expected build in inventories. Private weather forecasts are also offering few signs that demand will see a meaningful increase anytime soon as forecasts continue to show average temperatures across most of the US in the next 11-15 days. The natural gas market is seen finding resistance at \$3.613, \$3.63, \$3.64, \$3.675, \$3.712 and \$3.72. Support is seen at its lows of \$3.54, \$3.525-\$3.521 followed by \$3.514, \$3.49, \$3.477 and \$3.415.

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