



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 5, 2011

NATURAL GAS MARKET NEWS

North America

NRC filings show that Questar Pipeline Co had a release of natural gas in an underground storage facility after a dehydrator caught fire in Evanston, Wyoming.

A segment on the Williams Transco Gas pipeline in western Alabama ruptured and caught fire yesterday.

Royal Dutch Shell Plc is in the early stages of planning projects to turn natural gas into fuels such as diesel in the US. Shell is interested in large scale projects similar to the Pearl Gas to Liquids plant it developed in Qatar.

The National Weather Service forecast that US heating demand this week is expected to be 3.5% below normal. Demand for heating oil this week will average 19.6% below normal while heating demand for natural gas will average 1.6% below normal.

Generation Outages

NPCC- The 852MW FitzPatrick nuclear power plant owned by Entergy increased power to 97% power on Monday from 70% power on Friday.

SERC- Progress Energy Inc's Unit 2 at the Brunswick nuclear power plant in North Carolina increased power to 62% power early on Monday from 7% power on Friday. The unit began exiting an outage on Dec 1 after shutting because of an unusual event caused by a reactor coolant system leakage.

RFC- Unit 4 at the NextEra Energy Inc Turkey Point nuclear plant started to exit an outage early on Saturday and increased power to full capacity by Sunday. The unit was shut on Friday to perform maintenance on a system component.

ERCOT- American Electric Power Co. Inc's Pirkey coal-fired power unit tripped on Sunday while starting up from repairs to a valve. According to regulators the unit shut due to 'B-ID Fan problems.

The NRC reported this morning that some 91,673Mw of nuclear generation was online, up 1.78% from Friday and down 3.13% from the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	644,400	\$3.377	\$0.029	(\$0.069)	\$0.297	(\$0.044)
Chicago City Gate	756,100	\$3.677	\$0.157	\$0.231	\$0.304	\$0.046
NGPL- TX/OK	818,500	\$3.387	\$0.107	(\$0.059)	\$0.254	(\$0.198)
SoCal	388,200	\$3.780	\$0.279	\$0.334	\$0.426	\$0.097
PG&E Citygate	786,300	\$3.853	\$0.007	\$0.407	\$0.154	\$0.293
Dominion-South	786,700	\$3.470	\$0.118	\$0.024	\$0.265	(\$0.060)
USTrade Weighted	22,308,800	\$3.554	\$0.150	\$0.108	\$0.30	(\$0.044)

International News

Statoil's North Sea Heimdal gas field has been shut since mid-November over safety concerns and it still remains unclear when production will resume. The field has the ability to produce about 400,000 standard cubic meters of gas per day and 80,000

standard cubic meters of condensate per day. Production from other fields that transit through Heimdal before being shipped to Europe has not been affected by the shutdown.

Norway's giant Orman Lange field has begun restarting operations after shutting down unexpectedly after sustaining a power dip that shut down production at 0200 GMT. The gas the field produces can supply up to 20% of Britain's gas needs. Although all systems were in the process of restarting no timetable has been given for when operations are expected to resume.

Saudi Arabia's Aramco has discovered commercially viable quantities of natural gas in the Empty Quarter and the Red Sea although the company did not say how much gas was found. The company has plans to continue exploring for tight gas and heavy oil for future energy needs in 2012.

Iraq's southern oil hub Basra is attempting to cancel the \$17 billion Shell gas deal because the local council wants a bigger saying in provincial resources. Officials from the Basra project were upset that they were not included in the talks or the deal's signing. The issue is unlikely to stop Shell and Mitsubishi from developing the fields but raises future concerns over projects.

Electric Market News

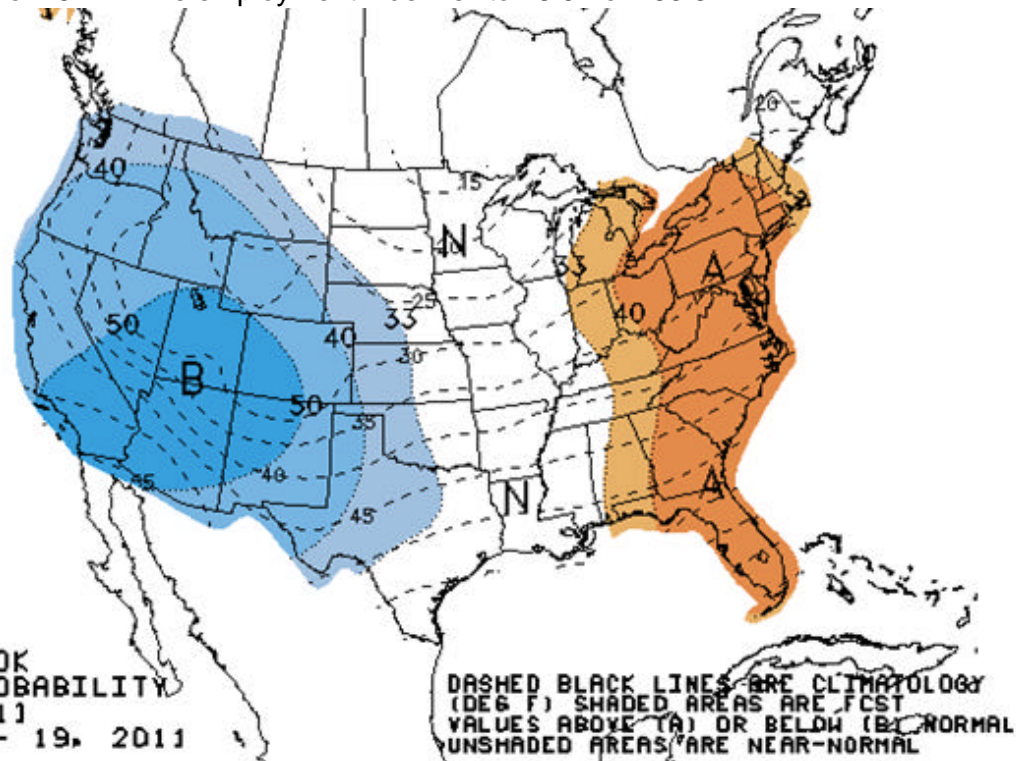
US power output fell 0.44% in the week ending on Dec 1 from the prior week. Output was down 4.1% when compared to the same week a year ago.

Economic News

The US Commerce Department said orders fell by 0.4% on the month to \$450.03 billion in October. Orders in September fell 0.1%, revised down from a previously estimated gain of 0.3%. The report showed that durable goods fell 0.5% in October, revised up from a previously estimated decline of 0.7%.

	Natural Gas			
	12/2/11 O.I	Prior O.I	Change	% OF TTL
DEC	269882	272946	-3064	28.549%
JAN	97549	97058	491	10.319%
FEB	127023	128997	-1974	13.437%
Dec-12	24558	24432	126	2.598%
Dec-13	6359	6340	19	
TOTAL	945325	948103	-2778	

The Institute for Supply Management said the US non-manufacturing sector saw a slower rate of expansion in November. The ISM's non-manufacturing purchasing managers' index came in at 52, down from 52.9 in October. Last month's PMI was the lowest since January 2010. The business activity/production index increased to 56.2 in November from 53.8 in October while the new orders index increased to 53 from 52.4. The employment index fell to 48.9 from 53.3.



According to the Federal Reserve Bank of Chicago, the US economy will grow at a below average rate next year, with inflation moderating and unemployment decreasing slightly. The growth of GDP in 2012 is seen at 2%, up from an expected 1.6% this year. In regards to inflation, the consumer price

index is seen at an average of 3.8% this year and 2.4% in 2012 while unemployment for 2012 is seen at 8.8%, down from a forecast of 9.1% this year.

Markit's Eurozone Composite Purchasing Managers Index showed the euro zone's private sector economy contracting for the third month in a row in November. It increased to 47 in November from 46.5 in October. It showed the composite PMI employment index remained at 50.1.

The HSBC Purchasing Managers' Index for China's services sector fell to 52.5 from 54.1 in November, its slowest rate of growth in three months. China's official PMI for its non-manufacturing sector fell to 49.7 in November from 57.7 in October.

Market Commentary

The natural gas market broke out of last week's trading range as it sold off sharply during today's session. The January natural gas contract opened lower and remained in negative territory amid forecasts for warmer temperatures for much of the country in the coming days. The market posted a high of \$3.572 in overnight trading and traded sideways before it sold off 14 cents as it posted a low of \$3.444 in early afternoon trading. The January contract, which posted a new contract low, later traded sideways and settled down 12.3 cents at \$3.461. The natural gas market was pressured amid a revised 6-10 day forecast. A private weather forecaster said that the cold weather over the Southwest would be milder than expected and the cool temperatures over the East and northern half of the country would dissipate.

The natural gas market will continue to remain on the defensive amid the lack of any supportive weather forecasts. Technically, the natural gas market is seen finding resistance at \$3.50, \$3.541, its high of \$3.572, \$3.62 and \$3.669. More distant resistance is seen at \$3.689 and \$3.72. Meanwhile, support is seen at its low of \$3.444, \$3.413, \$3.364 and \$3.285.

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