



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 8, 2011

NATURAL GAS MARKET NEWS

North America

The EPA plans to issue a draft of a report on Tuesday claiming that fracking has likely polluted water in Pavillion, Wyoming. Encana Corp has denied the reports that fracking has polluted a water aquifer.

Kinder Morgan has received a second request for information from US regulators about the companies planned takeover of natural gas company El Paso Corp. The request will extend the waiting period under Hart-Scott Rodino but the deal is still expected to close in the second quarter of 2012.

Generation Outages

ERCOT The 347MW Unit 1 at the Harrington coal-fired power plant owned by Xcel Energy planned to restart after an emergency outage. The restart is expected to last from Dec 8-23.

The NRC reported this morning that some 93,182 Mw of nuclear generation was online, up 0.32% from yesterday and down 1.29% from the same day a year ago.

EIA Weekly Report

	12/02/2011	11/25/2011	Change	12/03/2011
Producing Region	1256	1261	-5	1246
Consuming East	2058	2074	-16	2002
Consuming West	517	516	1	477
Total US	3831	3851	-20	3725

*storage figures in Bcf

The US Department of Energy has granted Jordan Cove Energy a 30 year LNG export license to countries that have free trade agreements with the US. The license will allow Jordan Cove Energy to export 9 million metric tons of LNG per year. The company will not file an application with the

Federal Energy Regulatory Commission to convert the project to an export terminal.

The US Department of Energy has received an application from Dominion's Cove Point LNG requesting long-term, multi-contract authorization to export up to 7.82 million metric tons per year of LNG.

ExxonMobil released its outlook for energy through 2040 on Thursday. The report said that global economic output is expected to double. The company expects oil to remain the most available fuel but energy demand will shift toward less-carbon-intensive energy sources like natural gas. Natural gas will be the fastest growing major fuel with demand increasing by about 60%. The report said that energy demand is projected to increase by about 30% but energy demand is expected to rise by only about 1% due to improvements in efficiency like new cars averaging 50 miles per gallon by 2040.

Canadian Gas Association

Weekly Storage Report

	02-Dec-11	25-Nov-11	03-Dec-10
East	237.4	236.6	231.8
West	450.1	449.7	379.2
Total	687.5	686.3	611

storage figures are in Bcf

The NOAA said the La Nina weather conditions are expected to be weak to moderate throughout the winter in the Northern Hemisphere after peaking in December and January. They are projecting that conditions will be mild in the spring.

International News

Big oil and gas companies say that their increasing dominance of shale gas exploration will improve drilling practices and should end safety lapses. They claim that cases of water contamination and leakage of methane gas into homes are due to shoddy activities by small players, not fundamental problems with shale gas drilling. Environmentalists say that they have heard this rhetoric from energy companies before and do not believe them.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	229792	253841	-24049	24.467%
JAN	98045	97439	606	10.439%
FEB	144266	134479	9787	15.361%
Dec-12	23835	24154	-319	2.538%
Dec-13	6436	6414	22	
TOTAL	939199	943649	-4450	

Gazprom is interested in taking part in LNG projects in Latin America in addition to making deliveries to Argentina and Brazil. The company opened an office in Rio de Janeiro in November.

Officials from Gazprom and Eni met on Thursday to discuss joint projects mainly focusing on the South Stream and preparation of an agreement on delivering natural gas produced by Arcticgaz from the Sanburgsky licensed block to the United Gas Supply

System of Russia.

PetroChina said that the newly discovered gas in the Sichuan province would be difficult to convert to commercial production because geological conditions in China are different from those in the US where the industry technology was developed.

Electric Market News

Directors of MISO approved a \$6.5 billion plan to strengthen and expand the electric transmission system to accommodate more low-cost renewable energy to be developed over the next 5 years.

ExxonMobil is predicting that carbon dioxide emissions from energy sources will continue to increase until 2030 when they will begin to fall off as natural gas and other fuels replace dirtier supplies of coal. Coal demand is expected to peak in 2025 before consumption in China falls more than 10% by 2040. Natural gas is expected to replace coal as the leading fuel for generating electricity in the US by 2025.

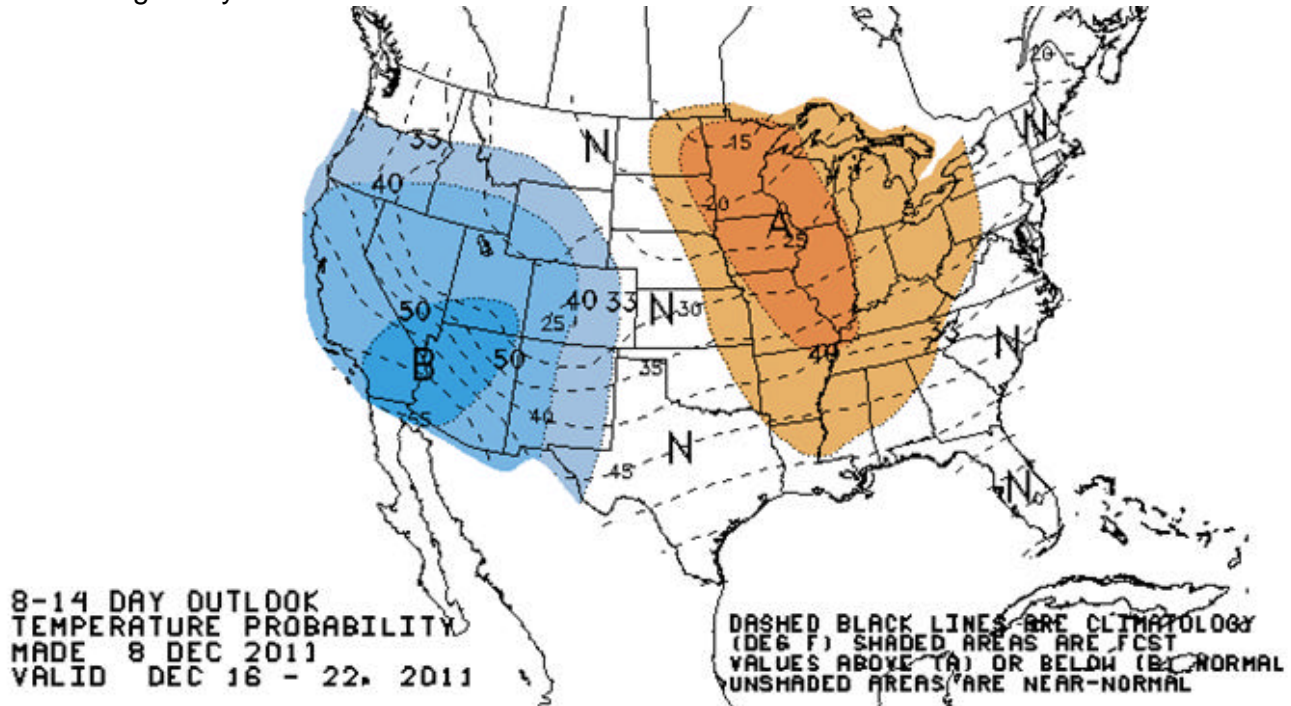
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	481,500	\$3.419	(\$0.027)	(\$0.063)	(\$0.104)	\$0.031
Chicago City Gate	784,500	\$3.614	\$0.006	\$0.132	(\$0.045)	\$0.118
NGPL- TX/OK	708,300	\$3.394	(\$0.010)	(\$0.088)	(\$0.062)	(\$0.109)
SoCal	514,000	\$3.622	(\$0.062)	\$0.140	(\$0.113)	\$0.178
PG&E Citygate	953,100	\$3.721	(\$0.042)	\$0.239	(\$0.093)	\$0.305
Dominion-South	754,100	\$3.494	(\$0.062)	\$0.012	(\$0.113)	(\$0.006)
USTrade Weighted	21,749,000	\$3.511	(\$0.053)	\$0.029	(\$0.10)	\$0.031

Economic News

The US Labor Department said initial unemployment claims fell by 23,000 to a seasonally adjusted 381,000 in the week ending December 3rd. It fell to a nine month low. The prior week's data was revised up to 404,000 from the previously reported 402,000. The four week moving average of new claims fell by 3,000 to 393,250. The report showed that the number of continuing unemployment claims fell by 174,000 to 3,583,000 in the week ending November 26th. The unemployment rate for workers with unemployment insurance in the week ending November 26th was 2.8%, compared with 3% the prior week.

The US Commerce Department reported that US wholesale inventories increased by 1.6% to a seasonally adjusted \$470.18 billion. September's revised figure showed inventories were flat. Meanwhile, sales of wholesalers increased 0.9% to \$406 billion. The inventory-to-sales ratio was 1.16, up from the previous month's 1.15 level.

After cutting interest rates by a quarter percentage point to 1%, European Central Bank President Mario Draghi poured cold water on market hopes that the central bank would increase purchases of euro zone sovereign debt or lend money to the IMF to do so. European leaders are expected to announce a grand plan to address the crisis on Friday, with France and Germany pushing a plan to amend the EU treaty and tighten budget discipline. The ECB President said new forecasts from the central bank showed the currency bloc's GDP could contract by as much as 0.4% next year although it could also grow by as much as 1%.



Greece's industrial output fell in October and its jobless rate remained near record highs. Data released by statistics service ELSTAT showed the annual pace of contraction in industrial output accelerated from a 1.7% decline in September, contracting 12.3% in October. The official jobless rate eased in September after reaching a record high of 18.4% in August but remained at a historically high level of 17.5%. The number of unemployed increased to 857,656 in September from 627,715 in the same month a year earlier.

Japan's core machinery orders fell much faster than expected in October. Core machinery orders fell by 6.9% in October from the previous month.

Market Commentary

The natural gas market traded mostly sideways ahead of the release of the EIA's natural gas inventory report. It held support at its previous lows as it posted a low of \$3.41 in early morning trading. The market however breached its recent highs following the release of the EIA report. It rallied over 12.9 cents to a high of \$3.55 amid the larger than expected decline in inventories of 20 bcf. But with the continued lack of a threat for a prolonged arctic weather outbreak and the decline in the most other commodities and equities markets following concerns of a lack of an agreement for a resolution to the European financial crisis the natural gas market in the second half of the day erased some of its gains and settled up just 3.6 cents at \$3.457. This market continues to desperately look for a reason to breakout to the upside but without a major change in the weather outlook it appears prices will remained mired around the \$3.40-\$3.50 price range.

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