



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 14, 2011

NATURAL GAS MARKET NEWS

North America

El Paso's 680 mile Ruby pipeline will remain out of service until sometime between Saturday and next Wednesday after a fire forced the pipeline to shut down last Saturday. The startup date will be determined by the time it takes to secure and install the replacement valve.

Generation Outages

SERC - Tennessee Valley Authority's Unit 1 at the Browns Ferry nuclear power plant exited an outage and increased power to 21% power early on Wednesday.

The NRC reported this morning that some 91,718 Mw of nuclear generation was online, up 0.32% from yesterday and down 2.01% from the same day a year ago.

International News

Ukraine will honor its gas agreements and continue to allow Russia to transport its gas to Europe despite the country's inability to secure a lower gas price. Ukraine has previously cut the gas flow in 2006 and 2009 when it was unable to reduce the price it paid for Russian gas. The two countries have been able to reach a new deal because Russia is asking for a stake in Ukrainian gas pipeline ownership, which faces opposition from the Ukrainian public. It is expected that Ukraine will pay \$416 per thousand cubic meters in 2012 roughly the same price it is currently paying.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	155260	175791	-20531	15.711%
JAN	117101	110450	6651	11.850%
FEB	194366	179337	15029	19.668%
Dec-12	23380	23131	249	2.366%
Dec-13	8096	8096	0	0.819%
TOTAL	988215	973323	14892	

Italy as the final destination of its South Stream pipeline. The CEGH is coveted by the EU backed Nabucco gas link. Both the South Stream and the Nabucco gas pipeline are competing for the contract to transport gas from the Shah Deniz II field.

Slovakia's energy regulator approved a household gas price increase of an average on 5.5% on Wednesday. The announcement comes after the regulator approved a 2% increase in retail electricity rates in 2012.

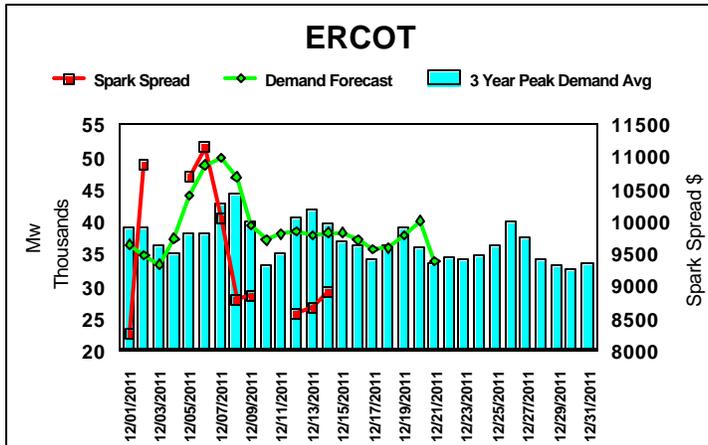
Qatargas said on Wednesday that maintenance had been safely and successfully completed on its trains 5, 6, and 7 as well as on its QG 3 and 4 inlet receiving facilities. European gas prices leapt in August after traders knew the trains would shut consecutively for two week from September thru early November. The three newest production lines are each able to process 7.8 mtpa.

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	381,100	\$3.083	(\$0.032)	(\$0.066)	\$0.086	\$0.030
Chicago City Gate	789,600	\$3.214	(\$0.014)	\$0.065	\$0.094	\$0.041
NGPL- TX/OK	538,900	\$3.053	(\$0.024)	(\$0.096)	\$0.084	(\$0.128)
SoCal	451,200	\$3.549	(\$0.073)	\$0.400	\$0.035	\$0.293
PG&E Citygate	954,300	\$3.604	(\$0.061)	\$0.455	\$0.047	\$0.364
Dominion-South	776,200	\$3.160	(\$0.014)	\$0.011	\$0.094	(\$0.023)
UTrade Weighted	21,832,600	\$3.233	(\$0.022)	\$0.084	\$0.09	\$0.030

China Gas Holdings rejected an unsolicited \$2.2 billion cash bid from Sinopec and ENN Energy because it failed to reflect the fundamental value of the company. Sinopec and ENN Energy are now considering increasing their offer but regulators may block the deal because of monopoly concerns.

TEPCO's joint venture with Nippon Steel Corp plans to start a new combined-cycle gas-fired unit in April to help Japan's biggest utility avoid a power shortage next summer. The Kimitsu Cooperative

Thermal Power Co plans to supply TEPCO with half of the power generated from its 152.9MW Unit 6, which uses gas from a neighboring Nippon Steel plant.



Electric Market News

The NRC said it plans to suspend its review of the non-foreign ownership requirements of the proposed new reactors at South Texas because Japanese multinational Toshiba effectively controls the project.

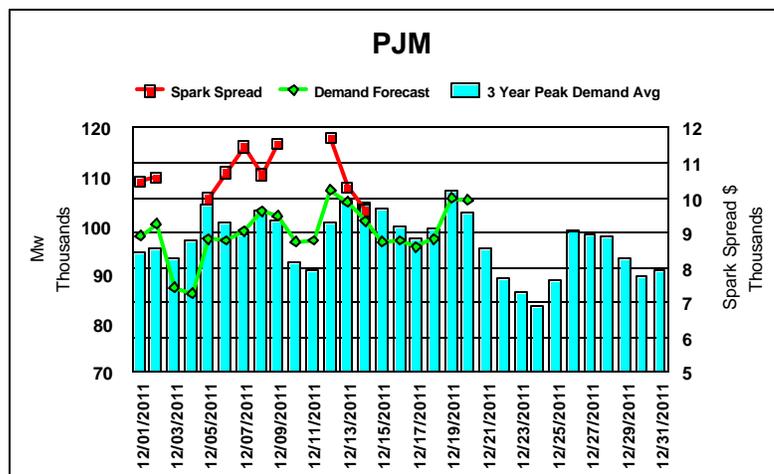
Omaha Public Power District's Fort Calhoun nuclear plant in Nebraska will receive

increased NRC oversight after discovering a number of significant safety issues at the plant since it closed due to historic flooding on the Missouri River. Omaha Public Power District hoped to restart the unit around the end of this year but the NRC's recent action will likely complicate the plants return to service.

Ontario will not meet a 2013 deadline to cap its CO2 emissions because the province has not yet started to draft regulations and it still doing its due diligence. Ontario's inability to reduce its CO2 emissions means that it will be unable to enter into a cap and trade deal with California.

Economic News

The US Labor Department reported that US import prices in November increased at the fastest pace since April. The price of goods imported to the US increased by 0.7% on the month. On an annual basis, import prices in November were 9.9% higher than November 2010. Petroleum import prices increased by 3.6% in November compared with October.



The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity increased by 4.1% in the week ending December 9th. Its seasonally adjusted index of refinancing applications increased 9.3% while the index of loan requests for home purchases fell 8.2%.

Industrial production in the euro zone in October fell by 0.1% on the month.

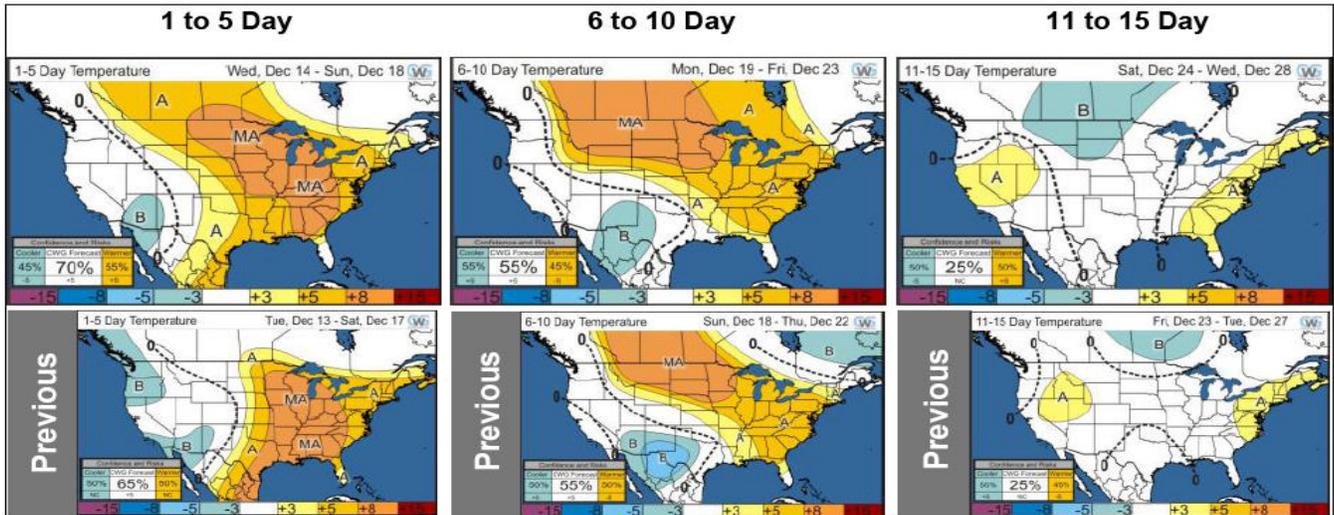
Market Commentary

The natural gas market remained pressured and traded sharply lower amid the sell off seen in the rest of the energy complex. The market opened at its high of \$3.287 and failed to test its previous high. It

traded lower throughout the session and posted a low of \$3.126, a level not seen since mid-September 2009. The market was pressured ahead of Thursday's release of the EIA natural gas report expected to show another week of low natural gas demand as mild temperatures continued to limit gas fired heating demand. The natural gas market settled down 14.3 cents at \$3.136.

The market expects the EIA natural gas storage report to show a draw of 94 bcf for the week ending December 9th. The estimates range from a draw of 76 bcf to a draw of 120 bcf. Natural gas inventories fell by 154 bcf in the same week last year while the five year average draw for the week was 142 bcf.

Any gains in the natural gas market, which settled at the lowest level since September 11, 2009, will remain limited by the lack of any colder temperatures in the horizon. The weather forecasts are still showing above normal temperatures for the East Coast in the next 11-15 days. The market is seen finding resistance at \$3.20, \$3.24, its highs of \$3.287-\$3.299 and \$3.309. More distant resistance is seen at \$3.344 and \$3.401. Support is seen at its low of \$3.126 followed by \$3.079, \$3.022 and \$2.918.



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