



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 15, 2011

NATURAL GAS MARKET NEWS

North America

A survey of the LNG marine industry by Zues Development Corporation found that 48 non-LNG-carrier ships will soon be fueled by LNG. Although low natural gas prices have an influence new International Maritime Organization emission standards that are scheduled to be implemented in 2015 and 2016 are the driving factor.

Cheniere Energy LNG has proposed building a second LNG export plant on the US Gulf Coast.

Cargill has merged its US and European power, gas and coal trading divisions cutting 125 jobs worldwide. The move follows a December 2nd announcement that the company plans to cut 2,000 jobs within the next six months.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected to stretch from the southwest across to the East Coast in the first quarter of 2012. Below normal temperatures are expected along the Pacific Coast, centered in southern California and the Pacific Northwest and stretching into the northern Plains. For January alone, above normal temperatures are expected to be centered in the south central states but stretch from across the eastern half of the US, with the exception of New England and the Florida peninsula. In those areas and across the central Plains, equal chances of normal, above normal and below normal temperatures are expected.

International News

Reliance Industries is experiencing a decrease in output in its east coast gas blocks in India due to a fewer number of wells than expected and stoppage of production at six wells. Reliance has only drilled 22 wells, four of which are yet to start production despite receiving governmental approval to drill 31 wells.

EIA Weekly Report

	12/09/2011	12/02/2011	Change	12/10/2010
Producing Region	3729	1256	2473	1194
Consuming East	2008	2058	-50	1891
Consuming West	493	517	-24	497
Total US	3729	3831	-102	3552

*storage figures in Bcf

Generation Outages

NPCC - The 1,295MW NextEra Energy Inc owned Seabrook nuclear power plant reduced power to 70% early on Thursday from full power on Wednesday.

SERC - Tennessee Valley Authority's Unit 1 at the Browns Ferry nuclear power plant in Alabama increased to full power early on Thursday from 21% power on Wednesday. Southern Co's 882MW Unit 2 at the Hatch nuclear power plant in Georgia was shut early on Thursday from 92% power early on Wednesday.

ERCOT Luminant restarted its Unit 4 at the Shadow coal fired power plant after a unit trip. The company said that the startup time will be minimized by placing control equipment into service as soon as minimum operating temperatures are reached.

MRO - Entergy Corp's Palisades nuclear power plant shut on Wednesday after a reactor manually tripped after losing both main feed pumps at the plant. The pumps tripped on low suction pressure due to an unplanned opening of the 'A' main feed pump recirculation valve.

The NRC reported this morning that some 90,770 Mw of nuclear generation was online, down 1.03% from yesterday and down 3.07% from the same day a year ago.

Petronet's Dahej terminal in India may receive a LNG shipment on December 26th from Nigeria. The cargo is being shipped on the Castillo de Villalba, a 138,000 cubic-meter tanker.

South Korean imports of LNG fell 34.5% in November from a year earlier to 2.32 million tons. The value of LNG imports decreased 10.2% to \$1.6 billion from \$1.8 billion a year earlier. Coal imports increased by 20.5% in volume to 12.34 million tons and increased 42.8% in value to \$1.8 billion.

Indonesia's Pertamina hopes to secure supplies of LNG from the Bontang LNG plant for Central Java FRSU Project. The company hopes that Bontang will be able to provide the FRSU project with 1.5 mpta of LNG.

Canadian Gas Association			
Weekly Storage Report			
	09-Dec-11	02-Dec-11	10-Dec-10
East	235.1	237.4	219.1
West	444.1	450.1	358.6
Total	679.2	687.5	577.8

storage figures are in Bcf

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	146928	155260	-8332	14.769%
JAN	123677	117101	6576	12.432%
FEB	198447	194366	4081	19.948%
Dec-12	23380	23380	0	2.350%
Dec-13	8062	8096	-34	0.810%
TOTAL	994809	988215	6594	

Chinese imports of LNG are expected to climb by 30% in 2012 to meet growing demand. In order to compensate for the increase in demand it is expected that the country will sign long term gas deals with Australia, Indonesia, Qatar, and Malaysia. Wood Mackenzie Ltd recently reported that China will consume 21 million metric tons of LNG a year by 2015.

Chevron has made its 12th offshore discovery in Australia since mid-2009 after making a new natural gas discovery in Western Australia. The Vos-1 encountered around 138 meters of net gas play. Chevron currently has more than \$60 billion worth of LNG export projects under construction in northwestern Australia. The company's 15 mpta Gorgon project is set to come online in 2014 and the 8.9 mpta Wheatstone project is expected to come online in 2016.

Electric Market News

Maryland's governor has decided to support Exelon Corp's proposed purchase of Constellation Energy Group after Exelon promised to spend an additional \$500 million in the state to develop more natural gas, solar, and wind power in the state. Exelon released a statement in April that it planned to buy Constellation for \$7.9 billion.

The Long Island Power Authority selected Public Service Enterprise Group Inc to manage operations of the electric power grid on Long Island in 2014 for ten years. Financial terms of the deal were not disclosed.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
	Traded			(As of 12:30 PM)		Moving Avg
Henry Hub	496,400	\$3.054	(\$0.030)	(\$0.085)	(\$0.010)	\$0.039
Chicago City Gate	972,400	\$3.181	(\$0.034)	\$0.042	(\$0.024)	\$0.023
NGPL- TX/OK	572,000	\$3.047	(\$0.006)	(\$0.092)	\$0.004	(\$0.129)
SoCal	610,500	\$3.496	(\$0.054)	\$0.357	(\$0.044)	\$0.336
PG&E Citygate	974,000	\$3.558	(\$0.046)	\$0.419	(\$0.036)	\$0.400
Dominion-South	834,900	\$3.143	(\$0.018)	\$0.004	(\$0.008)	(\$0.025)
UTrade Weighted	21,304,600	\$3.212	(\$0.020)	\$0.073	(\$0.01)	\$0.039

The US Northwest River Forecast Center stated that projected water runoff at The Dalles Dam on the Columbia was 86 percent of normal on December 15th.

Economic News

The US Labor Department reported that initial unemployment claims fell by 19,000 to a seasonally adjusted 366,000 in the week ending December 10. Unemployment claims for the previous week was revised up slightly to 385,000 from an originally reported 381,000. The four week moving average of initial unemployment claims fell by 6,500 to 387,750. It reported that the number of continuing unemployment benefit claims increased by 4,000 to 3,603,000 in the week ending December 3rd. The unemployment rate for workers with unemployment insurance in the week ending December 3rd was 2.9%, unchanged from the prior week.

The Labor Department also reported that US wholesale prices increased slightly in November amid higher food and energy costs. The Producer Price Index increased by a seasonally adjusted 0.3% for finished goods in November from a month earlier. This followed a decline of 0.3% in October. The core PPI increased by 0.1%. Energy prices increased 0.1% after declining by 1.4% the prior month.

The Commerce Department said the US current account deficit narrowed in the third quarter. The measure of US international transactions registered a shortfall of \$110.3 billion during July through September. The second quarter deficit was revised down to \$124.7 billion from an initial estimate of \$118 billion.

According to the Federal Reserve, US industrial production fell for the first time in seven months during November. Overall production fell by 0.2% in November following a 0.7% increase in October. The Fed data showed that industries used 77.8% of their capacity in November, down from 78% in October. The Fed data contrasted with an Institute for Supply Management report that showed manufacturing increased in November. The ISM's manufacturing purchasing managers index increased to 52.7 from 50.8.

The New York Federal Reserve said a gauge of manufacturing in New York State showed growth accelerated in December to its highest level since May as new orders improved. The New York Fed's Empire State general business conditions index increased to 9.53 from 0.61 the previous month. New orders increased to 5.1 from minus 20.7 while inventories increased to minus 3.49 from minus 12.20.

Mid-Atlantic manufacturing activity expanded further this month. The Philadelphia Fed said its index of general business activity within the factory sector increased to 10.3 in December from 3.6 in November.

China's factory output fell again in December after new orders declined. The HSBC flash manufacturing purchasing managers' index stood at 49 in December, up from November's 47.7. New orders fell for the second consecutive month with the sub-index at 47.4.

Market Commentary

The natural gas market continued to trade lower in overnight trading and posted its low of \$3.10 following Wednesday's sharp sell-off. Early in the session, the market traded mostly sideways ahead of the release of the EIA natural gas storage report. However it retraced some of its previous losses and posted a high of \$3.204. This followed the release of the inventory report, which showed a slightly higher than expected draw in inventories of 102 bcf. The market later erased some of its gains as the outlook for prolonged warmer than normal temperatures trumped the drop in inventories. It settled down 9 ticks at \$3.127.

The natural gas market is seen remaining on the defensive as the latest weather forecast for January through March 2012 released by the NOAA offers little hope for increased heating demand. It reported that above normal temperatures are expected to stretch from the southwest to the East Coast. Technically, the market is seen finding resistance at \$3.155, \$3.187, its high of \$3.204 followed by \$3.248, \$3.287 and \$3.299-\$3.309. Support is however seen at its low of \$3.10, \$3.083, \$3.04 and \$2.979.