



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 16, 2011

NATURAL GAS MARKET NEWS

North America

Spectra Energy's Algonquin Gas Transmission natural gas pipeline unit said that an unplanned outage at its Cromwell, Conn. Compressor station would cause reduced capacity through the station for about two weeks.

ConocoPhillips plans to restart exports from its LNG plant in Kenai, Alaska after finding enough gas supply to be able to resume exports. Exports are expected to resume in the third quarter of 2012 but the plant has yet to seek an extension for the license that allows the company to export LNG after 2013.

Cheniere Energy Inc plans on starting to develop a second LNG export terminal along the US Gulf Coast to take advantage of the booming natural gas production in the region. Cheniere said the facility would be located in Corpus Christi and receive supplies from shale gas produced in the Eagle Ford Shale. The company is already in preliminary talks with potential customers. Cheniere also announced

Generation Outages

SERC - Duke Energy Corp's 1,129MW Units 1 and 2 at the Catawba nuclear power plant shut on Thursday after the 'B' train of the plant's water system tripped. Energy Corp's River Bend nuclear power plant reduced to 63% power early on Friday from full power Thursday.

ERCOT - Luminant restarted its Unit 1 at the Monticello coal-fired power plant early Friday after finishing repairs on a boiler tube leak.

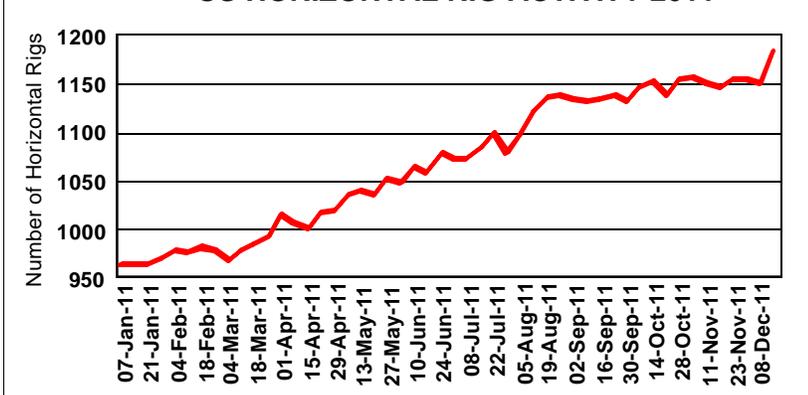
MRO - Entergy Corp's Palisades nuclear power plant exited an outage and increased power to 22% capacity early on Friday. The 778 unit was shut on Wednesday after a reactor tripped due to loss of both main feed pumps at the plant

The NRC reported this morning that some 88,298 Mw of nuclear generation was online, down 2.72% from yesterday and down 5.79% from the same day a year ago.

that it was closing in on its fourth long-term contract for LNG exports out of its Sabine Pass facility and that the company plans on being oversold at the facility.

Gran Tierra Energy, a Canadian oil and gas exploration company has forecasted higher production and capital spending next year. The company expects capital spending to be approximately \$367 million, \$246 million of which is scheduled to be spent on drilling.

US HORIZONTAL RIG ACTIVITY 2011



International News

Recent discoveries of large unconventional oil and gas reserves in Argentina may entice new investment into the countries energy sector if strict regulations do not limit near-term growth potential for capex and hydrocarbon production occurring to Fitch. YPF recently discovered 927 mboe in the Vaca Muerta shale formation in the Patagonia region.

Bulgaria is increasing its efforts to construct a new gas link to allow Caspian gas flows to southeast Europe, lessening the region's dependence on gas from Russia. The gas link between Bulgaria and Greece is expected to be ready by the end of 2013 and the connection with Turkey may be completed in two years.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	129300	146928	-17628	13.046%
JAN	126381	123677	2704	12.752%
FEB	203935	198447	5488	20.577%
Dec-12	23357	23380	-23	2.357%
Dec-13	8068	8062	6	0.814%
TOTAL	991078	994809	-3731	

Gazprom has agreed to buy an additional 3 bcm of natural gas from Azerbaijan in 2012. Gazprom imported 800 million cubic meters from Azerbaijan's state run Socar in 2010 and has bought 1.36 bcm between January and November in 2011.

Economic News

The US Labor Department said US consumer prices held flat in November as a drop in energy costs offset a slight increase in food prices and other items. The consumer price index was unchanged in November from the previous month. Overall inflation was up 3.4% on the year compared with October's

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	844,400	\$3.009	(\$0.045)	(\$0.119)	(\$0.032)	\$0.031
Chicago City Gate	703,700	\$3.124	(\$0.057)	(\$0.004)	(\$0.046)	\$0.003
NGPL- TX/OK	697,100	\$2.964	(\$0.082)	(\$0.164)	(\$0.071)	(\$0.146)
SoCal	600,000	\$3.404	(\$0.092)	\$0.276	(\$0.081)	\$0.344
PG&E Citygate	589,600	\$3.476	(\$0.081)	\$0.348	(\$0.070)	\$0.408
Dominion-South	938,500	\$3.142	(\$0.001)	\$0.014	\$0.010	(\$0.031)
USTrade Weighted	20,702,800	\$3.169	(\$0.043)	\$0.041	(\$0.03)	\$0.031

3.5%.

Fitch Ratings warned it could downgrade France's AAA rating in the medium term. It expressed concern about potential government liabilities stemming from the euro zone debt crisis. It affirmed France's AAA rating but revised its outlook to negative, which usually means a downgrade is possible in 12-18 months. Meanwhile, Fitch placed the ratings of six other euro zone countries to negative, which means a downgrade is possible in the next three months.

Market Commentary

The natural gas market opened lower and continued to trend lower in overnight trading amid weather forecasts calling for warmer temperatures in the coming days. It posted its low of \$3.084 in early morning trading before it retraced some of its losses and traded to a high of \$3.173. The market, which failed to test its previous high as its gains remained limited, erased its gains and traded back towards the \$3.10 level and traded mostly sideways. The natural gas market settled unchanged at \$3.127.

According to the latest Commitment of Traders' disaggregated futures and options report, managed money funds continued to cut their net short position for the fourth consecutive week by 3,850 to 119,138 contracts in the week ending December 13th.

The market is still seen remaining pressured amid the lack of any increased heating demand. Most weather forecasts are calling for warmer than normal temperatures for both the 6 to 10 day outlook and 11 to 15 day outlook over much of the northern half of the country and the eastern seaboard. The market is seen finding resistance at \$3.15, \$3.173, \$3.204, \$3.217 and \$3.261. More distant resistance is seen at \$3.287, \$3.299-\$3.309 and \$3.441. Support is however seen at \$3.105, \$3.084, \$3.039 and \$2.994.