



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 28, 2011

NATURAL GAS MARKET NEWS

North America

The Oregon Department of State Lands had granted the Port of Coos Bay permission to dredge to create an access channel and slip adjacent to the Coos Bay Navigation Channel. Dredging is necessary to accommodate large vessels to the port and is one of many permits that needed to be approved before the Jordan Cove LNG project can move forward.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	11996	24779	-12783	1.199%
JAN	183914	182559	1355	18.387%
FEB	229092	227456	1636	22.904%
Dec-12	24813	24634	179	2.481%
Dec-13	8097	8096	1	0.810%
TOTAL	1000237	1005834	-5597	

Lange field in Norway after storms interrupted the power supplies on Christmas. The field has the ability to provide up to 20% of Britain's gas demand.

Ukraine plans to stay firm in gas talks with Russia and not give up national interests despite Russia's insistence on acquiring a stake in the Ukrainian pipeline that transport Russian gas to Europe. The two sides have agreed to start the next round of talks on January 15th.

After taking a loan from the Russian gas industry bank to cover part of its November bill for deliveries Ukraine has paid the bill in full. Russian company Gazprom extended a grace period on payments from the 7th to the 28th of each month.

Turkey and Russia have reached an agreement on the award of a final construction permit for the South Stream pipeline. The pipeline is extended to start carrying 63 bcm of gas a year from the Caspian Sea to Europe in 2015. In addition Turkey will increase its imports of Russian gas from 25 bcm expected in 2011 to 27 bcm.

Generation Outages

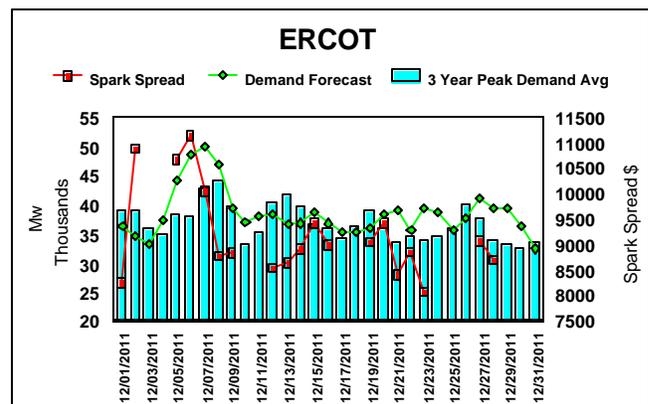
SERC - Entergy Corp's River Bend nuclear power plant increased power to 50% on Wednesday from 12% power on Tuesday.

The NRC reported this morning that some 92,552 MW of nuclear generation was online, up 0.81% from yesterday and down 3.05% from the same day a year ago.

International News

The Polish government announced that state-linked companies should work together in shale gas exploration to create a synergy between producing gas and its usage in the energy sector. The country hopes to launch shale gas production in 2014 and 2015 to decrease its dependence on Russian gas imports.

Gas exports have resumed from Shell's Ormen



Turkey's state pipeline company Botas will take an additional 3 bcm of natural gas from the Western Line pipeline in 2012 under a take-or-pay agreement.

Cyprus has announced that its offshore reserves of natural gas contain between 5 and 8 tcf. The finds could power Cyprus' energy grid for decades. The country estimates that it consumes 1 bcm of gas a year.

Kyushu Electric shut units 1 through 4 at its Shin-Oita plant on Tuesday evening due to parts of the gas turbine reaching excessively high temperatures.

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	415,300	\$3.074	(\$0.014)	(\$0.025)	\$0.042	\$0.076
Chicago City Gate	746,100	\$3.161	(\$0.021)	\$0.062	(\$0.028)	\$0.009
NGPL- TX/OK	559,300	\$3.032	\$0.003	(\$0.067)	(\$0.004)	(\$0.114)
SoCal	736,700	\$3.326	(\$0.060)	\$0.227	(\$0.067)	\$0.245
PG&E Citygate	963,800	\$3.450	(\$0.016)	\$0.351	(\$0.023)	\$0.343
Dominion-South	568,300	\$3.166	(\$0.023)	\$0.067	(\$0.030)	(\$0.008)
USTrade Weighted	18,905,900	\$3.318	\$0.049	\$0.219	\$0.04	\$0.076

Electric News

The wind power market is expected to have a difficult 2013 even if the Production Tax Credit is expanded beyond 2012 in the US because basic demand remains weak and natural gas futures prices remain low.

US power generation fell 4.1% in the week ending on December 22nd compared the previous week. Power output was down 7.5% when compared to the same week last year.

Market Commentary

The natural gas market ended the session in negative territory for the third consecutive session on the expiry of the January futures contract. The market traded mostly sideways in overnight trading before it traded to its lows as a predicted cold spell was expected to be short lived. The market bounced off its lows and rallied to a high of \$3.14 in afternoon trading before it gave up its gains once again ahead of expiration. The January natural gas contract settled down 2.8 cents at \$3.084 within the range it traded in for much of the past couple of weeks. The February contract settled down 2.9 cents at \$3.121.

The EIA natural gas storage report is expected to show a draw of 89 bcf during the week ending December 23rd. The withdrawal estimates range from a draw of 74 bcf to a draw of 101 bcf. Natural gas inventories fell by an adjusted 143 bcf in the same week last year while the five year average draw was 122 bcf.

While several forecasts are predicting a cold spell along the East Coast in the next six to ten days, above normal temperatures are expected to return after that. Overall, mild temperatures are expected across most of the US through the middle of January, which will continue to limit its gains. The natural gas market is seen finding resistance at \$3.169, its high of \$3.185, \$3.219, \$3.249 and \$3.33. Support is seen at its low of \$3.105, \$3.10, \$3.089 followed by \$3.057 and \$3.009.