



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 29, 2011

NATURAL GAS MARKET NEWS

North America

Farmers in northern Michigan are upset that they have not been paid thousands of dollars worth of bonuses from brokers who negotiated with the farmers to tap their lands for oil and natural gas. The problem was that the farmers did not know who to go after demanding their money because the company issuing the rejections, Northern Michigan Exploration, was a shell company with no real operations. A Reuters' investigation uncovered that Chesapeake Energy was behind the operation. Chesapeake is now saying that they have done nothing wrong under current federal rules.

Chesapeake Energy Corp sold its natural gas pipeline and processing assts in the Marcellus Shale to its partnership, Chesapeake Midstream Partners for \$865 million.

Generation Outages

PJM - Exelon Corp's Unit 1 at the Limerick nuclear plant ramped up to 87% power early on Thursday from 60% power on Wednesday.

SERC - Entergy Corp's River Bend nuclear power plant increased power to 92% on Thursday from 50% power on Wednesday.

The NRC reported this morning that some 93,450 MW of nuclear generation was online, up 0.97% from yesterday and down 2.06% from the same day a year ago.

Natural Gas				
Month	O.I	Prior O.I	Change	% OF TTL
DEC	688	11996	-11308	0.069%
JAN	183502	183914	-412	18.381%
FEB	231334	229092	2242	23.173%
Dec-12	25080	24813	267	2.512%
Dec-13	8109	8097	12	0.812%
TOTAL	998301	1000237	-1936	

Natural gas output in the lower 48 states rose 1.4% or 0.96 bcf per day in October from September to a record high of 71.3 bcf per day. October output of natural gas increased by 8.3% from the prior year. The increase in output was boosted by wells coming back online after being shut for Hurricane Lee.

International News

Enea, a Polish state-controlled utility is interested in local shale gas exploration with the hope of using it as an alternative energy source in the future.

The final investment decision on Russia's Shtokman gas field project will be made on April 1 as Gazprom pushes the Russian government for tax breaks to make the project more profitable. The consortium which includes Gazprom, Total, and Statoil are trying to develop the 3.9 trillion cubic meter field.

Ukraine may take Russia to arbitral court if the two sides fail to negotiate a new supply contract with a lower supply. The sides are due to hold their next round of gas talks on Jan 15th. To rework the deal Russia wants a stake in the Ukrainian pipeline that ships gas from Russia to Europe and Ukraine wants to reduce the volume of its imports from 40 bcm in 2011 to 27 bcm in 2012.

Canadian Gas Association

Weekly Storage Report

	23-Dec-11	17-Dec-11	24-Dec-11
East	223.1	229	189
West	434	436.5	315.2
Total	657.1	665.5	504.2

storage figures are in Bcf

Gazprom may be forced to halt its Orenburg gas processing plant due to a sharp reduction in condensate supplies from the Karanchaganak field in Kazakhstan. Operators at the Karanchaganak field have cut supplies by more than 90% since September. Someone familiar with the situation who did not want to be identified said that the Kazakhstan government which recently acquired a stake in the field could be using the condensate supplies as leverage in negotiations over the amount of tariff-free feedstock to be supplied in 2012.

EIA Weekly Report				
	12/23/2011	12/16/2011	Change	12/24/2010
Producing Region	1205	1214	-9	1120
Consuming East	1892	1945	-53	1686
Consuming West	451	470	-19	446
Total US	3548	3629	-81	3251

*storage figures in Bcf

LUKOIL said that it has produced its first gas at the South West Gissar block in its largest field, Dzharkuduk-Yangi Kyzylcha. The project's initial state is 1.1 bcm of natural gas per year.

Turkey agreed to allow Russia to build the South Stream pipeline through its territory on Wednesday allowing Russia to have everything it needs to secure markets for its gas in Europe. The South Stream pipeline could be a major blow to the European Union backed Nabucco pipeline that was expected to cut Europe's dependence on Russian gas. The pipeline will also now allow Russia to bypass Ukraine, a country that has twice cut Russian gas flows to Europe in the past.

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	606,100	\$3.025	(\$0.049)	\$0.012	(\$0.127)	\$0.099
Chicago City Gate	907,800	\$3.094	(\$0.067)	\$0.081	\$0.019	\$0.029
NGPL- TXOK	622,800	\$2.957	(\$0.076)	(\$0.056)	\$0.010	(\$0.096)
SoCal	745,300	\$3.209	(\$0.117)	\$0.196	(\$0.031)	\$0.250
PG&E Citygate	794,700	\$3.377	(\$0.072)	\$0.364	\$0.014	\$0.364
Dominion-South	681,000	\$3.035	(\$0.131)	\$0.022	(\$0.045)	\$0.013
USTRade Weighted	19,759,400	\$3.105	(\$0.213)	\$0.092	(\$0.13)	\$0.099

Japan's Kyushu Electric Power Co had restarted the 115 MW gas fired Shin-Oita plant after replacing gas turbine parts on Thursday. The plant automatically closed on Tuesday evening due to parts of the gas turbine reaching excessively high temperatures.

Electric News

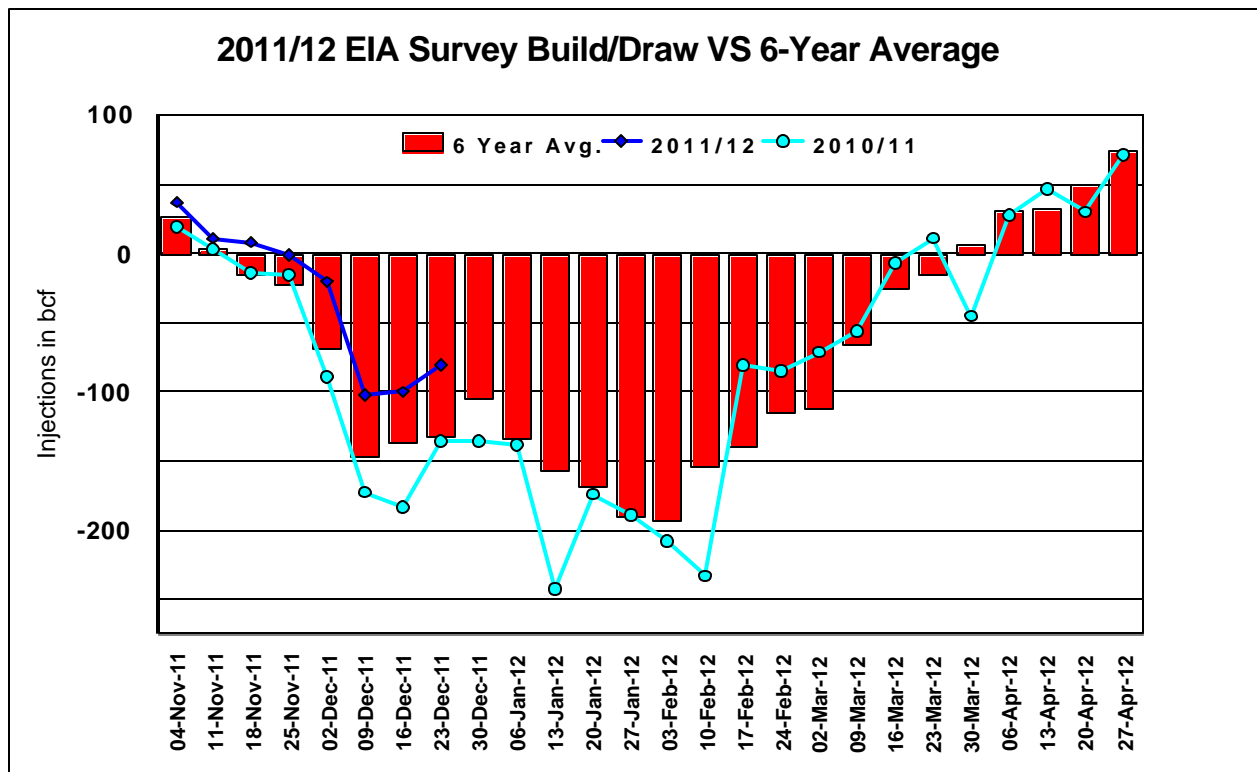
The US Northwest River Forecast Center said on Thursday that projected water runoff at The Dalles Dam on the Columbia River in Oregon fell to 87 percent of normal for January-July.

Economic News

The US Labor Department reported that initial unemployment claims increased by 15,000 to a seasonally adjusted 381,000 in the week ending December 24th. It was the fourth consecutive week that claims were below the 400,000 level. For the week ending December 17th, claims were revised up to 366,000 from an originally reported 364,000. The four week moving average of initial unemployment claims fell by 5,750 to 375,000. It reported that the number of continuing unemployment claims increased by 34,000 to 3,601,000 in the week ending December 17th. The unemployment rate for workers with unemployment insurance for the week ending December 17th was 2.9% compared with 2.8% the prior week.

The Institute for Supply Management-Chicago business barometer was relatively unchanged at 62.5 in December from 62.6 in November.

The Federal Reserve Bank of Kansas City's monthly manufacturing index fell by 4 in December following an increase of 4 in November.



The National Association of Realtors' seasonally adjusted index for pending sales of existing homes increased by 7.3% on the month to 100.1 in November. It increased to the highest level in 19 months. The NAR's pending sales gauge is 5.9% above its level in November 2010.

Market Commentary

The natural gas market opened slightly higher and posted its high of \$3.148 in overnight trading as the market seemed to be supported by some short covering ahead of the EIA natural gas report. The market however plunged to its lows following the release of the EIA report, which showed a slightly lower than expected draw in inventories of 81 bcf. The February natural gas contract in its first session as the spot contract, posted a low of \$3.001, a level not seen since September 14, 2009. The market was also pressured by an EIA report showing that natural gas production in the lower 48 states increased by 1.4% to a record 71.3 bcf/day in October. The market bounced off its low late in the session and settled down 9.4 cents at \$3.027.

The market will likely retrace some of today's sharp losses ahead of the long New Year's holiday weekend. However the market's gains will be limited. While cooler weather is expected in the East Coast next week, moderating temperatures are seen in the Midwest which would offset any fall in temperatures. The market is seen breaching the \$3 level in the near future in light of the weak fundamentals. More distant support is seen at \$2.969, \$2.912 and \$2.822. Resistance is seen at \$3.116, its high of \$3.148, \$3.206 and \$3.263.