



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 13, 2011

NATURAL GAS MARKET NEWS

North America

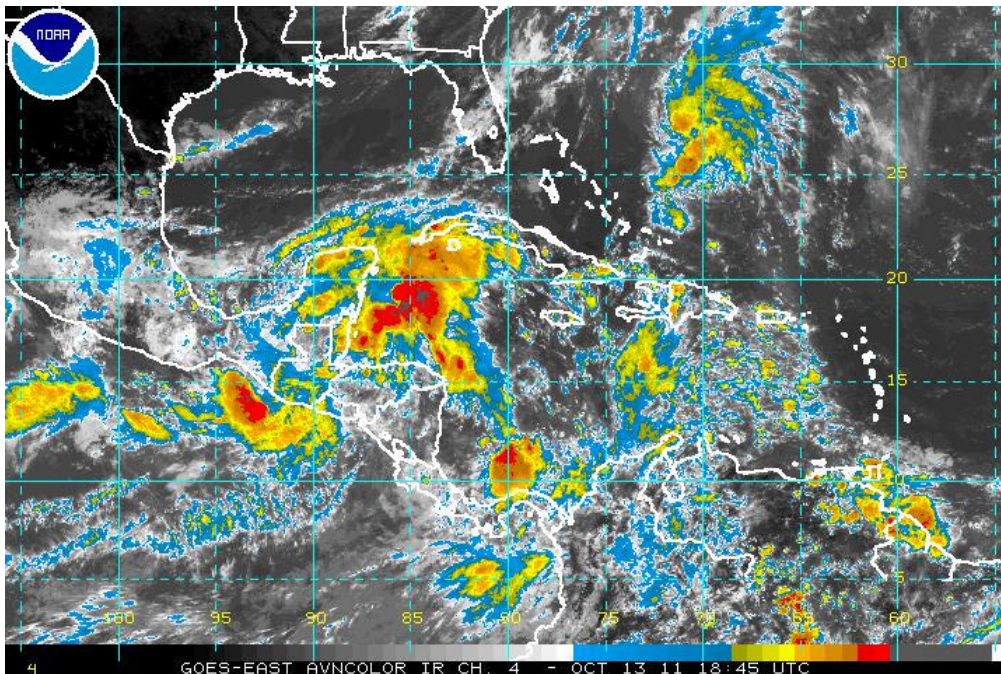
A disturbed weather area was developing off the coast of Belize and the Yucatan Peninsula in the far western Caribbean this morning. The system is expected to slowly move east over the next couple of days with some projections estimating it developing into a tropical cyclone Friday night into Saturday. Other estimates show the storm meandering in the western Caribbean until next week before it starts to move east. The system needs to be monitored closely for the next 48 hours to determine an accurate estimate of the storms strength and trajectory.

Generation Outages

SERC - Southern Company's Unit 2 at the Vogtle nuclear plant increased power to 35% capacity on Thursday from 3% on Wednesday. The plant is currently exiting a refueling outage. The Catawba 2 nuclear power unit owned by Duke Energy Corporation lowered power to 65% from full power on Wednesday.

ERCOT The Gibbons Creek coal-fired power unit shut on Thursday to repair a boiler tube leak. The plant operator, Texas Municipal Power Agency said the maintenance is expected to last through October 13-14.

The NRC reported this morning that some 78,965 Mw of nuclear generation was online, up 0.07% from yesterday but down 1.91% from the same day a year ago.



ConocoPhillips bought Marathon Oil Corporation's 30% share in the United States sole LNG export facility. The deal closed on September 26th for the Kenai plant in Alaska despite the plants plans to mothball later this year. A ConocoPhillips representative said the closure might not be permanent as the plant sees potential export opportunities in Asia.

International

Eni has started to test its Greenstream pipeline that runs between Libya and Italy. Eni will start testing the pipeline by running 3 million cubic meters a day through the pipeline. The company hopes to begin gas exports through Greenstream by the middle of October. The company also hopes to have the capabilities to restart gas output at its offshore Sabratah platform and its gas plants at the Mellitah terminal by mid-November.

Norway's Troll A natural gas platform was running near 33% capacity early on Thursday producing an estimated 40 million cubic meters a day.

The UK-Belgium gas interconnector plans to shut for a period of fifteen days starting June 13, 2012 for planned annual maintenance.

The cost of the Nabucco pipeline is now estimated at 10 to 14 billion euros well above its original 7.9 billion euro estimate. The increase in cost can be attributed to the pipeline now being 20% longer than originally plan according to the Nabucco consortium chief.

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	857,800	\$3.424	(\$0.115)	(\$0.116)	(\$0.111)	(\$0.153)
Chicago City Gate	833,800	\$3.449	(\$0.101)	(\$0.091)	(\$0.117)	(\$0.103)
NGPL- TX/OK	868,800	\$3.357	(\$0.100)	(\$0.183)	(\$0.116)	(\$0.172)
SoCal	449,900	\$3.441	(\$0.077)	(\$0.099)	(\$0.093)	(\$0.154)
PG&E Citygate	999,100	\$3.587	(\$0.092)	\$0.047	(\$0.108)	\$0.027
Dominion-South	444,300	\$3.443	(\$0.149)	(\$0.098)	(\$0.165)	(\$0.053)
USTrade Weighted	18,445,200	\$3.401	(\$0.095)	(\$0.139)	(\$0.11)	(\$0.153)

The President of Turkmenistan met with the leader of Austria to discuss bringing Turkmen energy to Europe. Austria is set to become the future hub where Caspian gas flows go before entering Europe. The Turkmenistan leader said he is willing to supply gas to Europe and help build the Nabucco pipeline.

Iraq's oil ministry has signed a final deal with KOGAS to develop the Akkas gas field in western Iraq. KOGAS will develop the gas field around August or September of next year on its own after other companies withdrew from the deal. The Akkas gas field is the largest in Iraq with estimated reserves of 5.6tcf.

Canadian Gas Association			
Weekly Storage Report			
	07-Oct-11	30-Sep-11	08-Oct-10
East	232.8	228.7	218.8
West	420	409.9	225.5
Total	652.8	638.6	229.8

storage figures are in Bcf

Indonesia's LNG exports fell 13.5% in August from a year earlier to approximately 100 million British thermal units. Despite the decrease in exports the overall value of the exports increased due to LNG prices in Asia doubling since last year.

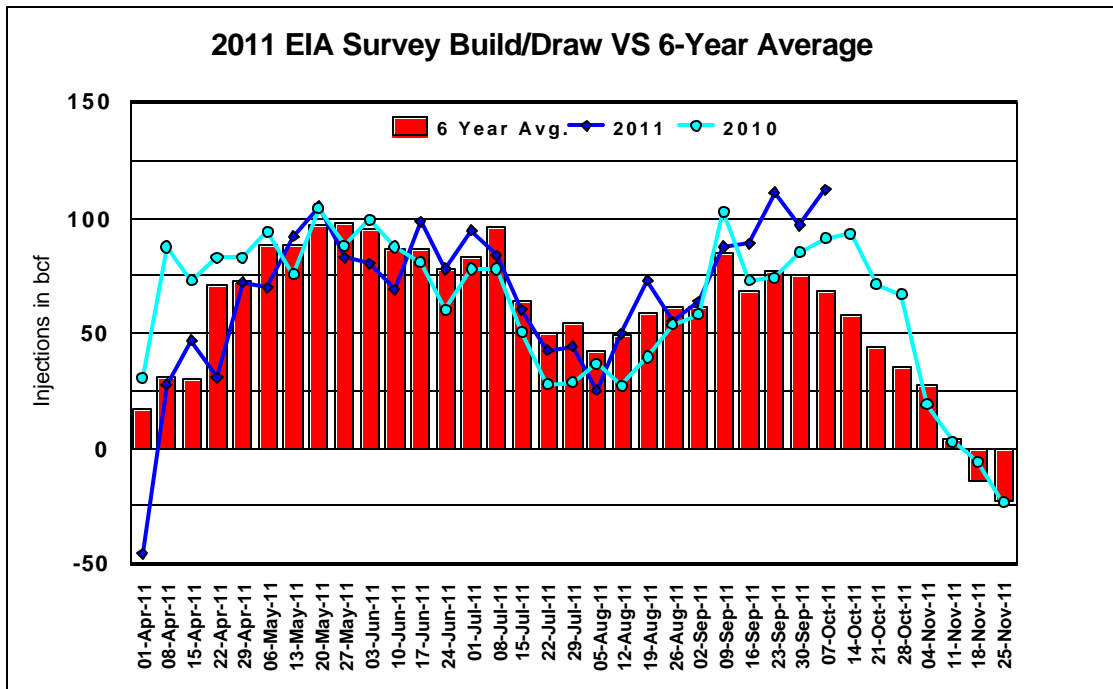
China Gas Holdings Limited a natural gas distributor expects natural gas sales volume to almost double to 10 bcm/y in 2015 from the current 5.2 bcm/y. The company expects sales to increase due to the completion of China's west-to-east natural gas pipeline linking China to Kazakhstan and Myanmar and the opening of new LNG receiving terminals along China's coast. The company also expects natural gas prices to increase around the end of the year to narrow the price gap with gasoline and diesel.

TEPCO reported a steep increase in consumption of LNG for the first six months of the fiscal year when compared to the same period last year. Consumption of LNG from April to September was up 17% while coal fell by 32%. Forecasters are predicting LNG demand will continue to increase this calendar year due to Japan's reduction of nuclear energy.

ELECTRIC MARKET NEWS

Interior Secretary Ken Salazar said the US government might sign a second offshore wind power lease within months and maybe even within weeks. He did not indicate what wind project may be granted the lease but industry insiders are speculating the proposal might be built off the coast of Delaware, New Jersey, or Rhode Island. The Interior Secretary also said that as may as five leases might be granted within the year.

EIA Weekly Report				
	10/07/2011	09/30/2011	Change	10/01/2010
Producing Region	1104	1060	44	1118
Consuming East	1935	1881	54	1957
Consuming West	482	468	14	502
Total US	3521	3409	112	3577



ECONOMIC NEWS

The US Labor Department said initial claims for unemployment benefits fell by 1,000 to a seasonally adjusted 404,000 in the week ending October 8th. Claims filed in the previous week increased by 10,000 after falling by 33,000 in the

week ending September 24th. It reported that the four week moving average of new claims fell by 7,000 to 408,000 last week. The report showed the number of continuing unemployment benefit claims totaled 3,670,000 in the week ending October 1st. It was down 55,000 from the previous week. The Labor Department reported that the unemployment rate for workers with unemployment insurance for the week ending October 1st fell to 2.9% from 3%.

The US Commerce Department said the US trade deficit with China reached a new record in August. It reported that the US deficit in international trade of goods and services with China increased to \$28.96 billion from \$26.96 billion even as the overall trade gap fell slightly. It reported that globally, the US trade deficit narrowed to \$45.61 billion from a revised \$45.63 billion. The US bill for crude oil imports in August increased to \$31.04 billion from \$29.31 billion the month before. The US paid \$37.96 billion for all types of energy related imports compared with \$37.17 billion in July.

Market Commentary

The natural gas market ended the session in positive territory after it retraced its previous losses. The market opened lower and settled in a sideways trading pattern before it posted a low of \$3.446 early in the session following the release of the EIA natural gas storage report. The report showed a larger than expected build in inventories of 112 bcf. The natural gas market however bounced off that level on some short covering and traded to a high of \$3.559 by mid-day. It later erased some of its gains and settled in a sideways range ahead of the close. The natural gas market settled up 4.2 cents at \$3.531. The market was supported amid forecasts of cooler temperatures in the next six to 10 days.

The natural gas market is likely to continue retracing its recent losses. The market is seen finding support at its low of \$3.446 followed by \$3.399 and \$3.352. Resistance is seen at its high of \$3.559 followed by \$3.578, \$3.625 and \$3.691. Further resistance is seen at \$3.73-\$3.746, \$3.815 and \$3.90.