



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 4, 2010

NATURAL GAS MARKET NEWS

The U.S. Climate Prediction Center said today that it expects gas home heating customer weighted heating degree days this week to reach 264 HDD some 17.8% higher than normal and some 31% higher than the same week a year ago.

Joe Bastardi, the lead long-range forecaster from AccuWeather has said today that the current winter could be shaping up to be the worst winter in 25 years especially for the eastern U.S.

Reuters is reporting that according to port officials two LNG tankers were expected to arrive in the U.K. this week, while one tanker was slated to arrive at Belgium's Zeebrugge terminal.

The LNG tanker Excellerate was reported to have anchored off the port of Boston after being reported in British waters in late December. This would be either the third or fourth cargo imported at the facility since mid December. Meanwhile the Cove Point LNG terminal was expected to receive two LNG cargoes on Monday. Qatargas's Mesaimmer LNG tanker was reported to be on route to the U.S. Gulf Coast on Monday. The tanker reportedly was off the Qatari coast on Monday.

The Troll gas field, Norway's largest gas field was shut on Sunday for a few hours due to a gas leak. Production though has been restarted and production was expected to return to normal shortly. But this supply hiccup coupled with a power plant fire in Britain and colder temperatures helped to push UK gas prices to 60 pence per therm their highest level since February. By midday the supply demand picture in Britain resulted in National Grid

Generator Problems

NPCC – OPG's 490 Mw units #5 and #6 at the Nanticoke coal fired power plants were shut early Monday for short-term maintenance.

MISO – Exelon's 1043 Mw Clinton nuclear unit was at 89% capacity down 1% from last week.

PJM – PSEG 1130 Mw Salem #2 nuclear unit was shut Sunday and its sister unit Salem #1 was powered down to 80%.

ERCOT & SPP – AEP planned to restart its 528 Mw Unit #1 at the Welsh coal fired power plant over the next couple of weeks. The unit was shut last week to fix the GSU transformer.

Luminant's 750 Mw Martin Lake coal fired Unit #2 was expected to be restarted today. The unit was taken off line on January 2nd to fix a boiler tube leak.

AEP's 675 Mw Pirkey coal fired power plant was expected to be restarted. The unit was recently shut to fix a boiler feed control problem.

WSCC – Operators at SCE's 1070 Mw San Onofre #2 nuclear unit warned that the unit may remain shut for several more weeks. The unit has been off line since September 27th for refueling and the replacement of two steam generators. The work was expected to originally been scheduled to be completed by late December.

PG&E's 404 Mw Unit #1 at the helms Pump Storage facility was shut for planned maintenance.

SERC – TVA's 1065 Mw Browns Ferry #1 nuclear unit returned to full power Monday. The unit had been running at 70% power on Thursday. Operators last week had reduced power to fix a problem with a moisture separator.

TVA said Units #3 and #4 remain shut at the John Sevier power plant in Tennessee after the December 30th fire. No timetable was given for restarting the combined generation of 356 Mw. Units #1 and #2 were not affected by the fire.

The NRC reported today that 92,632 Mw of nuclear generation was on line this morning, down 1.2% from yesterday and off some 3.75% from the same time a year ago.

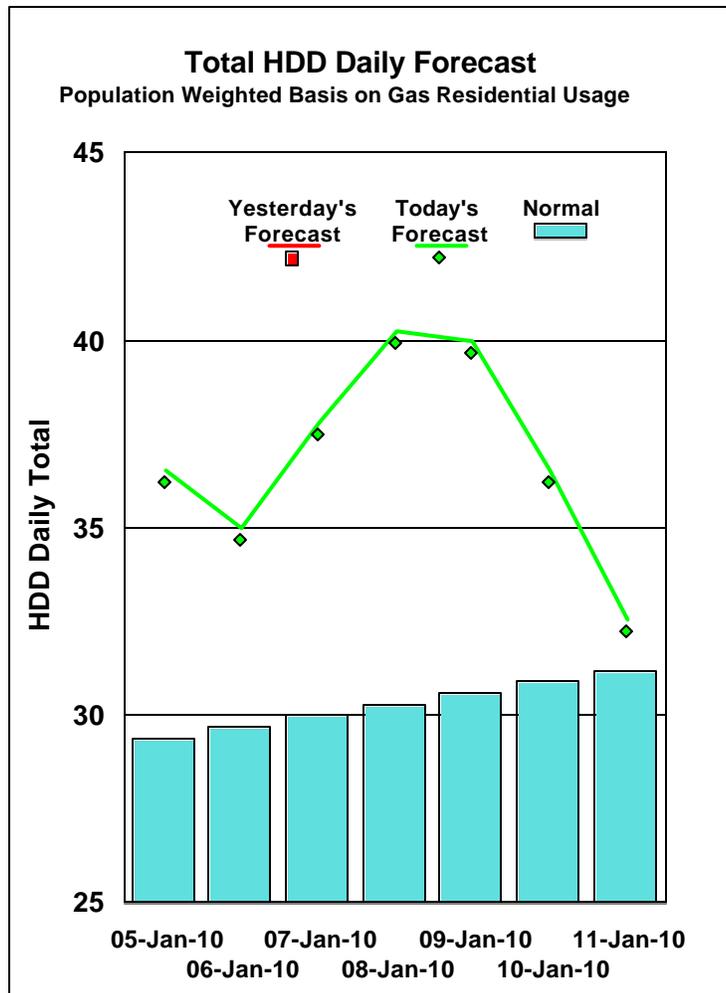
had issued a gas-balancing alert for Monday. Given the outlook for continued cold temperatures this week the company said it would make a decision later whether to issue another alert for Tuesday.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	760,700	\$6.086	\$0.264	\$0.239	\$0.143	\$0.327
Chicago City Gate	691,700	\$6.381	\$0.236	\$0.534	(\$0.077)	\$0.390
NGPL- TX/OK	1,000,000	\$5.986	\$0.281	\$0.139	(\$0.032)	\$0.013
SoCal	142,700	\$6.070	\$0.209	\$0.223	(\$0.104)	\$0.194
PG&E Citygate	387,600	\$6.220	\$0.060	\$0.373	(\$0.253)	\$0.517
Dominion-South	480,100	\$7.170	\$0.826	\$1.323	\$0.513	\$0.635
USTrade Weighted	22,974,800	\$6.412	\$0.456	\$0.565	\$0.14	\$0.327

Total SA signed a \$2.25 billion tie-up with Chesapeake Energy. Total would take a 25% stake in Chesapeake's Barnett Shale gas fields, paying \$800 million in

cash and providing \$1.45 billion toward the field's development over the next six years. Total is paying about \$3.00 per Mcf equivalent for proved reserves. Total said that this entry into the shale business would help it develop expertise in developing other unconventional gas reserves internationally.

The U.S. EPA said today that New York State environmental regulators have not gone far enough in their investigation of the impacts of Marcellus Shale gas development on New York City's watershed, and called on the state to further review the impact on drinking water supplies by potential drilling activities.



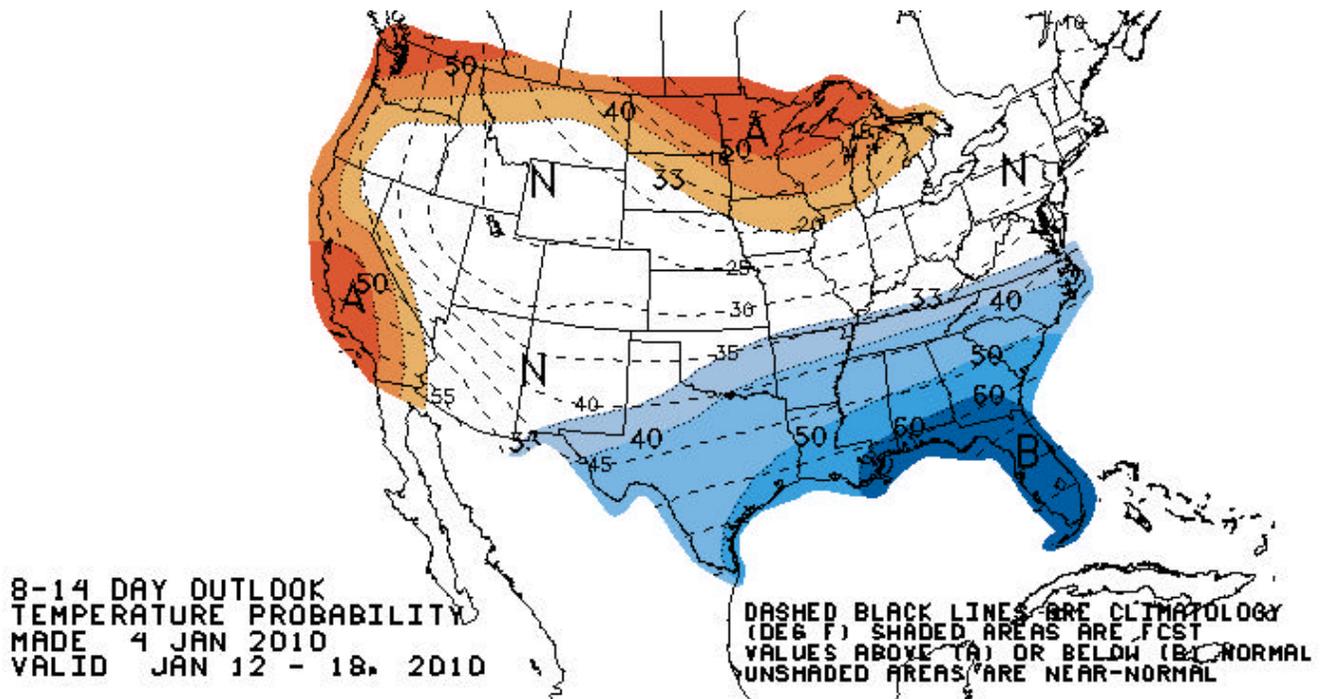
Dominion Resources said it was moving forward with the sale of its Pennsylvanian natural gas unit, Dominion's Peoples to Peoples Hope Gas Companies for \$780 million. The deal is expected to close in the first quarter of this year. The company though said the sale of another unit, Dominion Hope, to Steelriver has been stalled by the West Virginia Public Service Commission, which rejected its sale application just before Christmas.

The head of the Chinese National Energy Administration said today that China looks to conclude more LNG deals as it looks to speed up construction of additional LNG receiving terminals, gas pipelines and storage facilities. He announced that construction of LNG terminals, including Zhuhai, Shenzhen and Shandong will be pushed forward this year. He also outlined the country would further develop major gas fields in central and western China as well as offshore gas resources to maintain fast increases in domestic gas output.

Indonesia's energy watchdog group, BPMIGAS, said it expects natural gas output in the nation in 2010 to move above

its record 7.9 bcf/d set in 2009. Indonesia is seeking to channel more of its gas production to the

domestic market for use in power plants and fertilizer plants to help reduce oil products that need to be imported. Last year the nation exported 50% of its natural gas production.



PIPELINE RESTRICTIONS

FGT on Monday said that due to cold weather across Florida it was issuing an overage alert to shippers with at 10% tolerance.

Tennessee Gas Transmission said that effective for January 4^h, it has restricted Leidy Delivery Meters, Rivervale Meters, STA 834, STA 245, STA 319, STA 321, MLV 336 and MLV 355. The company has restricted through approximately 21% of supply to market secondary out of the path nominations pathed for delivery to the Leidy Meters. Delivery to the Rivervale Meter is restricted through approximately 50% of supply to market secondary out of the path nominations. Later in the day the company announced that due to a force majeure outage at Station 47 and cold weather in its market territory it has issued an OFO and has issued a Critical Day 2 OFO for several zones.

Northern Natural Gas called a safe operating limit for all market area zones for January 5^h due to lower than normal temperatures.

ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center last week forecast water runoff at the Dalles Dam on the Columbia River in Oregon should be 83% of normal for the April - September period, unchanged from the forecast two weeks earlier but still 4% less than last year. Water flows at the Grand Coulee Dam expected for the same period are now seen at 89% of normal, a 2% improvement on the prior forecast. A year ago water flows at this location were 90% of normal.

Genscape reported that U.S. power output for the week ending December 31st rose 0.85% from the previous week and was 10.5% above the same week a year ago.

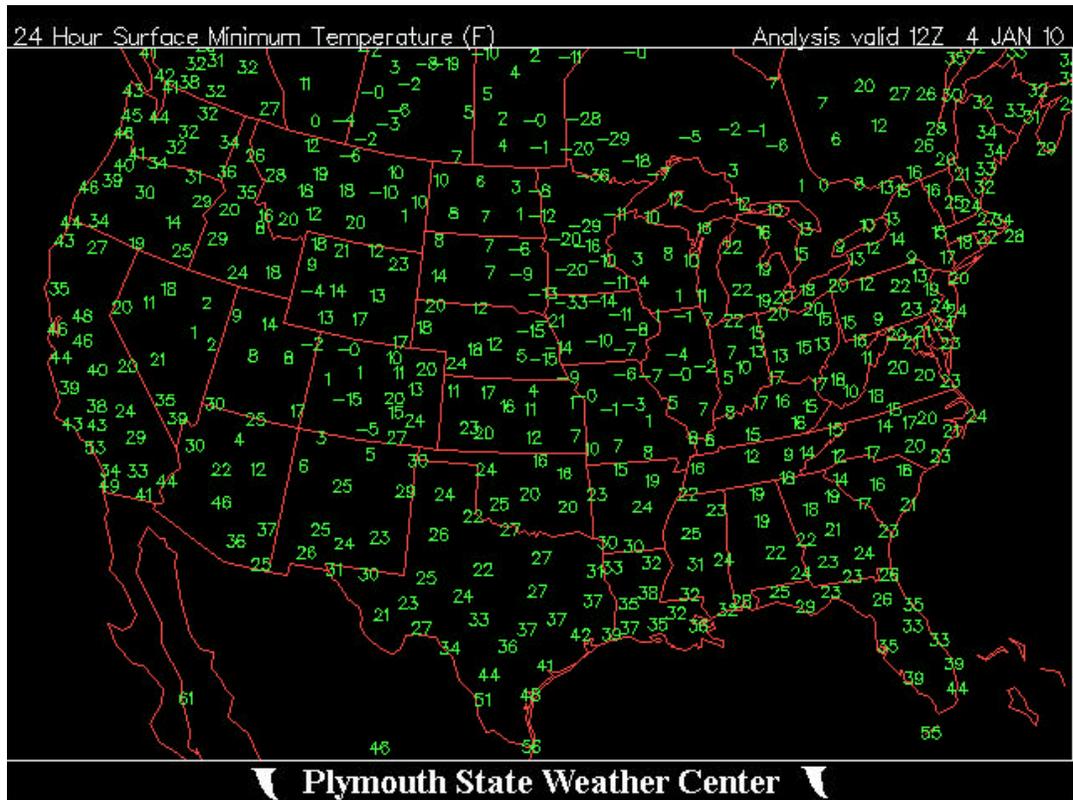
U.S. coal consumption during the final week of 2009 fell 2% from the previous week.

The U.S. Department of the Interior said Monday that it hopes to reach an agreement over the controversial and long delayed Cape Wind power project by March 1st. A meeting with the

Massachusetts historic preservation office, the project managers and the National Park Service is scheduled for next week. The Interior Department though noted that if an agreement is not found by March 1st, it would be prepared to take necessary steps to bring the permit process to conclusion. The \$1 billion wind farm project was first proposed in 2001.

MARKET COMMENTARY

Much of the country was expected to see freezing temperatures this evening and heating demand for natural gas was seen as running higher than normal for the next week, especially by week's end when a second arctic front will sweep across the central and eastern parts of the nation bring the coldest temperatures for many of these parts in the past 10-15 years. But despite this near term heating demand the natural gas market while bouncing higher still did not challenge the \$6.00 price level, a value that the contract just last week was trading at or above. Crude oil prices though reached their highest level since October. It appears that the natural gas market simply retraced back the losses posted on late Thursday morning following the release of the EIA Storage Report. Part of this tempering of price appears to be the evolution of the 11-15 day forecast which today was showing temperatures moderating significantly, as arctic air appears it being cut off from reaching not only much of the Midwest and the eastern U.S. but throughout much of Canada as well.



If the computer models continue to point to a moderation in the temperature regime then the near term strength of the cash market may help to push a hesitant market higher but it appears the \$6.00 price level will once again act as a cap on this market. We would look for resistance tomorrow at \$5.95 followed by \$6.01-\$6.02, \$6.14. More distant resistance we see at \$6.30. Support we see at \$5.658 followed by \$5.572, \$5.28 and \$5.10.

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