



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 JANUARY 20, 2011

NATURAL GAS MARKET NEWS

Sempra Energy was granted approval from the FERC to re-export LNG from the Cameron Terminal in Louisiana.

A Chinese official today noted that China and Russia may finally be able to reach agreement on natural gas pricing, a subject of great contention for years, by the middle of 2011. The two countries have been haggling over how much the price would be on some 70 bcm of natural gas China plans to import from Russia. The Russians have been seeking to set the price for the natural gas at a similar price level that its European customers pay, but China has balked and is seeking a lower price similar to what it pays Turkmenistan currently. The countries are still haggling over the exact route two proposed natural gas pipelines would follow as well.

EIA Weekly Report

	01/14/2011	01/07/2011	Change	01/14/2010
Producing Region	968	1059	-91	824
Consuming East	1384	1510	-126	1420
Consuming West	364	390	-26	399
Total US	2959	2959	0	2642

*storage figures in Bcf

Norway's Kollsnes gas-processing plant is preparing to be restarted after a shutdown earlier this morning due to power supply problems. The plant has a normal processing capacity of 143 million cubic meters per day

Statoil said today that it has no agreement to study shale gas or conduct test drilling in China with China National Petroleum Corp, despite a report filed by that company noting the two companies had in fact begun a study and test drilling.

Algerian gas supplies to Italy via a pipeline that crosses Tunisia, have been cut nearly in half since the start of January due possibly to civil unrest in Tunisia. Pipeline flows that normally are around 95 million cubic meters per day have recently been running at just 53 mcm/d.

Canadian Gas Association

Weekly Storage Report

	14-Jan-11	07-Jan-11	15-Jan-10
East	154.6	172	156.6
West	292.8	319.6	264.7
Total	447.5	491.5	421.3

storage figures are in Bcf

The US National Weather Service reported that there are equal chances of above normal or below normal temperatures in February for the New England states. Meanwhile, temperatures in mid-Atlantic states, Great Lakes and West Coast states are expected to be colder than normal. There are equal

chances of above normal or below normal temperatures for February to April for New England, Florida and the rest of the eastern third of the US. It also stated that the La Nina phenomenon is expected to persist at least into the spring of 2011.

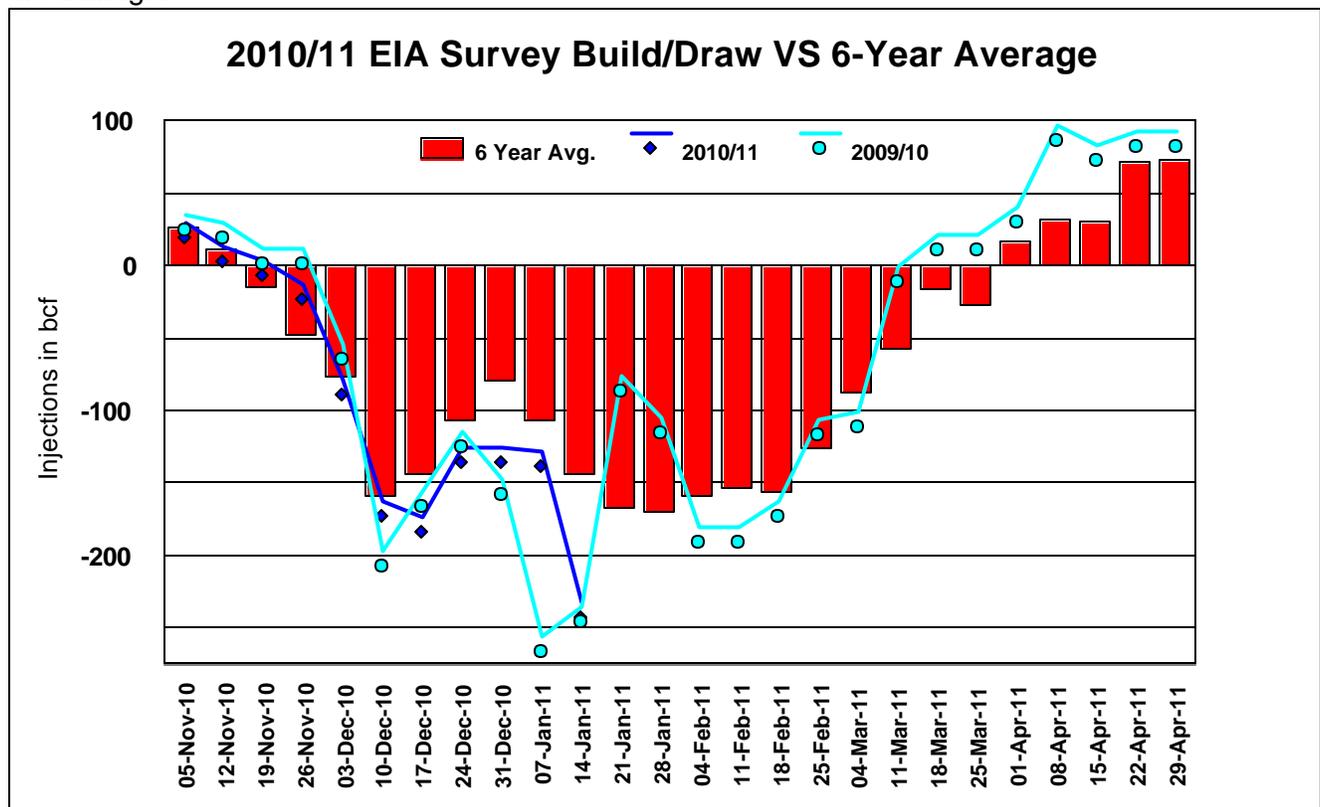
Australia's Woodside Petroleum said today that its Pluto LNG project is over 95% complete and start up is targeted for August 2011 while an expansion train could be started by the end of 2014 at the earliest.

ELECTRIC MARKET NEWS

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		<u>(As of 12:30 PM)</u>		<u>Moving Avg</u>
Henry Hub	698,100	\$4.568	\$0.089	(\$0.099)	\$0.069	\$0.215
Chicago City Gate	947,800	\$4.820	\$0.103	\$0.153	(\$0.043)	\$0.211
NGPL- TX/OK	1,086,500	\$4.441	\$0.056	(\$0.226)	(\$0.090)	(\$0.109)
SoCal	255,700	\$4.300	(\$0.006)	(\$0.367)	(\$0.152)	(\$0.181)
PG&E Citygate	1,196,500	\$4.435	\$0.011	(\$0.232)	(\$0.135)	(\$0.053)
Dominion-South	271,000	\$4.822	\$0.131	\$0.155	(\$0.015)	\$0.188
UStTrade Weighted	22,045,900	\$4.892	\$0.215	\$0.225	\$0.07	\$0.215

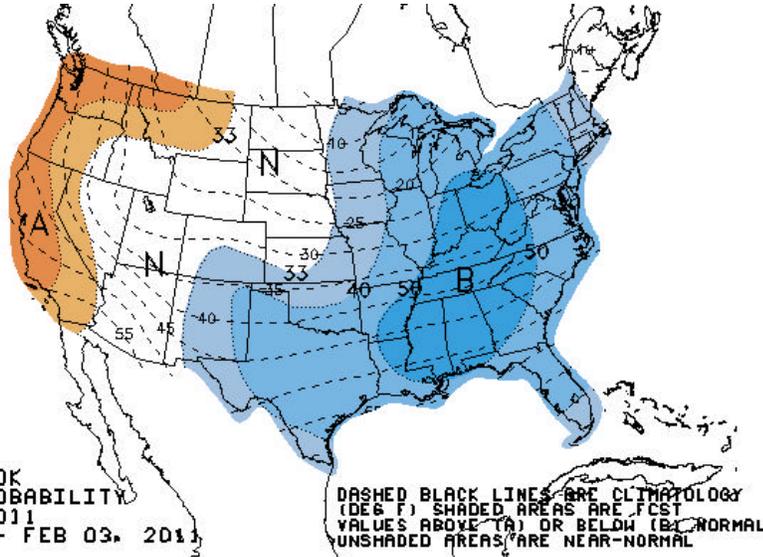
New York regulators approved NRG Energy's request to build a \$1.4 billion natural gas fired power plant in Queens, New York that will replace the company's existing 600 Mw facility. The plant will be built in two phases, the first phase will involve replacing seven simple-cycle peaking generators that have a combined capacity of 120 Mw, with two combined cycle units with a capacity of 520 Mw. The second phase involves replacing 24 simple cycle units with a combined capacity of 480 Mw with two combined cycle units with a 520-mw capacity. Both phases of construction are expected to take 30 months to complete, with phase one entering service in the summer of 2013 and the second in 2015.

A transformer caught fire and exploded at PacifiCorp's 520 Mw power plant in Chehalis, Washington early this morning. The fire was quickly extinguished but the company was still assessing the extent of the damage.



ECONOMIC NEWS

The US Labor Department reported that the number of worker filing initial claims for unemployment benefits fell by 37,000 to 404,000 in the week ending January 15th. The previous week's level was revised to 441,000 from 445,000. The four week average of new claims fell by 4,000 to 411,750. The Labor Department reported that the number of continuing claims fell by 26,000 to 3,861,000 in the week ending January 8th. The unemployment rate for workers with unemployment insurance was 3.1% in the week ending January 8th, unchanged from the prior week.



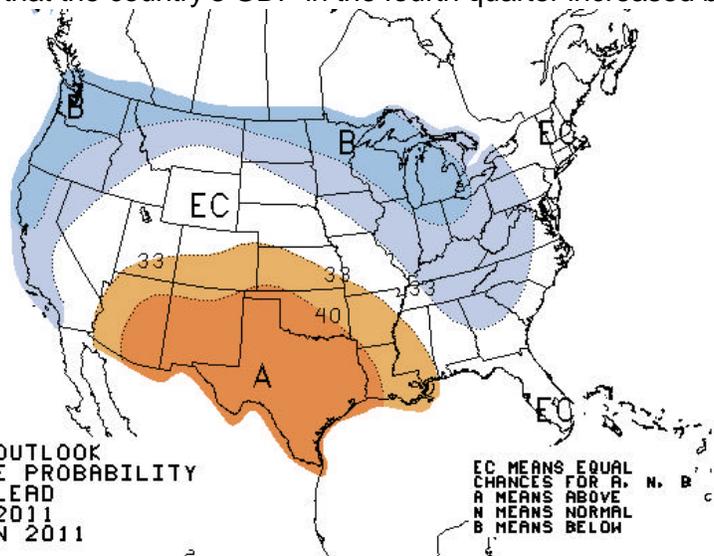
The Conference Board index of leading indicators increased by 1% in December to 112.4 while the coincident indicator increased by 0.2% to 101.9 and the lagging indicator fell by 0.1% to 108.4.

The Philadelphia Federal Reserve said its business activity index, measuring factory activity growth

in the US Mid-Atlantic region, fell to 19.3 in January from 20.8 in December.

The National Association of Realtors said sales of existing homes increased more than expected in December. Home resales increased by 12.3% on the month to a seasonally adjusted annual rate of 5.28 million. For all of 2010, about 4.9 million homes were sold, down 4.8% on the year. The median sales price for an existing home fell to \$168,800 in December.

China's National Bureau of Statistics reported that the country's GDP in the fourth quarter increased by 9.8% on the year following a 9.6% rise in the third quarter. The increase was above market expectations of a 9.2% rise. In 2010, China's GDP grew 10.3%, up from the previous year's growth rate of 9.2%. China's National Bureau of Statistics also reported that China's Consumer Price Index increased 4.6% in December, down from November's 5.1% increase. China's CPI in 2010 increased by 3.3% compared with a 0.7% decline in 2009. China's Producer Price Index increased by 5.9% in December. It said price pressures in China are expected to remain high in the first quarter due to imported inflation.



Morgan Stanley's commodities risk fell in the fourth quarter. Its Value-at-Risk for commodities stood at \$26 million in the fourth quarter, down 20% on the quarter.

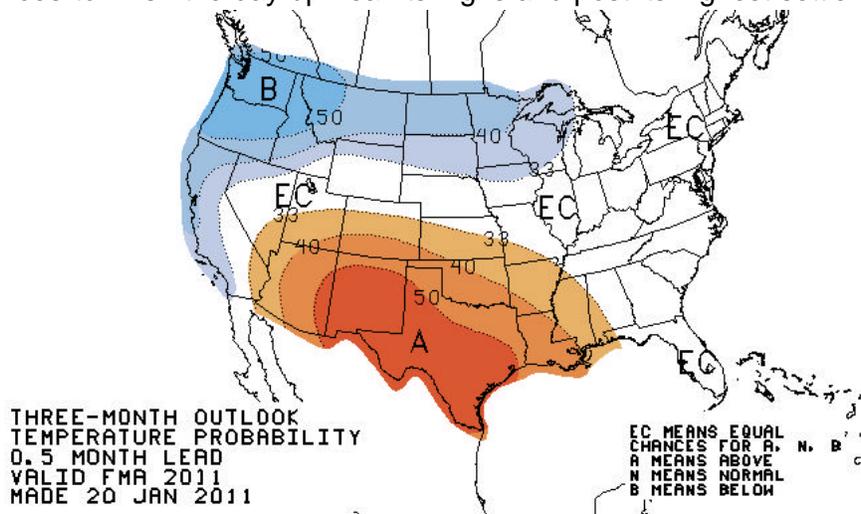
CFTC Commissioner Michael Dunn said the CFTC is facing a budget crisis as it attempts to carry out the financial reform law with insufficient funds. Separately, the CFTC unveiled a plan on Thursday that would treat agricultural swaps like other over-the-counter derivatives, a move that would open up the market a wider range of participants. Under the plan, the CFTC would remove existing requirements that traders of agricultural swaps have a net worth of at least \$10 million. Instead, participants will be subject to the same regulations as all traders in the swaps market.

MARKET COMMENTARY

While supportive weather forecasts continued keep the bears on the defensive today, the major driver for prices was a larger than expected drawdown in natural gas stocks as reported by the EIA at mid morning. This was the fourth largest weekly drawdown over the past three winters. This coupled with the Canadian Gas Association's weekly storage report showing one of the three largest weekly drawdowns in Canada in the past seventeen years put the bulls in a comfortable position and allowed prices to finish the day up near its highs and post its highest settlement in the February contract since

August of last year. Volume was excellent with the February contract recording over 161,155 lots traded on Globex today.

Open interest reported at midday showed that the combined and adjusted open interest in the Henry Hub futures and swaps contracts increased for the eleven consecutive session on Wednesday but it grew at the smallest amount during this period, jumping by only 1822 lots.



While the bitter cold temperatures expected over the Midwest and then eastern U.S. over the next several days definitely has boosted cash values, we feel the moderation of temperatures a bit early next week should prevent this market from breaking above recent resistance levels and staging another bull rally. We see resistance tomorrow at \$4.707 followed by \$4.759 and \$4.844. More distant resistance we see at \$5.007 and \$5.196. Support we see at \$4.55 followed by \$4.513, \$4.468, \$4.374, \$4.307, \$4.085 and \$3.893.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.