



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 26, 2011

NATURAL GAS MARKET NEWS

Spectra Energy reported that Sable Island natural gas production has returned to normal levels this morning.

The CFO of ConocoPhillips said today that all of the company's western Canadian gas output that had been curtailed was back on line by year's end. Its Canadian natural gas production in the fourth quarter averaged 902 Mmcf/d, down 7.4% from the prior quarter. Its U.S. natural gas production in the 4Q2010 reached 1.669 bcf/d down 8.3% from the prior quarter. He noted the company expects North American natural gas prices to remain subdued in the near term. He said the company continues its appraisal and drilling programs in the Eagle Ford, Bakken and North Barnett shale plays and that the company continues to look to add shale acreage in North America.

Occidental Petroleum reported their fourth quarter results today. It reported that its domestic natural gas production averaged 699 Mmcf/d up 8.3% from a year ago and up 6.6% from the 3Q2010.

Generation Update

NPCC – OPG's 515 Mw Pickering #5 nuclear unit exited its outage and returned to service early Wednesday. The unit had been shut since January 18th.

OPG's 490 Mw Inits #1, 5, 6, 7 and 8 at the Nanticoke coal fired power plant were all shut early Wednesday.

ECAR- Entergy's 778 Mw Palisades nuclear power plant ramped up to full power on Wednesday, up from just 6% yesterday morning's levels.

SERC - Duke Energy's 1100 Mw McGuire #2 nuclear unit started to exit its recent outage and had ramped up to 1% power this morning. Unit #1 was at 90% capacity up 70% from yesterday's levels.

The NRC reported today that **2,131 Mw of generating capacity was online today, up 0.6% from yesterday but 3.7% less than the same day a year ago.**

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	780,700	\$4.399	(\$0.059)	(\$0.059)	\$0.026	\$0.227
Chicago City Gate	743,300	\$4.514	(\$0.093)	\$0.056	(\$0.134)	\$0.169
NGPL- TXOK	728,800	\$4.301	(\$0.021)	(\$0.157)	(\$0.062)	(\$0.129)
SoCal	219,300	\$4.201	(\$0.041)	(\$0.258)	(\$0.082)	(\$0.264)
PG&E Citygate	1,237,300	\$4.314	(\$0.077)	(\$0.144)	(\$0.118)	(\$0.128)
Dominion-South	283,400	\$4.631	\$0.011	\$0.173	(\$0.030)	\$0.205
USTrade Weighted	20,391,100	\$4.595	\$0.067	\$0.137	\$0.03	\$0.227

Turkish Energy Minister said today that there are five to six firms that have placed bids for contracts to import 6 bcm of Russian gas on the Blue Stream pipeline.

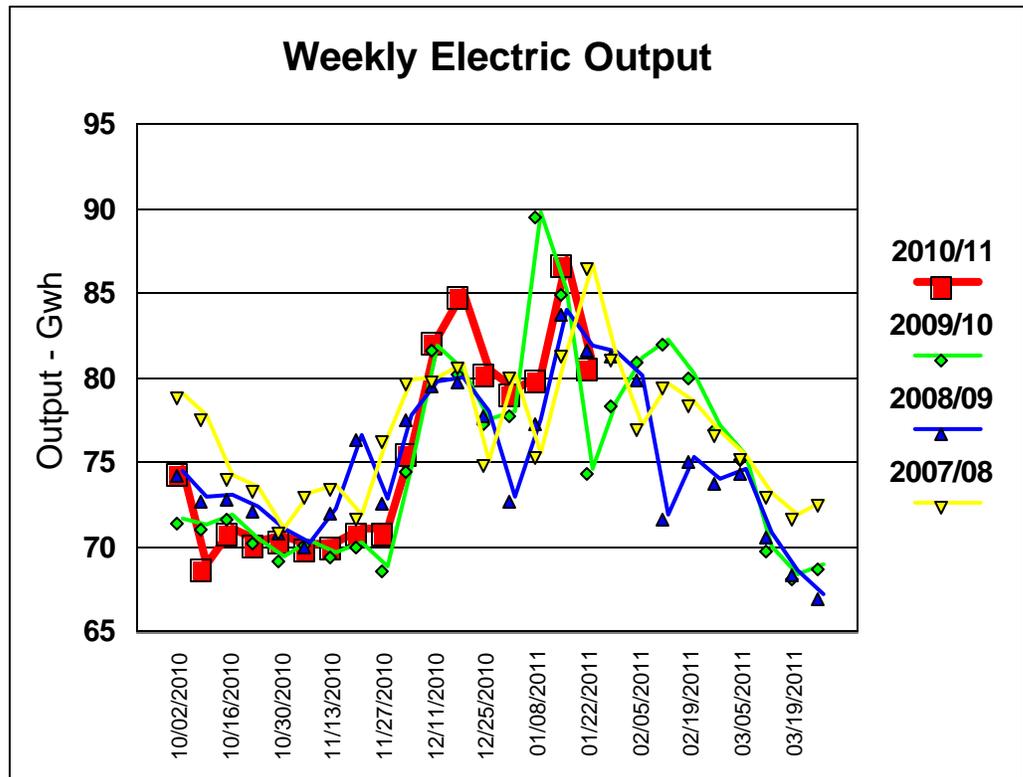
Port officials reported that the Al Rekayyat LNG tanker is expected to arrive at the South Hook LNG terminal on February 2nd from Qatar.

Statoil said on Wednesday that its Oseberg A, B and D platforms in the North Sea were still a few days from returning to production as workers perform repairs following Monday's gas leak.

British gas prices for delivery in February broke below spot gas prices for the first time this year as deliveries of LNG cargoes appeared to be sufficient in the coming weeks, while spot prices received a boost by weather forecasts that were looking for colder temperatures over the near term coupled with continued reports of Statoil's Oseberg oil and gas facilities being still shut in.

The former German foreign minister said today that it is important for Europe to strengthen ties with countries like Turkmenistan and Turkey through such projects as the Nabucco gas pipeline in order to ensure that Europe has access to sufficient energy supplies and that these supplies are not fully directed toward China instead.

Russian Prime Minister Putin said today that Russia may increase its gas exports to Belgium as well as exploring the possibility of build a new gas storage facility in Belgium.



ELECTRIC MARKET NEWS

The ICE Emission Exchange said it would not reopen for spot carbon trading until February 1st. The exchange suspended spot trading last Thursday after the EU Commission stopped trading the transfer of spot carbon permits after several member states registries were victim of a cyber attack.

A fire at Dominion's Chesapeake coal fired power plant early this morning triggered a short term power outage to 35,000 customers.

The Edison Electric Institute reported today that for the week ending January 22nd, the U.S. saw some 80,642 Gwh of power produced. This was 7% less than the prior week but some 7.8% higher than the same week a year ago.

SPP approved \$176 million in power transmission projects over the next 10 years to maintain reliability in the system.

ECONOMIC NEWS

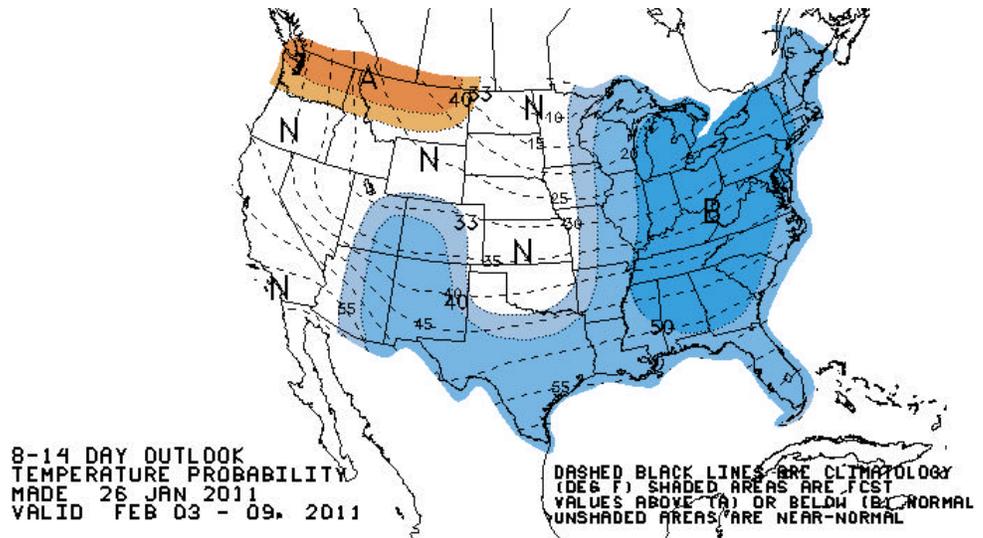
The US Commerce Department reported that new home sales in the US in December increased by 17.5% on the month to a seasonally adjusted annual sales pace of 329,000. For all of 2010, the

government's preliminary estimate was that about 321,000 homes were sold, down 14.2% from 2009. The median sales price for a new home sold in December was \$241,500, up 8.5% on the year.

Federal Reserve officials voted to continue purchasing government bonds to support the economy. The central bank officials voted unanimously to push ahead with the \$600 billion purchase plan. They said that while global food and raw material prices have been rising, their preferred gauge for where prices are heading remains within the Federal Reserve's comfort zone. The Fed has already bought about \$200 billion of Treasury to expand its balance sheet and is scheduled to complete the \$600 billion purchase in June. The Federal Open Market Committee said it will maintain the target range for the federal funds rate at 0 to ¼%.

MARKET COMMENTARY

With rebounding oil prices, a surging stock market and a weather forecast that remains supportive for natural gas heating demand for the next two weeks, natural gas prices were able to finish higher on the day for the first time in three days. Once again the 40-day moving average provided support to the market and the expiring natural gas options as expected remained closely pinned to the \$4.50 strike price.



Market expectations for tomorrow's EIA natural gas storage report appear to be running between a 160-190 bcf draw down with most expectations centered around a 170 bcf decline. For the same week a year ago stocks dropped by an adjusted 109 bcf with the five year seasonal average showing a decline of 152 bcf.

We would look for tomorrow's storage number to ultimately provide support for this market and thus we feel that the 40-day moving average at \$4.40 basis the March contract should continue to hold and be a reference point for bulls to buy in front of it. We see resistance at \$4.51 followed by \$4.56, \$4.61 and \$4.66. Additional resistance we see at \$4.75, \$4.823 and \$4.927. Support we see at \$4.40-\$4.386 followed by \$4.302, \$4.259, \$4.067 and \$3.98.

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