



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 4, 2010

NATURAL GAS MARKET NEWS

The Climate Prediction Center reported this morning that for the week ending December 11th it estimates that the U.S. will experience 211 HDD on a gas home heating customer weighted basis. This would be 12.8% colder than normal, but 6.6% warmer than the same week a year ago. For last week the CPC estimated the U.S. saw 156 HDD some 1.3% warmer than normal but 22.8% colder than the same week a year ago.

Raymond James in a research note to clients today estimated that budgets for U.S. independent oil and gas companies are expected rise only by about 2% next year as weak natural gas prices continue to slowdown the pace of drilling. Analysts noted that drilling budgets for natural gas will likely be cut through 2011 as gas prices remain at depressed levels, possibly even lower than the \$4.25 per mcf that the investment firm has estimated.

Generation Update

PJM – Exelon’s 619 Mw Oyster Creek nuclear power plant returned to service Saturday afternoon, after operators took the unit offline to make repairs to one of the station’s two main transformers on Friday.

NPPC – OPG’s 490 Mw Nanticoke #1 coal fired power plant was shut late Sunday

WECC – PG&E’s 1118 Mw Diablo Canyon nuclear power plant has returned to full power today after running at only 53% on Friday, following reductions last week in order to facilitate cleaning on the water intake tunnel.

SERC – Dominion’s 799 mw Surry #1 nuclear unit ramped up to 98% power this morning after running at half power on Friday.

MRO - AEP’s 1060 Mw Cook #2 nuclear unit has exited its refueling outage and was at 28% power this morning.

The NRC reported today that some 94,639 Mw of generating capacity was online today, up 1.6% from yesterday and 6% higher 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	715,300	\$4.474	\$0.241	\$0.002	\$0.140	\$0.072
Chicago City Gate	1,093,800	\$4.801	\$0.340	\$0.329	\$0.179	\$0.210
NGPL- TX/OK	975,500	\$4.351	\$0.207	(\$0.121)	\$0.046	(\$0.115)
SoCal	318,900	\$4.390	\$0.170	(\$0.083)	\$0.009	(\$0.005)
PG&E Citygate	791,600	\$4.547	\$0.130	\$0.075	(\$0.031)	\$0.199
Dominion-South	395,300	\$4.871	\$0.330	\$0.399	\$0.169	\$0.250
USTrade Weighted	23,453,300	\$4.621	\$0.301	\$0.149	\$0.14	\$0.072

Corridor Resources with its operator Apache Canada, updated its activities in the Elgin shale gas appraisal program today. The company said strong gas

shows were encountered in the drilling of the horizontal section of both its Green Road B-41 and Will DeMille G-59 horizontal wells in the second quarter and third quarters of this year respectively. But after fracture stimulation procedures were completed on each of the wells and the plugs were drilled out negligible gas has flowed since. Considering the strong gas flows from Corridor’s nearby vertical G-41 well and the strong gas flows encountered drilling the two horizontal wells, the preliminary responses of these two horizontal wells was both “unexpected and perplexing”. The operator is

reviewing the frac operations and flowback data and is conducting extensive analysis and further testing in order to determine why the wells have responded in this manner, and to develop a go-forward approach in order to advance the Elgin shale gas play.

The 145,000 cubic meter Qatari LNG tanker, the Al Jassasiya was expected to offload at the Zeebrugge port on December 19th, while the 268,000 cubic meter Aamira was slated to arrive at Milford Haven on December 22nd.

Dry gas operations at the Kaarstoe gas plant in Norway are back to normal after a problem with a flaring system curbed output since Saturday.

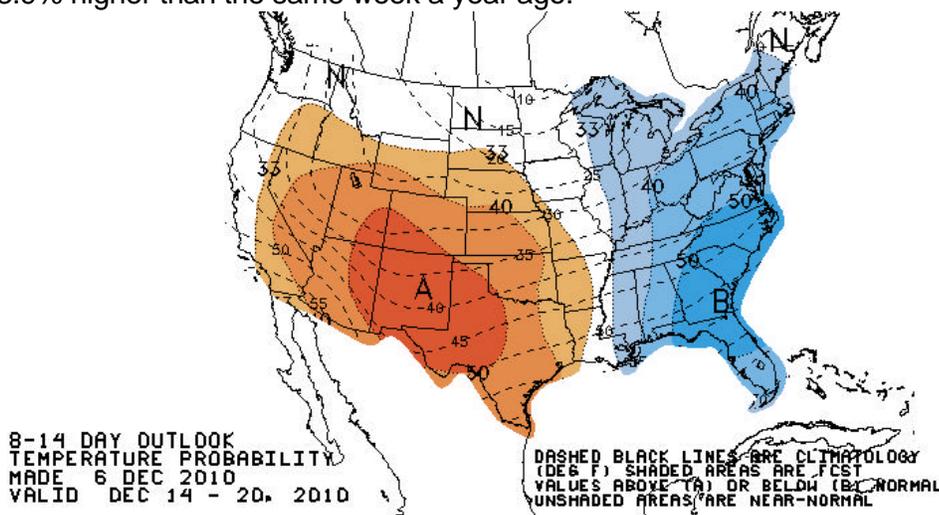
The Russian Finance Ministry is proposing that it may scrap the extraction tax from January 1, 2012 for gas produced in the Yamal peninsula for conversion to LNG. Russia's second largest gas producer, Novatek plans to start producing up to 16 million tones of LNG a year in 2015-2017, as a result of completion of Russia's largest LNG project.

Azerbaijan reported that its gas output in January –October was at 22.2 bcm some 14.4% higher than the same period a year ago.

ELECTRIC MARKET

According to a Reuters report, this week the EU's Agency for the Cooperation of Energy Regulators will receive extensive powers to collect market data and act on manipulative behavior, since current rules governing energy markets in the EU are "insufficient to ensure their stable and orderly functioning." Reportedly market participants who trade wholesale energy products will be required to provide the agency with a record of their transactions, including orders to trade, the timing, form and content. The proposals are expected to be finalized and launched on Wednesday and will be debated by EU governments and the European Parliament before becoming law.

Genscape reported today that they estimated December 2nd rose 5.1% from the prior week and was 3.9% higher than the same week a year ago.



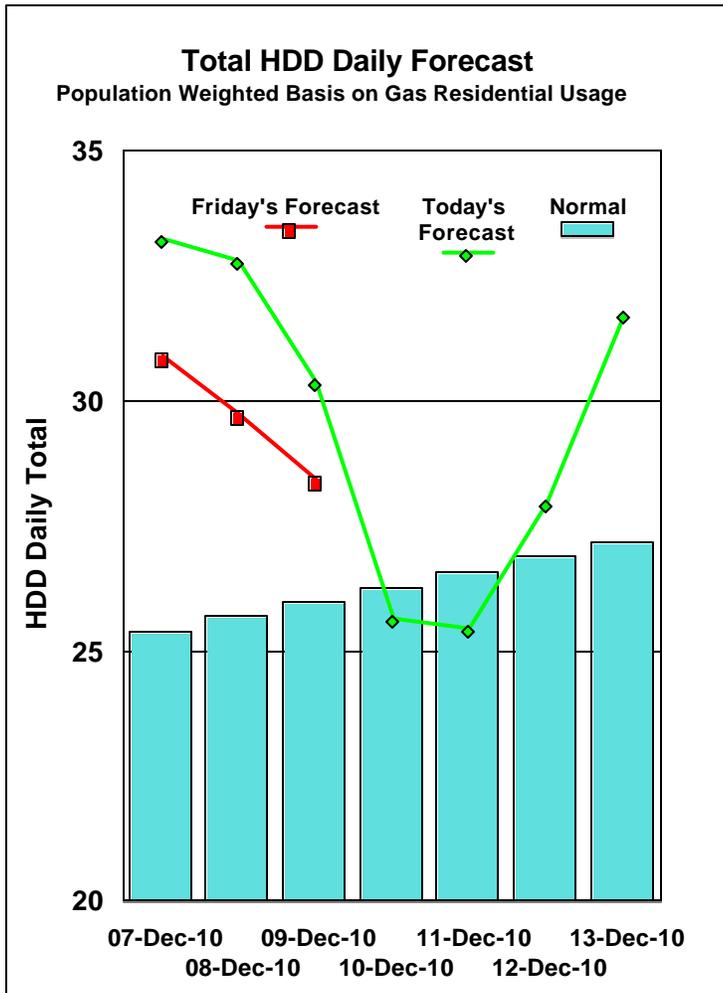
The U.S. Supreme Court said on Monday that it would hear an appeal by four big coal burning utilities of a ruling that a group of eastern states and New York City can proceed with a global warming lawsuit seeking to reduce the carbon dioxide emissions of the power companies. The states and the city claim that the utilities have created a public nuisance by

contributing to global warming.

ECONOMIC INDICATORS

According to an annual economic forecast compiled by the Federal Reserve Bank of Chicago, the US economy will grow 3% next year. The survey predicted real GDP will increase 3% in 2011 from expectations for 2.4% growth this year. The Chicago Fed survey also estimates the country's jobless rate will fall to 9.2% in 2011 from 9.6% in 2010. It also estimates personal consumption expenditures

up 2.5% next year from an estimated 2.3% increase in 2010. Industrial production is expected to register a 4.3% gain next year, down from 5.4% expected growth in 2010. Survey participants predict an increase in oil prices next year, with WTI crude oil reaching \$85.30/barrel by the end of next year, up from \$82.67/barrel expected this year.



MARKET COMMENTARY

Natural gas traders started the day today finding colder forecasts for both the 1-7 day period but also for the 8-15 day period than was seen on Friday. As a result prices surged higher yet again today, pushing up to highs not seen in the spot contract since August, and with cash market values in New York to levels not seen since last winter. While prices pull backed for a brief time late this morning as some forecasting models appeared to moderate a bit in their call for temperatures in the 11-15 day period, but by later this afternoon the NWS continued call for the eastern half of the nation to see below normal temperatures for the 8-14 day period and assigned a relatively high level of confidence in the forecast. Without a significant change to the temperature forecast, it appears that this market wants to remain in its bullish mode at least until Thursday's storage report. We see resistance starting at \$4.54-\$4.575 followed by \$4.681 and \$5.00. Support we see at \$4.382, followed by \$4.33, \$4.284, \$4.25 and \$3.96.

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