



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 10, 2009

NATURAL GAS MARKET NEWS

A survey by Deloitte LLP released this week found that a majority of oil and gas professionals agree the nation's energy future will become more closely aligned with natural gas than previously thought, largely due to the upswing in shale gas production. The company said that federal policy needs to change to reflect the upside potential of supply of natural gas, rather than a policy that the fuel was rapidly declining in supply.

Barclays Capital this week in a research note said that despite natural gas storage levels reaching 3.8 Tcf no major dislocations in the nation's physical gas markets were recorded. This they said indicates that the nation's storage infrastructure is more flexible than most market observers had anticipated. They pointed out that storage capacity additions, primarily in the producing region, provided the flexibility needed at the markets critical point. But the company said it was difficult to isolate how much gas was withheld this summer and fall due to constraints in storage. High pipeline line pack and OFO pressured producers to curtail some volumes upstream, but low prices and maintenance issues seemed to have held many to shut in gas production and defer well completions. These temporary factors accounted for 1 bcf/d of September

pullback in supply they estimate. The company estimated that true storage capacity is probably around 3.9 tcf. The main implication for 2010 is that a similarly high storage level "should not frighten the market nearly as much as it did in 2009," Barclays said. "where as the vision of overflowing storage sent gas prices lower

in order to encourage more coal/gas switching, less production, and depressed LNG takes, similar stock levels in 2010 might be shrugged off. If 3700-3800 bcf is judged as a "new normal" then only a decidedly higher building path would be viewed in an equivalent or more bearish light by the market." The bank noted that storage could grow to 4-4.5 tcf in the years ahead, given the rate of new storage

EIA Weekly Report

	12/04/2009	11/27/2009	Change	12/04/2008
Producing Region	1195	1219	-24	956
Consuming East	2061	2092	-31	1879
Consuming West	517	526	-9	465
Total US	3837	3837	0	3301

*storage figures in Bcf

Generator Problems

PJM- Dominion's 917 Mw North Anna #2 nuclear unit tripped off line this morning after the unit had been at full power yesterday.

MISO – Exelon's 912 Mw Dresden #2 nuclear unit was at 97% power this morning, up 13% from yesterday.

NextEra continues to ramp up its 518 Mw Point Beach #2 nuclear unit. The unit was at 84% power this morning, up 15% from Wednesday.

SERC – SCE&G has restarted its 986 Mw Summer nuclear unit and it was at 1% power this morning. The unit has been off line since October 16th.

Southern's 1200 Mw Vogtle #1 nuclear unit was again shut after being restarted just on December 9th. The unit had reached 24% power before it was manually scrambled shut.

WSCC – APS has curtailed production to 60% at its 1270 Mw Palo Verde #2 nuclei unit, while operators increased power at the #3 nuclear unit to 18% power.

ERCOT & SPP – Entergy's 858 Mw Arkansas Nuclear One #2 nuclear unit was warming up and was at 20% power this morning, after tripping off line on December 8th.

The NRC reported today that 86,271 Mw of nuclear generation was on line this morning, down 1.6% from yesterday, and off some 7.4% from the same time a year ago.

construction, with much of it being built in production regions. The bank looks for the heating season to finish with some 2.05 tcf still in storage. The largest risk to this outlook is obviously weather, since its estimate is based on a prior 10 year average.

Canadian Gas Association

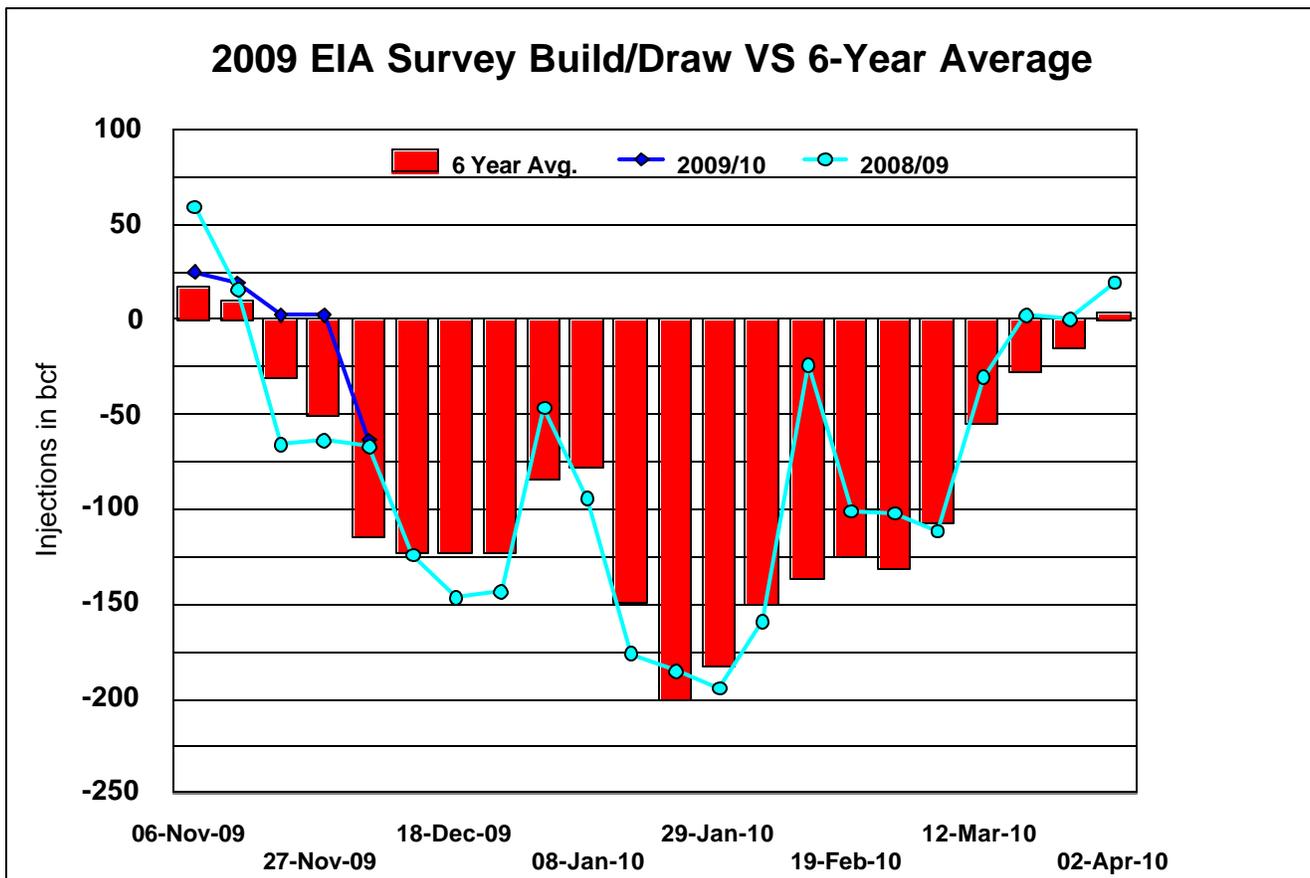
Weekly Storage Report

	04-Dec-09	27-Nov-09	05-Dec-09
East	238.5	239.1	204.1
West	370.8	373.7	341.6
Total	609.3	612.8	545.7

storage figures are in Bcf

InterOil received approval from the Papua New Guinea government for its \$7 billion LNG project. The approval was key step for the company to move forward and now searching for an international oil company or Asian utility company to replace Bank of America's Merrill Lynch participation, which in February said it was closing out of its 35% stake in the project. InterOil hopes to have a new partner signed in the first or second quarter

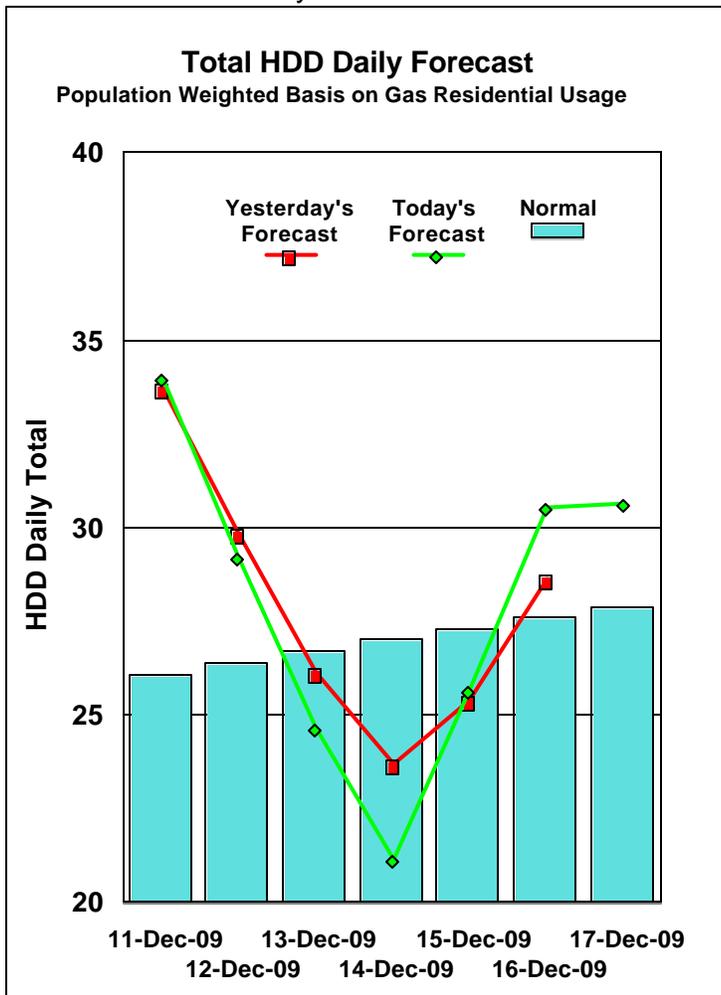
of next year. The proposed project would be for the construction and operation of a two-train facility that could export 8 million tons of LNG per year.



The Louisiana Mineral and Energy Board approved an operating agreement between AGL Resources's subsidiary Jefferson Island Storage and Hub and the state of Louisiana. The agreement allows the company to pursue necessary permit approvals to expand its existing storage facility in Louisiana, near Henry Hub. Currently the company operates two storage caverns with a storage capacity of 7.5 bcf, with 700 MMcf/d of withdrawal capacity and 400 MMcf/d of injection capacity. The proposed two new caverns would expand capacity to 19.5 bcf.

The Bureau of Land Management has suspended coal bed methane drilling operations in the Fortification Creek area of the Powder River Basin west of Gillette, Wyoming, in order for the review of how these operations may impact elk herds in the area. Anadarko Petroleum and Williams were two companies working in the area.

Croatia's Adriatic LNG terminal project received a new shareholders structure following the recent withdrawal of Germany's RWE. The consortium is seeking to build a LNG receiving terminal on the Adriatic island of Krk, which would be operational by 2014. RWE's old 16% share in the project has now been transferred to the remaining shareholders. RWE had said its withdrawal from the project was the result of its focus on other similar LNG projects in northern Europe.



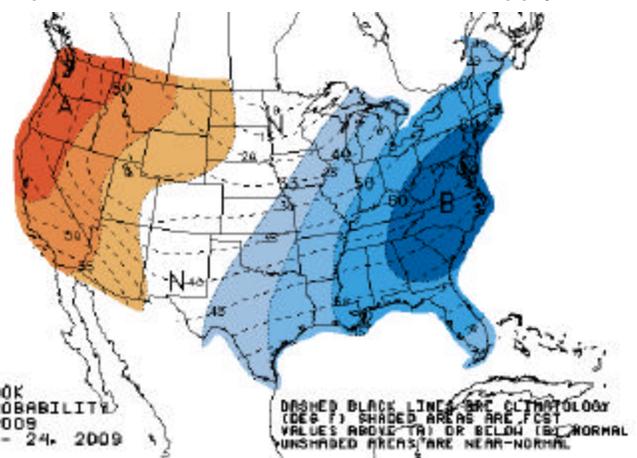
The British Met Office today warned that global temperatures are likely to rise next year to the highest level in over 150 years, due to a combination of human activity and the El Niño phenomenon. The office noted though that if the El Niño was to unexpectedly decline rapidly near the start of 2010, or if there was a large volcanic eruption, this forecast might not be realized. The office is calculating that global temperatures will be almost 0.6 degrees above the 1961-1990 long-term average. Short term the British weather forecaster is calling for the season's first cold outbreak to grip the nation next week, with northern areas not reaching above freezing even in the daytime.

Reuters reported today that seven LNG tankers are expected to arrive at British LNG terminals over the next 10 days.

Poland and Russia agreed on a new natural gas deal starting in 2010. The two countries had been in months of long negotiations.

Azerbaijan said it would sign a natural gas deal with Iran this month to supply limited volumes of gas to Iran with the potential to expand sales once upgrade improvements are made. The initial supply deal calls for approximately 1 million cubic meters per day.

The proposed amendments to the omnibus Wall Street Reform and Consumer Protection Act of 2009 cleared the House Rules Committee today on its way to a full consideration by the House of Representatives. The legislation in its current form appears to preserve the exemption for commercial commodities traders from requirements for clearing or exchange trading.



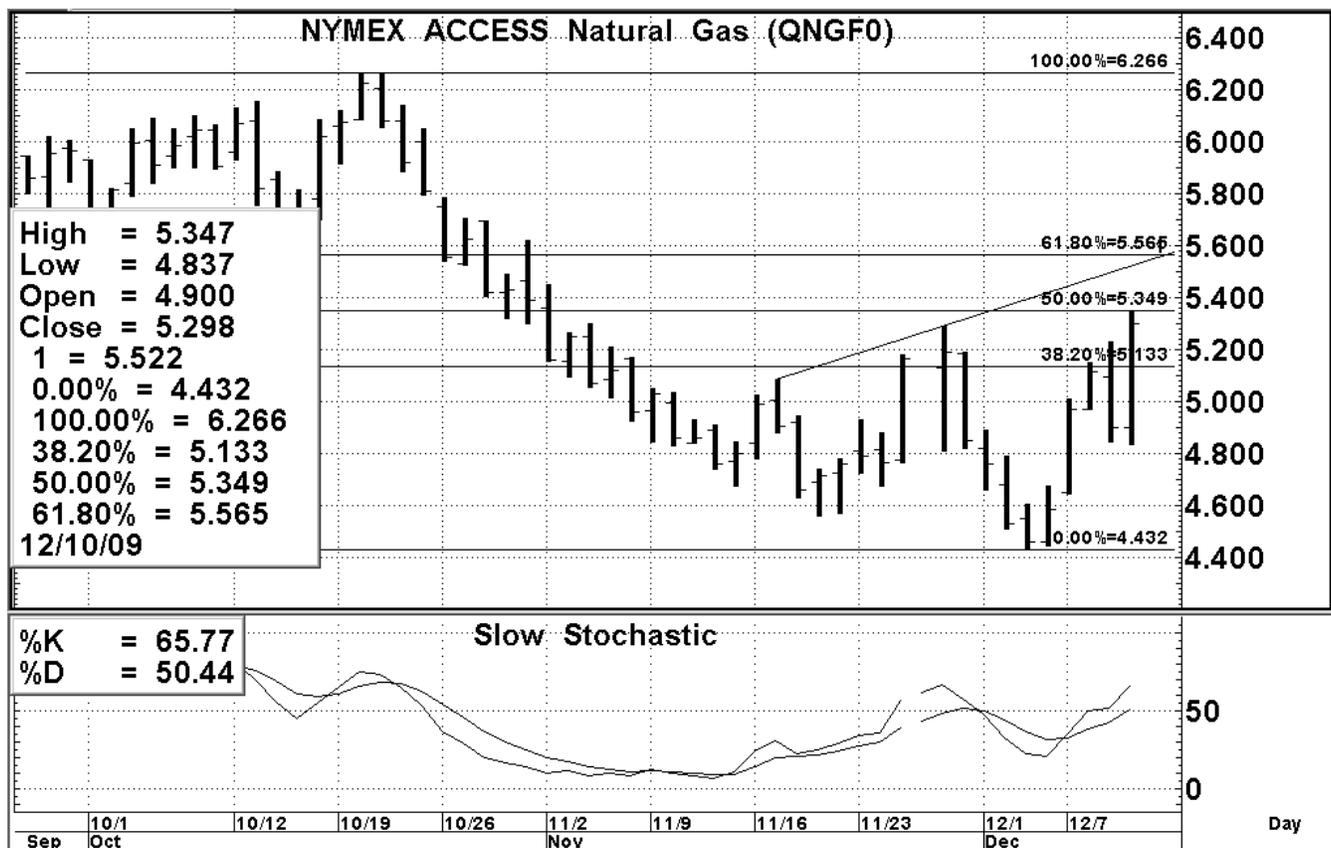
The US Labor Department said the number of US workers filing initial claims for unemployment benefits increased by 17,000 to 474,000 in the week ending December 5th. Economists expected an increase of 8,000 initial claims. The four week moving average fell by 7,750 to 473,750 from the previous week's revised average of 481,500. It also reported that the number of continuing claims fell by 303,000 to 5,157,000 from the preceding week's revised level of 5,460,000.

The Commerce Department said the US trade deficit narrowed unexpectedly in October, falling to \$32.94 billion as the increase in exports was slightly higher than the increase in imports. The figure is 7.6% lower than the downwardly revised \$35.65 billion trade gap the US ran in September. The real or inflation adjusted deficit fell to \$38 billion in October from a downwardly revised \$41.49 billion in September. The US paid \$17.44 billion for crude oil imports in October, down from \$19.51 billion in September. The total US bill for all types of energy related imports fell to \$22.45 billion in October from \$24.87 billion in September.

Barclays Capital said it sees limited downside to crude oil futures prices below \$70/barrel in 2010. Meanwhile, according to a Barclays Capital survey, new direct investment into commodities could reach a new record in 2010, exceeding the \$60 billion inflow in 2009. It said 57% of surveyed investors see inflows exceeding \$60 billion next year while 63% said they expect to increase their commodities exposure.

PIPELINE MAINTENANCE

Gulf South said it has completed 24-hour maintenance work on Carthage Junction Expansion Compressor Station Units T-5 and T-6 that began on December 9th.



PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective today, due to reduced nominations, it would now accept increases for nominations pathed for delivery to the Leidy Delivery meters.

NGPL said that effective today and continuing until further notice it has limited capacity available for gas received upstream of Compressor Station 155 in Wise County, Texas (Segemnt 1) for northbound flow.

NNG said that due to colder than normal temperatures it was calling a SOL in Zone ABC and EF with 0% safety management systems for December 10th, along with an SOL in Zone EF with 25% SMS for gas day December 11th.

ELECTRIC MARKET NEWS

U.S. Senators Lindsey Graham, Joe Lieberman and John Kerry announced today that they have formulated a compromise climate bill that would emphasize energy independence as well as a jobs creation legislation. The group is seeking to target a 17% reduction in 2005 GHG levels by 2020.

Tres Amigas LLC this week has filed two petitions with the FERC as it moves forward with plans to build a new transmission "superstation" that for the first time would link all three North American power systems. The hub would allow up to 5000 Mw of power to be transferred between the Western and Eastern interconnections via ERCOT. The company plans to employ cutting edge technologies, such as voltage source converters that will change AC energy to DC energy and back again. The superstation would also feature large batteries that would be used to supply station power, provide ancillary services and help make energy from intermittent and variable renewable resources "firm". The project is expected to cost \$1 billion to construct.

A new study from the National Academy of Sciences said that full adoption of real world energy efficiency measures could cut U.S. power consumption by 31% in 20 years. The report found that savings from buildings alone could theoretically eliminate the need to build new power plants through 2030. This sector consumes 75% of the total power usage in the United States and half of the natural gas.

MARKET COMMENTARY

The bulls in the natural gas market today finally found a EIA Storage Report that they could find comfort in. The larger than expected drawdown in working gas stocks during last week helped prices to quickly rally more than 30 cents following the release of the report before running into resistance at the 50% retracement of the past two month sell off. It appears that part of this rally today could have been fueled by short covering once again, as the open interest reported at midday showed that yesterday's sell off seems to have been driven by nearly 7700 new shorts coming into the market based on the jump in the combined and adjusted open interest levels of the Henry Hub futures and swaps on the NYMEX yesterday.

With the forecast models continuing to strongly suggest that thr 11-15 day period will be quite cold across much of the central and eastern U.S., with the strongest cold anomalies over the Southeast, we feel that there could still be some more upside potenbtial in this market and as a result will continue to look for the \$5.60 area as the entry point to begin to sell this market on a scale up basis. We see resistance tomorrow at \$5.349 followed by \$5.547-\$5.565, \$5.786, \$5.984 and \$6.26. Support we see at \$5.20 followed by \$5.00, \$4.89 and \$4.782. More distant support we see at \$4.44-\$4.43.

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