



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 20, 2010

NATURAL GAS MARKET NEWS

The U.S. National Weather Service reported this morning that it looks for gas home heating demand this week to be 2% less than normal, while last week demand was some 18% above normal.

Spectra Energy reported that it was in the process of shutting valves in its natural gas pipeline in the Gulf of Mexico on Sunday due to a leak. The leak was found in a stretch of the 20-inch line south of west Louisiana. The cause of the leak was unknown.

Gas demand across Britain was expected to reach record levels on Monday at 465.8 mcm and caused National Grid to issue its first gas-balancing alert this winter on Sunday evening. The current trigger level for issuing an alert is 452 mcm.

The Qatari Umm Al Amad LNG tanker is expected to arrive at the South Hook LNG terminal on December 21st according to port officials. The ship had been slated to arrive on December 20th originally. The ship has a capacity of 206,958 cubic meters.

Statoil reported Monday that production at its Kristin and Tyrihans fields in the Norwegian Sea have resumed on Sunday after being closed for a week. Production reportedly is back at normal levels.

A Russian deputy governor said today that the Yamal Nenets region, which produces 85% of Russia's gas, would see a more moderate growth rate in 2011 than in 2010, when production increased by 13% annually. The new production levels are expected to show only a 3.4% growth rate in 2011.

Greece's natural gas operator DEPA is looking to double its sales and profits this decade as residential demand for gas in Greece continues to expand and exports into the region should grow as a result on new pipelines passing through the region. The state run company is looking to be privatized and its sales reaching 7 bcm by 2020.

Generation Update

PJM – Exelon's 619 Mw Oyster Creek nuclear power plant dropped to 20% power this morning, down 45% from Friday's levels.

NPCC – OPG's 490 Mw Nanticoke #6 and #7 coal fired power units exited their recent outage and were back in service late Sunday.

FRCC – NextEra Energy's 693 Mw Turkey Point #4 nuclear unit ramped up to full power Monday, after restarting on Friday.

WSCC – Energy Northwest's 1131 Mw Columbia nuclear unit was at 97% power this morning, up 32% from Friday's levels.

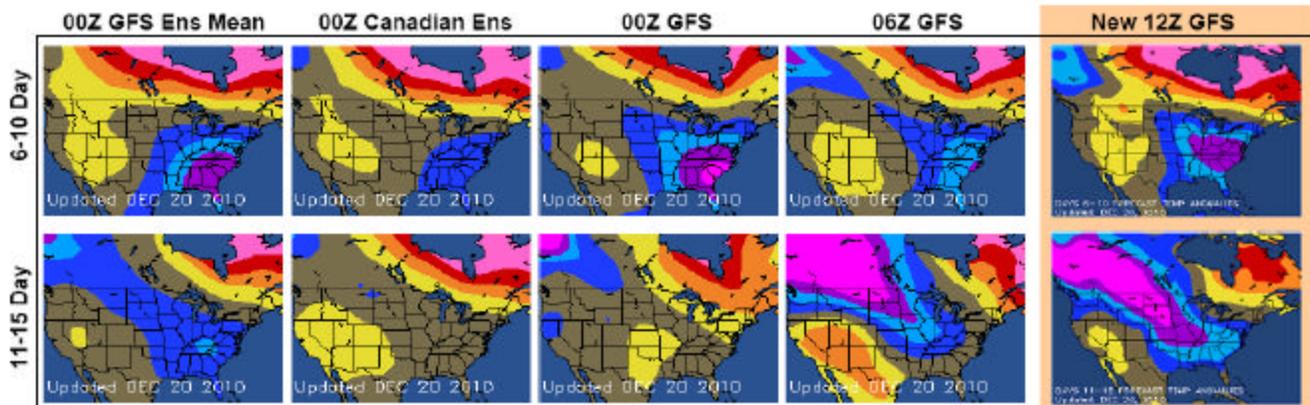
SERC – TVA's 1148 Mw Sequoyia #1 nuclear unit was shut early Monday. The unit had been at full power last week. A fire reportedly in the main generator caused the shutdown.

Southern's 876 Mw Hatch #1 nuclear unit has exited its recent outage and was now at 67% power this morning. The unit had been shut for operators to repair a feed water pump.

The NRC reported today that some 94,950 Mw of generating capacity was online today, up 0.6% from yesterday and 2.6% higher than the same day a year ago.

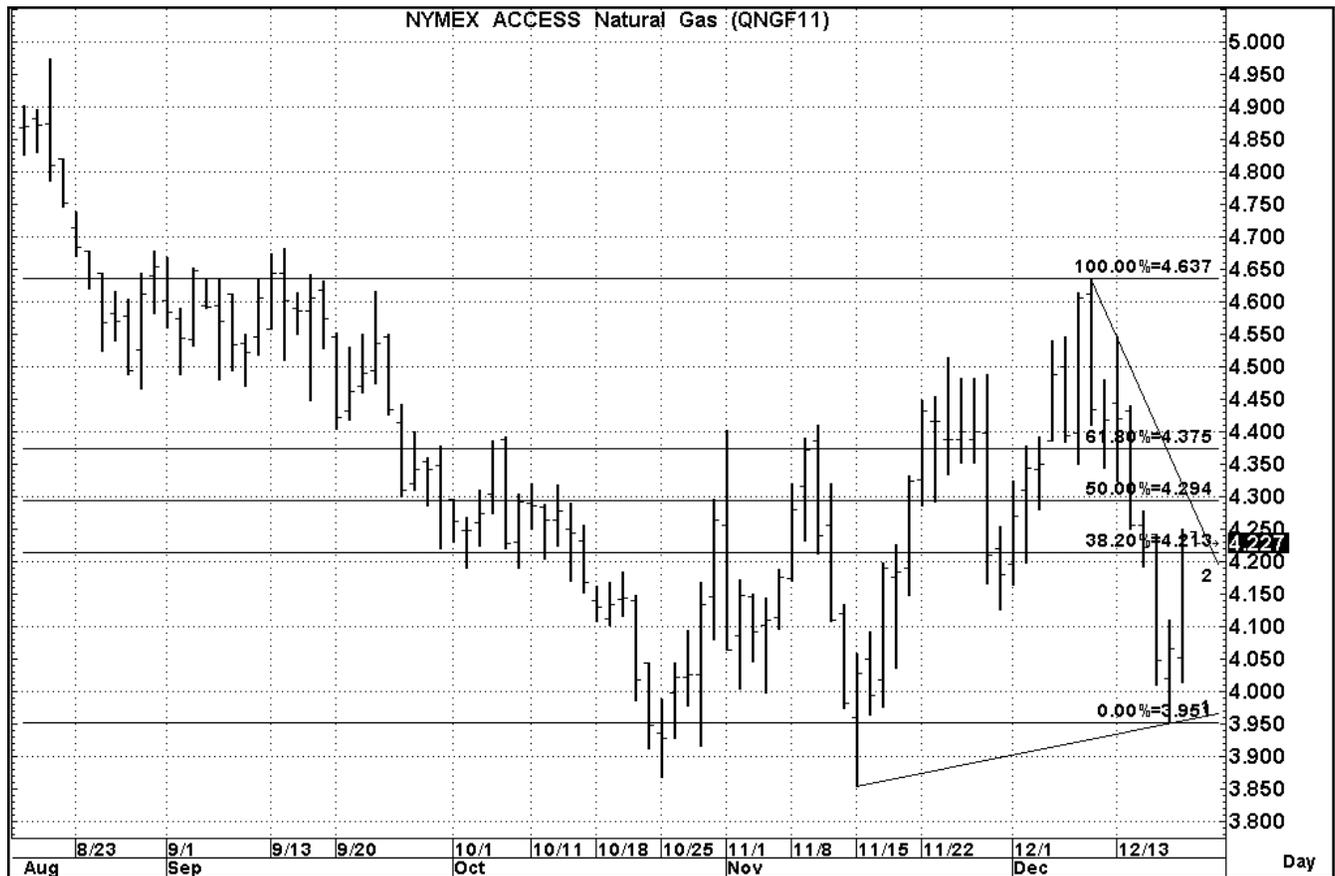
PetroChina said it has raised its annual natural gas production capacity by 60% to 1.6 bcm. The company noted this increase was the result of the Changling gas field fully coming on stream. The company aims at producing 3 bcm by 2015.

Forecast Model Comparison



CNOOC group's plan to build a 2 million tonne per year LNG terminal receiving terminal in Jieyang, Guangdong province, has received environmental clearance from Beijing. The facility is slated to cost \$1.3 billion. No time line of the project was released

Australian energy firm Santos said today it has successfully completed its fully underwritten A\$500 million institutional placement. The company launched the equity raising on Friday to fund its share of the Gladstone project.



ELECTRIC MARKET

Barclays Capital warned today that the one million EU carbon permits which went missing from a Romanian emissions registry account are still circulating in the trading scheme and could further damage its integrity. The bank called the situation a “fiasco”. Last month, 1 million EU carbon permits went missing from the Romanian subsidiary of the cement producer Holcim’s emissions registry account due to a computer virus.

Hedge fund Seneca Capital rejected a planned takeover of Dynergy by Carl Icahn, accusing the Dynergy board of “reckless disregard” of its duty to shareholders. Seneca is the second largest shareholder of the company, holding 9.3% of the company’s common stock..

Genscape reported this morning that U.S. power output for the week ending December 16th rose 2.4% from the prior week and was 3.5% greater than the same week a year ago.

MARKET COMMENTARY

As the weather forecast goes so does the natural gas market. The market rallied throughout the day as each updated forecasting model run for the 11-15 day period became progressively colder for the Midwest and eastern United States. While trading volume was a bit muted today, possibly the start of a quiet pre-holiday trading week, prices today retraced over 43% of the sell off of the past week. But we would look for any follow through from today’s rally to begin to run into resistance. We would look first for resistance around \$4.277 followed by \$4.294 and \$4.375. Additional resistance we would see at the congestion area of \$4.40-\$4.45, followed by \$4.55 and \$4.64. Support we see at \$4.136, \$4.101 and \$4.065. More distant support we see at \$4.00 \$3.959-\$3.951 and \$3.853.

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