



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 5, 2010

NATURAL GAS MARKET NEWS

Statoil ASA said Tuesday that shipments of LNG from its Norwegian Snoehvit project have resumed following completion of a major turnaround and some operational problems since this past summer. The Arctic Voyager LNG tanker left the facility this week and is expected to arrive at the Cove Point terminal on or around January 17th. This was the first export cargo from the facility to be exported since the facility was restarted late last month. At peak production the Snohvit project has the capacity to ship out a 150,000 cubic meter cargo of LNG every 5-6 days.

Reuters is reporting today that despite Chinese officials directive last November to increase LNG imports into its Shanghai LNG terminal by 700 million cubic meters of LNG or 8 normal size cargoes in order to deal with a gas shortage there, so far only one cargo has arrived at the facility, which was over this past weekend and port officials said there is no other cargoes scheduled for the near term.

Britain's Elgin-Franklin gas platform has been restarted and was ramping back up toward normal levels. The platform had been shut down for slightly more than a day due to a minor technical issue. Meanwhile Britain's National Grid said improved gas supplies has provided the grid with an improved cushion of supplies and raised the level at which the

Generator Problems

NPCC – Constellation's 498 Mw Ginna nuclear unit has been restarted and had ramped up to 2% of power by this morning. The unit had been shut recently due to a mechanical malfunction of the hydraulic control system.

OPG's 490 mw Units #5 and #6 at the Nanticoke coal fired power station returned to service early Tuesday. Both units had been shut on Monday.

MISO – NextEra Energy's 580 Mw Duane Arnold nuclear plant dropped to 70% capacity this morning. The unit had been at full power on Monday.

PJM – PSEG is increasing output at both its Salem nuclear units, increasing its 1,100 Mw Salem nuclear unit 2 to 49% while bringing resuming full capacity at its equally rated unit 1. Unit 2 was shut on Sunday and unit 1 was powered down to 80% on Monday.

ERCOT & SPP – Luminant's 750 Mw Monticello #1 coal fired power plant was expected to see power reduced for operators to look for a suspected boiler tube leak.

The NRC reported today that 93,281 Mw of nuclear generation was on line this morning, up 0.7% from yesterday and off some 3.06% from the same time a year ago.

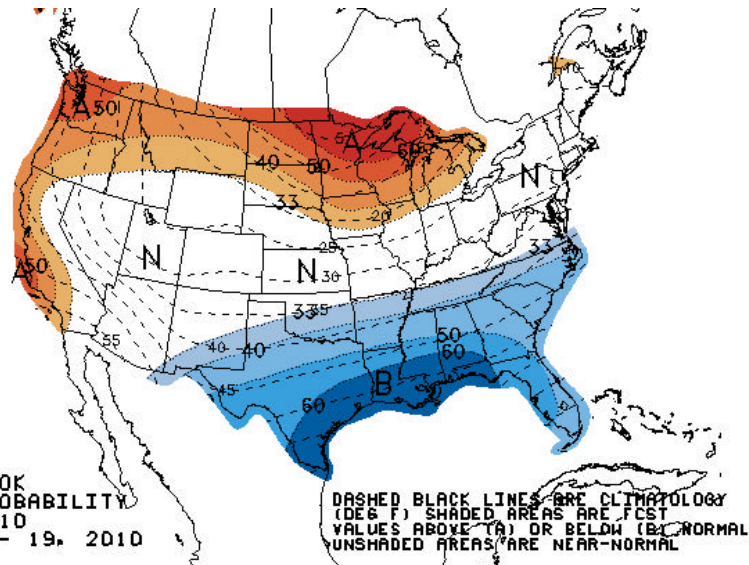
company would be forced to call for a gas balancing alerts. The GBA trigger level has been raised by 20 million cubic meters per day to 461 mcm for Wednesday, above the current

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	1,063,200	\$6.192	\$0.106	\$0.431	\$0.064	\$0.397
Chicago City Gate	722,100	\$6.374	(\$0.006)	\$0.613	\$0.080	\$0.458
NGPL- TXOK	1,480,700	\$6.106	\$0.121	\$0.345	\$0.207	\$0.102
SoCal	218,700	\$6.113	\$0.043	\$0.352	\$0.130	\$0.236
PG&E Citygate	938,500	\$6.246	\$0.026	\$0.485	\$0.112	\$0.518
Dominion-South	440,900	\$6.752	(\$0.418)	\$0.991	(\$0.332)	\$0.737
USTRade Weighted	26,513,900	\$6.390	(\$0.022)	\$0.629	\$0.06	\$0.397

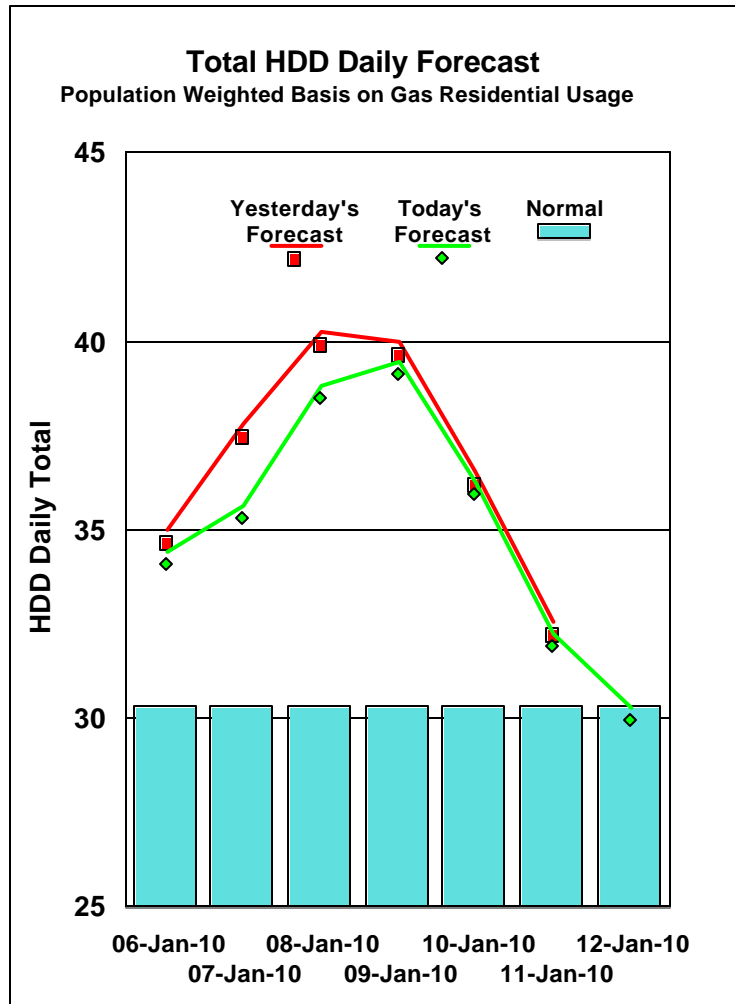
forecast for near record demand of 445.6 mcm. National Grid issued its first GBA of the winter on

Monday. Forecasters continue to call for below normal temperatures across much of western Europe, including Britain for the next 10 days.

Amid growing public concerns such as those expressed by the Boston Globe in an editorial today, that the first ever proposed direct shipment of LNG from Yemen to Boston Harbor tentatively set for February has prompted the U.S. Coast Guard to review its tanker security procedures and policies.



Chesapeake Energy said today the proposed New York State regulations for shale gas drilling in that state is unnecessarily onerous and likely to scare energy companies out of the state and thus depriving the state of badly needed revenue. The company said that New York is proposing regulations “that will be more burdensome than any other those placed on the gas industry throughout the United States.”

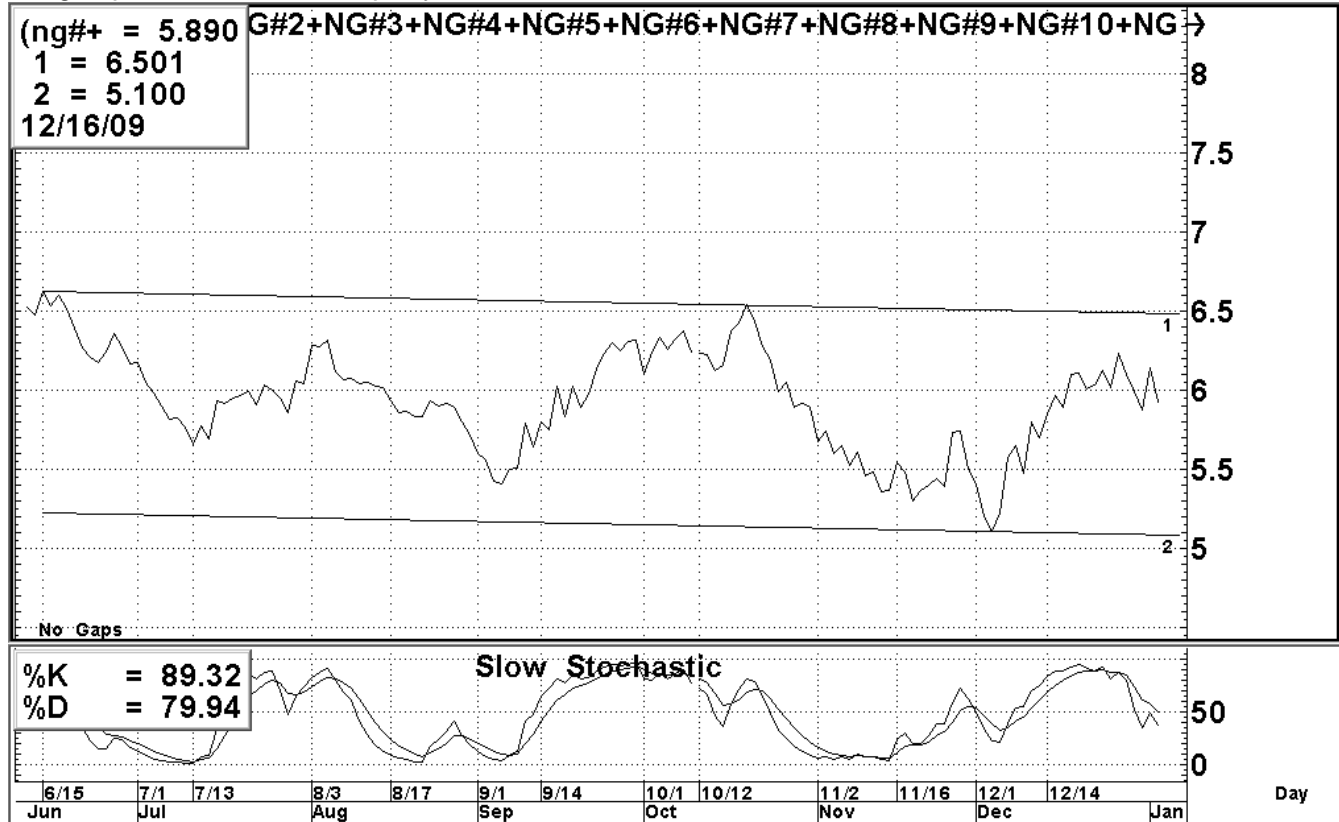


The U.S. National Hurricane Center said today that due to increasing population and infrastructure along the U.S. coastline, it said it would release more detailed warnings 12 hours earlier than in recent years in order to give the public and oil and gas offshore operators in the Gulf of Mexico more time to prepare for adverse weather conditions. Tropical storm watches will be issued when tropical storm conditions are possible along the coast within 48 hours. Tropical storm warnings will be issued when those conditions are expected within 36 hours. These changes will go into effect for the 2010 hurricane season. The NHC said these longer timed warnings are being made possible by advancements in forecasting the tracks of storms and hurricanes.

The Commerce Department reported this morning that U.S. factory orders in November exceeded expectations as it climbed by 1.1%, with non-defense capital

goods orders excluding airplanes surged 3.6%. The bullish economic news though was tarnished a bit by the National Association of Realtors Index for pending sales of previously owned homes plunged 16% to 96 in November from an upwardly revised 114.3 in October. The decline is the first in 10 months and is more than triple of what industry analysts had been expecting.

Iran and Turkmenistan formally opened their new natural gas pipeline today which will move some 6 bcm of gas a year from Turkmenistan to Iran raising annual natural gas export shipments to Iran from the gas producer to 20 bcm per year.



The CFTC said today market manipulation did not cause cotton futures prices to artificially spike in 2008, following a lengthy investigation. The report suggested a host of factors might have contributed to the wild movement in cotton futures and options prices, including the broader rise in all commodity prices, presence of market participants such as index traders and the impact of cotton market price limits.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that for January 5th it has restricted STA 47, STA 834, Rivervale Delivery Meter, STA 245 and STA 321. It canceled the restrictions at MLV 355.

Kinder Morgan Interstate Gas Transmission will only schedule primary and secondary in-path quantities through Segment 190 effective for gas day January 6th and until further notice. I till have limited capacity available for storage withdrawals about its firm requirements.

Natural Gas Pipeline Co said that due to reported freeze-offs at the Chesapeake Little Creek receipt it will schedule to a capacity that reflects physical flow effective gas day January 5th, evening cycle and until further notice.

Northern Natural Gas has called a safe operating limit for all market area zones for gas day January 6th due to lower than normal system weighted temperatures.

ELECTRIC MARKET NEWS

Genscape said US power demand increased in December due to severe cold weather and economic recovery. It however said that despite December's strong showing, the fourth quarter of 2009 saw generation fall 2% from the same quarter in 2008. It is the sixth consecutive quarterly decline in power output. It said that if the recovery persists, coal would benefit more than natural gas as generators start base load plants.

MARKET COMMENTARY

Despite the outlook for yet another burst in arctic temperatures over the next few days across much of the midsection and eastern United States, next day cash prices for natural gas were basically mixed on the day, despite a new daily record traded volume over the ICE system. The futures market though was on the defensive throughout the day as many forecasters issued more moderate outlooks for temperatures for the 11-15 day period basis the early morning and midday computer model runs as arctic air is seen to being replaced by milder Pacific air. The exception to this outlook though continues to found by long-range forecaster Joe Bastardi, which again today took exception to the reliability of the GFS model.

Based on the open interest reported at midday today by the CME, the combined and adjusted totals for Henry Hub futures and swaps showed a jump of 17,812 (10,000 Mmbtu lot size) contracts for the first day of the new calendar year. While some of this buying could be based on new index fund buying, it will be interesting to see if today's sell off sparked short covering of these new longs.

We continue to feel that the 11-15 day weather forecasts continue to dictate the direction on this market. While we feel that high storage levels and growing LNG imports will continue to weigh on any rally over the \$6.00 price level, given the outlook for normal to colder than normal temperatures for the nation over the next couple of weeks we see the lower end of the trading range for this month between \$5.45-\$5.25.

The 12-month strip moved back below \$6.00 today for only the third time since mid December. This too seems to be finding significant resistance from \$6.20-\$6.50.

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