



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR JANUARY 7, 2010

NATURAL GAS MARKET NEWS

Gas output from Statoil's Troll A natural gas field in the North Sea was shut for approximately two hours Thursday morning due to technical problems. The platform was restarted within two hours and was ramped back up to full production. National Grid showed output from Norway via the Langeled pipeline system dropped from 70 mcm to 25 mcm/day for a couple of hours late in the morning. This supply disruption helped to push within day gas prices to over 56.00 pence per therm before backing off. Prices finished the day at 43.90 pence per therm (\$6.982 per Mmbtu) Statoil noted that while this was the second disruption at the Troll platform this week the events were unrelated and that Troll supplies were "secure and reliable."

Nation Grid warned that record natural gas demand might exceed supply for the second time this week, as it was forced to issue its second gas balancing alert (GBA) since Monday. Prior to this week the company had only issued only one other alert in four years. Demand today was estimated at 459.6 mcm, with Friday demand estimated to fall to 450.5 mcm but well above the seasonal average of 343 mcm.

The U.S. Climate Prediction Center said today that it expects at least a moderate El Nino anomaly to last until early summer, exerting a big impact on global weather patterns. It expects the weather pattern will result in more rains and below normal temperatures for the southern U.S, with the northern tier of states, excluding New England, will experience above average temperatures and below normal snowfalls.

EIA Weekly Report

	01/01/2010	12/25/2009	Change	01/01/2009
Producing Region	1003	1044	-41	900
Consuming East	1686	1779	-93	1547
Consuming West	434	453	-19	390
Total US	3123	3276	-153	2837

*storage figures in Bcf

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear unit was at 70% of capacity down 30% from yesterday.

Bruce Power's Bruce #3 nuclear unit was shut for short-term maintenance.

Constellation's Nine Mile 2 nuclear unit was shut today after being at full power yesterday.

PJM – PSEG Nuclear's 1156 mw Salem #2 nuclear unit ramped back to full power this morning, up 9% from yesterday morning.

Dominion's 1155 Mw Millstone #3 nuclear unit was at 85% capacity, up 70% from yesterday.

WSCC – Energy Northwest's 1131 Mw Columbia nuclear unit dropped to 75% of capacity Thursday morning. The unit had been at full power on Wednesday

ERCOT & SPP – Luminant plants to restart its 750 Mw Monticello #1 coal fired power plant today. The unit had been off line since Tuesday.

STP Nuclear has reduced operations at its 1250 Mw South Texas #2 nuclear unit to 73% capacity down 27% from yesterday.

The NRC reported today that 93,695 Mw of nuclear generation was on line this morning, down 0.6% from yesterday and off some 2.7% from the same time a year ago.

Chevron announced Thursday that it has signed a 15 year supply deal with Japan's Nippon Oil to supply 0.3 million tons per year of LNG from its Gorgon project. starting in 2014. This is the first long term LNG deal for Nippon Oil, but the company is looking to add to it. The company plans to build a

LNG receiving terminal in Hachinohe, Japan and is studying whether to possibly build another terminal in Kushiro on the northern island of Hokkaido in a joint project with Hokkaido Gas.

Canadian Gas Association

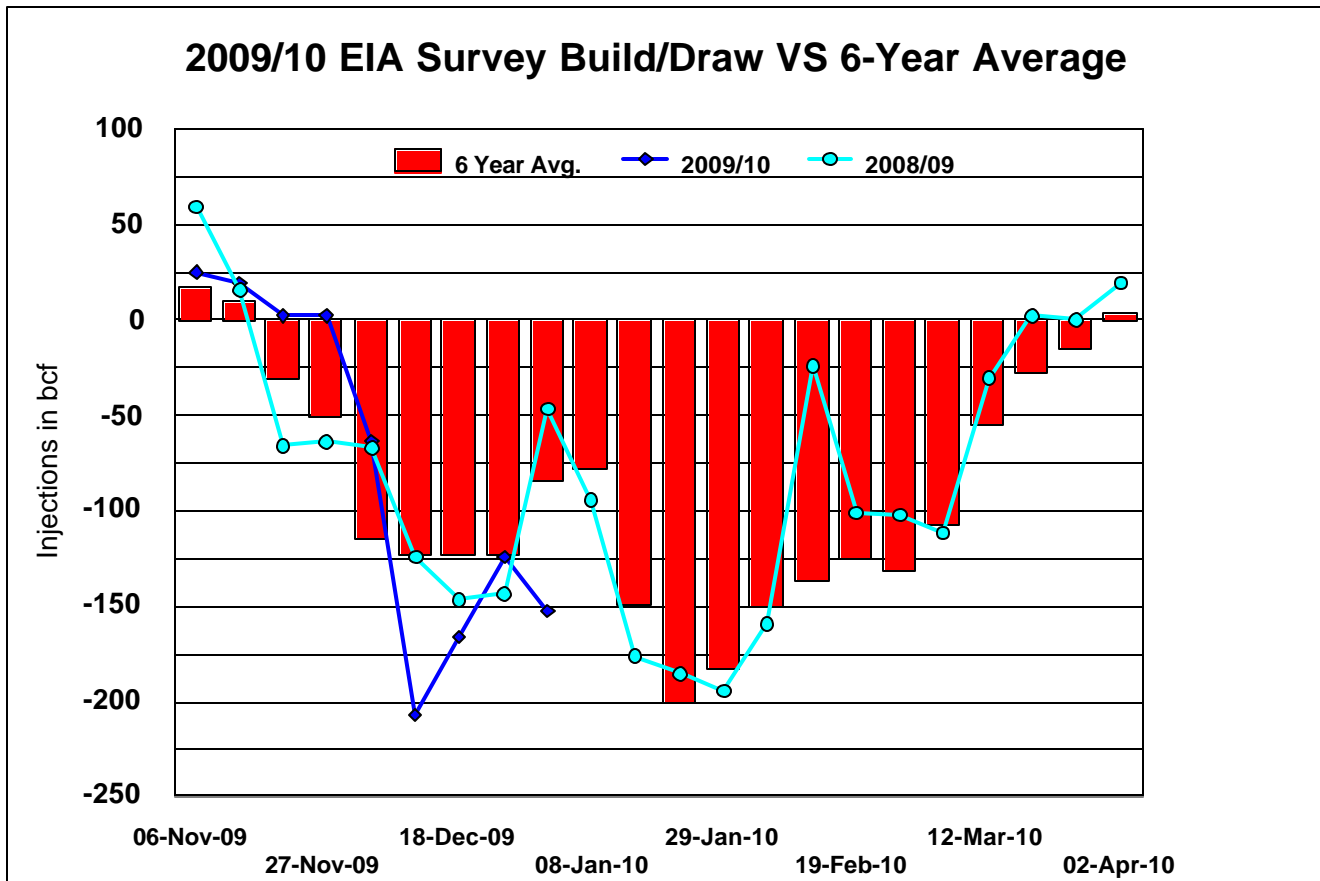
Weekly Storage Report

	01-Jan-10	25-Dec-09	02-Jan-09
East	199.4	211	158.8
West	299.4	311.2	276.1
Total	498.5	522.2	434.8

storage figures are in Bcf

National Grid reported the Al Kharsaah LNG tanker has berthed at the Isle of Grain terminal today. Meanwhile the Al Utouriya LNG tanker from Qatar berthed at the Belgium port of Zeebrugge.

Calais LNG Project has filed a formal application with the FERC



last month seeking permission to build a LNG import, storage and vaporization facilities in Calais, Maine. The facility would have the capacity to store upwards of 1 bcf of LNG in each of its three LNG storage tanks. The facility would have the capacity to deliver 1 bcf/d. A projected in service date is for 2014.

The FERC today approved SG Resources Mississippi request for a six month extension to complete its third storage cavern at its facility in Greene County, Mississippi.

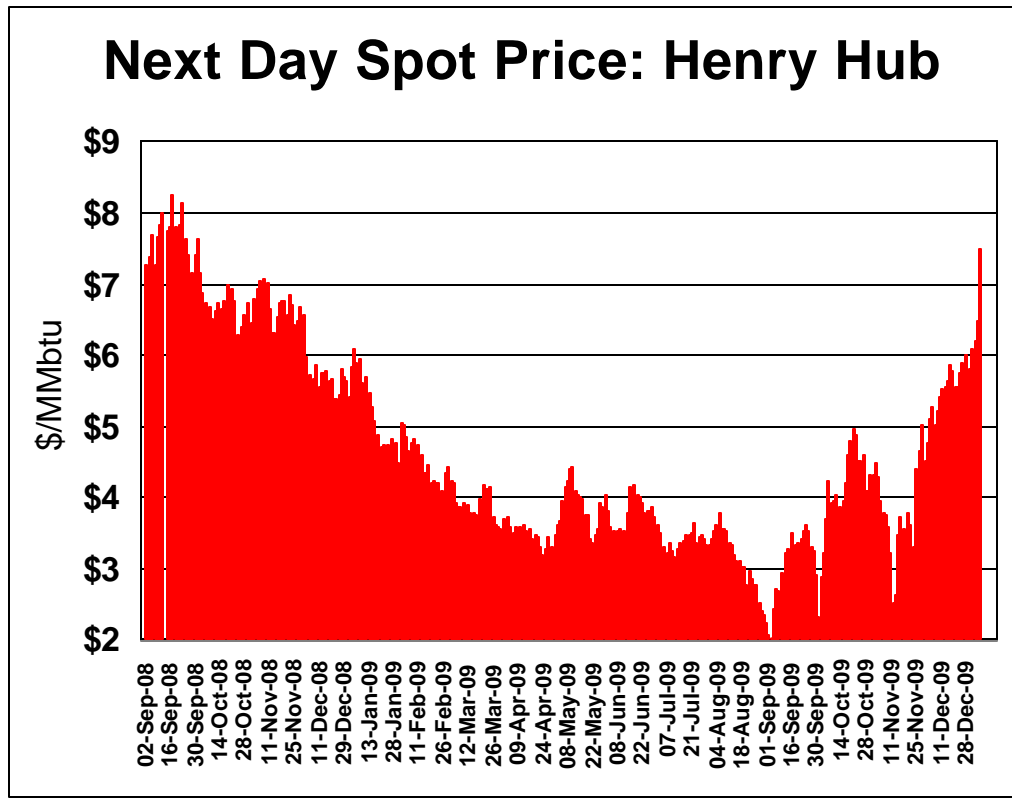
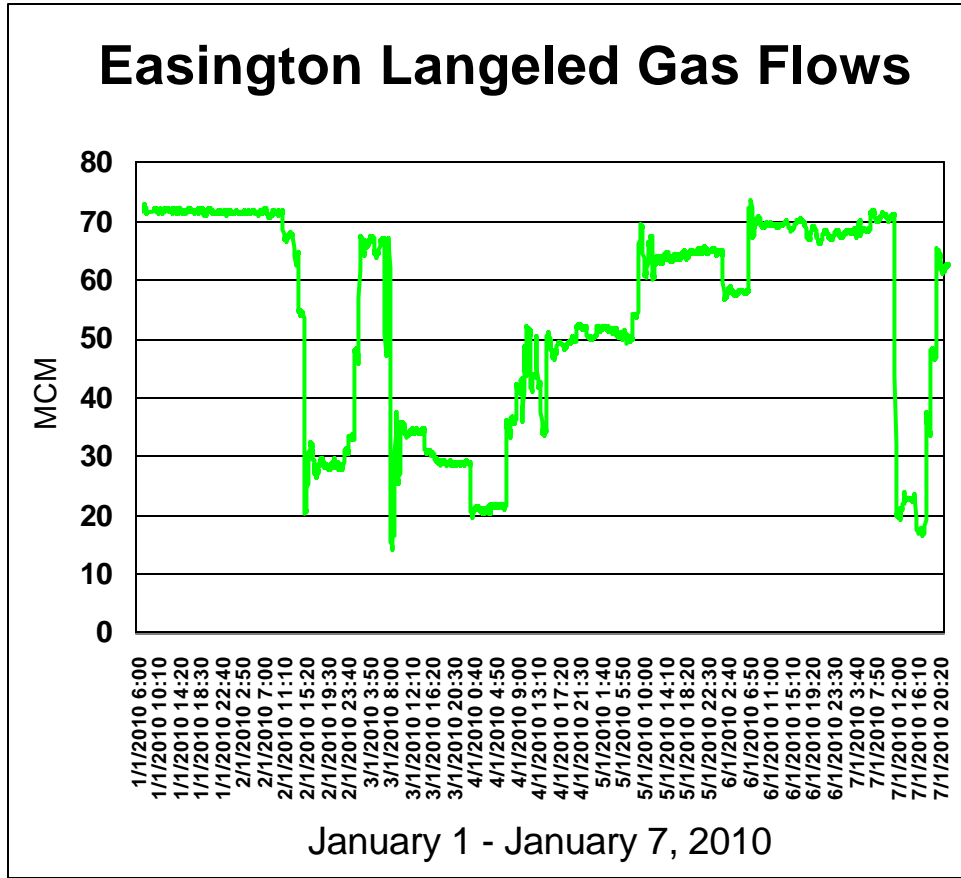
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,102,300	\$7.505	\$7.505	\$1.670	\$1.534	\$0.511
Chicago City Gate	1,015,400	\$7.328	\$7.328	\$1.493	\$1.493	\$0.498
NGPL- TX/OK	1,677,400	\$7.521	\$7.521	\$1.686	\$1.686	\$0.562
SoCal	211,400	\$7.120	\$7.120	\$1.285	\$1.285	\$0.428
PG&E Citygate	825,400	\$6.437	\$6.437	\$0.602	\$0.602	\$0.201
Dominion-South	424,500	\$7.472	\$7.472	\$1.637	\$1.637	\$0.546
UTrade Weighted	30,075,500	\$7.369	\$7.369	\$1.534	\$1.53	\$1.534

PIPELINE MAINTENANCE

Gulf South Pipeline said it plans to conduct work at the Carthage Junction Expansion Compressor Station on Unit T-7 beginning the morning of January 11 and lasting for 11 hours.

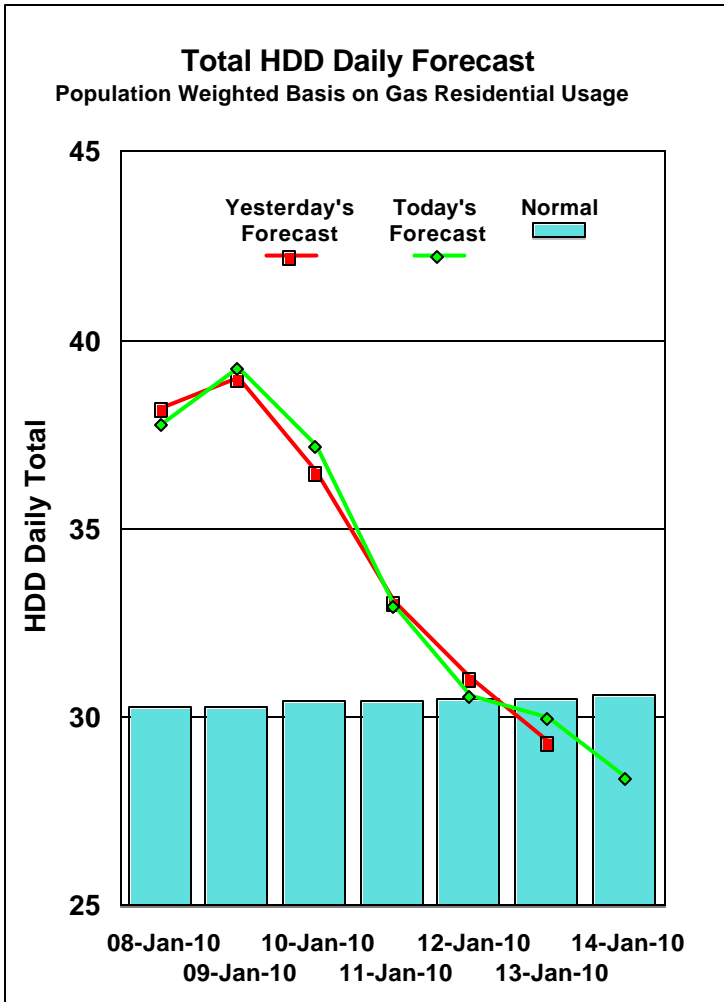
PIPELINE RESTRICTIONS

NGPL said that effective for today and until further notice it has capacity available for deliveries to Trunkline Lakeside and for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. Interruptible transportation service/authorized overrun and secondary out of path firm transports are available.



Panhandle Energy said today that in response to the changing flow patterns and operational limitations brought on by the extreme cold weather and market conditions, effective January 7th and until further notice, it will not be allowing nominations for market area receipts downstream of the Edgerton compressor station for deliveries upstream of the unit.

Northern Natural Gas has called a system overrun limitation for all market area zones



for January 8th due to much lower than normal system weighted temperatures.

KMIGT has issued a Critical Tome OFO applicable to all shippers. The company anticipates the OFO will be in effect for multiple days depending upon weather and operating conditions

PG&E has issued a system wide OFO for gas day January 8th due to low inventory. A 5% tolerance was set.

ELECTRIC MARKET NEWS

The EPA proposed today stronger standards on Smog. It has proposed to set the standard at a level between 0.06 and 0.07 parts per million measured over an eight hour period. The proposal would reverse a bush Administration decision to set the standards at 0.075 ppm. The API has already opposed the change saying the decision to change regulations "lacks scientific justification". The EPA said the new regulations would result in lower healthcare and lost work costs of \$14 billion and \$100 billion, with the cost to implement estimated at \$19-\$90 billion.

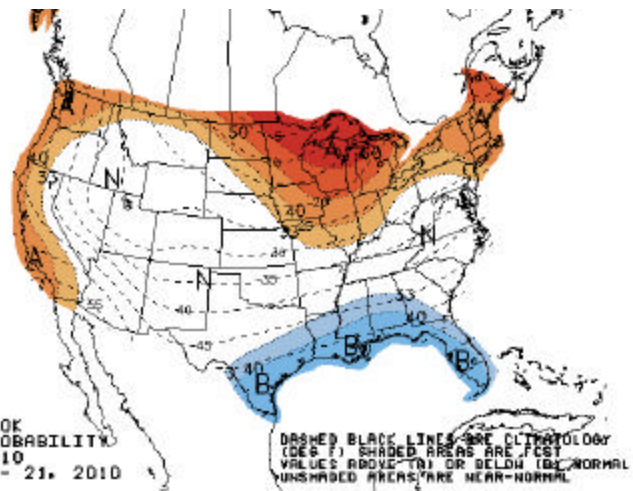
The EIA reported this afternoon that U.S.

coal production for the week ending January 2nd reached 16.9 million short tons, up 15.2% from the prior week but 10.8% less than the same week a year ago.

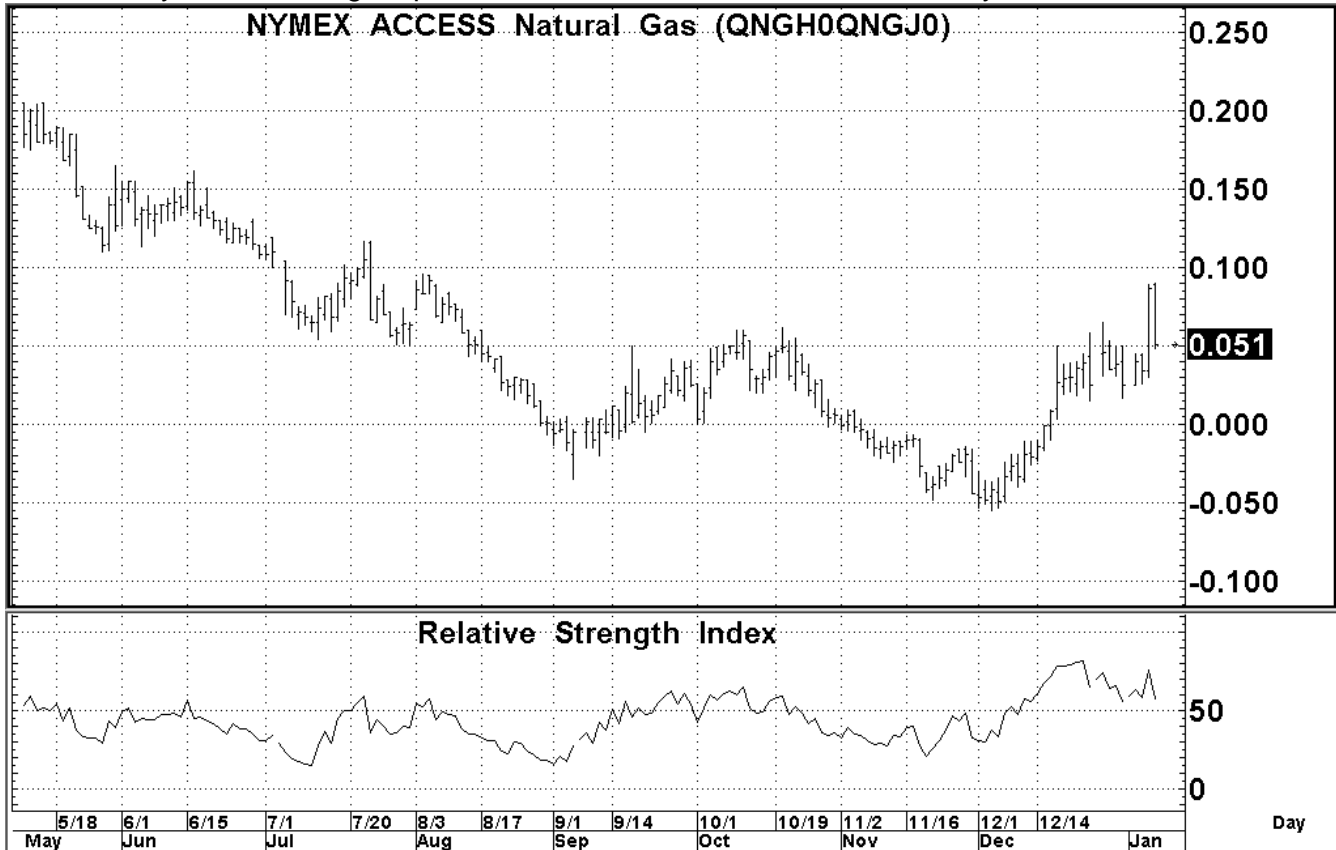
Senator Bingaman, the chairman of the Senate Energy and Natural Resource Committee, said it would be unlikely for the Senate to pass a cap and trade bill this year given little or no consensus on what form the cap-and-trade system should take.

MARKET COMMENTARY

Brutally cold temperatures began to sweep into the midsection of the country and spread eastward and with it driving HDD totals for residential natural gas customers on a weighted nationwide basis to its highest level since the middle of January last year. This near term heating demand drove cash next day prices at Henry Hub to their highest level since September 2008. But futures prices while making a new near term high this morning, had difficulty in being sustained over \$6.00 and prices in the February contract moved onto the defensive as various long term weather forecasts basically see



temperatures moderating next week, with much of the nation's population weighted areas seeing above normal temperatures and thus reduced heating demand by the third week of January. While most of the midday computer models runs continued to support this belief, the midday GFS model run appeared to disagree with the consensus of the other models and once again attempted point to the redevelopment of colder air in Canada over the 11-15 day period, and thus raised the risk of another cold spell for the central and eastern U.S later this month. At this time most forecasters appeared to assign little or no confidence to this model run given it as an individual outlier. As a result futures prices eroded through the afternoon and finished the day down over 20 cents, as the bulls found little support in a relatively neutral storage report that had been released earlier in the day.



Despite entering into the peak of the winter heating season, this market continues to flounder when prices push over \$6.00, especially if there is the prospect of temperatures returning to normal or even warmer than normal across the country. The March–April 2010 spread could very well have posted its high for the remainder of the heating season today as this spread reached 9 cents (March premium) before falling back by 4 cents by the end of the day. Technically this spread despite reach new near term highs in the last two days saw the 9-day RSI indicator post a bearish divergence as lower highs were set despite the underlying spread value pushing higher.

We see resistance in the February contract starting tomorrow at \$5.87 followed by \$6.02, \$6.117, \$6.237, \$6.30 and \$6.367. Support we see at \$5.725, \$5.677, %5.56-\$5.54, \$5.50, \$5.314 and \$5.127.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.