



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 8, 2010

NATURAL GAS MARKET NEWS

Reuters reported today that according to independent energy consultants, natural gas sent out from U.S. LNG terminals hit record highs on Friday running between 4.24-4.43 bcf/d.

Bentek's CEO in an interview note said that surging productivity from U.S. natural gas fields will end the need for natural gas imports and will provide enough additional fuel to run vehicle fleets and reduce coal fired power generation. The firm noted that the U.S. "may very well be on the cusp of a completely different energy era than we had for the last 30 or 40 years. The research group noted that a drilling rig today produces about two to three times what it did a couple of years ago, due to the technological advances in exploiting shale formation. The group expects U.S. natural gas production in 2010 "will probably look a little bit like last year, maybe a bit higher." They see gas prices averaging between \$3.00-\$5.00, with weather related heating demand in the next 60 days playing a big role. The group sees natural gas prices ranging between \$3-\$6 would allow this country to produce as much gas as it needs.

Baker Hughes reported today the number of natural gas drilling rigs operating in the United States stood at 781, up 22 from the previous week and the highest level since April of last year.

Statoil said it expects gas production from its Norwegian fields in 2010 would remain on par with last year's output and once again reaffirmed that this week's stoppages at its giant Troll field have no long term impact.

National Grid confirmed today that British gas demand set a new all time high on Thursday reaching 454 mcm. The company though said overall supplies were not under threat.

Generator Problems

NPCC OPG's 490 Mw Nanticoke Unit #1 coal fired power plant was back in service this morning. The unit was shut back on December 22nd.

Entergy's 620 Mw Vermont Yankee nuclear unit returned to full power this morning up 30% from yesterday.

Dominion's 1155 Mw Millstone #3 nuclear unit was at full power on Friday, up 15% from yesterday, as operators completed returning the unit to service. The unit was restarted on January 6th following a shutdown that began back on December 19th.

FRCC – FPL's 864 Mw St. Lucie #1 nuclear unit was at 48% power Friday morning. The unit had been at full power on Thursday.

MISO – Exelon's 1043 Mw Clinton nuclear unit was at 88% capacity this morning, down 1% from yesterday, as operators coast the unit down to a planned January 11th refueling and maintenance outage.

ERCOT & SPP – Unit #4 at the Sandow coal fired electric plant was expected to be taken this afternoon for short term maintenance work. The unit is expected to be restarted either Friday evening or early Saturday morning.

AEP's Unit #3 at the Welsh coal fired power plant was expected to be restarted Friday evening following its recent short-term maintenance outage. The unit was taken down Friday morning for short-term maintenance.

Unit #2 at the coal fired Big Brown power station was expected to have a brief maintenance outage at midday Friday.

The NRC reported today that 93,281 Mw of nuclear generation was on line this morning, down 0.4% from yesterday and off some 2.9% from the same time a year ago.

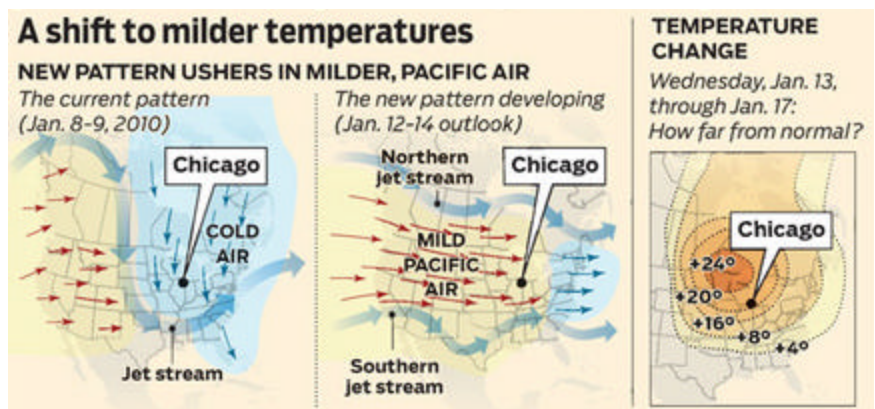
Transco confirmed today that it had set a peak day record on January 3rd of 9.25 million Dth of natural gas transported. The previous record had been 8.91 million Dth set back on February 5, 2009.

Canadian police reported today that a man has been arrested in connection with a series of bombings of Encana's pipelines and natural gas facilities in northeastern British Columbia.

A bipartisan group of U.S. lawmakers called on the Obama administration to release more than \$590 million in emergency federal funding to help low income families pay their energy bills this winter.

Ruby Pipeline Project Friday received final environmental impact statement from the FERC and cooperating agencies.

A member of the Texas Railroad Commission has asked the Texas Attorney general for a legal opinion on whether the Texas Railroad Commission would have the authority to halt drilling in the Barnett Shale.



PIPELINE RESTRICTIONS

NGPL said it has limited capacity available for northbound flow through Compressor Station 309 (Segment 27) located in Bollinger, Missouri. Limited interruptible transportation service/authorized overrun and secondary out of path firm transports are available.

until further notice it is at capacity for deliveries at KMITG Adams. Interruptible transportation service/authorized overrun and secondary firm transports are at risk of not being fully scheduled.

Northern Natural Gas has called a system overrun limitation for all market area zones for gas day January 9-10th due to lower than normal system weighted temperatures.

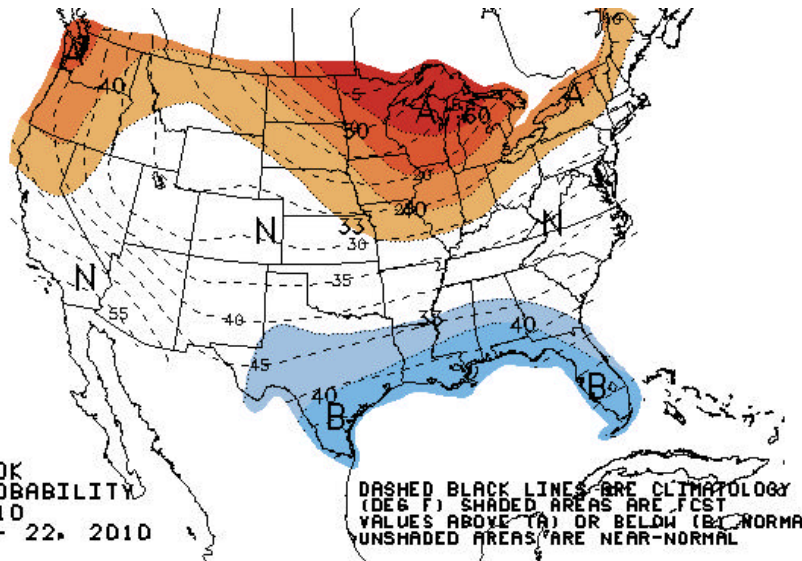
Tennessee Gas Pipeline has restricted the Rivervale Delivery Meter, STA 245, STA 321 and MLV 355. The Rivervale Delivery meter is restricted to approximately

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	752,500	\$6.561	(\$0.944)	\$0.848	(\$0.793)	\$0.827
Chicago City Gate	810,100	\$6.236	(\$1.092)	\$0.523	(\$0.970)	\$0.773
NGPL- TX/OK	1,166,000	\$6.234	(\$1.287)	\$0.521	(\$1.165)	\$0.629
SoCal	226,700	\$6.039	(\$1.081)	\$0.326	(\$0.959)	\$0.506
PG&E Citygate	466,800	\$6.054	(\$0.383)	\$0.341	(\$0.261)	\$0.404
Dominion-South	407,400	\$6.859	(\$0.614)	\$1.146	(\$0.492)	\$1.221
UStTrade Weighted	23,793,300	\$6.454	(\$0.915)	\$0.741	(\$0.79)	\$0.827

92% of supply to market; STA 245 at 90% of supply to market; STA 321 at 80% of supply to market Secondary out of the path nominations; and approximately 100% of the market to supply secondary out of the path nominations pathed through MLV 355.

ELECTRIC MARKET NEWS

ERCOT reported that power use last night reached 52,001 Mw setting a new all time peak winter power use, surpassing the winter time peak of 50,408 Mw set in February 2007. Power usage Friday was expected to set yet another new records.



Google Inc has filed with the FERC last month a request by its subsidiary, Google Energy LLC for the authority to trade the wholesale electricity market. The company said that this authority would make it easier to obtain renewable energy to power its data centers as part of its green initiative.

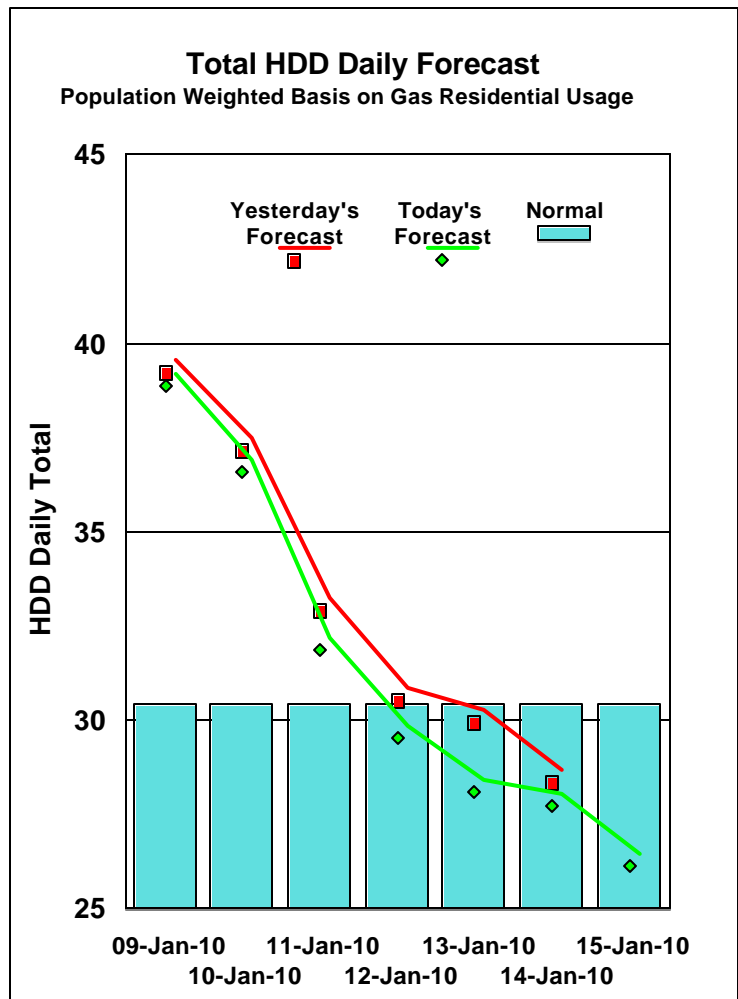
The company said that it does not have plans to make the energy markets a new line of business, except that the company may sell any surplus renewable energy it does not use.

The Northwest River Forecast Center Friday said that they see water runoff at the Dalles Dam to run 82% of normal for the January-July period, down 1% from its prior forecast.

MARKET COMMENTARY

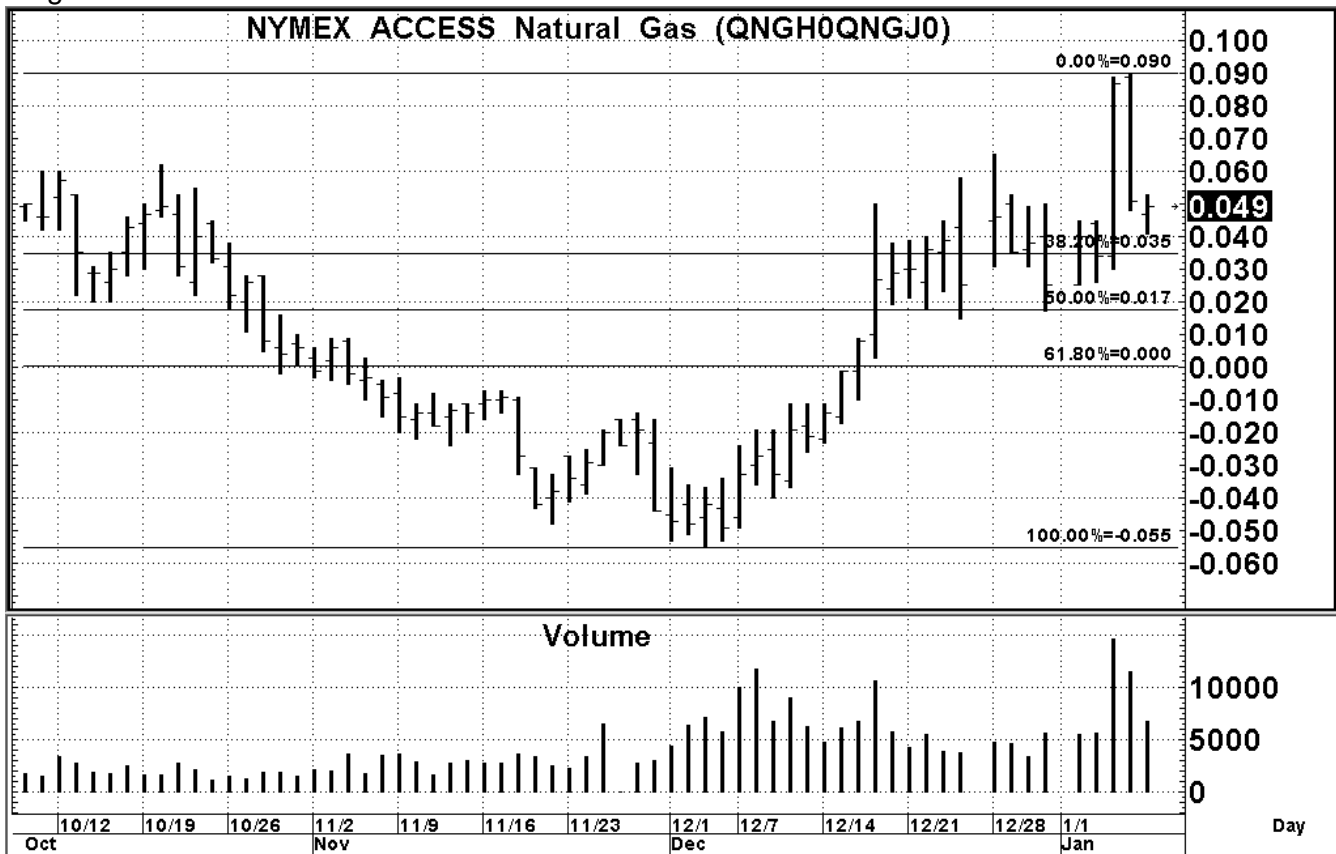
The continued prospects for temperatures on average returning to normal and even slightly warmer than normal on a population weighted basis next week coupled with the continued outlook for much of Canada and the northern tier of states to be above normal in the 11-15 day time frame kept natural gas prices under pressure for the second straight day. In addition with arctic like temperatures expected to finally break in Britain next week any spill over support from this market to the U.S. market also appeared to be erased. Longer term the strong rebound in natural gas drilling rigs on the week also helped to dampen futures prices.

Open interest reported today showed that total open interest on a combined and adjusted basis on the NYMEX Henry hub futures and swaps grew by 45,000 lots over the past two trading sessions and over

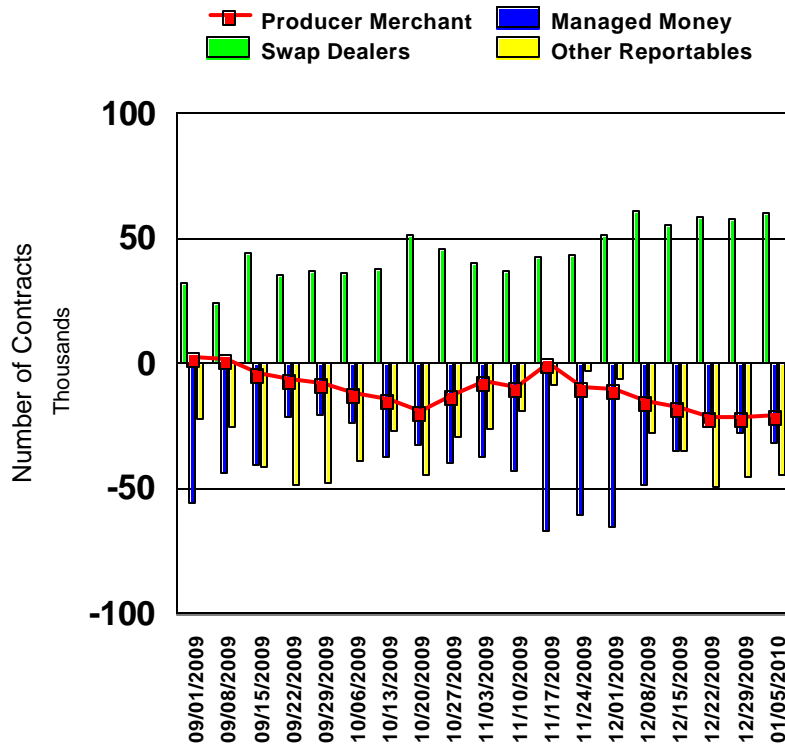


63,000 lots since the end of last year. While part of this gain could be reflective of new shorts coming into the market over the past couple of days, we feel a big part of it though is the arrival of new commodity index money to start the year. WTI crude oil open interest has gained over 97,176 lots during this time while Brent open interest has gained over 34,000 contracts. Heating oil and gasoil open interest during the same time has surged by 21,763 and 15,288 lots respectively and RBOB has grown by 22,192 contracts.

We continue to look for this market next week to be driven by weather forecasts. If on Monday the temperature outlooks are indeed confirmed and temperatures are seen moderating for the near term then prices could break out of their trading range of the past four weeks of \$5.50-\$6.10. We would look for additional support at \$5.31 and \$5.127. Resistance on Monday we see at \$5.80, \$5.85-\$5.86, \$5.922 and \$6.108 and \$6.30. The March-April 2010 spread also continued to contract for the second day in a row even though volume in front of the weekend was significantly less than that demonstrated over the prior two trading sessions. Near term we look for the spread to be heading into a trading range around 1.5-3.5 cents.



Henry Hub Futures & Options Disaggregated Commitment of Traders Report



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