



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 11, 2010

NATURAL GAS MARKET NEWS

Qatargas's Al Sadd LNG tanker is expected to arrive at the Sabine Pass LNG terminal on February 3rd according to shipbrokers. The Methane Kari Elin LNG tanker from Trinidad is slated to arrive at the Dragon LNG terminal on January 15th with the Al Ghuwairiya LNG tanker was schedule to arrive at Britain's South Hook LNG terminal on January 16th. Reuters reported this afternoon that the Arctic Discoverer LNG tanker from Norway was expected to dock at the Isle of Grain terminal on January 17th.

The Climate Prediction Center this morning estimated that last week on a gas home heating weighted basis the U.S. saw some 269 HDD. This current week will see substantially lower demand with just 215 HDD some 20% less than last week and 5.3% less than normal.

Chesapeake Energy said today that it did not expect to sign any more joint ventures with partners to help develop its four main shale gas assets. The company though did express concern that there is a risk U.S. gas prices could fall back to lower levels if the economic recovery faltered. As a result it said it has increased its hedging activities in recent months.

Talisman Energy said Monday that they were boosting its 2010 capital spending program by 10% over 2009 levels to accelerate development in North American shale plays, including Marcellus and Monteray shales.

McMoRan Exploration and its energy partner Energy XXI announced a gas discovery in the shallow waters of the Gulf of Mexico, in the Davey Jones field. While the discovery was in only 20 feet of water, it was drilled to a depth of 28,262 feet. The company said the discovery could be one of the largest in the Gulf of Mexico

Generator Problems

NPCC – Constellation Energy's 498 Mw Ginna nuclear unit returned to full power. The unit was at 47% power on Friday after exiting an outage earlier in the week. The unit had been shut On December 30th due to a mechanical malfunction.

Constellation Energy's 1140 Mw Nine Mile #2 nuclear unit has exited its recent outage and had ramped up to 50% power as of this morning. The unit had dropped off line on January 7th due to maintenance work.

FRCC – FPL's 839 Mw St Lucie #2 nuclear unit returned to full power Monday morning, up 52% from Friday.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit was cut to 40% power early Monday. The unit had been at full power. The unit though was back to 90% power by midday as some repairs were completed.

TVA's 1103 Mw Browns ferry #2 nuclear unit was shut Sunday evening for planned maintenance. The unit had been at full power on Friday.

MISO – NPDD reduced output at its 758 Mw Cooper nuclear unit to 72% on Sunday for repair work. The unit had been at full power.

Exelon's 1043 Mw Clinton nuclear unit was shut for planned refueling an maintenance work. The unit was expected to be off line for a month.

WACC – Energy Northwest's Columbia nuclear unit returned to full power Monday morning from 75% power on Friday.

ERCOT & SPP – Luminant's 1150 Mw Comanche Peak #1 nuclear unit was at 30% power Monday morning. The unit had been at full power on Friday.

The NRC reported today that 90,455 Mw of nuclear generation was on line this morning, down 2.5% from yesterday and off some 6.9% from the same time a year ago.

to a depth of 28,262 feet. The company said

Inergy Midstream LLC said today that it was buying the Seneca Lake natural gas storage facility in upstate New York from NYSEG for some \$65 million. The facility is approximately a 2 bcf underground salt cavern storage facility

National Grid issued another Gas Balancing Alert for January 11th, as a result of a sharp drop in

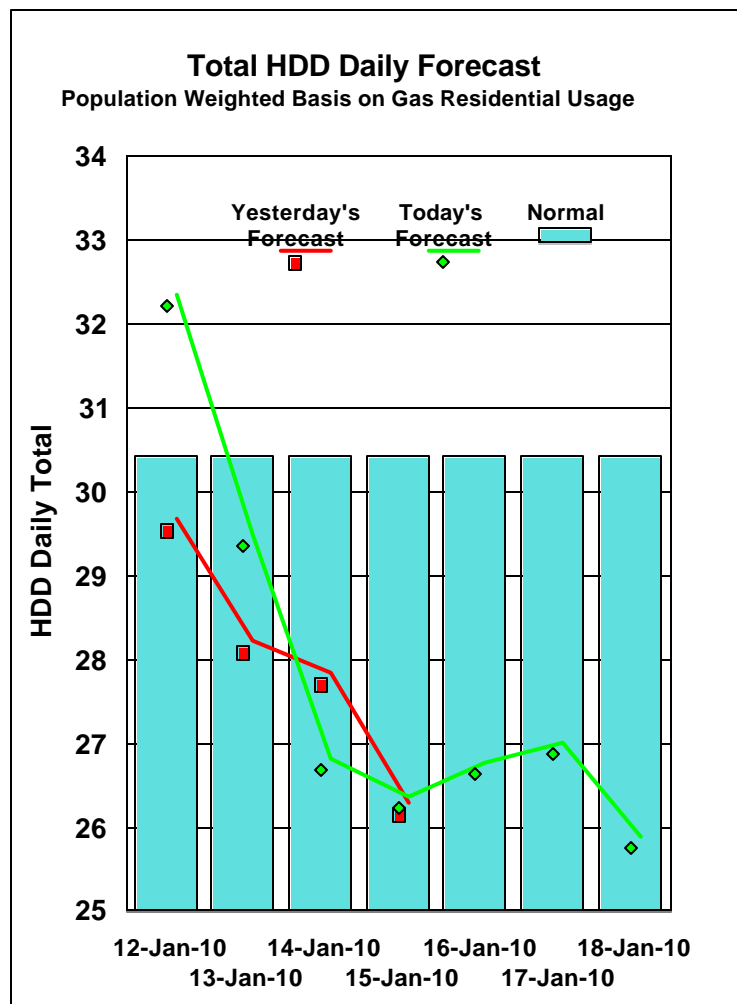
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	668,700	\$5.772	(\$0.789)	\$0.368	(\$0.329)	\$0.796
Chicago City Gate	828,800	\$5.858	(\$0.378)	\$0.454	(\$0.069)	\$0.757
NGPL- TX/OK	920,900	\$5.652	(\$0.582)	\$0.248	(\$0.273)	\$0.651
SoCal	290,500	\$5.733	(\$0.306)	\$0.329	\$0.003	\$0.527
PG&E Citygate	650,900	\$5.921	(\$0.132)	\$0.517	\$0.177	\$0.433
Dominion-South	380,100	\$6.127	(\$0.731)	\$0.723	(\$0.422)	\$1.101
USTrade Weighted	22,793,000	\$5.815	(\$0.638)	\$0.411	(\$0.33)	\$0.796

Norwegian gas supply today. The GBA is set to expire at 0600 GMT on Tuesday. This is the third GBA issued this year. While demand has remained strong due to the cold weather in

Britain, the Norwegian gas processing plant at Kaarstoe was shutdown over the weekend due to icing. The facility though has been restarted and had returned to 2/3 of capacity. The reduction of the plant had resulted in Statoil being forced to cut output at its Asgard and Sleipner gas fields. While production to the Asgard field had returned to normal by this afternoon, output from the Sleipner field would remain below normal until Monday evening. Operators hope to have the unit back to full power by the end of the day. Elsewhere the British North Sea Cleeton gas platform was shut Monday for five days of planned maintenance. This will result in the loss of some 4-5 million cubic meters a day of production. Shell reported that its Ormen Lange gas field in the Norwegian Sea has been shut since Saturday due to bad weather.

India's state run Gujarat State Petroleum Corp has signed a short-term deal with Repsol to buy nine cargoes of LNG for delivery in April-December. The deal is to buy one cargo every month.

Indonesia officials said today that the \$4 billion natural gas project in Sulawesi, Indonesia, may be delayed because domestic buyers have offered too low a price for gas supplies there. The project had been slated to come on stream by 2013. Pertamina is looking to sell gas at around \$5 per Mmbtu.



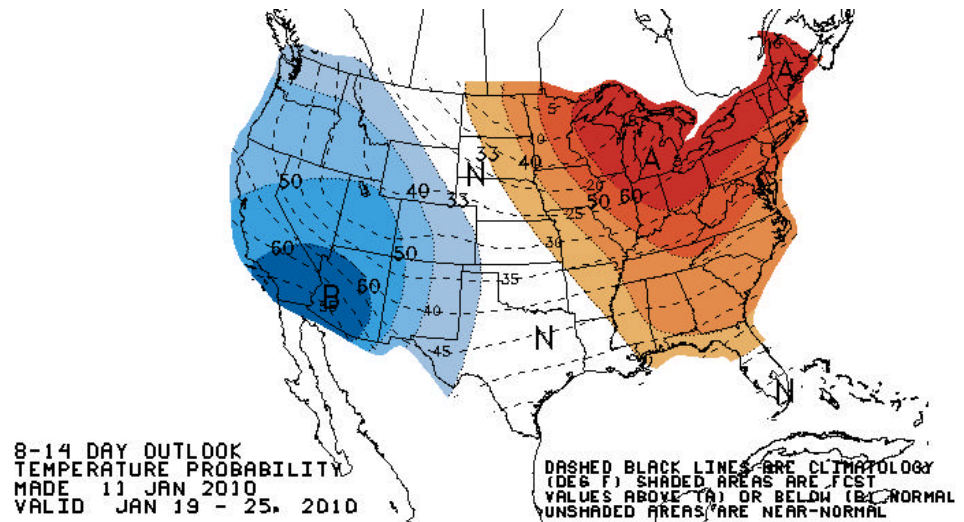
Gazprom today said it pledged to buy all of the gas exported by Azerbaijan. Azerbaijan's gas production is set to increase substantially when it launches its second phase of its Shakh Deniz project in the Caspian Sea. Gazprom is looking to secure all of these supplies in an attempt to block the supplies going to the competing Nabucco Pipeline project. European backers of this pipeline had been counting on Azeri production to help supply a portion of the supplies for their new pipeline.

PIPELINE MAINTENANCE

Texas Eastern Transmission said this afternoon that it had lost commercial power to its Lambertville natural gas compressor station in New Jersey. This resulted in the loss of capacity through Lambertville of 150,000 dekatherms.

PIPELINE RESTRICTIONS

FGT on Monday issued yet another shippers alert due to unseasonably cold temperatures expected in its service territory. The Alert was issued with a 5% tolerance.



NGPL said it continues to schedule down to a capacity that reflects physical flow for several points on its system as cold weather continued today

SONAT said its Type 6 OFO continues to until further notice. The OFO was called on January 6th.

ELECTRIC MARKET NEWS

Genscape reported that U.S. power output for the week ending January 7th rose by 9% from the prior week and was 12.3% above the same week a year ago.

California has asked U.S. environmental regulators to slow down implementation of rules on greenhouse gas emissions noting the potential of a Spring 2010 implementation date could hurt the state's plan to transform its energy system to run more on renewable energy like solar power. The state is looking for utilities to build a fleet of highly efficient natural gas fired power plants to back up targeted wind and solar projects. The state energy officials thus note new federal rules could slow down the permitting process of this new back up generating assets.

FPL said it set an all time record for electrical consumption along its East Coast and South Florida service areas as power demand reached 24,354 Mw early Monday, surpassing the all time record of 22,361 Mw set in August 2005.

MARKET COMMENTARY

The confirmation that the January thaw was on its way this morning from most weather forecasters seemed to be the final nail in the coffin for the bulls hopes for higher prices. The market remained under pressure throughout the morning and broke below the \$5.40 level for the first time in the February contract since mid December. While prices rebounded a bit in the afternoon they still finished the day at their lowest level since December 14th.

We continue to be bearish on this market. We would look for additional price pressure to come into this market once nuclear generation levels rebound from this past weekend's problems. We see support in the February contract at \$5.37 and \$5.30 followed by \$5.114 and \$4.90. Resistance we see at \$5.653, \$5.74 and \$5.826. Additional resistance we see at \$6.108 and \$6.30.

The March April 2010 spread which finished another 2 cents lower today, basically in three days has retraced more than 50% of the gains the spread had made in the past six weeks. While this spread may near term stay contained within a trading range of 1.5-5.0 cents March premium, we ultimately see this spread challenging parity once again.

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