



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 12, 2011

NATURAL GAS MARKET NEWS

PAA Natural Gas Storage LP reported that there was a fire at its Bluewater natural gas storage facility in Michigan this morning. The fire was quickly extinguished as the facility's emergency shut-off valves functioned as anticipated. Only minor injuries were reported. The gas handling facility is currently shut down as operators assess the reasons for the fire and if any damage occurred to surface equipment. The facility has a 26 bcf storage capacity.

Generation Update

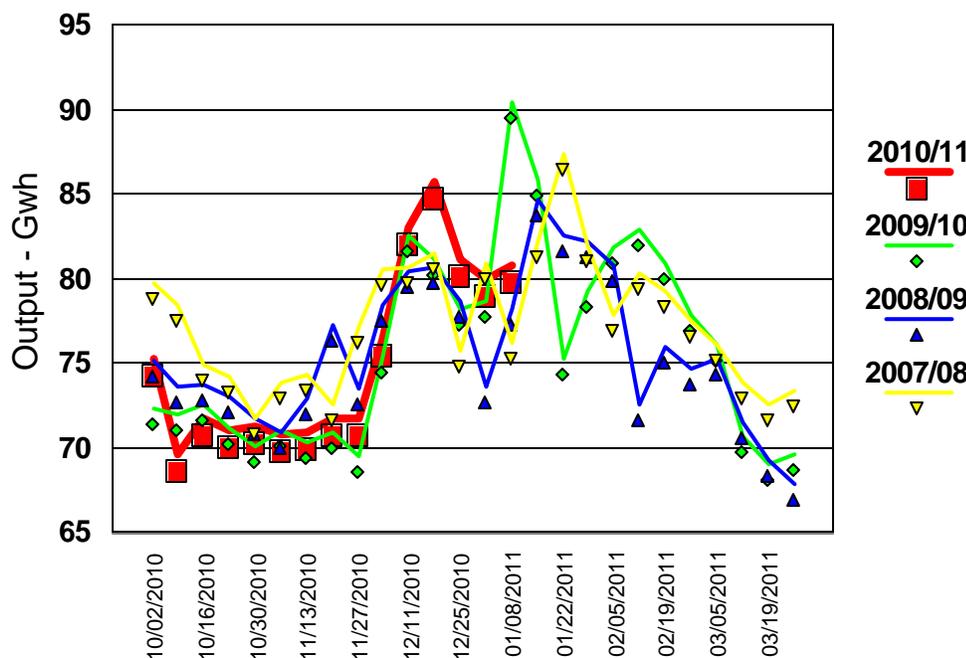
NPCC – Bruce Power's Bruce #4 nuclear unit returned to service today.

MISO – FirstEnergy's 879 Mw Davis-Besse nuclear unit which was taken off line on Saturday is expected to be restarted later this week.

The NRC reported today that 93,136 Mw of generating capacity was online today, up 0.1% from yesterday and 4.5% higher than the same day a year ago.

ExxonMobil said today that the company will continue to evaluate acquisitions of unconventional oil and gas assets. Since its purchase of XTO, Exxon has added more unconventional acreage to its portfolio. Last month Exxon paid \$650 million to buy the natural gas assets in the Fayetteville shale in Arkansas from Petrohawk Energy.

Weekly Electric Output



Peter Nennett of Bentek Energy told an industry conference today that natural gas production continues to grow and may hit a record in 2011 or 2012 helped in part by independent natural gas producers receiving stronger revenue streams on associated production of oil from their natural gas drilling activities. He expects natural gas prices to average between \$4.00 and \$4.50 in 2011. He noted that many U.S.

shale gas fields are profitable as long as natural gas prices remain above \$2.00.

Iran has signed a long-term deal to buy 1 bcm of gas from Azerbaijan today. The deal also leaves open the possibility to increase this volume to as much as 5 bcm annually.

The Al Kharaitiyat LNG tanker is expected to arrive at the South Hook LNG terminal on January 19th according to port officials. The tanker is coming from Qatar. Meanwhile the Qatari Ejnan LNG tanker is slated to arrive at the Zeebrugge terminal on January 26th.

Norwegian gas operator, Gassco reported that Norway exported some 97.3 bcm of natural gas to Europe in 2010, some 700,000 cubic meters more than the year before. The Norwegian gas supplies account for 20% of overall EU gas needs.

Statoil said today it would consider whether to build a second LNG plant at its Snoehvit installation.

Britain's competition authority on Wednesday provisionally rejected Centrica's request to drop competition restrictions imposed on the Rough gas storage operations, since the company acquired the facility back in 2002. The facility accounts for 70% of the country's gas storage. The commission though did suggest in its report that Centrica's restrictions be adjusted to allow the company the right to take part in purchasing extra capacity at Rough on top of the 15% it is entitled to, but limiting the amount the utility can buy.

India's Oil and Natural Gas Corporation noted that difficulties in securing funding will delay its finalizing a deal to take a 40% stake in Iran's South Para Phase 12 gas project.

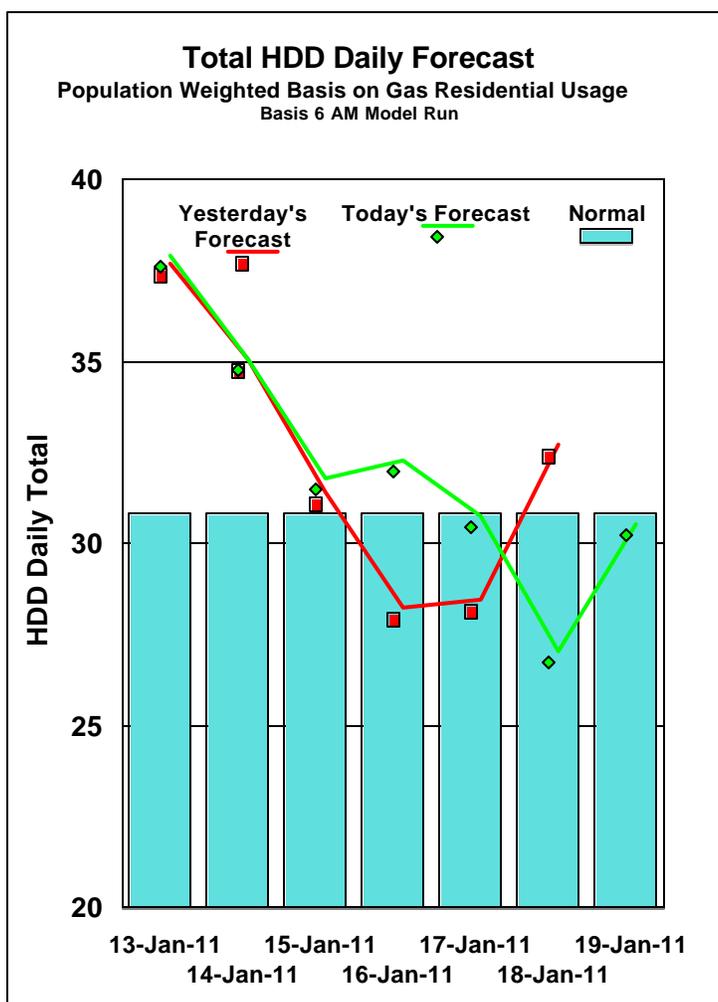
Israel's Dalek Group has proposed the creation of a LNG facility in Cyprus to process east Mediterranean hydrocarbon resources. Delek is looking to supply the gas from its offshore fields, Leviathan and Tamar, to the proposed facility.

ELECTRIC MARKET NEWS

The U.S. EPA today announced it would delay for three years the requirement for greenhouse gas permits for CO2 emissions from biomass-fired boilers.

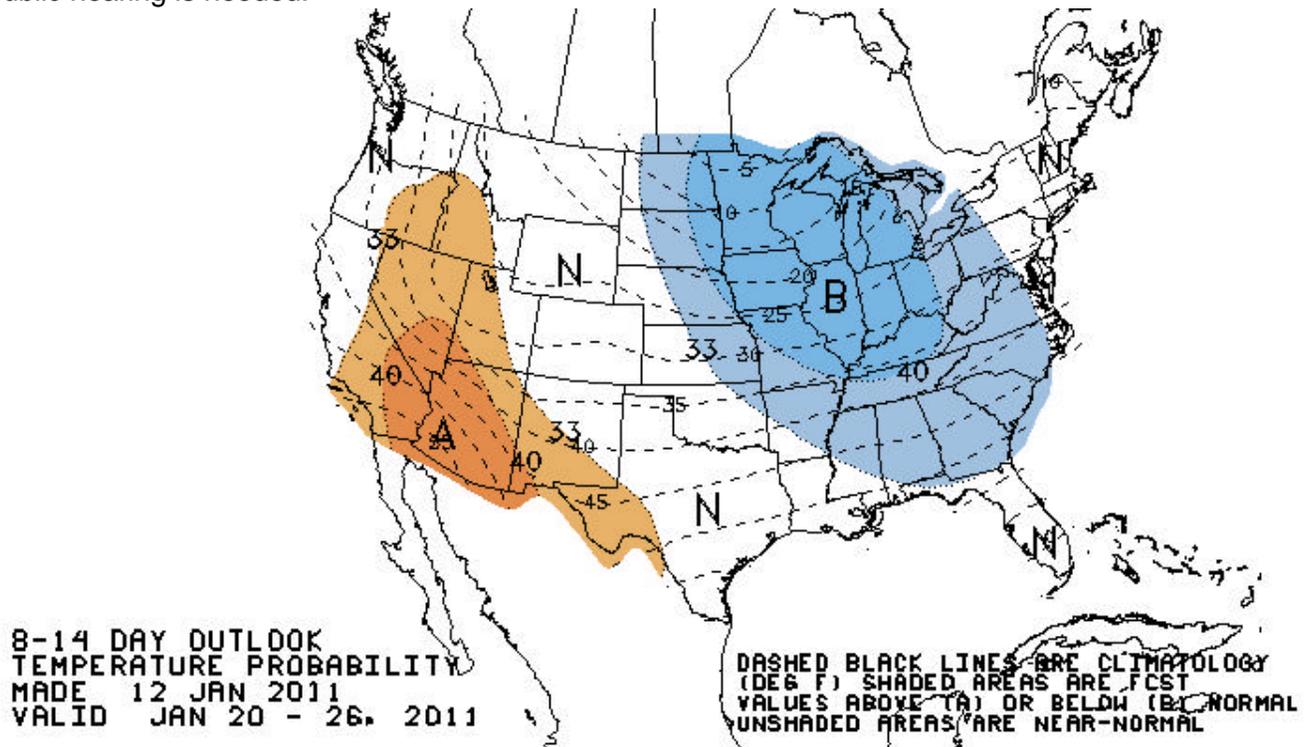
The U.S. National Climatic Data Center reported today that 2010 was tied for being the warmest year on record, globally, since records began back in 1880.

The Illinois Senate Wednesday rejected Tenaska's proposed \$3.5 billion Taylorville coal to gas fired power plant. The project required state approval because the company was seeking to recover costs for



building and operating the plant from ratepayers. Since the state restructured its power markets in the late 1990's, the cost of building and operating new power plants in the state has been the responsibility of generators not rate payers.

PG&E's 2240 Mw Diablo Canyon nuclear power plant received a passing mark in the NRC Safety Evaluation Report, which is part of the approval the utility needs in gaining approval for relicensing of the plant. The next needed approval is expected to come in February in an environmental review by the commission. The NRC could make a final decision of relicensing the plant by September 2011 if no public hearing is needed.



The Edison Electric Institute reported today that it estimates U.S power production for the week ending January 8th moved to 79,852 Gwh, up 9% from the prior week but some 12.1% less than the same week a year ago.

ECONOMIC NEWS

The Labor Department said US import prices extended their recent increase in December. The price of imported goods increased by 1.1% in December following an upwardly revised 1.5% increase in November compared with an initial estimate of 1.3%. Petroleum import prices increased by 3.9% in December and were up 13.7% on the year.

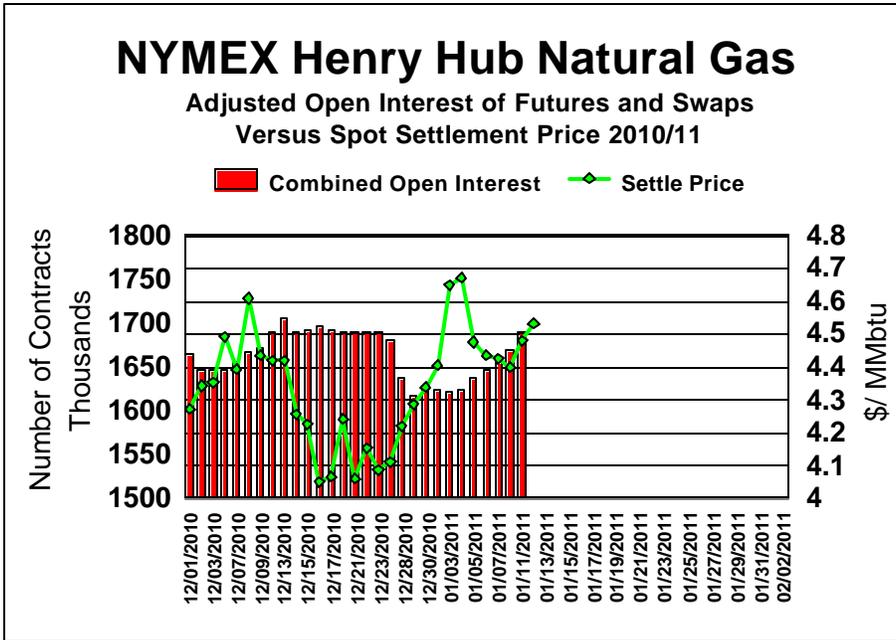
The European Union's statistics office Eurostat said Euro zone industrial production was stronger than expected in November. It said industrial production increased by 1.2% on the month for a 7.4% year on year increase.

The CFTC delayed a scheduled vote to finalize new governance rules for derivatives clearinghouses and trading platforms. The rules, proposed in October, are designed to reduce conflicts of interest at clearinghouses and trading platforms as well as help contain turmoil in the event of a crisis. They were scheduled to vote on Thursday.

MARKET COMMENTARY

The natural gas market finished modestly higher for the second day in a row as weather forecasting models appeared to be somewhat supportive for the key Midwest and Northeast heating markets, but

the confidence level for these forecast remains low. We were a bit surprised to see that Tuesday's trading resulted in not only a gain in open interest but the largest jump in the combined open interest in Henry Hub futures and swaps contracts since December 1st. This leads us to believe that this market may have found two price range boundaries. Buyers are interested in entering this market around the \$4.40 price level with sellers looking to establish new positions around the \$4.70 level.



The market is looking for tomorrow's EIA natural gas storage report to show a draw down of 120-160 bcf, with most estimates centered around a 140-150 decline. For the same week a year ago stocks declined by an adjusted 250 bcf while the five-year season average is for a decline of 108 bcf.

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