



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 15, 2010

NATURAL GAS MARKET NEWS

Accuweather this morning in a forecasting note said it sees next week's above normal temperatures disappearing in the following week with severe cold on tap for the third week out. The private weather forecaster warned that temperature pattern it sees for February 5-15th may be as cold or colder than the period was for January 1-10th. They estimate that for the week ending January 22nd temperatures nationwide should average 7 degrees above normal, with the week ending January 29th temperatures will average 4 degrees above normal and the week ending February 5th temperatures will average 4.5 degrees below normal. Other private weather forecasters also appear to be in agreement with this colder outlook in February as a result of the resurgence of a colder(negative) Arctic Oscillator, but confidence in this forecast remains low.

Baker Hughes reported this morning that for the current week the number of drilling rigs searching for natural gas stood at 811 rigs, an increase of 30 rigs from last week. This was the highest rig total since March of last year.

The state oil company of Azerbaijan, Socar, said today that they estimate 2010 exports of natural gas will reach 9 bcm, a 36% increase over 2009 levels. Some 6.6 bcm should be sold to Turkey with 1 bcm being shipped to Georgia. Russia and Iran will also import 1 bcm and 500 mcm respectively.

The Kazakhstan energy minister said today he hoped the dispute with a group of foreign companies, led by BP and Eni over the huge Karachaganak gas field will be resolved this year.

The German government reported today that

Generator Problems

NPCC – Bruce Power's 750 Mw Unit #4 at the Bruce nuclear power station was shut early Friday.

OPG's 494 Mw Lambton #3 coal fired power plant was shut this morning for short-term maintenance.

OPG's 490 Mw Nanticoke #1 and #2 coal fired generating units were shut early Friday for maintenance work.

Entergy's 620 Mw Vermont Yankee nuclear unit was back at full power this morning, up 14% from yesterday.

Entergy's 1020 Mw Indian Point #2 nuclear unit was at 88% power this morning, up 5% from Thursday.

FRCC – FPL's 693 Mw Turkey point #4 nuclear unit was at 50% power up 48% from yesterday.

MISO – NPPD's 791 Mw Cooper nuclear unit was at 73% power this morning, up 4% from yesterday.

ERCOT & SPP – The AEP's 675 Mw Pirkey coal fired power plant was going to be shut for repairs this evening. The unit is expected to return to service in Sunday evening.

Unit #1 at the coal fired Oklaunion Power Station was expected to be taken down at midday Friday for repairs on a boiler tube leak. The unit was expected to return to service Saturday afternoon.

Unit #2 at the Martin Lake coal fired power plant will be taken down Friday evening for eight hours to facilitate inspections of safety valves.

Unit #2 at the Big Brown coal fired power plant was scheduled to be restarted Friday evening following completion of condenser tube leak repairs.

STP's 1250 Mw South Texas #1 nuclear unit remains holding at 73% capacity, due to a control rod problem.

Luminat's 1150 Mw Comanche Peak #2 nuclear unit was at 54% power on early Friday down 1% from Thursday.

The NRC reported today that 91,598 Mw of nuclear generation was on line this morning, up 0.5% from yesterday and off some 3.5% from the same time a year ago.

German gas imports in November reached 342,216 tj up 20.8% from the prior year. Imports for the December 07- November 2008 period though averaged 2.9% less than the prior 12-month period.

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	929,000	\$5.664	(\$0.104)	(\$0.047)	(\$0.285)	\$0.119
Chicago City Gate	884,500	\$5.738	(\$0.122)	\$0.027	(\$0.289)	\$0.180
NGPL- TX/OK	479,600	\$5.541	(\$0.048)	(\$0.170)	(\$0.215)	(\$0.056)
SoCal	308,600	\$5.697	(\$0.146)	(\$0.014)	(\$0.313)	\$0.122
PG&E Citygate	514,300	\$5.935	(\$0.132)	\$0.224	(\$0.299)	\$0.350
Dominion-South	220,100	\$5.883	(\$0.087)	\$0.172	(\$0.254)	\$0.386
USTRade Weighted	17,678,300	\$5.679	(\$0.118)	(\$0.032)	(\$0.29)	\$0.119

Venezuela on Friday said it would accept offers from companies interested in taking part in the development of the offshore Mariscal Sucre natural gas

project which has an estimated reserves of 14.7 tcf. PDVSA estimates that the field could produce 1.2 bcf/d. Marubeni, Mitsui, Mitsubishi, Itochu, Statoil, Gazprom and ENI had been invited to participate.

The government reported this morning that U.S. consumer price index rose by 0.1% on a seasonally adjusted basis in December.

The Reuters/University of Michigan Survey's of Consumers Sentiment for January stood at 72.8, up from 72.5 in late December and 61.2 from a year ago.

The Federal Reserve reported this morning that U.S industrial production rose in line with expectations for December, growing by 0.6%, following a minor reduction in November's gain by 0.2%.

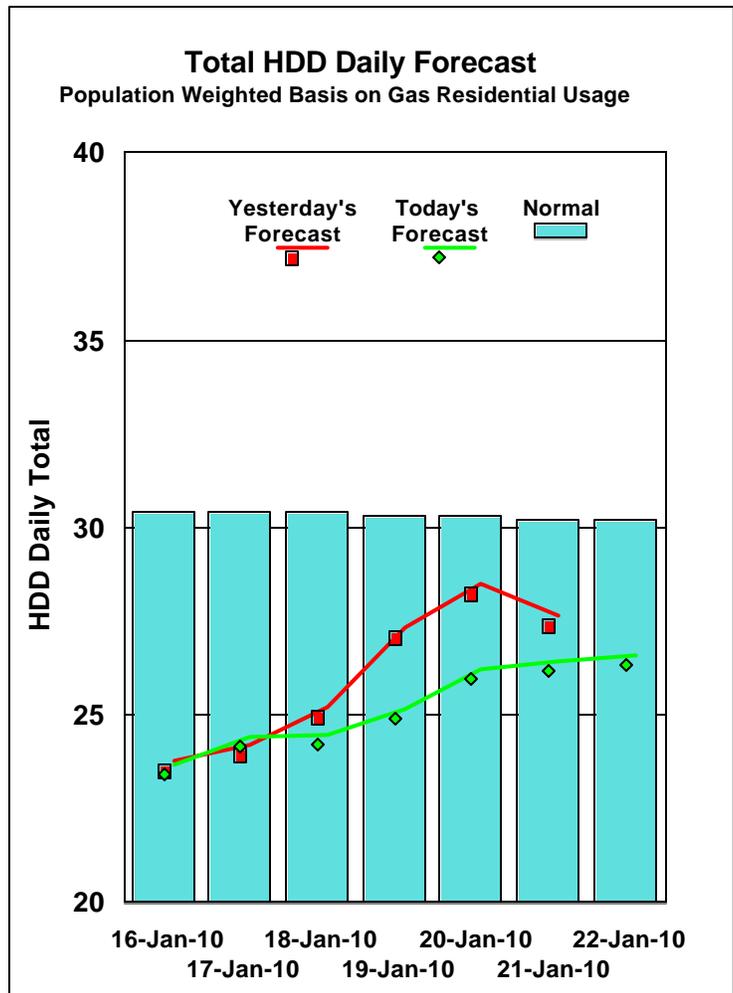
The New York Federal Reserve reported this morning that manufacturing growth in New York State accelerated more rapidly than expected in January on surging new orders and shipments and employment also improves.

PIPELINE RESTRICTIONS

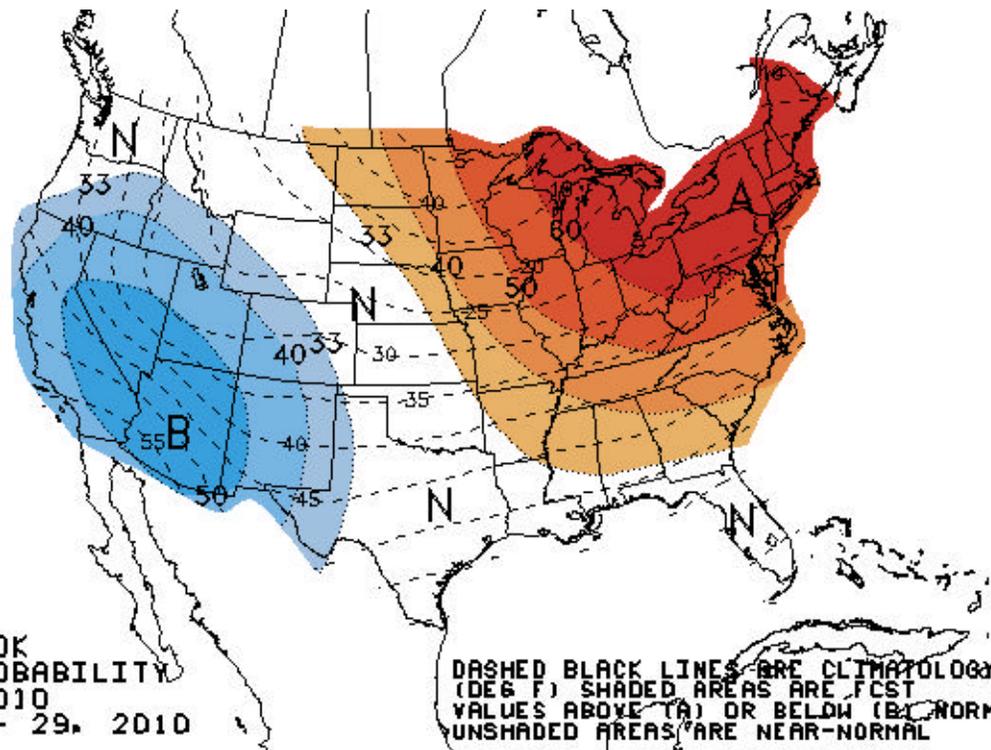
Tennessee Gas Pipeline said that effective for today it would accept increases at Station 321, MLV 336 and MLV 355.

KMIGT said it is at capacity for deliveries through the Rockport Lateral and Segment 771 effective for January 15th and until further notice.

NGPL said that effective today and until further notice it has limited capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. the company also reported that it has limited capacity available for deliveries at Florida vermilion and ANR South



PGE has issued a system wide OFO for January 16th due to high inventory levels. Tolerance was set at 5%



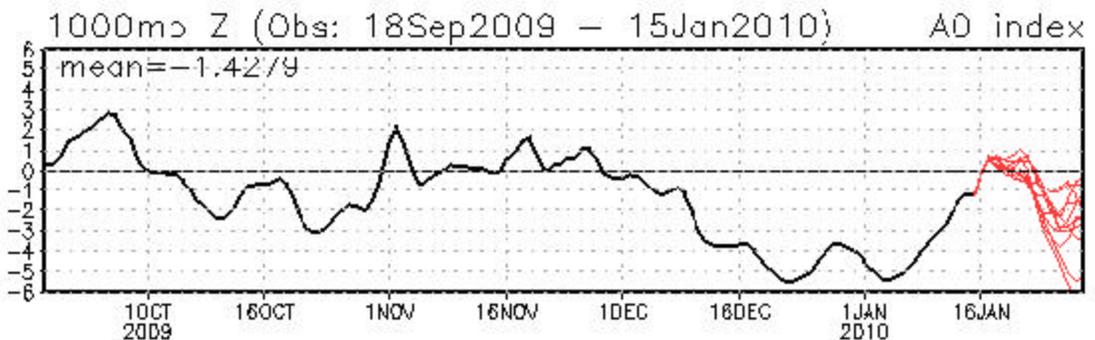
PIPELINE MAINTENANCE

Gulf South said it will perform compressor maintenance on the Airport Compressor Station unit beginning January 18th and lasting for 5 days. Deliveries from Index 300 to Index 880 will be unavailable during the work. Currently there are no nominations that will be impacted.

ELECTRIC MARKET NEWS

George Soros said today that the U.S. needs legislation to curb carbon emissions and provide for offsetting credits in order to unlock clean energy financing. He

AO: Observed & ENSM forecasts

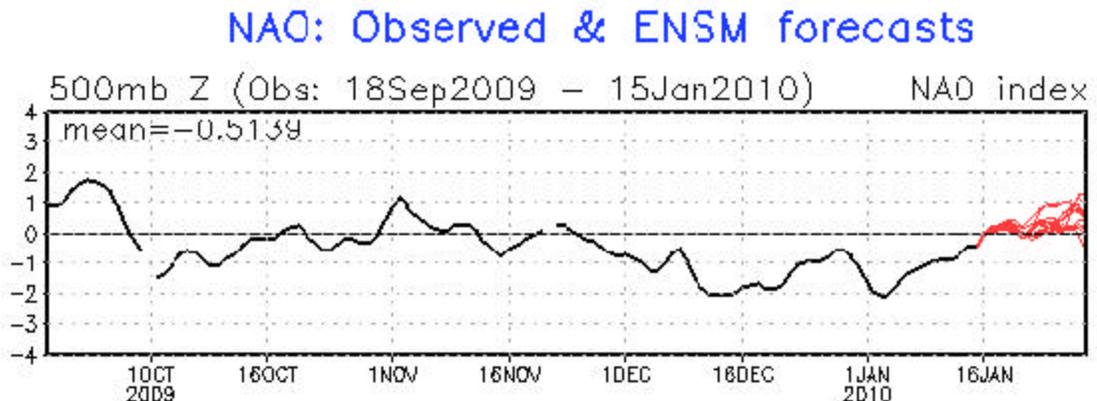


said the developed world needs to use special IMF reserves to finance efforts in the developing world to deal with climate change projects.

Portland General Electric told the Oregon Public Utility Commission that it intends to pursue alternative operating plan for its Boardman coal fired power plant in Morrow County, Oregon. Under the plan the utility plans to shut the power plant in 2020 or discontinue the use of coal as a fuel source, since under

current regulations the utility would have to invest between \$520-\$560 million for emission control retrofits to keep operating as a coal fired power plant.

Genscape reported that coal use at U.S. power plants this week was unchanged from the prior week, but was up 9% from the same week a year ago



MARKET COMMENTARY

It amazes us but the natural gas market continues to look past not only the forecast for the next week and the 8-14 day forecast but now focuses on private weather forecasters new forecast offering this year that of a forecast for 16-30 days forward. While many veteran forecasters assign a low confidence factor in these “experimental forecasts” the market remains very in tuned with these forecasts in recent days especially following last month’s cold snap. This morning’s Accuweather forecast for this period helped to drive the market higher early this morning and hold it there for basically the remainder of the trading session, despite spot cash prices slipping in front of the holiday weekend.

Open interest reported at midday showed that yesterday’s sell off may in fact had some new short positions being established as open interest jumped by 10,726 lots on a combined and adjusted basis in the Henry Hub futures and swap contracts.

While many forecasters early this winter heating season noted that both the AO and NAO oscillators helped to predict the November warm period and the December and early January cold snap, it appears that forecasters are now only focusing on the AO indicator as a potential warning sign for a February cold snap, and disregarding the current divergence of the NAO index. This may bare keeping an eye on in the next several days, especially since the AO just this week alone has shown some wild fluctuations from a positive level to a strongly negative one as of this afternoon.

With this said we remain looking at the potential for this market to grind lower as the February contract draws to a close and as the cash market next week should come under significant pressure as significantly warmer than normal temperatures are realized across much of the nation. But we feel that the \$5.30 level may be the bottom for the February contract given today’s stronger economic outlook for the industrial sector.

Please note that next week’s EIA Natural Gas Storage Report will be released as usual on Thursday at 10:30 AM despite the Martin Luther King holiday. The API and EAI Weekly Oil Reports though will each be delayed by one day.

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