



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 19, 2010

NATURAL GAS MARKET NEWS

T. Boone Pickens said today that he expected natural gas prices were unlikely to “run away” in 2010, but that he was long the commodity looking for prices gains after 2010. He also said he expected oil prices to reach \$100 per barrel by 2011.

Williams Cos. Inc announced today a financial restructuring that would merge nearly all of its interstate natural gas pipelines and midstream affiliates to create Williams Partners LP. This new company would become the largest master limited partnerships in the country.

The LNG tanker the Maersk Arwa from Yemen is scheduled to arrive at the Sabine Pass LNG terminal on January 31st.

The Mekaines LNG tanker is scheduled to arrive at Britain’s South Hook terminal on January 26th.

GDF Suez’s U.S. Neptune LNG terminal in Gloucester, Massachusetts is expected to begin commissioning activities by mid-February. The facility has a send out capacity of 750 MMcf/d via a 13 mile sub sea pipeline that will connect to the natural gas grid. The company also reported that its LNG Mejillones terminal in Chile would begin commissioning in mid-March and run through the end of April.

Reuters reported today that according to several fund managers, institutional investments in commodities while accounting for only 1-3% of portfolios in 2007-2009, will grow to 5-10% of assets under management over the near term. Barclays Capital recently estimated the amount of investment in long only commodity funds increased by \$93 billion in 2009 to \$255 billion. The group has seen another \$67 billion of fresh inflows this year and this should match or exceed 2009 levels.

API reported that while the number of natural gas wells completed fell significantly last year, down 42% from 2008, it remained the primary target for domestic drilling activity.

BP announced last week that it plans to suspend drilling for natural gas in the La Plata County, Colorado, for at least six months this year as it focuses

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	1,141,200	\$5.509	(\$0.155)	(\$0.073)	\$0.003	\$0.031
Chicago City Gate	601,300	\$5.640	(\$0.098)	\$0.058	\$0.031	\$0.101
NGPL- TXOK	499,700	\$5.388	(\$0.153)	(\$0.194)	(\$0.024)	(\$0.144)
SoCal	267,900	\$5.630	(\$0.067)	\$0.048	\$0.062	\$0.066
PG&E Citygate	404,800	\$5.955	\$0.020	\$0.373	\$0.149	\$0.321
Dominion-South	256,400	\$5.715	(\$0.167)	\$0.133	(\$0.038)	\$0.268
UTrade Weighted	18,199,900	\$5.554	(\$0.126)	(\$0.028)	\$0.00	\$0.031

resources on development opportunities elsewhere in the United States.

PIPELINE RESTRICTIONS

PG&E has issued a system wide OFO for January 20th due to low inventory. A 5% tolerance was set.

Southern Natural Gas said capacity could be limited at the Texas Eastern- Kosciusko to TETCO interconnect, as a result of operational limits due to an unscheduled outage on the 24 inch North Mainline in central Mississippi upstream of Louisville Compressor Station.

Generator Problems

NPCC – OPG's 535 Mw Lennox #1 oil and gas fired power station returned to service Tuesday morning. The unit had been shut since September 3rd.

OPG's 490 Mw Nanticoke #1 coal fired power unit returned to service this morning. the unit had been shut since January 15th.

OPG reported that it had returned to service two 494 Mw Lambton coal fired power units on Tuesday morning while Unit #1 was shut.

OPG's 515 Mw Pickering Units #1 and #8 were shut for short term maintenance this morning.

Bruce Power's 750 Mw Unit #3 at the Bruce nuclear power plant returned to service this morning. The unit had been off line since January 7th.

Constellation's 621 Mw Nine Mile Point #1 nuclear unit was at 46% power, down from full power recorded on January 15th.

Entergy's 1020 Mw Indian Point #2 nuclear unit was back at full power, up 12% from Friday.

PJM – PSEG's 1186 Mw Hope Creek nuclear unit was at only 1% power this morning. The unit had been at full power on Friday.

SERC – TVA's 1121 Mw Watts Bar #1 nuclear unit dropped to 20% of capacity for valve work.

TVA's 1100 Mw Browns ferry #2 nuclear unit has been restarted and was at 86% power this morning.

MISO – NPPD's 791 Mw Cooper nuclear unit was back at full power this morning, up from the 73% level held since January 11th.

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit was back at full power this morning, up 50% from Friday's operating level.

WSCC – APS has returned its 1270 Mw Palo Verde #2 nuclear unit to full power, up from 60% reported level on Friday.

ERCOT & SPP – Luminant's 545 Mw Sandow #4 coal fired power unit was shut January 16th to fix a boiler tube leak. The unit is expected to be back in service by Sunday.

AEP's 690 Mw Oklaunion coal fired power station was expected to be down for maintenance work through January 20th. The plant was taken down over this past weekend.

The Monticello #1 coal fired power plant was taken off line this morning due to a problem with an electrostatic precipitator transformer.

The Big Brown #1 coal fired unit saw operations reduced due to maintenance on an ESP. Work was expected to last through the afternoon.

The Martin Lake #2 coal fired unit was being restarted this morning

Luminant's 1150 Mw Comanche Peak #1 nuclear unit was shut early Tuesday to connect a new transformer. The unit had been at 54% power on Friday.

The NRC reported today that 91,017 Mw of nuclear generation was on line this morning, down 1.2% from yesterday and off some 4.25% from the same time a year ago.

Midcontinent Express Pipeline said effective January 19th and until further notice it has capacity available for delivery to SONAT Smith. Interruptible transportation service/authorized overrun and secondary firm transports are available.

Gulf South said system operations and nominations have necessitated a reduction in capacity through the Hall Summit Compressor Station of up to 100,000 Dth/d for the duration of the planned

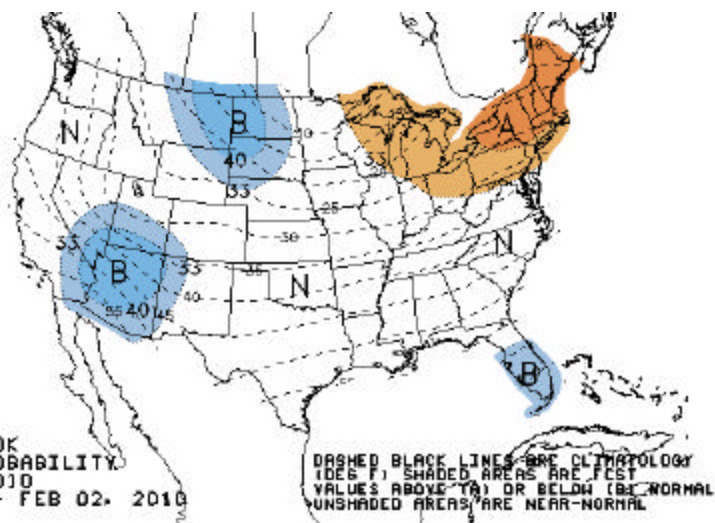
maintenance that began January 18th. Based on system operations and nominations, the company did not anticipate any impact to shippers utilizing the Hall Summit Compressor Station.

ELECTRIC MARKET NEWS

Genscape reported this morning that coal stockpiles at U.S. power plants fell 3% over the last week, but were still 13% above year ago levels.

U.S. Senator Dorgan said Tuesday that he did not think the Senate would pass a climate change legislation this year, but instead would focus on separate energy legislation

that would require more electricity supplies to be generated from renewable sources and expand offshore drilling into the eastern Gulf of Mexico.



Genscape reported this afternoon that U.S. power output in the week ending January 14th rose 3.3 % from the prior week and was 10.1% above the same week a year ago.

MARKET COMMENTARY

While many private weather forecasters continued to herald the return of much colder than normal temperatures over the next 11-15 day period as well as the 16-30 day period, the outlook for significantly warmer temperatures expected across much of the nation this week pressured cash prices lower this morning and this weakness was finally reflected in the futures market, which finished the day down over 13 cents. But over the last week this market has found its equilibrium point on either side of the \$5.60 price level, as reflected in either the opening price or closing price for each day.

While we remain bearish on the natural gas market longer term, we feel that if this market does not make an initial push lower tomorrow morning, bears will be afraid to establish new shorts in front of Thursday storage report which is expected to show yet another strong drawdown in stocks. We would look for initial support to be found at \$5.44 and \$5.35 followed by \$5.297 and \$5.114. Resistance we see at \$5.65-\$5.687, followed by \$5.731, \$5.82, \$6.077 and \$6.108.

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