



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 19, 2011

NATURAL GAS MARKET NEWS

Chevron said today that it expects to start gas production at the \$3.1 billion Pllatong 2 project in the Gulf of Thailand later this year. The company expects production to eventually reach 330 million cf/d.

China reported that its imports of LNG in December reached a new record of 1.03 million tones. Imports for 2010 totaled 9.36 million tones up 69.1% from 2009 levels. Meanwhile PetroCina reported today that its first LNG cargo of the winter season has arrived in Shanghai from peru. A seond cargo is due to arrive from Africa early next week.

Abu Dhabi announced ti has selected Occidental Petroleum to help it develop the Shah sour gas field. The project looks to produce 1 bcf/d of sour gas.

A 12-inch natural gas line in Philadelphia exploded Tuesday night. Philadelphia Gas Works reported that one employee was killed and five injured in the blast. The resulting fires were quickly extinguished.

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	644,300	\$4.479	(\$0.036)	(\$0.042)	(\$0.025)	\$0.259
Chicago City Gate	824,800	\$4.717	(\$0.030)	\$0.196	(\$0.122)	\$0.229
NGPL- TX/OK	819,800	\$4.386	(\$0.010)	(\$0.135)	(\$0.102)	(\$0.074)
SoCal	258,800	\$4.306	(\$0.079)	(\$0.215)	(\$0.171)	(\$0.123)
PG&E Citygate	1,081,300	\$4.424	(\$0.061)	(\$0.097)	(\$0.153)	\$0.002
Dominion-South	355,200	\$4.691	\$0.012	\$0.170	(\$0.080)	\$0.206
UStTrade Weighted	20,789,100	\$4.677	\$0.067	\$0.156	(\$0.02)	\$0.259

Polish state controlled gas company PGNiG SA said today that it expects its own production of natural gas to rise this year and next year, as it increases production from

the Norwegian continental shelf. The company looks to produce 4.4 bcm in 2011 and 4.7 bcm in 2012. The company produced 4.2 bcm in 2010.

Statoil said Wednesday that the Snoehvit gas field and its onshore LNG processing facility were back to full production after almost a month of downtime for repairs. The field was shut down on December 20th after water from a leaky pipe caused an ice plug in the onshore liquefaction plant. Meanwhile the company reported that it has cut natural gas production at its Heimdal field in Norway due to lower U.K gas prices. Gas flowing from the field through the Vesterled pipeline to Total SA's St Fergus gas terminal fell by 15 million cubic meters Wednesday and may continue to flow at reduced rates for the remainder of the first quarter.

Generation Update

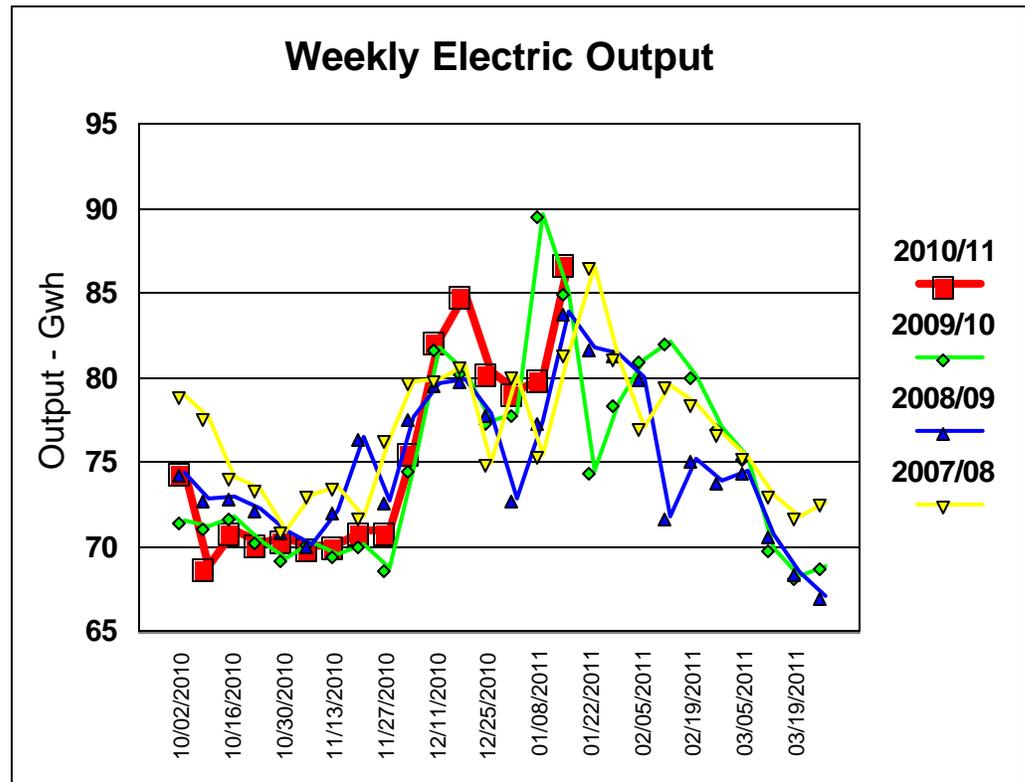
NPCC – OPG's 535 Mw Lennox oil and gas #4 generating unit was shut early Tuesday.

The NRC reported today that 9,370 Mw of generating capacity was online today, basically unchanged from yesterday and 3.7% higher than the same day a year ago.

Iran and Syria today signed an agreement to build a pipeline that will carry Iranian natural gas to Syria through Iraq. The pipeline will branch off the current pipeline being constructed from Iran to Turkey.

Gazprom said today it would increase its gas purchases from Central Asia countries by 2% this year to 38.8 bcm.

Australian energy firm Santos Ltd reported today that the recent extensive rains and floods in that country had cut its oil equivalent production by 6% from a year earlier but the weather did not impact its coal seam gas production, even though its field construction and drilling activity were suspended.



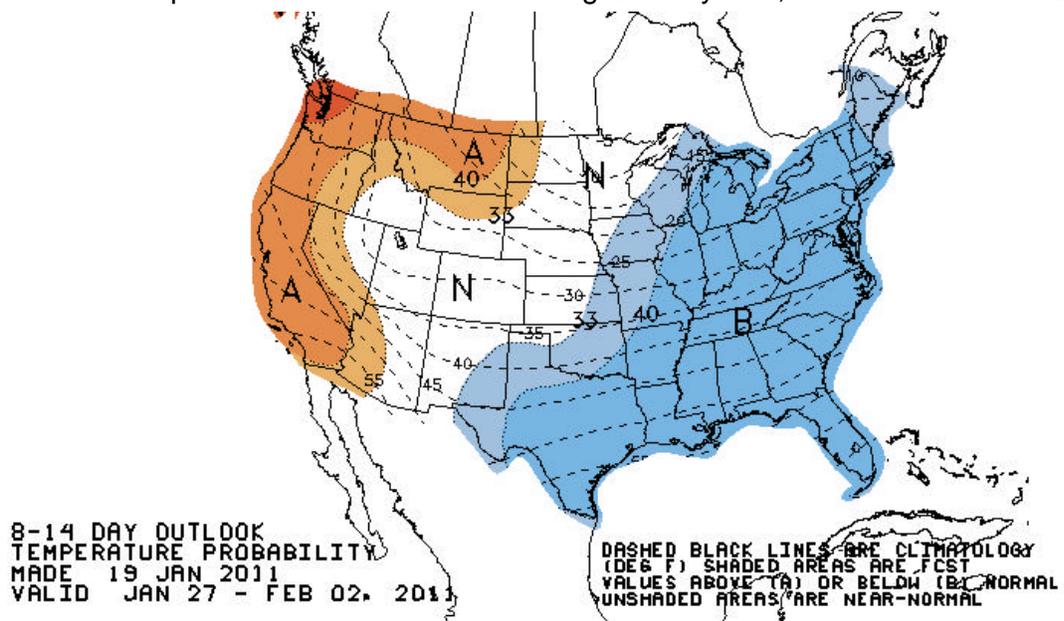
ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center raised its outlook for water flows through the Dalles Dam on the Columbia River for the January – July period by 6% from a week ago and now expects these flows to be at 99% of normal.

The Edison Electric Institute reported that for the week ending January 15th, it estimated that U.S. power production rose 2% from the same week a year ago and up some 8.6% from the prior week.

ECONOMIC NEWS

The US Commerce Department said home construction in the US fell to its lowest level in more than a year in



December as builders cut back on new single family homes. Housing starts fell by 4.3% to a seasonally adjusted annual rate of 529,000 from a downwardly revised 553,000 a month earlier. However building permits increased by 16.7% to an annual rate of 635,000. The results were driven by a 9% drop in single family home construction to a seasonally adjusted annual rate of 417,000.

10 Day Observed U.S. Population Weighted Temperature Anomalies and 15 Day Ensemble Forecast



On Tuesday, the National Association of Home Builders said its housing market index remained flat at 16 in January.

According to a Reuters poll, recent evidence a US economic recovery may be gaining ground has led economists to increase their forecasts for the pace of growth. A poll of around 80 economists suggested US GDP will increase by 3% on an annualized basis in 2011, up from 2.7% in a similar poll in December and 2.3% in a November poll. The median of forecasts for 2010 GDP increased to growth of 2.9% from 2.8% in the December poll.

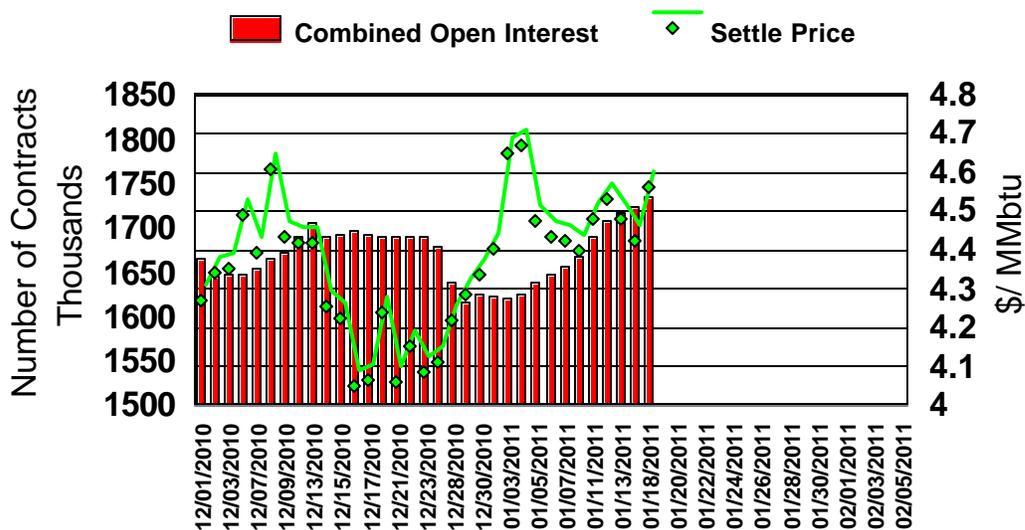
Goldman Sachs commodities trading risk fell sharply in the fourth quarter as it saw lower results from fixed income trading that included commodities. Goldman Sach's Value-at-Risk for commodities stood at \$23 million for the fourth quarter ending December 31st. That was down 20% from the \$29 million in the third quarter and 40% lower than the \$38 million in the fourth quarter of 2009.

MARKET COMMENTARY

The natural gas market once again continued to hold above the 40 day moving average overnight and with the release of 6-10 and 11-15 day temperature forecast this morning and again at midday, which were a bit colder than yesterday's outlooks, helped to push this market higher today. Prices

NYMEX Henry Hub Natural Gas

Adjusted Open Interest of Futures and Swaps Versus Spot Settlement Price 2010/11



reached levels not seen since January 5th and 6th. It appeared that the market might also have been helped by some nervous short covering as the market approaches tomorrow's storage report number which is expected to show this season's largest weekly drawdown.

Market expectations for tomorrow's EIA Natural Gas Storage Report are for a 200-240 bcf draw down with most estimates centered around a 225 bcf draw. For the same week a year ago stocks decreased by 248 bcf with the five year season average showing a 133 bcf decline.

This afternoon's open interest report from the NYMEX showed that the total combined and adjusted open interest in the Henry Hub futures and swaps contracts continues to grow for the tenth consecutive session through Tuesday January 18th. Current combined and adjusted open interest in the NYMEX contracts stands at its highest level since September of last year. The recent adjustments in commodity indexes to start the year are probably a strong reason for this increase. Since the start of the year open interest in the NYMEX Henry Hub futures and swaps has grown by 112,191 contracts. Thus with the inability of this market to move significantly higher despite this new buying coming into the market, and a relatively supportive heating demand, makes us very cautious that this market can move significantly higher in coming weeks, with out a major supply disruption.

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