



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR JANUARY 20, 2010

NATURAL GAS MARKET NEWS

Exxon Mobil's CEO said today that the company would no longer use derivatives and hedging now utilized by XTO Energy once the merger is complete.

El Paso Corp said today its proved reserves of natural gas rose by 8% during 2009. The company placed its proved reserves at 2.75 tcf. The company's reserve replacement ratio was 212% and reserves were estimated based on an average Henry Hub spot gas price of \$3.87 per Mmbtu. Its gas production in 2009 was 763 mmcf/d, at the higher end of its earlier estimates for the year of 745-765 Mmcf/d.

The American Gas Association released a new study on natural gas supplies in the U.S. and it is bullish on natural gas supply potential for the U.S. market moving forward. It noted that it sees "about 600 tcf of natural gas resource potential attributable to shale gas as well as 16 bcf/d of Canadian pipeline import capacity, 14 bcf/d of LNG import capacity; 4.5 bcf/d of supply potential from Alaska starting in 2020 or later; and a growing storage infrastructure that will reach 4.3 tcf.

Barclays Capital in a research note this week pointed out that despite daily natural gas consumption in the United States far exceeding domestic supply during the second week of January, if it had not been for the strong uptick in imports from LNG and Canadian imports the price move would have been much greater. The company estimates that Canadian pipeline exports into the United States jumped to 8.7 bcf/d, up from a 7.2 bcf/d average flow in December 2009 and on one day reached as high as 10 bcf/d. LNG terminal send outs during this time spiked to a new daily record of 4.4 Bcf/d, with average daily imports running at 3 bcf/d nearly twice the level of 1.6 bcf/d that was recorded in December. The bank analysts noted that with global LNG supplies expected to grow by more than 20% this year, without the help of weather, the Atlantic basin could find itself with over supply with the U.S. or European market being at risk for price pressure.

Britain's South Hook LNG terminal experienced a brief power outage this morning, which interrupted the flow of natural gas from the facility for two hours Wednesday morning. Flows were restored by

Generator Problems

NPCC – Constellation Energy's 621 Mw Nine Mile Point #1 nuclear unit was at 60% power, up 14% from Tuesday.

SERC – TVA's 1121 Mw Watts Bar #1 nuclear unit was at 43% capacity, down 6% from yesterday.

TVA's 1100 Mw Browns Ferry #2 nuclear unit, up 14% from yesterday.

PJM – the 1186 Mw Hope Creek nuclear unit was still off line at 7% capacity, up 6% from yesterday.

WSCC – PG&E Corp's Diablo Canyon nuclear plant saw operating levels at reduced levels. The 1122 Mw Unit #1 was reduced to 24% of capacity and its 1118 Mw Unit #2 was running at 32% of power. Both units were reduced due to the storm and high swells.

ERCOT & SPP – AEP planned to restart its 690 Mw Oklahoma coal fired power plant over the next 24 hours. The unit has been shut since January 15th for tube leak repairs.

STP Nuclear Operating Company said its 1250 Mw South Texas Nuclear Generating Unit #1 was back at full power up from the 73% level operators had kept the unit at for the past two weeks.

The NRC reported today that 89,999 Mw of nuclear generation was on line this morning, down 1.2% from yesterday and off some 4.64% from the same time a year ago.

midday. Prior to the disruption flows had been at 30 mcm/day. Flows from the Dragon LNG terminal was also stopped briefly but resumed fairly quickly.

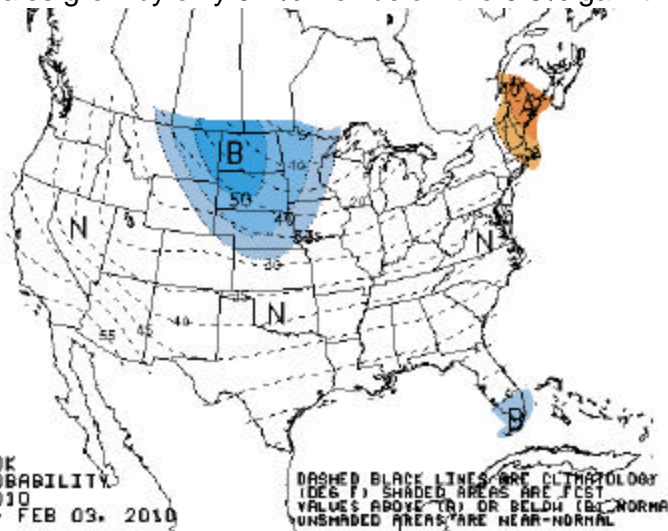
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,188,600	\$5.542	\$0.033	\$0.039	\$0.050	\$0.024
Chicago City Gate	715,200	\$5.636	(\$0.004)	\$0.133	\$0.075	\$0.097
NGPL- TX/OK	923,000	\$5.361	(\$0.027)	(\$0.142)	\$0.052	(\$0.150)
SoCal	380,800	\$5.623	(\$0.007)	\$0.120	\$0.072	\$0.080
PG&E Citygate	502,100	\$5.921	(\$0.034)	\$0.418	\$0.045	\$0.345
Dominion-South	246,400	\$5.706	(\$0.010)	\$0.203	\$0.069	\$0.224
USTrade Weighted	19,651,300	\$5.525	(\$0.029)	\$0.022	\$0.05	\$0.024

Port officials confirmed that the Mekaines LNG tanker was scheduled to arrive at the South Hook LNG terminal on January 26th.

A senior

Ukrainian official said today that they expect the Ukraine's payments for Russian gas in January to fall to \$530-\$550 million from \$890 million in December. Last month though Naftogaz and Gazprom agreed that this year the Ukraine would import 33.75 bcm up slightly from last year's level of 33.53 bcm.

Canadian economic data today was not very bright, as the government reported that in November, manufacturing sales grew by only 0.1% well below the 0.6% gain that the market had been expecting.



Private weather forecasting service WSI Corp said it sees extreme cold that hit Northern Europe in recent weeks is likely to persist throughout February and into March, with temperatures finally turning milder than normal in April.

The CFTC announced that it has begun to include data from the IntercontinentalExchange's Henry Hub natural gas contract in its weekly trader reports.

Gas consumption in Spain in 2009 fell by 10.5% from the year before, due mainly from the recession. Consumption in 2009 reached 34.5 bcm. Industry sources estimated that gas generation needs dropped to 29% of total generation, down 3% from 2008 levels. LNG accounted for 74% of Spain's gas imports.

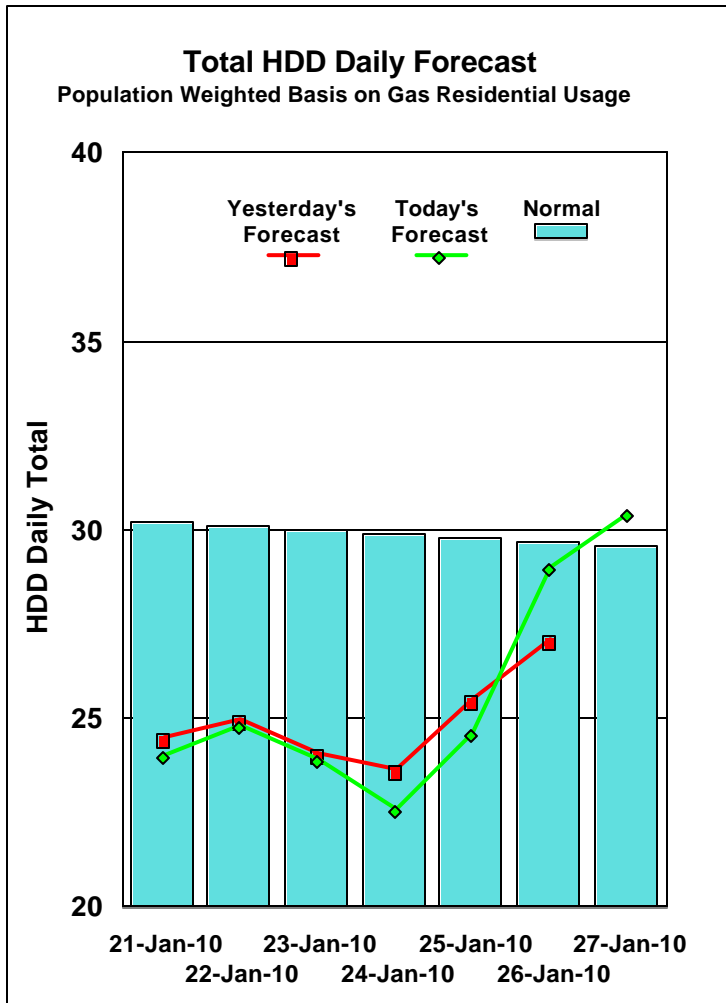
PIPELINE MAINTENANCE

Gulf South said it would perform pipeline maintenance on Index 817 beginning on the morning of January 28th and lasting for 8 hours. The company does not anticipate any reductions in capacity or customer interruptions. The company also reported it will be performing cooler maintenance at the Vixen Compressor Station on February 16th for several hours. Also maintenance work has been scheduled February 23rd on its South Manchester 8 inch Field Line. This will result in the Excalibur 22 #1 Well being shut in and unavailable for service for some 5 days.

PIPELINE RESTRICTIONS

NGPL said that effective for today and until further notice it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas. Interruptible transportation service/authorized overrun

and secondary out of path firm transports are at risk of not being fully scheduled. The company also noted that as of today and until further notice it has capacity available for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22.



Tennessee Gas Pipeline said that due to pipeline inspections it would be forced to operate its line between MLV 535-1 and MLV 542-1 in Mississippi at reduced line pressures or two to three weeks. At this time the company does not anticipate the need to implement any pipeline restrictions.

ELECTRIC MARKET NEWS

The Minority Leader of the Republicans in the U.S. Senate said today that there was little support in the Senate for passing any cap and trade legislation this year. Meanwhile Senator Murkowski is seeking legislative action to block the EPA from regulating carbon.

The Edison Electric Institute reported that electrical production in the United States for the week January 16th stood at 84,960 Gwh, down 5.1% from the previous week but up 1.4% from the same week a year ago.

HydroQuebec said today that it will pay \$3 billion to buy most of debt laden New Brunswick power's generating facilities, but not transmission or distribution assets.. The

deal also includes the refurbishment work on the Point Lepreau nuclear unit.

The Department of Energy said today that wind power could eventually meet 20% of the power generation needs of the eastern grid.

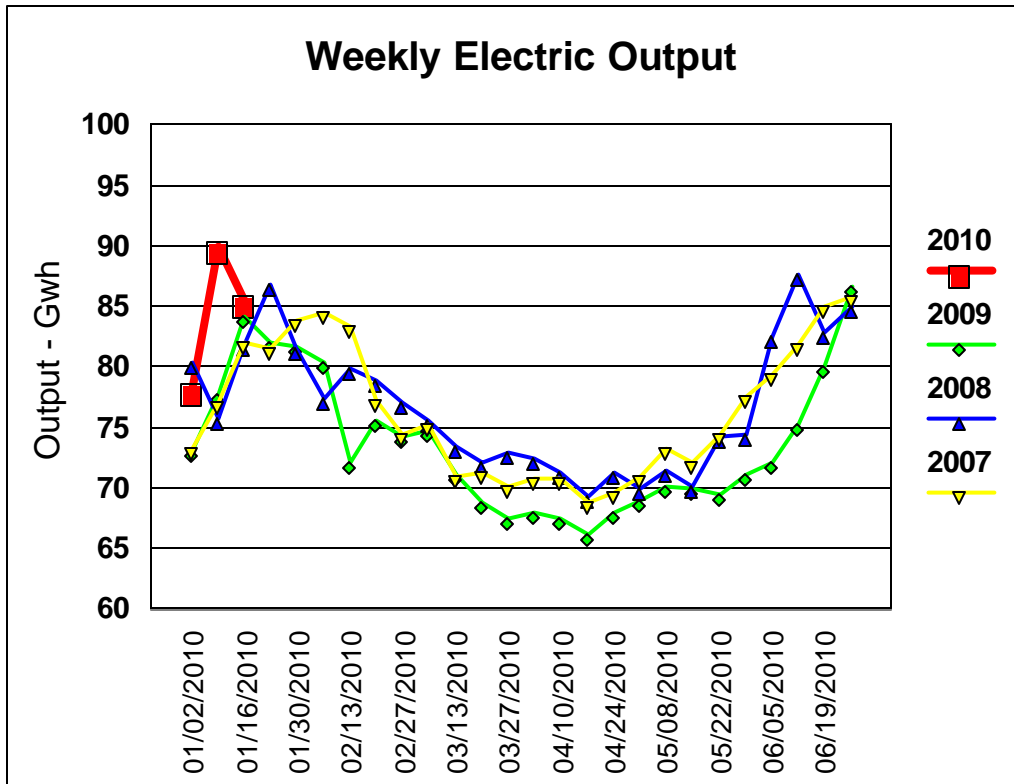
MARKET COMMENTARY

Despite the widespread decline in commodity prices in the markets today, the natural gas market posted only a minor pull back, as it posted an inside trading session, as traders appeared content to remain on the sidelines in front of tomorrow's storage report.

Market expectations for tomorrow's EIA Storage Report appear to be running around a 225-230 bcf drawdown. Last year stocks fell by an adjusted 164 bcf for the same week while the five-year average decline is for 118 bcf. Despite the holiday this week, the report will be released as usual at 10:30 A.M. EST.

While the near term temperature outlook remains bearish and this was reflected in lower spot prices again today, the future market has demonstrated a resilience again today, as bullish traders continue to find comfort in the return of near normal temperatures over the 8-14 day forward period as well as the continued call for significantly colder than normal temperatures over the 16-30 day period. Accuweather this morning was calling for temperatures many major metropolitan areas to average up

to 10 degrees below normal during this period. While we feel this is probably a bit of a reach from becoming reality, bears did not seem comfortable in stepping in front of tomorrow's potentially large storage report. While we continue to be longer term bearish this market, the near term bullish euphoria of the commodity markets due to recent commodity index buying may possibly help support this market for another week or so, especially now that bloated stocks have been reduced a bit. As a result we just do not see the February contract being able to challenge the \$5.10-\$15.15 level before its expiration, with in all likelihood the \$5.30 level holding as well.



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