



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 21, 2011

NATURAL GAS MARKET NEWS

The CME announced today that it will launch a set of Pine Prairie Energy Center delivered natural gas contracts starting February 6th. The three new natural gas contracts will be physically delivered and will be 2500 Mmbtu in size. The three contracts to be listed are a daily/weekend futures (PPD), Balance of the Month (PPB) and monthly futures (PPM). The contracts will be listed for floor trading as well as being listed for trading on Globex and Clearport.

Baker Hughes reported this afternoon that the number of natural gas drilling rigs operating in the United States for the week ending January 21st stood at 906, up four from last week's 11 month low of 902 rigs. The number of horizontal rigs operating, the type most often used to extract oil and gas from shale, fell by one to 966, after hitting a new record high the previous week.

Generation Update

NPCC – OPG's 535 Mw Lennox #4 oil and gas unit returned to service late Thursday after being off line since Tuesday for short-term maintenance work.

OPG's 490 Mw Nanticoke #7 coal fired power unit was shut late Thursday.

PJM – Exelon's 619 Mw Oyster Creek nuclear unit dropped to 70% power this morning. The unit had been at full power yesterday.

SERC – SCANA Corp's 966 Mw Summer nuclear power plant ramped up to 99% power on Friday morning up from 23% power on Thursday.

Duke Energy's 1100 Mw Units #1 and #2 at the McGuire nuclear plant were shut early Friday. The units had been at full power on Thursday.

ERCOT – AEP's 528 Mw Welsh #2 coal fired power plant is expected to be restarted over the next several days, after it is taken down for some short-term maintenance.

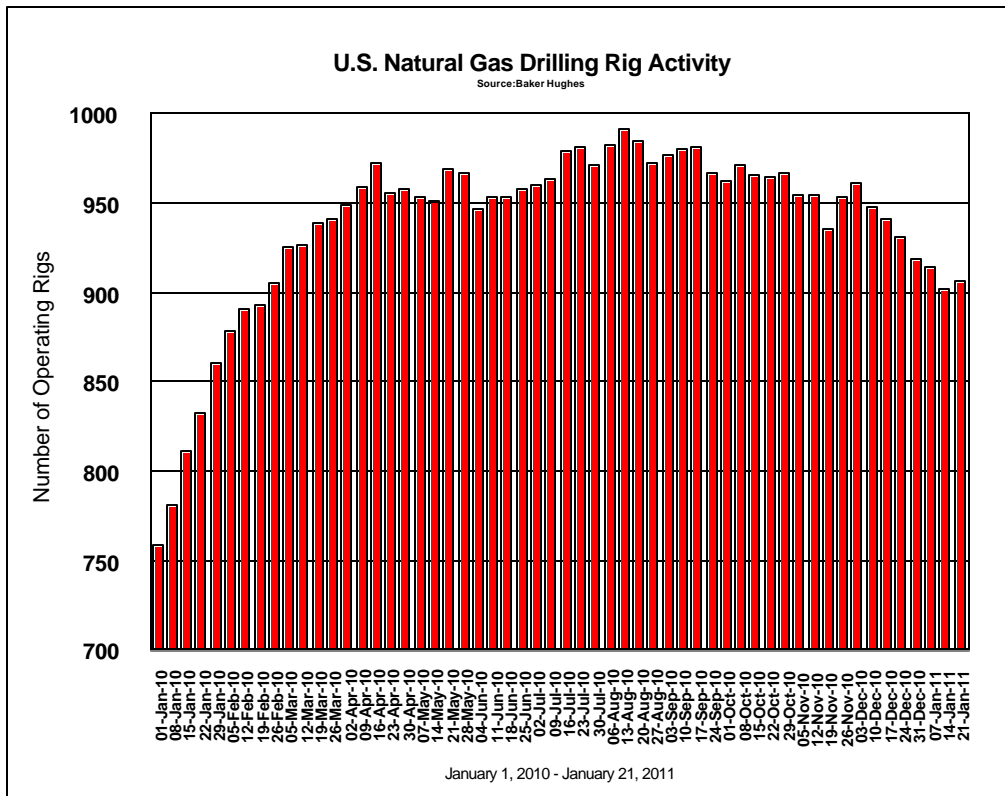
The NRC reported today that 90,494 Mw of generating capacity was online today, down 2% from yesterday and 1.5% higher than the same day a year ago.

EDF Trading has signed a tentative agreement with Cheniere Energy to buy and import and export rights at Cheniere's proposed LNG export plant at Sabine Pass, Louisiana. EDF would gain the capacity to import between 1 and 2 billion cubic meters at the facility. Cheniere hopes to export 7 million tons per year of LNG via two production trains by 2015, with the potential for later expansion to four trains. So far 6.2 million tons of capacity has been secured under

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	663,800	\$4.723	\$0.156	(\$0.018)	\$0.269	\$0.235
Chicago City Gate	665,300	\$4.935	\$0.115	\$0.194	\$0.041	\$0.201
NGPL- TXOK	788,300	\$4.607	\$0.166	(\$0.134)	\$0.092	(\$0.124)
SoCal	330,500	\$4.415	\$0.115	(\$0.326)	\$0.041	(\$0.224)
PG&E Citygate	1,015,600	\$4.552	\$0.117	(\$0.189)	\$0.043	(\$0.099)
Dominion-South	337,800	\$5.009	\$0.187	\$0.268	\$0.113	\$0.198
USTRade Weighted	21,093,600	\$5.235	\$0.343	\$0.494	\$0.27	\$0.235

agreements with Gas Natural, Morgan Stanley, China's ENN Energy and now EDF Trading. The Department of Energy and the FERC are currently reviewing Cheniere's plans.

The LNG tanker the Golar Viking is expected to arrive at the Dragon LNG terminal in Britain on January 28th from Nigeria. The Qatari LNG tanker, the Al Thakhira is expected to arrive at Belgium's Zeebrugge terminal on February 4th. The ship has a capacity of 144,000 cm.



Gassco reported today that the Norwegian Kollssnes gas processing plant was ramping up capacity on Friday. The operator noted that capacity was now up to 120 mcm/d versus its capacity of 143 mcm/d. The operator was unsure when it would reach full capacity once again.

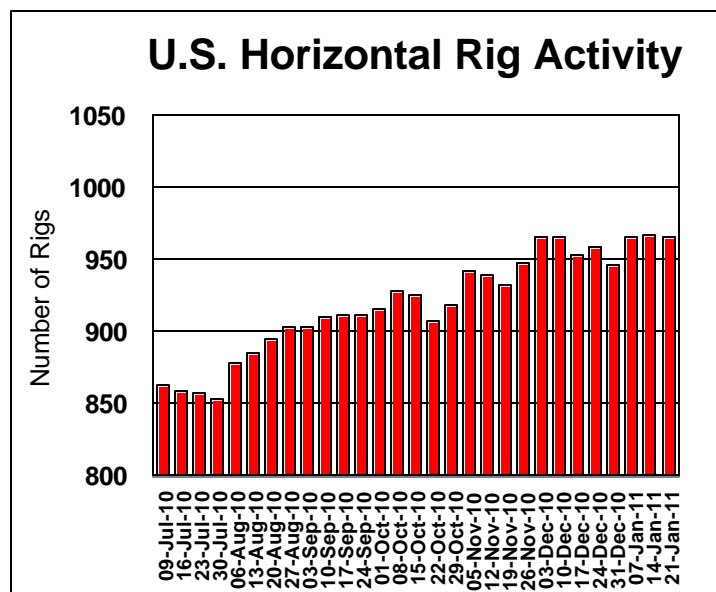
Statoil reported today that its investments in the Visund oil and gas

field in the North Sea are now around NOK 5 billion. The field has reserves of an estimated 3.5 million cubic meters of oil and 6.2 bcm of natural gas.

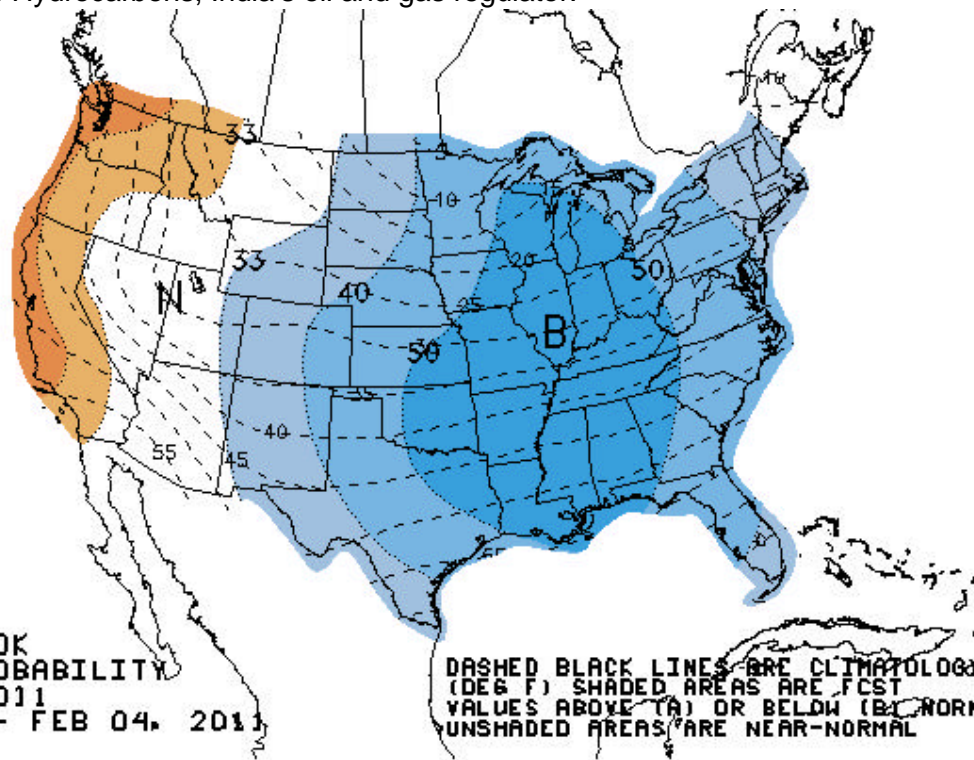
China's annual average gas consumption is expected to jump 143% from 2010 to reach 260 bcm by 2015, according to unnamed Chinese government officials in a press report released today. The country is expected to produce 170 bcm of natural gas and import 90 bcm by 2015. Over the past year domestic gas demand rose 22.7% from the preceding year.

Singapore LNG Corporation today awarded a S\$200 million contract to Samsung to build a third storage tank at its upcoming LNG terminal in Singapore. The additional tank will allow the facility to handle up to 6 million tonnes per year of natural gas. The third tank is slated to be completed by early 2014. The first two tanks are currently under construction and are approximately 25% completed. They are expected to enter into service in early 2013.

Reliance Industries Ltd reported today that while third quarter profits rose by 28% they still fell short of many analysts' expectations as a result of it lower natural gas production.



It noted it had a recorded a 12% drop in production at India's biggest gas field. Output at the KG-D6 field off the east coast declined to about 53 million cubic meters a day because the wells produced less than the company had originally expected. Production from the block though may rise again to 60 mcm/d by April and reach 80 mcm/d in the year ending March 2013 according to the head of the Directorate Generale of Hydrocarbons, India's oil and gas regulator.



8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 21 JAN 2011
VALID JAN 29 - FEB 04, 2011

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

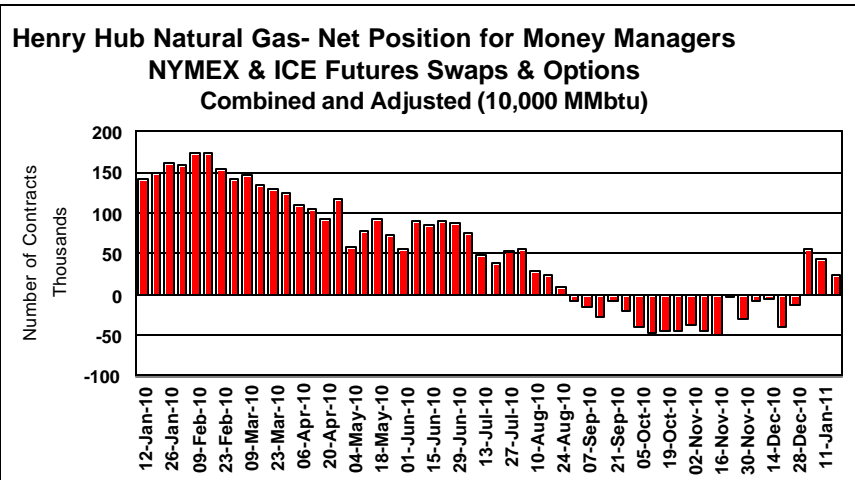
ELECTRIC MARKET NEWS

California's power ratepayers advocate has asked state regulators to reconsider their approval of PG&E's proposed 586 Mw natural gas fired power plant in Oakley. The advocate said the public had been denied due process when the CPUC approved the project back in December. The CPUC had initially rejected the proposed plant in July 2010 on the grounds that the project represented an unnecessary burden for ratepayers. But the utility pushed its proposed online date for the plant from 2014 to 2016 and resubmitted the plan and received approval of the plan. The plant has a price tag of \$1.5 billion.

The Australian Bureau of Agricultural, Resource and Sciences estimated today that the country's coal exports in the December-March period could be 15 million tones lower than previously estimated.

MARKET COMMENTARY

With the coldest temperatures of the winter settling in over the Midwest and East Coast this weekend, next day cash prices surged for natural gas today.



The volume-weighted price of natural gas traded on the ICE today reached \$5.235 the highest level since February of last year. The strength in the spot market spilled over to the futures market today allowing the market to settle 4-5 cents higher in moderate volume and settle near the upper end of its

two-month upward channel. Futures were supported by weather forecasts calling for below normal conditions to continue across the eastern two thirds of the country for the remainder of the month. AccuWeather forecaster Joe Bastardi noted this morning that this winter is shaping up to be the coldest La Nina winter for the U.S since 1917-1918, and overall this winter being the coldest since the 1980's. He also noted that this winter is being even colder than he had originally expected!! The February contract which expires next Wednesday is approaching its 200 day moving average for the first time since December of 2009.



If the weather forecasts remain in strong agreement to start next week of colder than normal temperatures are expected for the eastern two thirds of the nation for the next two weeks, then this market will grind higher and potentially challenge this 200 day moving average. We see additional resistance at \$4.90 followed by \$5.01 as being potentially then at risk. But if weather outlook becomes a bit more moderate then we would look for prices to stall and potentially erode once again. We see support at \$4.70 followed by \$4.474-\$4.461, \$4.38-\$4.364, \$4.32, \$4.2687 and \$4.223.

The March – April spread remains a good indicator of the general outlook for this market overall. We would look for this spread to potentially knock on the door of resistance once again at the March premium of a 4-6 cent price level once again if temperatures remain cold. Ultimately though we look for this market to once again negative values by the time the March contract expires.

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