



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 25, 2010

NATURAL GAS MARKET NEWS

The National Weather Service reported this morning that for the current week it expects to see some 201 heating degree days on a gas home heating customer weighted basis, some 11% colder than normal and 31% colder than the same week a year ago. Last week though the NOAA estimated the nation saw only 181 HDD some 20% warmer than normal and 22% warmer than the same week a year ago.

Halliburton said today that they have seen an upturn in North American oilfield services in the final three months of last year, but it will take until the end of March for it to get a sense of where the U.S. natural gas markets are headed this year.

New York City Mayor Bloomberg again called on New York State officials to block any natural drilling activities near the city's upstate watershed areas. He noted "the consequences are so severe that it is not a risk that I think we should run. I do not think that we should allow fractured drilling anywhere near our water supply." With New York State facing a \$7.4 billion deficit pressure has been building on the state to follow Pennsylvania's lead in expanding drilling opportunities on state land. The city watershed accounts for 6% of the Marcellus Shale formation in New York State. Reportedly only Chesapeake Energy holds leases in the watershed, and to date has said it has no intention of drilling there currently.

A FERC administrative law judge ruled Friday that the former Amaranth natural gas trader Brian Hunter had manipulated the gas futures market between February and April 2006, and this in turn impacted the physical gas markets under which the FERC has jurisdiction.

Generator Problems

NPCC – OPG's 494 Mw Lambton #1 coal fired unit returned to service early Monday. The unit had been shut on January 19th for repairs.

OPG's 535 Mw Lennox #1 oil and gas fired power station was shut early Monday.

PJM – Exelon's 802 Mw Three Mile Island #1 nuclear unit has reconnected to the grid and was at 75% power this morning. The reactor was restarted on January 24th after being shut since October 25th.

PSEG Nuclear's 1156 Mw Salem #2 nuclear unit returned to full power. The unit tripped off line back on January 21st due to low steam generator water levels.

WSCC – PG&E's 2240 Mw Diablo Canyon nuclear unit returned to full power early Monday. The units last week had been operating at half power due to storms in the region.

ERCOT & SPP – AEP's 528 Mw Welsh #1 coal fired power plant was shut down this morning due to excessive turbine bearing vibration. Operators hope to have the unit back in operation by Tuesday evening.

The Big Brown coal fired power plant Unit #1 was undergoing maintenance work this morning on its electrostatic precipitator.

Luminant's 1150 Mw Comanche Peak #1 nuclear unit was at 100% capacity this morning, up from 45% power that was recorded on Friday.

AEP's 675 Mw Pirkey coal fired power plant was expected to be shut to repair a tube leak this afternoon.

NRG's 864 Mw Limestone #2 coal fired power plant was scheduled to be shut this evening for maintenance.

The NRC reported today that 94,567 Mw of nuclear generation was on line this morning, up 1.6% from yesterday and up some 0.4% from the same time a year ago.

Sempra Energy's Costa Azul LNG terminal in Baja California is expected to receive a LNG cargo from Indonesia on Wednesday. This would be the first cargo at the facility since August.

The state oil and gas company of Kazakhstan said today that it is estimating it would require \$14.5 billion of investment, to bring on stream the third phase of the Karachaganak gas project. This estimate is substantially above its prior development estimates of \$8 billion. The third phase would allow the project to raise its gas output to 39 bcm from current production of 15 bcm.

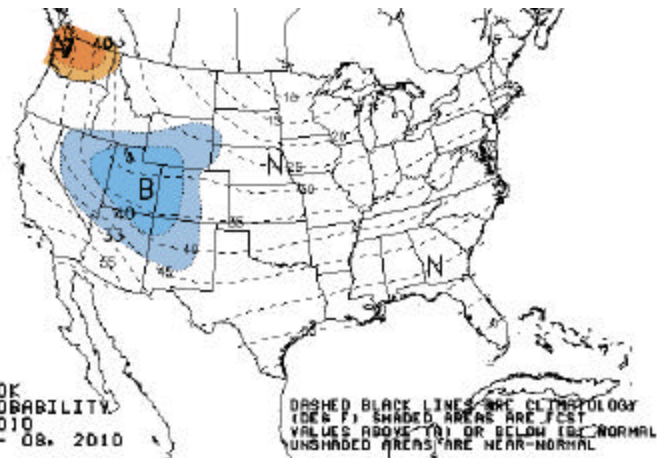
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	936,900	\$5.756	\$0.087	\$0.001	\$0.170	(\$0.040)
Chicago City Gate	518,000	\$5.931	\$0.132	\$0.176	\$0.241	\$0.072
NGPL- TX/OK	728,100	\$5.614	\$0.053	(\$0.141)	\$0.162	(\$0.199)
SoCal	401,400	\$5.810	\$0.049	\$0.055	\$0.158	\$0.022
PG&E Citygate	289,900	\$6.033	(\$0.076)	\$0.278	\$0.033	\$0.336
Dominion-South	248,400	\$5.923	\$0.085	\$0.168	\$0.194	\$0.124
USTrade Weighted	18,260,600	\$5.769	\$0.061	\$0.014	\$0.17	(\$0.040)

The Australian oil and gas firm Energy World said it plans to build a small 500,000 tonnes per year LNG plant in the Indonesian province of South Sulawesi. The

plant would supply a planned domestic LNG receiving terminal near Jakarta and one near North Sumatra.

Tokyo Electric Power said today that it is considering replacing its LNG fired thermal power plant in Chiba, Japan with a more advanced system. The plant currently has a total generating capacity of 1886 Mw. The six units at the plant would be replaced by a 2130 Mw MACC system. The plan would be for the new units to begin operation between 2021 and 2024.

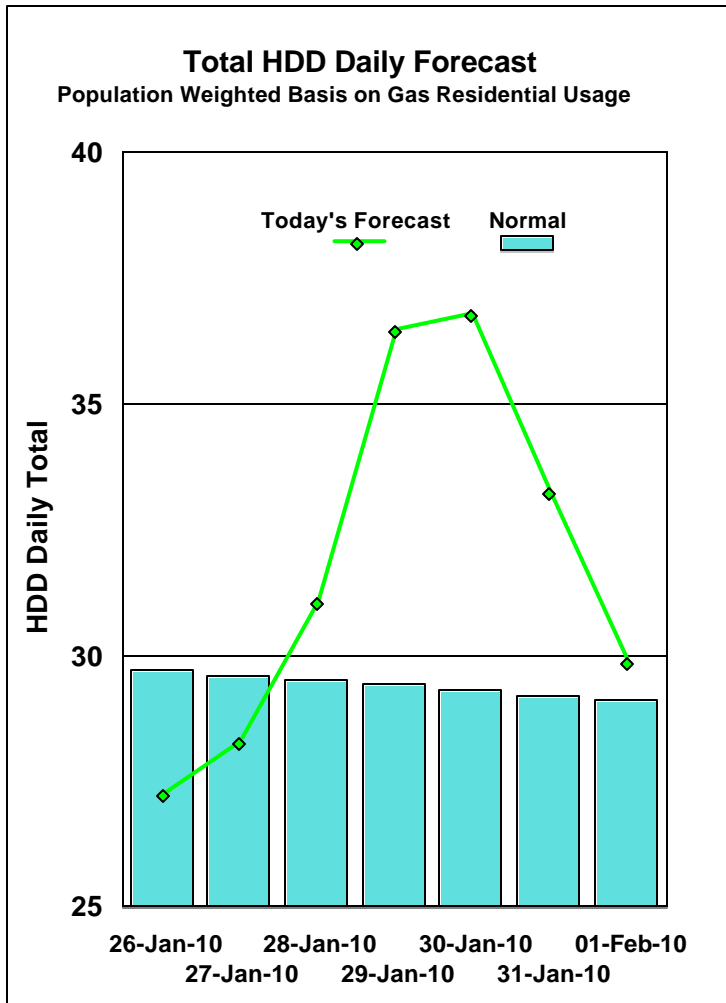
A potential candidate as the new prime minister of the Ukraine said today that that gas agreements signed with Russia a year ago should be reviewed again. He noted that Russia is providing the Ukraine with gas at European prices, but it often turns out to be more expensive than in European countries, but their tariffs are lower for transportation. He also said he would not oppose selling stakes in the ailing national gas company Naftogaz to Gazprom and the EU after breaking the company into extraction, transporting and gas storage sections.



The IntercontinentalExchange has started trading on three new cleared OTC North American natural gas contracts settled basis Platts. These include ONEOK Gas Transportation Gas Basis Swap (ONE); Algonquin Citygates Basis Swap (ALQ) and Trunkline, LA Basis Swap (TRL).

The CFTC reportedly will publish its proposed position limits on four energy futures and options contracts on Tuesday. These proposals would then be subject to public comment for 90 days before a final vote is taken by the CFTC on the proposals.

The U.S. National Association of Realtors reported this morning that sales of previously owned U.S. homes fell 16.7% in December. This was the largest monthly drop in nearly 40 years.



PIPELINE RESTRICTIONS

KMIGT said it is anticipating an increase in its load activity in the Nebraska and Kansas market areas east of Big Springs, due to colder temperatures being forecast starting January 27th and lasting at least through January 29th.

Northern Natural Gas has called a system overrun limitation for its Market Zone EF for gas day January 26th due to expected lower than normal system temperatures.

ELECTRIC MARKET NEWS

The ICE began trading in 20 new power OTC contracts in the North American power market. These included contracts in the JCPL Zone DA, NI Hub, PJM Eastern Hub, AD Hub, MISO Cinergy Hub and PJM WH.

Bank of America's Merrill Lynch said in a research note that the carbon markets currently are under "a big dark cloud" of uncertainty about future regulation. This uncertainty is further complicated by lower natural gas prices as well. Merrill Lynch estimates that European Union carbon dioxide emission volumes from fossil fuels dropped 9.5% last year, reducing demand for EU permits. The company estimates that

the EU market probably has 166 million to many allowances in the five years through 2012. The company estimates that emission volumes in the EU may rise 5.6% this year because of rebounding economic activity but does not expect a return to last decade's peak volume levels until at least 2013.

The California Air Resources Board said today that it is looking to auction off all of its permits to emit greenhouse gases, rather than give them away, under its cap and trade program. The program aims to reduce greenhouse gas emissions to 1990 levels by 2020, with the program starting in 2012. But board members noted not final decision has yet been made on whether to auction off all the allowances or provide some to be given away as the program gets started.

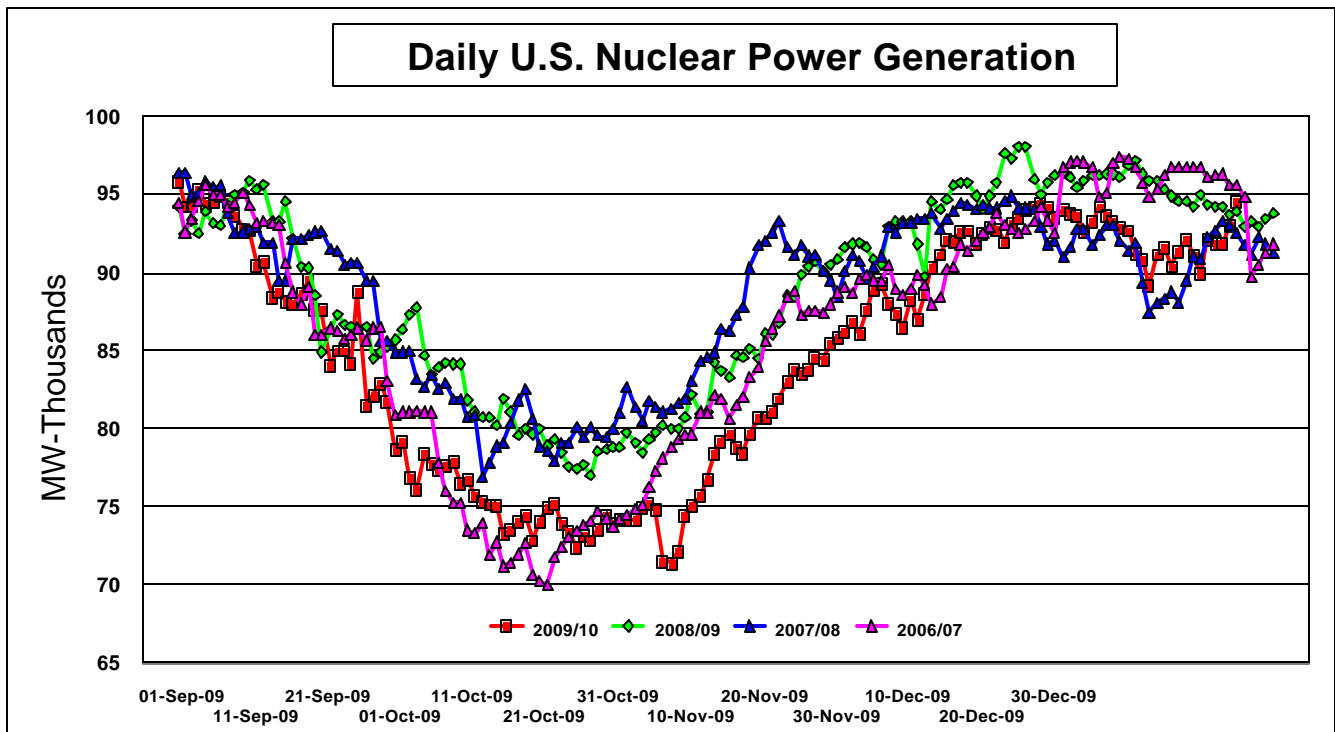
The U.S. EPA said Monday it has set a new air quality standard for nitrogen dioxide. The new one hour standard has been set at 100 parts per billion. It is also keeping the existing annual average standard of 53 ppb.

Genscape reported this morning that it estimated U.S. power output last week fell 14.7% from the prior week and was 7.8% below the same week a year ago

MARKET COMMENTARY

Despite the rebound in cash values this morning as the temperatures across the nation were beginning to cool from the recent January thaw, the futures market remained under pressure. Part of this was that the shot of cold arctic air expected as the week wears on would be relatively short lived, as the 8-14 day period sees temperatures retuning to normal for most of the country. Additional pressure on the futures market came from rebounding nuclear generation levels, which reached their highest level since September of this year.

With the approach of the February contract's expiration on Wednesday, it appeared that no trader found sufficient reasons to break the market outside of Friday's trading range, as the market posted an inside trading today. Based on the exchange's midday open interest report, which showed that Henry Hub futures and swaps on a combined and adjusted basis grew by over 14,921 lots, today's price action could be construed as some long liquidation in front of this date. While typically an inside trading



session in the natural gas market is a warning flag that the following trading sessions could post a volatile breakout trading session, the fact that open interest in the February contract is similar at this stage in the month as last year, and inventories stand at approximately the same level as a year ago, last year's pattern of the final three day's of trading with nearly identical with settlements, basically flat, could be displayed again this year.

We see resistance tomorrow at \$5.85-\$5.869 followed by \$5.932 and \$6.01. More distant resistance we see at \$6.108. Support we see at \$5.67-\$5.65 followed by \$5.534, \$5.48 and \$5.354.

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