



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 27, 2010

NATURAL GAS MARKET NEWS

Statoil said Wednesday that it was considering increasing its LNG output from its Snoehvit field in the Barents Sea. It is looking at adding a second train to the facility following the completion of drilling another well into the Barents Sea reservoir later this year.

A senior official at Qatar Gas Transport Company, the world's largest shipper of LNG, confirmed the company will complete its fleet expansion on scheduled in mid-2010. Following the delivery of the final four ships this year the company will have 54 vessels, which will include 14 giant Q-Max carriers, which can hold up to 266,000 cubic meters of gas.

BP's Indonesian unit said today that it would ship 101 cargoes of LNG in 2010 from its Paua plant. The company previously had estimated 116 cargoes would be exported. The plant in 2009 shipped 16 cargoes.

Australian coal seam gas firm Arrow Energy sharply raised its gas reserves today and said that the increase would help boost its ability to supply gas to more LNG projects. The company currently is a coal seam gas supplier of Royal Dutch Shell in Australia, said it may now be able to add up to 1.5 tcf of

Generator Problems

ERCOT & SPP – The AEP Pirkey coal fired power plant was being restarted this evening and operators hoped to have the unit back to full power by this weekend.

MISO – The Wolf Creek 1170 Mw nuclear reactor ramped up to 88% after powering down due to a required inspection. The unit had been at full power on Tuesday.

CalISO reported this afternoon that 11,023 mw of generating capacity was offline today. This was down 4% from yesterday and some 17.8% less than the same time a year ago. Some 51.6% of this off line generation today was non gas fired generation, vs 55% a year ago.

The NRC reported today that 95,686 Mw of nuclear generation was on line this morning, up 0.2% from yesterday and up some 3% from the same time a year ago.

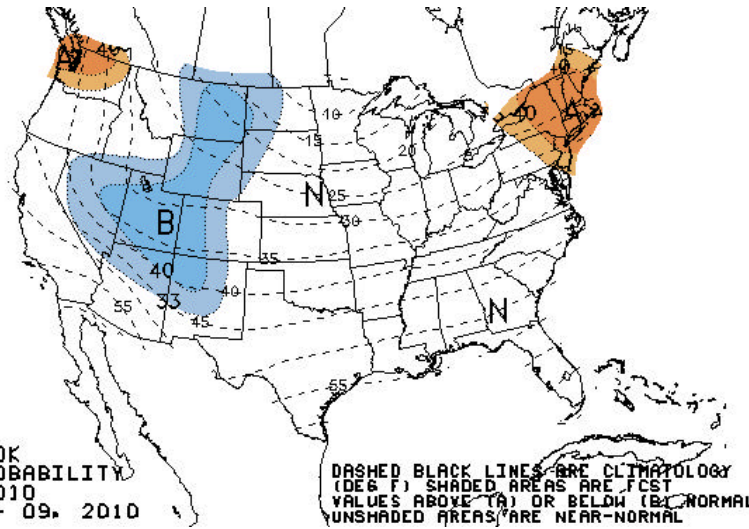
gas reserves over the next three years, up from an earlier goal of 1 tcf per year.

Credit Suisse said Wednesday that it plans to trade LNG eventually, but no

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,054,100	\$5.420	(\$0.188)	\$0.164	\$0.103	\$0.032
Chicago City Gate	707,800	\$5.669	(\$0.108)	\$0.413	\$0.140	\$0.171
NGPL- TX/OK	965,400	\$5.285	(\$0.182)	\$0.029	\$0.066	(\$0.133)
SoCal	463,400	\$5.562	(\$0.127)	\$0.306	\$0.121	\$0.087
PG&E Citygate	406,200	\$5.762	(\$0.135)	\$0.506	\$0.113	\$0.357
Dominion-South	315,800	\$5.662	(\$0.100)	\$0.406	\$0.148	\$0.189
USTrade Weighted	21,446,500	\$5.484	(\$0.145)	\$0.228	\$0.10	\$0.032

immediate plans to enter the market in the very near future. The bank has been rumored to be formulating plans to trade the market and that the trading would be centered out of London.

The Ukrainian presidential candidate Yanukovich said Wednesday that he wanted to see the Ukraine participate in building the Nord and South Stream pipelines. He said he would look to propose to Europe and Russia the creation of a consortium, which would allow the Ukraine to raise the volumes of gas transit to about 200 bcm.



The FERC yesterday approved Perryville Gas Storage request to construct a salt dome storage facility and associated facilities in the Crowville Salt Dome in northeast Louisiana.

Regency Energy Partners Haynesville Expansion Project and Red River Lateral are now in service, the company said today. The project increases

capacity of the Regency Intrastate Gas System by 1.2 Bcf/d to 2.1 bcf/d.

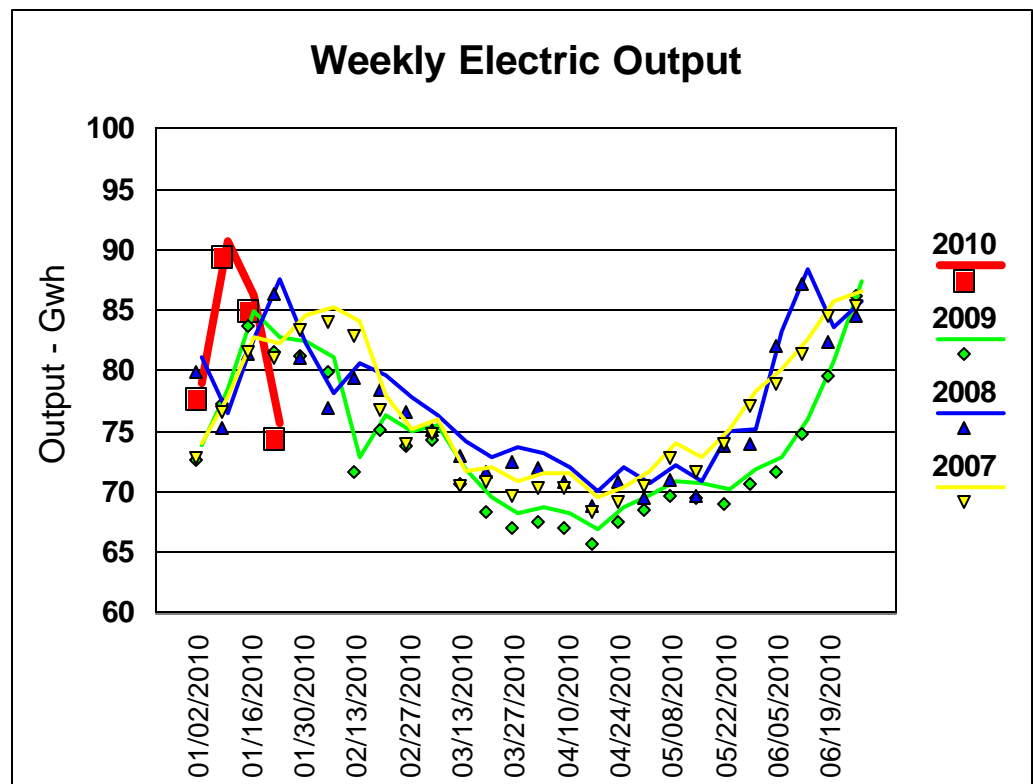
Chesapeake Energy announced yesterday that it has closed its \$2.25 billion joint venture with Total E7P USA, forming a joint venture in the Barnett Shale.

Anadarko Petroleum said today that a deepwater sidetrack appraisal well in the Gulf of Mexico, south of the Lucius discovery well appears to confirm a "major discovery with substantial resource potential.

Industry analysts said that today's results could increase the oil and gas potential of the find to the 250-500 mboe.

The Britain-Belgium gas interconnector pipeline was back in UK import mode on Wednesday after exporting gas to Europ on Monday. Data from Nationaal Grid though has shown that the pipeline has not actually flowed any gas into Britain.

The chairman of the CFTC said today that Congress should



require banks and other big players to trade derivatives on regulated exchanges as an "absolutely

essential" part of regulatory reform to prevent another market crisis. The chairman also outlined that the government is seeking legislation that would ban insider trading using nonpublic information acquired from a government source. He also expressed support for the Administration's proposal to ban proprietary trading by big banks and to limit their investments in hedge funds. Meanwhile the International Energy Agency plans to hold a meeting on February 25th in Tokyo with representatives of OPEC, banks and regulators to discuss the factors that determine oil prices and seek consensus on limiting speculation in energy prices.

PIPELINE MAINTENANCE

NGPL said that effective for February 4th and 5th it will be performing integrity work on a section of the pipeline just south of Compressor Station 801 in Segment 1 of its Midcontinent Zone. This work will require that receipt and delivery point south of the constrained area in Segment 1 are matched on a net scheduled basis. Based on nominations, receipts south of the constraint are at risk of not being fully scheduled. Delivery points should not be impacted as long as they stay on their ratable nomination throughout the gas day.

PIPELINE RESTRICTIONS

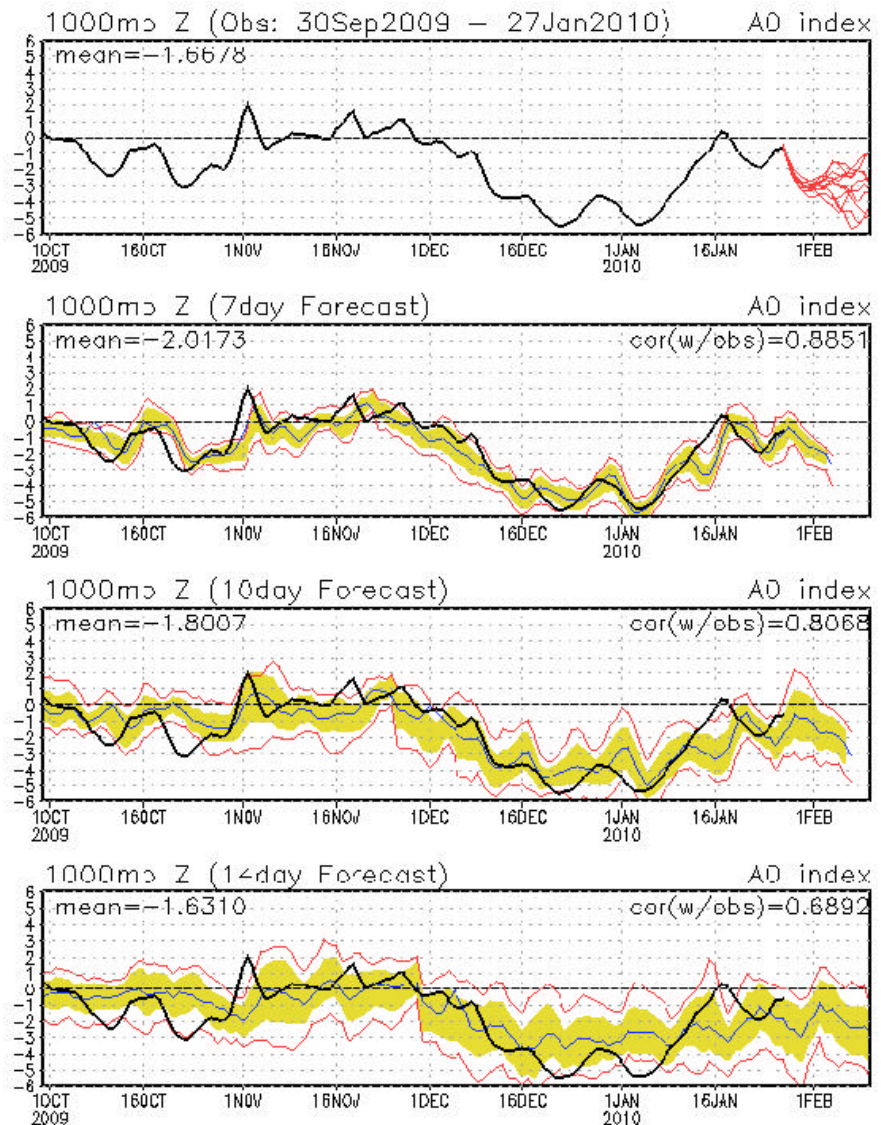
Tennessee Gas Pipeline has restricted the Leidy Delivery meters through approximately 16% of supply to market secondary out of path nominations.

Northern Natural Gas said it has encountered mechanical issues on Unit #26 at the Palmyra, Nebraska compressor station that will result in an outage expected to last several days. The outage will reduce the peak capacity through the station by 120,000 Mmbtu/d. Both the Palmyra North and Palmyra East groups are downstream of the Palmyra constraint. The company does not expect to impact the nomination or scheduling of gas.

ELECTRIC MARKET NEWS

Edison Electric Institute reported that power production in the U.S. for the week ending January 23rd fell to 74,386 Gwh, down 12.5% from the prior week and off some 9.7% from the same week a year ago.

AO: Observed & ENSM forecasts



MARKET COMMENTARY

The February natural gas contract expired today as bears remained in control of the natural gas market but also most other commodity markets too. Natural gas traders appeared to be nervous that the bitter cold temperatures

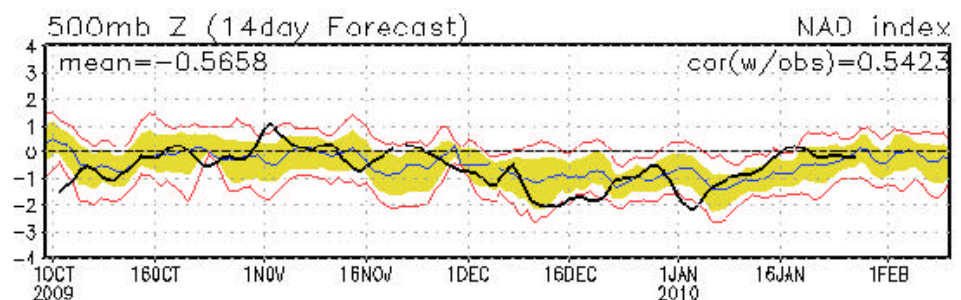
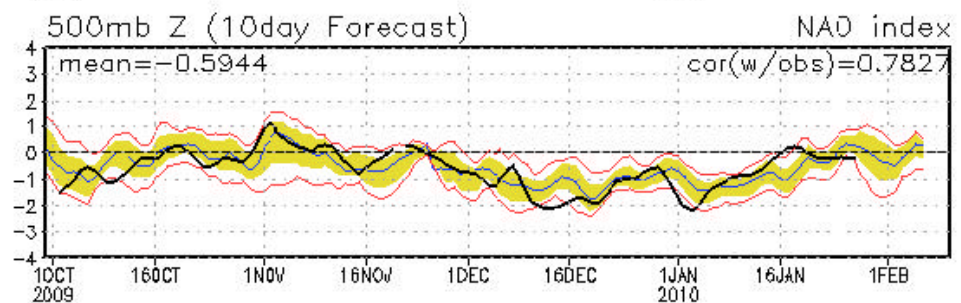
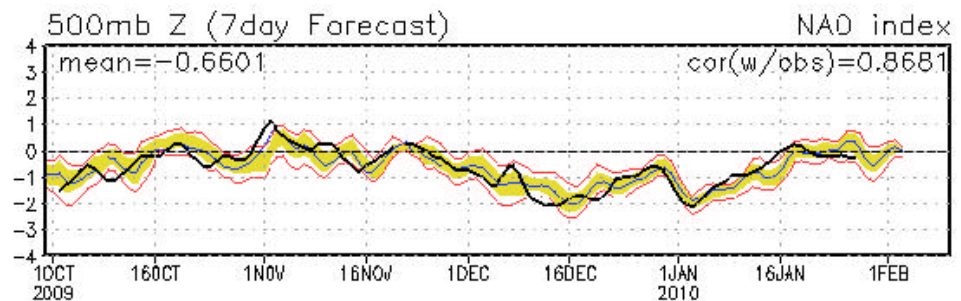
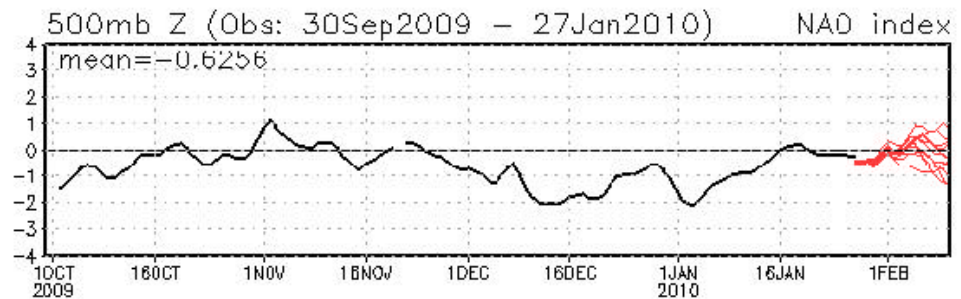
forecasted for the past couple of weeks by private weather forecasting services may in fact not become a reality, while nuclear generation levels have finally rebounded back to seasonal levels, with some 4000 Mw of generating capacity back on line versus week ago levels, decreasing demand for gas as a generating fuel. As a result the February contract closed at levels not seen in seven weeks.

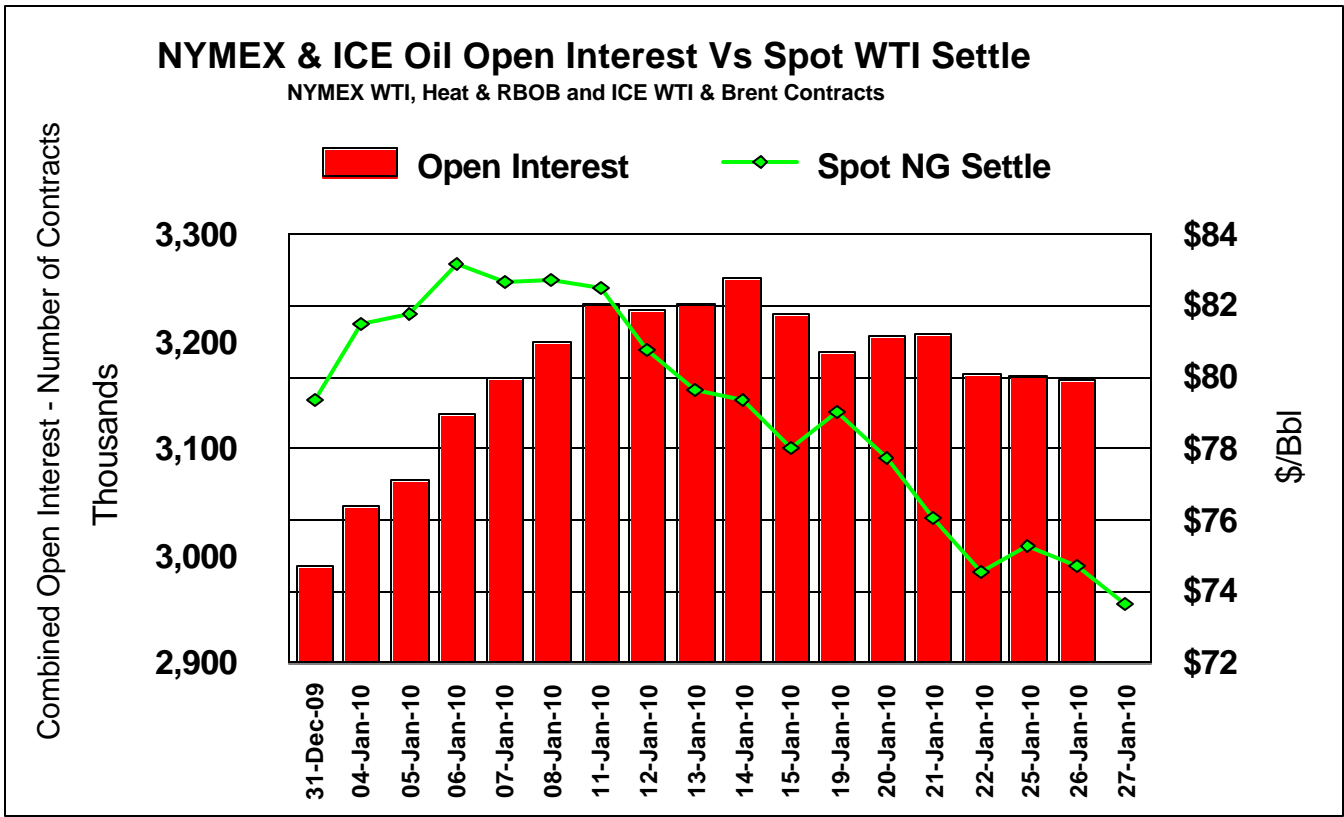
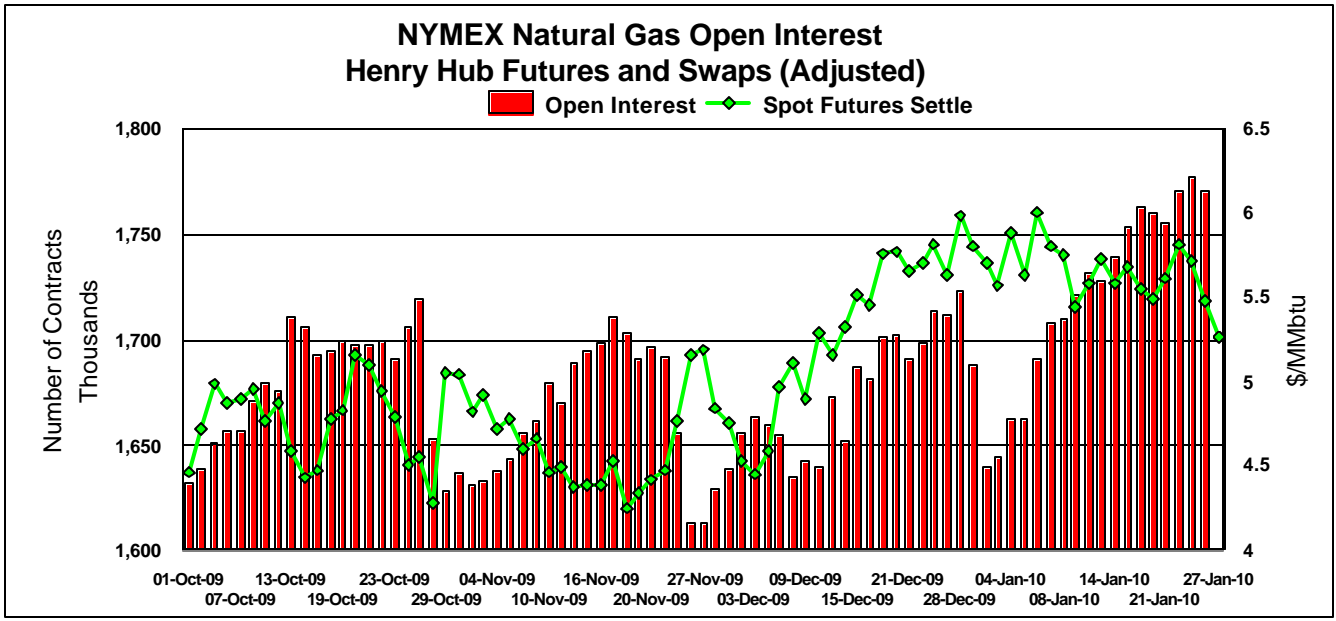
Without a clear return of a strong consensus for a cold February, this market will probably remain on the defensive, especially as the oil and other commodity markets

appear to be on the defensive as well now that the commodity index buying that was present at the start the year seems to have been completed for the near term.

Expectations for tomorrow' EIA Storage Report appear to be running between 103-108 bcf draw down. Stocks a year ago fell an adjusted 184 bcf for the same week, while the five-year average has shown a drop of 179 bcf.

NAO: Observed & ENSM forecasts





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