



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 27, 2011

NATURAL GAS MARKET NEWS

El Paso Corp reported today that it looks for its total natural gas production in 2011 to increase by 7% to an average of 790-840 mmcf/d. The company noted that it has approximately 75% of its domestic natural gas production hedged at \$5.95 per Mmbtu. The company estimates a one-dollar change in the average annual NYMEX price of natural gas would impact its Adjusted Segment EBITDA and Adjusted EPS by approximately \$40 million and 4 cent per share. While the company will focus more than half of its domestic capital expenditures to oil programs, the remainder of the domestic capital will be focused primarily on the Haynesville shale program, which it notes provides solid returns for the company even in a sub \$4.00 per Mcf Henry hub gas environment. The company will focus its exploration and production activities on the Eagle Fords, Haynesville, Altamont and Wolfcamp areas.

Generation Update

NPCC – OPG's 494 Mw Lambton #3 coal fired power plant returned to service early Thursday. The unit had been shut on January 21st for planned maintenance.

TransCanada's 683 Mww natural gas fired Halton Hills power plant was taken off line early Thursday.

OPG's 490 Mw Nanticoke #7 coal fired power plant exited its recent outage and returned to service today. The unit was shut on January 25th.

ERCOT – AEP's 528 Mw Welsh #3 coal fired power plant was expected to be taken down for maintenance that is expected to last until February 8th.

SERC - Duke Energy's 1100 Mw McGuire #2 nuclear unit ramped up 46% and stood at 47% power this morning. Its sister unit #1, was at full power.

The NRC reported today that 92,801 Mw of generating capacity was online today, up 0.7% from yesterday but 3.0% less than the same day a year ago.

EIA Weekly Report

	01/21/2011	01/14/2011	Change	01/21/2010
Producing Region	912	968	-56	807
Consuming East	1280	1384	-104	1344
Consuming West	350	364	-14	382
Total US	2542	2959	-417	2533

*storage figures in Bcf

The EIA today lowered its estimates for working gas inventories in the producing region for last week, January 21st by 10 bcf due to reclassification and resubmissions of data from one or more respondents.

ExxonMobil in their latest global energy outlook noted it sees rising global energy demand shifting toward natural gas and energy efficiency gains. The company sees global demand for energy to be 35% higher by 2030 versus 2005 levels. It estimates demand for natural gas for power generation should increase by 85% over 2005 levels by 2030. It sees newly unlocked supplies of shale gas and other unconventional energy sources will be vital in meeting this higher energy demand. Unconventional gas supplies will meet more than 50% of gas demand by 2030 in the United States. The company sees natural gas surpassing coal as the second largest energy source behind oil by 2030. Chinese natural gas demand is expected to be some six times greater in 2030 than it was in 2005. The company noted it plans to continue to invest in technology and innovation to develop new economic energy supplies.

Sumitomo Corporation has signed a tentative agreement to buy capacity at Cheniere Energy's proposed LNG export plant at Sabine Pass, Louisiana. Under the non-binding agreement, Sumitomo will buy 1.5 million tones per year of LNG capacity at the proposed plant which would begin operations in 2015. The company now has 7.7 million tones per year of LNG import and export capacity potentially sold at Sabine Pass. The plant would have two production trains totaling 7 million metric tons per year.

Canadian Gas Association

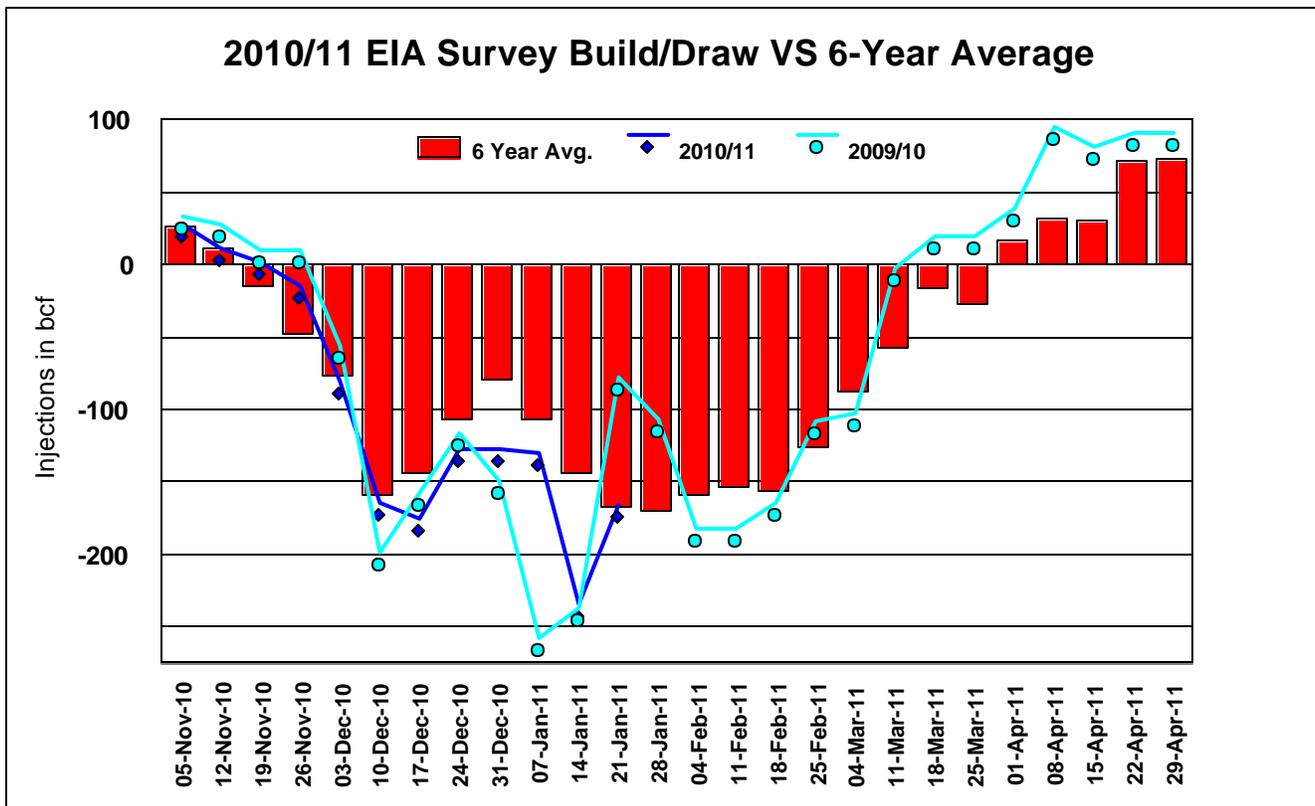
Weekly Storage Report

	21-Jan-11	14-Jan-11	22-Jan-10
East	138.4	154.6	151
West	273	292.8	253.6
Total	411.4	447.5	404.6

storage figures are in Bcf

Rasgas reported today that all of its Qatari LNG trains are operating normally, denying reports that a fire had cut production earlier this week. A Japanese energy news website reported earlier this week that Rasgas train 6 had been forced to shutdown following a fire and that it could take weeks to repair.

Statoil said today that it would reduce its gas production at the Troll field from Thursday afternoon due to repair activities. The repair work is expected to last less than a week. The company said its gas capacity would be reduced but did not specify the extent of the reduction. The field normally produces 31 bcm of gas per year and 113,000 b/d of oil. But the company reported that production at two other North Sea fields, Oseberg South and East resumed Wednesday after being shut since Monday. The A,B and D platforms at the other Oseberg field are still down, with its start up a few days away still. Oseberg South produces 39,000 b/d of oil and 370 mcm of gas per year, while Oseberg East produces 7,000 b/d. The Oseberg field produces 74,000 b/d and 2.77 bcm of gas per year.



Gassco reported today that transport capacity was normal on Thursday morning despite lower flows through the Langeled pipeline from Norway to Britain.

Port officials at the Dragon LNG terminal reported the Methane Lydon Volney tanker is expected to arrive at the port on February 3rd from Trinidad. Port officials at the Milford Haven terminal reported

that a cargo of Nigerian LNG was expected to arrive on February 8th. The 147,000 cubic meter cargo was expected to be aboard the Arctic Princess.

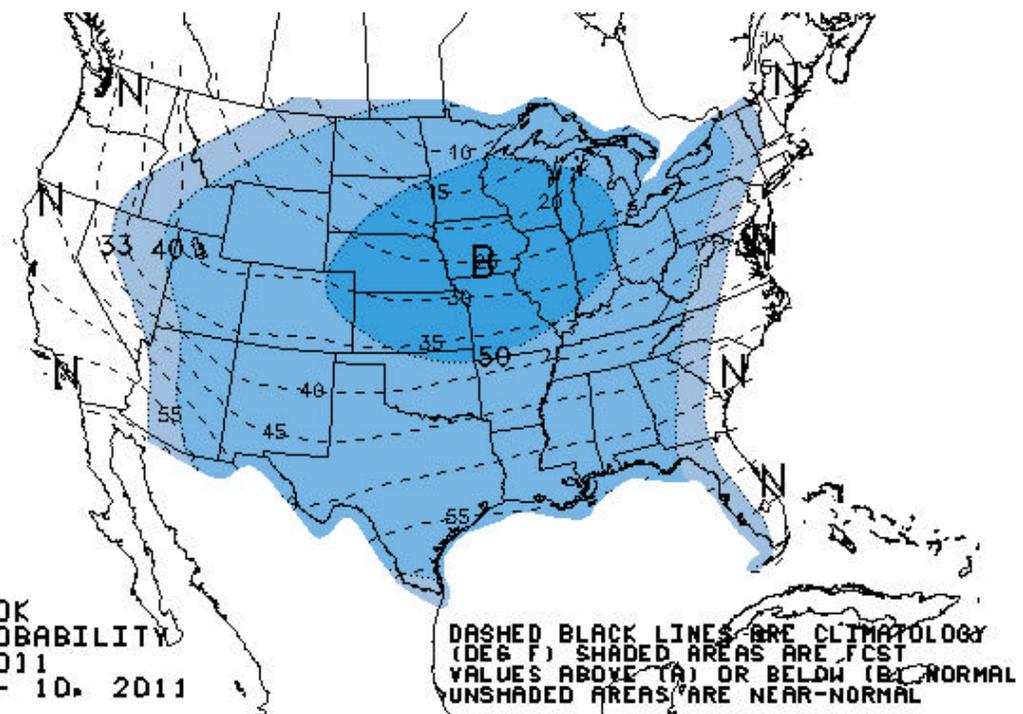
Iran said today that it is determined to move ahead with its large natural gas projects without foreign participation and it is currently raising billions of dollars to insure these projects timely completion. Iran has already invested \$48 billion in the South Pars projects and the oil ministry has

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	807,400	\$4.406	\$0.007	\$0.045	\$0.165	\$0.242
Chicago City Gate	654,600	\$4.499	(\$0.014)	\$0.138	\$0.083	\$0.166
NGPL- TX/OK	765,900	\$4.274	(\$0.027)	(\$0.087)	\$0.070	(\$0.102)
SoCal	443,200	\$4.202	\$0.002	(\$0.159)	\$0.099	(\$0.222)
PG&E Citygate	1,037,600	\$4.312	(\$0.002)	(\$0.049)	\$0.095	(\$0.091)
Dominion-South	309,500	\$4.602	(\$0.029)	\$0.241	\$0.068	\$0.223
USTRade Weighted	19,688,800	\$4.663	\$0.068	\$0.302	\$0.17	\$0.242

allocated \$50 billion to them by 2016.

India's Oil & Natural Gas Corporation announced today it has discovered shale gas at a pilot project in eastern India state of Bengal. This reportedly is the first shale discovery outside of North America.

The ExxonMobil led Sakhalin-1 oil and gas project reportedly will see its budget increase by 20% to \$3.26 billion in 2011.



China National Petroleum Corporation's engineering unit Huanqui on Thursday signed a deal to buy a 19.9% stake in Australia's Liquefied Natural Gas Limited. The deal will provide the Chinese company with preferential rights in using the company's patented LNG technology OSMR. The deal would also take LNG Ltd, whose LNG project stalled last year, one step closer to realizing its 3 million ton per year coal seam gas to LNG project. The company has already received environmental regulators approval

to convert coal-seam gas to LNG at Gladstone, but it has yet to secure a gas supply once its projected partner in the project was taken over this year, by the backers of a rival LNG plant.

ELECTRIC MARKET NEWS

ICE Futures Europe announced today that it will launch four new cash-settled futures contracts for American and Indonesian thermal coal. There will be three new U.S. futures contracts settled against the daily assessments published by Platts for Central Appalachian, CSX Coal and Powder River Basin coal plus an Indonesian sub-bituminous contract settled against the McCloskey FOB marker. The exchange announced that customers trading the new contracts will be able to offset margins against positions in the existing ICE coal contracts for Rotterdam, Richards Bay and Newcastle futures plus a range of other energy products. ICE cleared more than one billion tones of coal futures contracts in 2010.

ICE Futures Europe said today that it has extended the suspension of its spot emissions contracts for another week to February 7th. This is the second time in two days the clearinghouse has prolonged its freeze.

The Northwest River Forecast Center on Thursday projected water run off at the Dalles Dam for January–July period should reach 101% of normal versus 79% of normal a year ago.

ECONOMIC NEWS

The US Labor Department reported that the number of US workers filing initial unemployment claims increased by 51,000 to 454,000 in the week ending January 22nd. It is at the highest level since October 2010. The previous week's level was revised to 403,000 from 404,000. The report showed that the number of continuing claims increased by 94,000 to 3,991,000 in the week ending January 15th. The unemployment rate for workers with unemployment insurance was 3.2% in the week ending January 15th, up 0.1% on the week.

The US Commerce Department reported that demand for durable goods unexpectedly fell in December as manufacturers' orders for durable goods fell by 2.5% to a seasonally adjusted \$191.04 billion. Durable goods orders in November were revised up slightly to a 0.1% decline compared with a previous estimate of a 0.3% decline.

The Institute for Supply Management said its index of national factory activity was 58.5 in December compared with the 57 level that was originally reported. The index's employment component was also revised higher to 58.9 from 55.7. Its December non-manufacturing index was unchanged at 57.1.

The Federal Reserve Bank of Kansas City's manufacturing index fell to 11 in January from 21 in December.

The National Association of Realtors' index for pending sales of existing homes increased by 2% to 93.7. The increase followed a downwardly revised monthly 3.1% increase in November. The pending sales index was 4.2% below its level of 97.8 in December 2009. It was the fifth increase in six months.

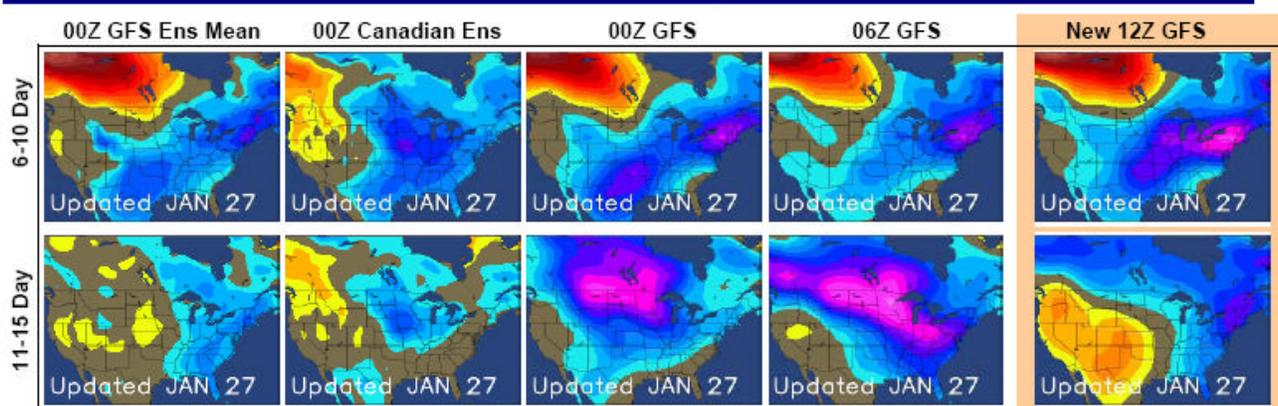
The European Commission stated that Euro zone economic sentiment fell slightly to 106.5 in January from 106.6 in December.

MARKET COMMENTARY

The February natural gas contract went off the board today, finishing down near its lows of the day, as the EIA natural gas storage report appeared to be a bit more bearish than first seen. The EIA reported that it had made a downward revision in production area working gas stocks by 10 bcf due to reclassification of reports for the week. Without this revision we would have effectively seen a 164 bcf draw and thus smaller than expected drawdown This report coupled with continued corporate

comments on the resiliency of domestic natural gas production, such as El Paso's comment today that its Haynesville shale production continue to offer sold returns even when Henry Hub prices move below \$4.00 per Mmbtu coupled with a midday temperature forecast for the 11-15 day period that was not as supportive as the prior two model runs helped the March contract to finished near its lows today breaching the 40 day moving average and settling below it for the first time since December 27th.

Forecast Model Comparison



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



We continue to believe that this market will rebound short term given the supportive weather forecasts that are seen for this market for the next two weeks and the general positive economic news that continues to filter into the market. We see support tomorrow in the March contract coming in at \$4.31-\$4.302 followed by \$4.259 followed by \$4.092 and \$4.067. More distant support we see at \$4.017-\$3.98 followed by \$3.875. Resistance we see at \$4.397 followed by \$4.506, \$4.567 and \$4.627. More distant resistance we see at \$4.744 followed by \$4.823 and \$4.879

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