



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 17, 2010

NATURAL GAS MARKET NEWS

According to shipping sources, Reuters is reporting that another Norwegian LNG cargo from Snoehvit LNG facility is being diverted from the U.S. market to Asia due to higher spot prices in Asia. The Arctic Princess, which loaded earlier this week, is expected to arrive at Incheon in South Korea on December 19th. It has been estimated that the amount of LNG sent from the Atlantic basin to Asia has risen 27% in the first nine months of this year, compared to the same time a year ago.

Enterprise Products Partners said today that the huge Independence Hub natural gas platform in the Gulf of Mexico returned to service on Tuesday following planned maintenance and is back up to pre-maintenance flows of a little more than 500 million cubic feet per day.

China National Petroleum, China's main gas supplier said today that it has started tapping natural gas reserves at storage sites in northern China in a bid to meet early robust winter demand. The company said it has extracted 5.7 million cubic meters from Dagang's underground tanks in Tianjin city Monday and 8 mcm on Tuesday. The company noted that the facility has 100 mcm of gas in storage for this winter.

Also the company said earlier that it plans to import 610 mcm of LNG to meet strong winter demand.

Nord Stream AG, which is building the natural gas pipeline from

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	726,700	\$3.773	\$0.114	(\$0.174)	\$0.035	(\$0.146)
Chicago City Gate	773,500	\$4.025	\$0.184	\$0.078	\$0.080	(\$0.024)
NGPL- TX/OK	800,600	\$3.749	\$0.135	(\$0.198)	\$0.031	(\$0.305)
SoCal	374,900	\$3.803	\$0.124	(\$0.144)	\$0.020	(\$0.215)
PG&E Citygate	663,600	\$4.280	\$0.040	\$0.333	(\$0.064)	\$0.368
Dominion-South	363,300	\$4.021	\$0.181	\$0.074	\$0.077	(\$0.043)
USTrade Weighted	21,292,600	\$3.885	\$0.139	(\$0.062)	\$0.03	(\$0.146)

Russia to Germany, said today that it has already laid more than 600 kilometers of pipeline, or more than half of the first of twin pipes in the Baltic Sea. The company said it is on schedule and on budget. Line #1 is expected to begin pumping gas to European customers before the end of 2011.

Generation Update

NPCC – Bruce Power's 750 Mw #3 nuclear unit was shut yesterday for a brief unplanned outage.

OPG's 535 Mw Lennox #1 oil and gas fired generating unit, which was shut on Monday for repairs returned to service early Wednesday.

Entergy's 852 Mw Fitzpatrick nuclear plant dropped to 14% power this morning, down 28% from yesterday.

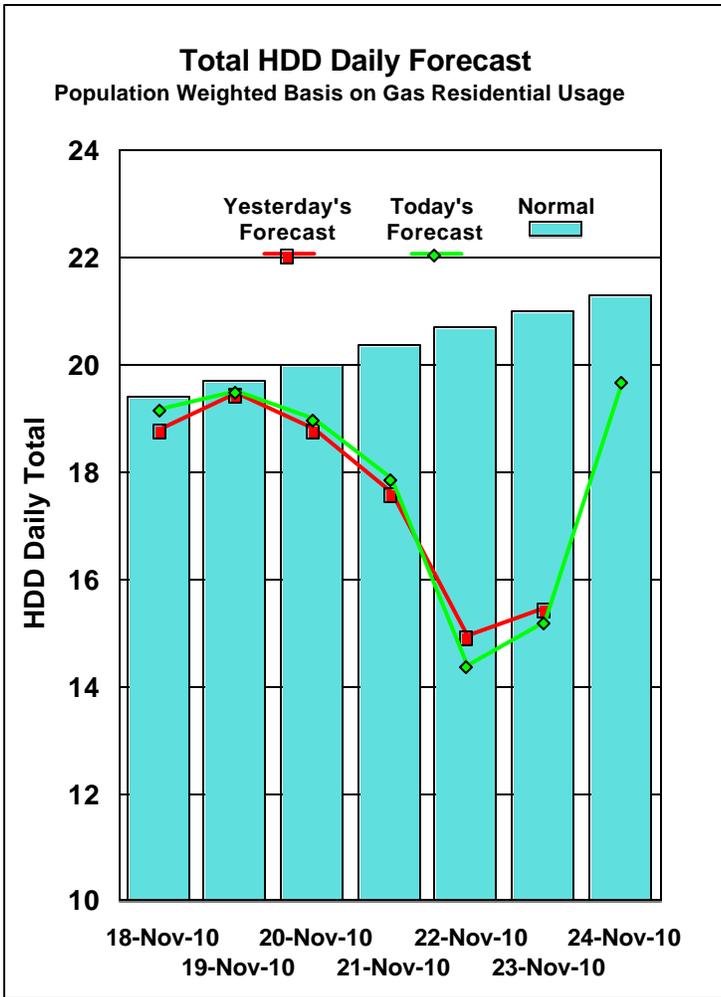
PJM – Duke Energy's EastBend 669 Mw coal fired power plant was shutdown Wednesday

SERC – Duke Energy's 846 Mw Oconee #1 nuclear unit ramped up to 98% power early Wednesday.

TVA's 1148 Mw Sequoyah #1 nuclear unit was shut early Wednesday. The unit had just returned to service earlier this week from a month long refueling outage.

SPP – OG&E's 1138 Mw Sooner coal fired power plant was shutdown overnight.

The NRC reported today that some 81,254 Mw of generating capacity was online today, up 1.5% from yesterday and 3.5% higher than the same day a year ago.



The head of the European Union's energy commission said today that the EU needs to invest 200 billion Euros over the next 10 years to extend its natural gas and energy grids, to ensure it meeting not only its environmental goals but economic growth levels.

Transcanada is considering reduction in depreciation to lower potential toll hikes on mainline system. It is also looking at re-allocation of costs from long-haul portions of pipeline system to short haul segments. Transcanada is hopeful it can come to a settlement with shippers and will make rate filing with Canadian regulator by year end if talks with customers are unsuccessful.

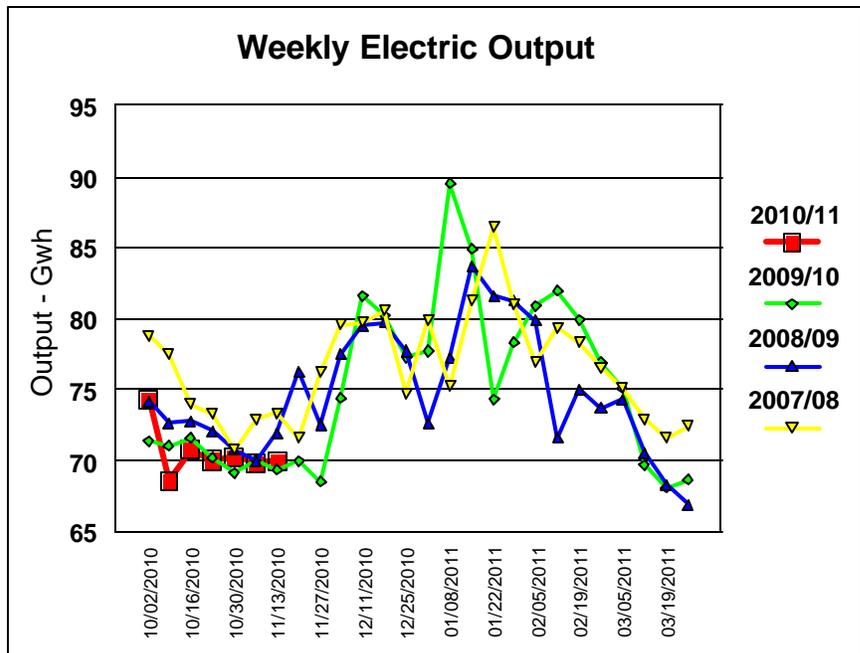
According to BAFA's statistics office, Germany's gas imports bill for January through September decreased by 3 percent to 14.8 billion euros (\$19.98 billion) versus 15.3 billion a year ago. Many continental European gas contracts track those of oil with a time lag of around six months. BAFA prices track the impact of oil on the German gas price on the border. In the nine months under review, Russia accounted for 40 percent of Germany's gas. Germany also received gas from Norway, the Netherlands,

Denmark and Britain.

ELECTRIC MARKET NEWS

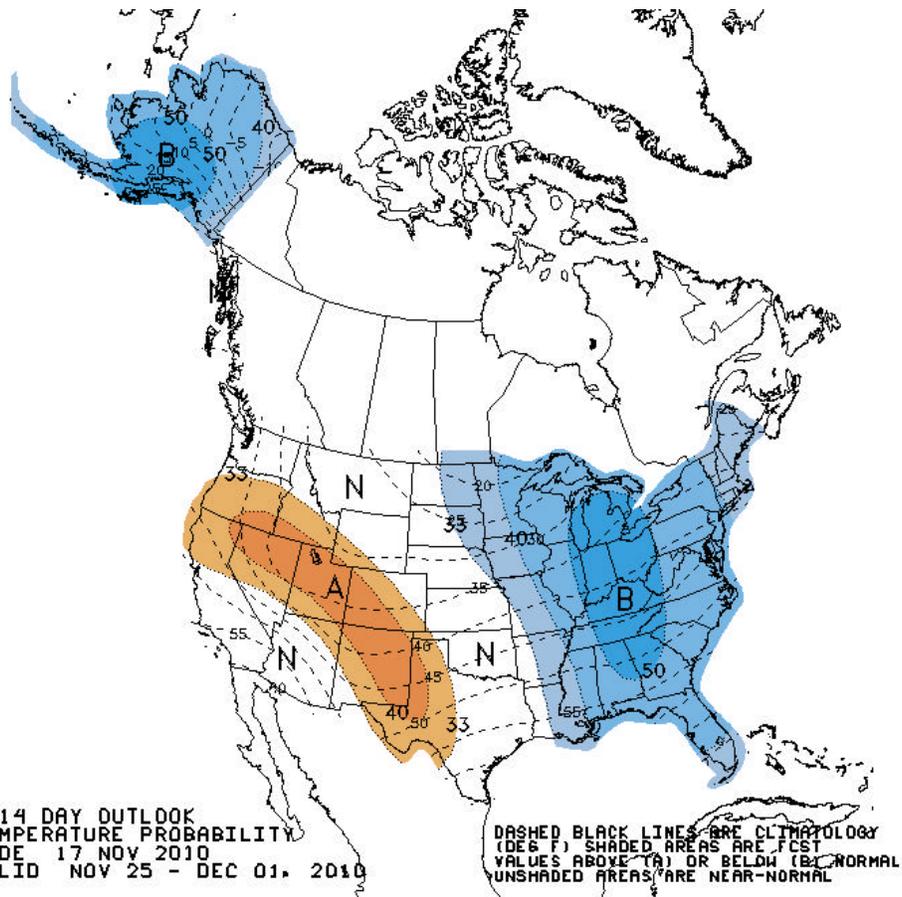
Barclay's Capital and US power company NRG Energy have traded the first Californian carbon permit futures. California Carbon Allowances (CCAs) can be used to comply with the US state's climate change law known as AB-32 which will enter into force in December, 2012.

The Edison Electric Institute estimated power production in the United States for the week ending November 13th stood at 70,035 Gwh some 0.9% higher than the previous week and only 0.16% better than the same week a year ago

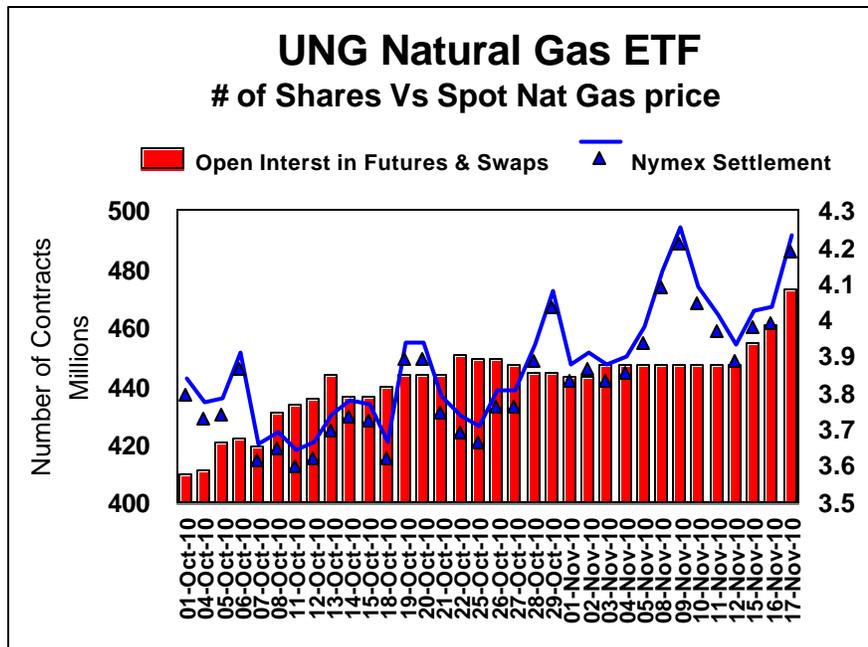


ECONOMIC NEWS

US consumer prices continued to increase modestly in October due to higher gasoline prices. The Labor Department reported that the seasonally adjusted Consumer Price Index in October increased by 0.2% from September. It was the fourth consecutive month that higher energy costs helped push prices higher. It reported that the CPI in September increased by 0.1%. The Core CPI in October was unchanged for the third consecutive month. The annual increase of 0.6% was the smallest since records started in 1957.



The Commerce Department reported that home construction in the US fell to the lowest level in 18 months during October. US housing starts fell by 11.7% to a seasonally adjusted annual rate of 519,000. Building permits increased by 0.5% to 550,000. Single-family home construction fell by 1.1% to 436,000 after increasing by a revised 2.1% in September.



MARKET COMMENTARY

Cash prices gained for the third day in a row this week and this coupled with a very supportive temperature outlook for the 8-15 day period helped to propel natural gas futures higher today, as the spot contract posted its strongest one-day gain since mid-July. It appears the improving confidence factor by private and government forecasters in the temperature forecasts helped to attract the bulls to making a firmer commitment to the long side of this market. Private forecasters this morning were quick to announce that they were seeing a "much colder pattern" for the

eastern and central U.S. starting at the end of the 6-10 day period and continuing into the 11-15 day

period, in part due to the much improved agreement between dynamical model solutions. Midday forecasts once again confirmed this bullish forecast and as a result prices continued to move higher and by the end of the day had nearly retraced 62% of the sell off of the past week.

This week's rally appears to be driven by speculative buying as evidence by the growing open interest in the natural gas ETF, UNG, which for the first three days of this week has seen a nearly 6% jump in open shares, after stagnating for nearly a month at the same level. This ETF though still is substantially smaller than a year ago when interest in this ETF was nearly 15-40% larger. We continue to feel though that despite an outbreak of colder temperatures for the 8-15 day period, the near term warmer than normal period for most of the nation coupled with the expectation of temperatures to moderate after two weeks, the overhang of record storage levels will keep this market from running away to the upside.

Market expectations for tomorrow's EIA's Weekly Storage Report are running between a 5-10 bcf build. Storage for the same week a year ago increased an adjusted 21 bcf while the five-year seasonal average showed a 18 bcf gain.

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