



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 1, 2009

NATURAL GAS MARKET NEWS

The World Meteorological Organization said Tuesday that an El Nino weather pattern warming the Pacific Ocean is likely to continue through the first quarter of 2010. The weather pattern began this past June and intensified in October. The agency though said the probability of the pattern lasting for a second year or a rapid transition to a La Nina pattern is considered "unlikely". The agency sees the "decay" phase or the return to near neutral conditions across the tropical Pacific should occur from March through May.

The U.S. Department of Transportation said Tuesday that it was imposing a record \$2.3 million fine on El Paso Corp for a 2006 natural gas pipeline blast that killed a worker who struck their pipeline with a bulldozer, since the company and its subsidiary did not comply with federal regulations covering the locating and marking of buried pipeline facilities.

The FERC yesterday granted a waiver to Sequent Energy management to the agency's capacity release rules, enabling the company to acquire gas transportation and storage agreements from Integrys Energy Services. The agency noted that the waiver was needed to allow Integrys comprehensive and orderly exit from the wholesale natural gas trading business.

Statoil and Gazprom signed preliminary agreement, which is expected to be finalized in the first quarter of 2010, which provides for Gazprom gaining regasification capacity of 50 MMcf/d at the Cove Point LNG receiving terminal, as well as long term access of 2 bcm per year at the facility for 18-20 years. Statoil will sell 1 bcm of natural gas per year to Gazprom at various U.S. locations over the next

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	1,177,900	\$4.302	(\$0.107)	(\$0.523)	(\$0.010)	(\$0.694)
Chicago City Gate	851,600	\$4.585	\$0.035	(\$0.239)	\$0.080	(\$0.647)
NGPL- TXOK	691,300	\$4.337	(\$0.030)	(\$0.487)	\$0.015	(\$0.876)
SoCal	424,600	\$4.705	(\$0.070)	(\$0.119)	(\$0.025)	(\$0.610)
PG&E Citygate	406,600	\$5.219	(\$0.081)	\$0.395	(\$0.036)	\$0.099
Dominion-South	291,300	\$4.540	(\$0.034)	(\$0.284)	\$0.011	(\$0.594)
USTRade Weighted	21,631,800	\$4.504	(\$0.055)	(\$0.320)	(\$0.01)	(\$0.694)

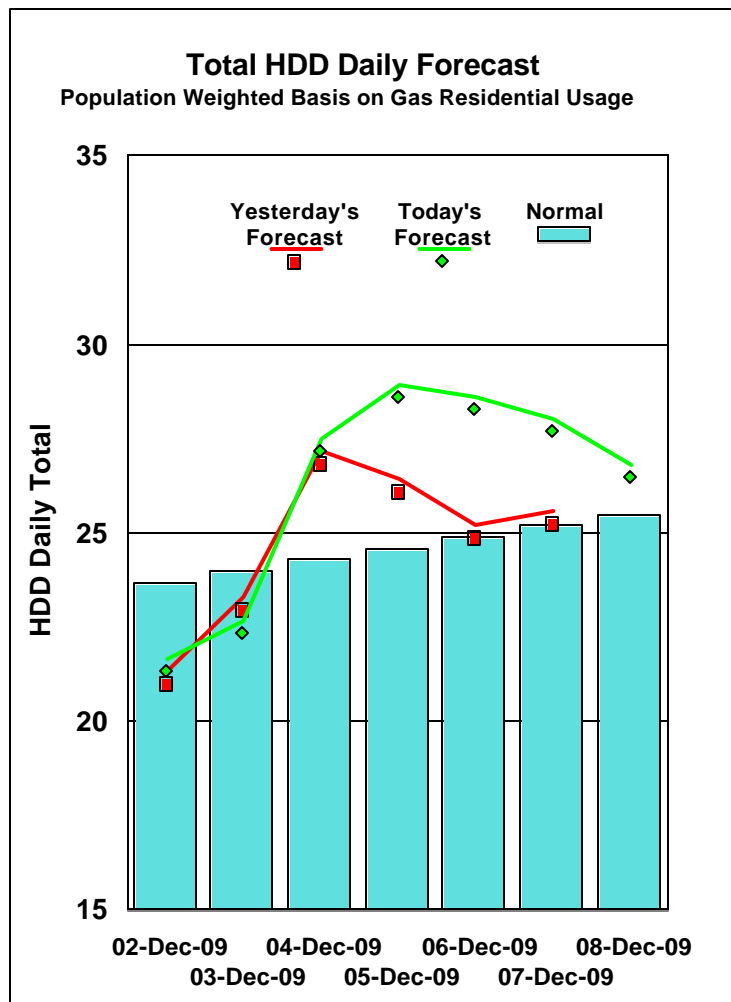
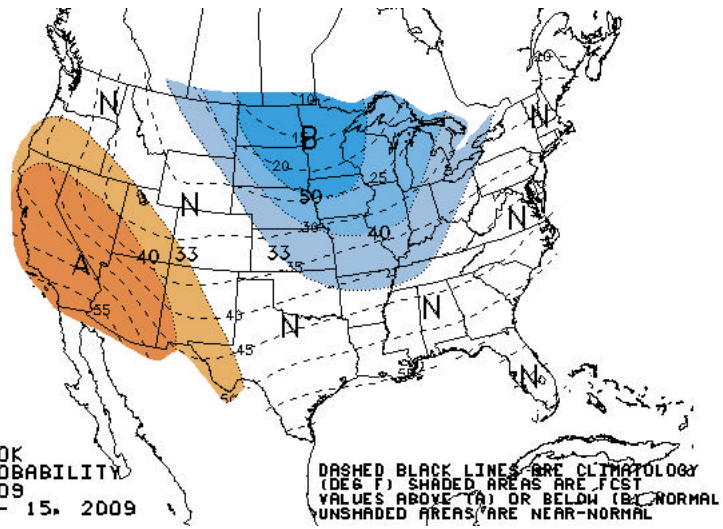
five years. In addition Statoil will purchase 2 bcm of LNG from Gazprom for delivery in international waters.

The berthing of the Mesameer LNG tanker at

Canaport LNG terminal in New Brunswick has been delayed due to high winds. Offloading was expected later this week.

Raymond James & Associates said in a research note Monday that they see an estimated 9.6 bcf/d or more of incremental interstate and intrastate pipeline takeaway capacity to come on stream by 2010 in the Haynesville Shale region. While this should keep pace with production gains in the region, they see a potential bottleneck developing at the Perryville Hub in Louisiana developing after 2011.

Chevron said today that it expects that major construction of the A\$43 billion Gorgon LNG project in western Australia is expected to begin during the second half of 2010. The first gas exports from the project are expected to reach the market by 2014. Preliminary site work began this autumn.



Reuters reported that the Maran Gas Coronis LNG tanker is scheduled to arrive at the Isle of Grain terminal on December 14th.

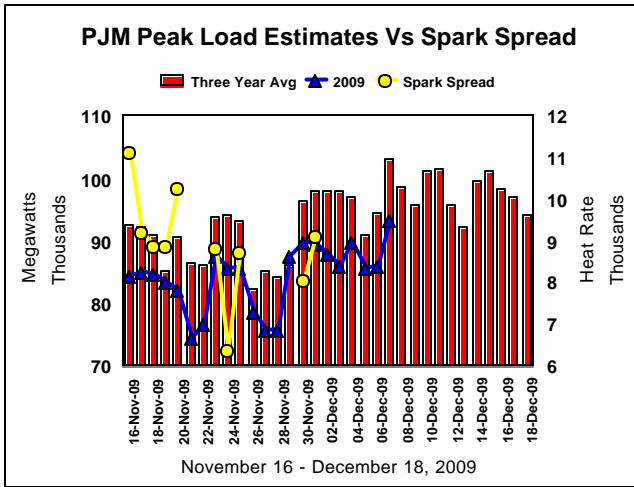
Woodside Petroleum said today that about half of its construction workers at its Pluto LNG project have gone on strike over housing issues. The project, which is 82% complete, is expected to begin exporting LNG in 2011.

Britain's Bruce gas field in the North Sea was restarted late last week following completion of its maintenance outage which began in mid-August. Production from the field is ramping up.

The Algerian energy minister said today that Algeria already has the production capacity to meet its target of exporting 85 bcm of gas per year by 2012,

PIPELINE MAINTENANCE

Gulf South Pipeline said that beginning late Monday and last for two days it had unplanned maintenance on its Index 219. A few receipt locations will be shut in and unavailable for service for the duration of the work.



ELECTRIC MARKET NEWS

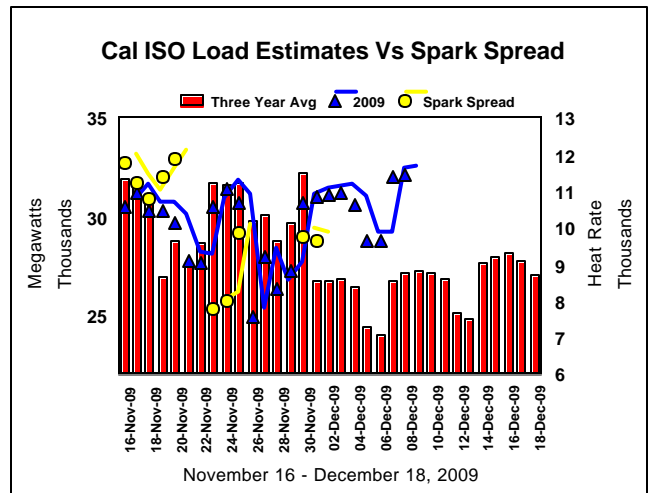
Genscape reported that coal stockpiles at U.S. power plants this week grew by 0.3% from last week, but inventories are still 12.2% greater than the same time a year ago.

Duke Energy’s Campbell Hill Windpower Project near Casper, Wyoming is now on line and producing power. The 99 Mw project will supply power to PacifiCorp under a 20-year power purchase agreement.

The Canadian province of Newfoundland and Labrador is seeking Hydro-Quebec to renegotiate the contract from Churchill Falls hydro project as

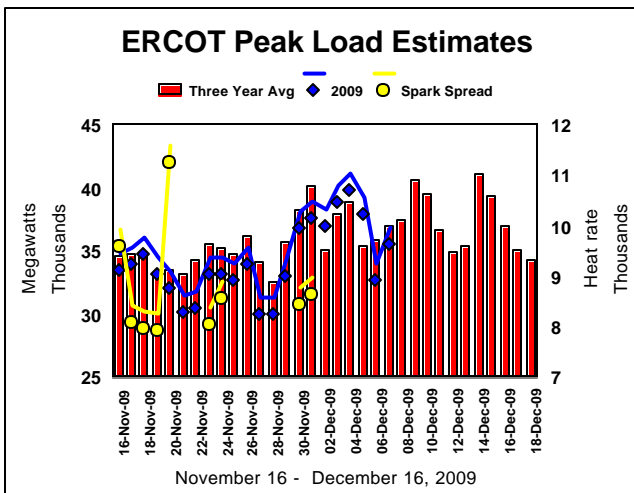
being unfair. Under the existing terms of the contract signed in 1969, the purchase price under the contract is 0.25 Canadian cent per Kwh and the renewal contract fixes the purchase price at 0.20 Canadian cent for the 25 year period beginning in 2016. That would mean for the remaining 32 years of this power contract, Upper Churchill power will be sold to Hydro-Québec for less than 5% of its recent commercial value, permitting “virtually no return” to the plant.

Sempra Energy won its lawsuit yesterday with the California Department of Water Resources, when a jury agreed that Sempra did not breach its \$6.6 billion 2001 contract to provide a stable supply of power. The jury agreed with the company was entitled to provide the state with energy from any



project or market source and was not obliged to have the 550 Mw Elk Hills plant in operation when it was not commercially reasonable.

Progress Energy’s Carolina electric utility announced today that it would shutter 11 coal-fired generating units by 2017. The units combined have a generating capacity of nearly 1500 Mw. The older coal units, representing 30% of the utility’s coal generation assets in North Carolina, do not have flue-gas desulfurization controls, or scrubbers.

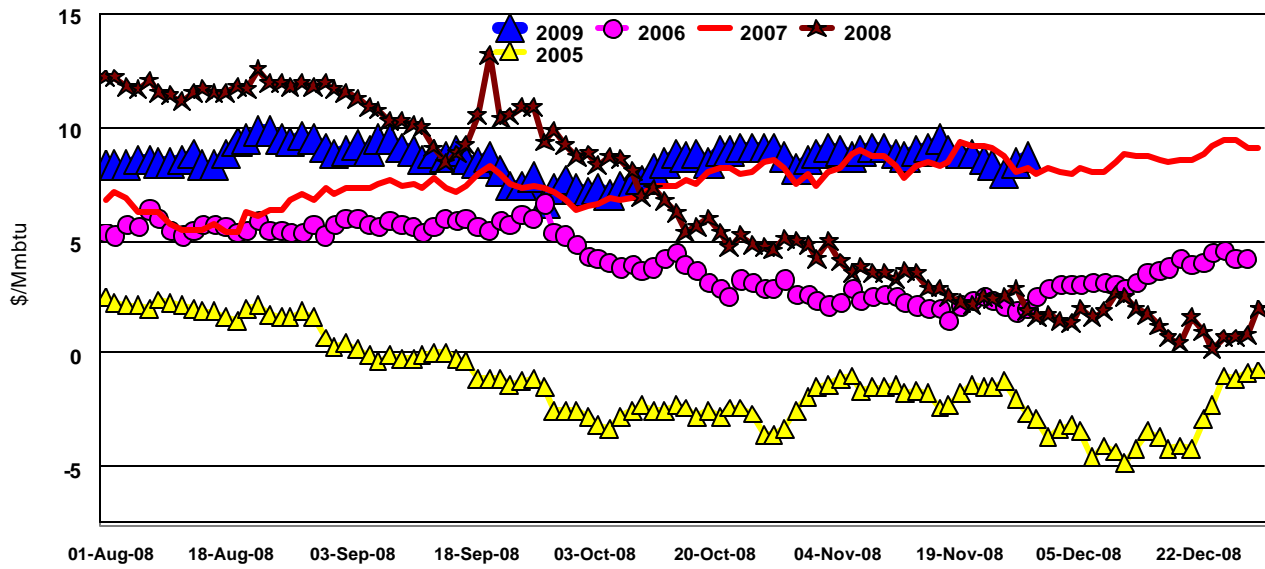


MARKET COMMENTARY

Despite general bullish euphoria spreading across most commodity markets today as the dollar continued to erode in value, gold pushing above \$1200 and oil prices were once again approaching \$80.00 per barrel pushed higher by economic news out of China continued to be viewed as supportive, natural gas prices moved in non correlated fashion. Weather forecasts continue to be primary force in this market. While the near term or the next seven day temperature forecast was revised a bit colder overnight, traders remained focused on the longer 8-14 or 11-15 day forecasts and these were clearly not as supportive as they were yesterday, as the models look for burst of cold air rather than a

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Crude Oil Minus Natural Gas: NYMEX Spot Futures Settle



prolonged cold outbreak. Given the large storage overhang of natural gas, buyers that were quick to embrace the possibility of a prolonged cold snap appeared to be quick to exit the market. As a result prices in the January contract were once again challenging support established nearly two weeks ago.

We would look for support tomorrow at the \$4.64 area followed by \$4.59, \$4.57-\$4.56, \$4.418, \$4.088 and \$3.996. Resistance we see at \$4.88-\$4.90, \$4.975-\$5.00, \$5.05, \$5.114 and \$5.29.

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