



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 2, 2010

NATURAL GAS MARKET NEWS

Statoil said Thursday that it has begun production at its Vega gas and condensate field off Norway's west coast. The field is expected to have a capacity of 7 mcm of gas per day and 3900 cubic meters of condensate. Currently four wells are online with two more expected to begin production by April 2011.

Chevron said Sinopec has agreed to buy a minority stake in its deepwater gas fields of its Gendalo-Gehem project in Indonesia. When completed the project is expected to produce up to 1.1 bcf/d of natural gas and 31,000 b/d of condensate.

Venezuelan's energy minister today announced that China will help develop the Junin 1 oil block in Venezuela as well as a natural gas field in the country.

Brazilian state-run energy company Petrobras is set to import 35-40 cargoes of LNG into Brazil this year, up from seven in 2009, as hydropower levels fall, said Marcio Demori, Petrobras' LNG trading manager today.

EIA Weekly Report

	11/26/2010	11/19/2010	Change	11/26/2009
Producing Region	1263	1249	14	1218
Consuming East	2053	2069	-16	2093
Consuming West	498	519	-21	526
Total US	3814	3837	-23	3837

*storage figures in Bcf

The UK's Environment Agency and the Health and Safety Executive said on Thursday they will prosecute Shell for breaching legislation following an explosion and fire at the Bacton gas terminal in 2008. Shell said it has been "made aware" it will

be prosecuted after a joint investigation by the two authorities. The case's first hearing is scheduled for January 20, 2011. On February 28, 2008 a fire broke out at a waste water treatment plant at the Bacton gas terminal run by Shell, which cut more than a tenth of the British gas supply. At the time, Shell said the blaze was extinguished within hours and gas flows from the terminal resumed a day later. There were no casualties following the incident, an Environment Agency spokeswoman said.

Russian natural gas production totaled 59.27 billion cubic meters in November, up 1.7% from the same period last year, statistics from Russia's energy ministry showed today. Of the total, state-run gas firm

Generation Update

NPCC – TransCanada's 683 Mw Halton Hills natural gas fired power plant returned to service after a short outage from Thursday evening.

PJM – Exelon's 619 Mw Oyster Creek nuclear power plant exited its refueling outage and ramped up to 35% power by early Thursday.

SERC – TVA's Browns Ferry #1 nuclear unit dropped to 42% power on Thursday. The unit had been at full power on Wednesday

Dominion's 799 Mw Surry #1 nuclear unit has restarted and was at 5% power this morning. The unit was shut back on October 24th for planned refueling.

MRO - DTE Energy's 1122 Mw Fermi #2 nuclear unit started to exit its recent outage and was at 1% power this morning. The unit has been off line since October 24th due to a main turbine trip.

The NRC reported today that some 91,963 Mw of generating capacity was online today, up 1.7% from yesterday and 6.7% higher than the same day a year ago.

Gazprom produced 46.50 billion cubic meters in the month, down 1.9% from last year. Russian natural gas production rose in November to 1.98 billion cubic meters per day from 1.87 bcm per day in October, Energy Ministry data showed today. Gas production by Gazprom rose to 1.55 bcm per day in November from 1.49 bcm per day in the previous month.

Yemen LNG is planning to shut a feed gas pipeline to its liquefied natural gas export project for a few days in December for final repairs, following an attack on the line in September. A grenade thrown near the pipeline running through Yemen's southern province of Maarib, and while flows were not interrupted, repairs are needed on the damaged pipe.

Canadian Gas Association

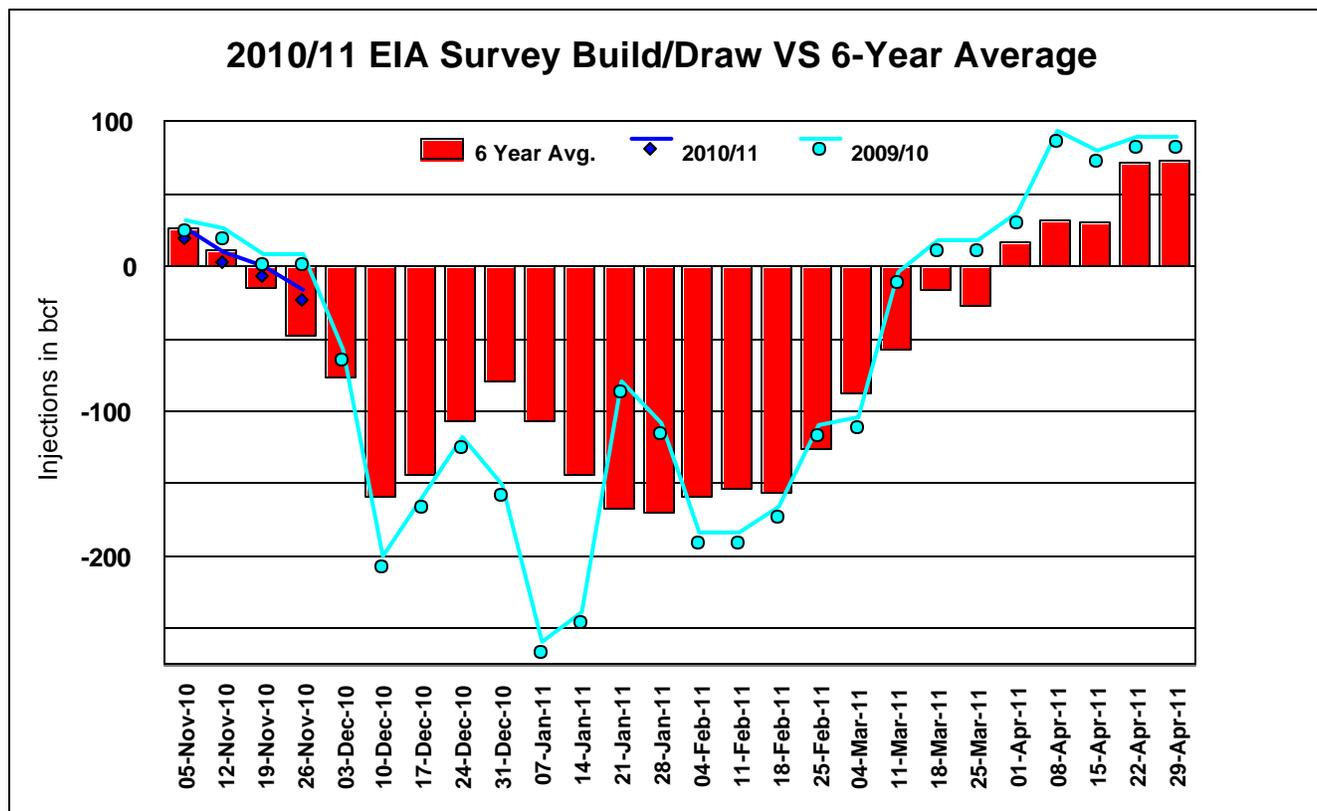
Weekly Storage Report

26-Nov-10 19-Nov-10 27-Nov-09

East	236.8	240	239.1
West	390.4	404.9	373.7
Total	627.2	644.9	612.8

storage figures are in Bcf

Energy Transfer Partners LP (ETP) yesterday opened its 2 billion-cubic-feet-a-day ETC Tiger pipeline, which will connect natural gas from the US Gulf Coast to points north, a company spokeswoman said today. The 175-mile interstate natural gas pipeline will connect the Haynesville Shale play in east Texas and Louisiana to the Carthage Hub in east Texas for eventual deliveries to seven interstate pipelines and one intrastate pipeline for ultimate delivery to the Midwest and Northeast, according to the Energy Transfer website.



ELECTRIC MARKET NEWS

Dominion Virginia Power offered today to close its 74 Mw North Branch coal fired power station in Bayard, West Virginia, in an effort to improve regional air quality.

The UN's World Meteorological Organization said today that this year is set to be among the top three warmest years globally since records began in 1850. Recent warming has been especially significant in Africa, parts of Asia and parts of the Arctic. The British met Office said this year was "most likely than not" the warmest year on record.

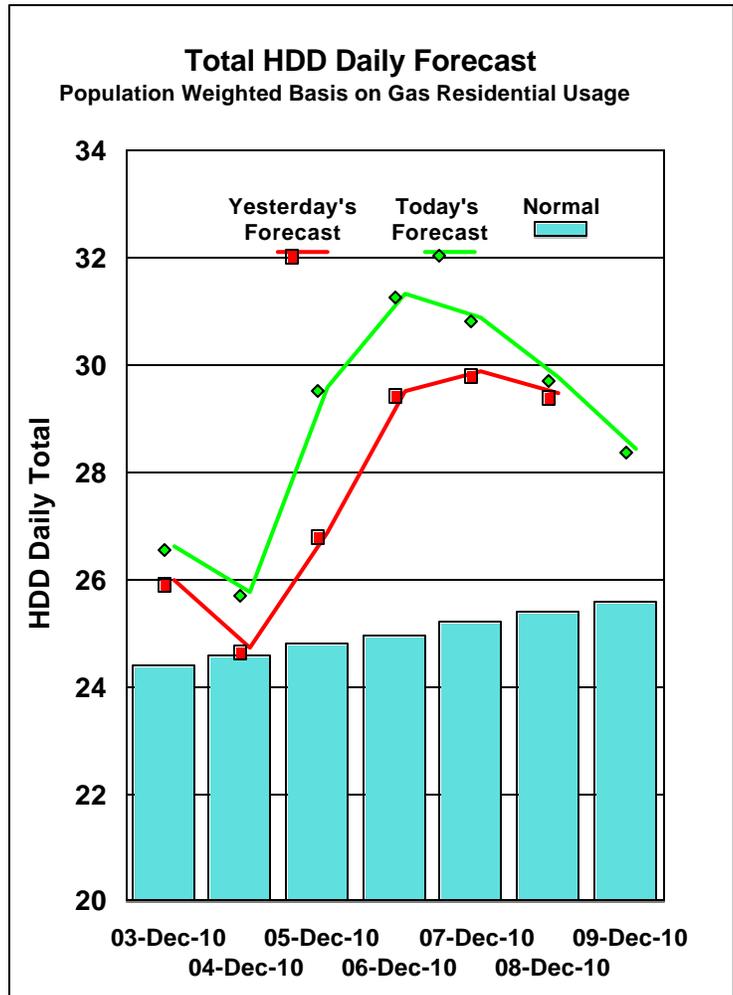
The Board of PJM, which operates the biggest power grid in the United States, approved of \$1.25 billion in transmission upgrades and reaffirmed support for a new high-voltage line from West Virginia to Maryland. Originally approved in 2007, the 277-mile, 765 kilovolt Potomac-Appalachian Transmission Highline (PATH) between West Virginia and Frederick, Maryland has a required in-service date of June 1, 2015, and an estimated cost of 2.1 billion, PJM said in a release late yesterday.

ECONOMIC INDICATORS

The Labor Department said the initial unemployment claims increased by 26,000 to 436,000 in the week ending November 27th. The previous week's figures were revised up to 410,000 from 407,000. It reported that the four week moving average fell by 5,750 to 431,000 from the prior week's revised average of 436,750. The unemployment rate for workers with unemployment insurance for the week ended November 20th was 3.4%, unchanged from the previous week's revised rate.

The National Association of Realtors' index for pending sales of existing homes increased by 10.4% to 89.3. The pending sales index was 20.5% below its level of 112.4 in October 2009.

The CFTC will unveil proposed rules next week that build an oversight structure for swap trading platforms and state how companies that use swaps to hedge risk can be exempt from clearing regulations. Separately, the CFTC is planning to propose other rules next week as well, including business conduct standards with trading counterparties. The CFTC will also propose additional governance and conflicts of interest rules for exchanges, clearinghouses and SEFs.



MARKET COMMENTARY

The natural gas market settled higher for the second day in a row today despite the mid morning sell off following the release of the EIA storage report which came in showing a slightly smaller draw down in inventories. The bulls though returned to this market as midday weather forecasts continued to show that temperatures not only short term would be colder than expected from yesterday's forecast but the 11-15 day forecast continued to show below normal temperatures remaining in place especially east of the Mississippi. As a result prices by the end of the day had erased any of the losses from mid morning and returned to the early morning highs by the end of the day. These highs basically reached a 62% retracement of sell off from the last week.

While prices finished firm this afternoon, there could be some wavering in the bulls commitment to the market tomorrow if there is confirmation tomorrow by the new computer runs that the cold air flow will be cut off from Canada and as a result colder than normal temperatures in the east will begin to moderate with above normal temperatures returning to the mid section of the country by the end of the

11-15 day period. But given the recent strength in the oil markets there may remain a bullish spillover into this market for Friday. But longer term we continue to feel that relatively high stocks coupled with the probability that December 2010 will not be able to match the draw downs recorded last year during this month, then prices should come under pressure as the month wears on.

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