



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 7, 2009

NATURAL GAS MARKET NEWS

The trade group, the Natural Gas Supply Association and the American Exploration and Production Council in a letter to House Speaker Pelosi and House committee chairmen, warned Congress that mandatory clearing of all OTC derivatives could remove as much as \$900 billion from the fragile U.S. economy, or force companies to scale back their hedging, exposing customers to increased commodity and financial risk.

Integrus Energy Group announced its non regulated subsidiary, Integrus Energy Services, closed the first transaction in the previously announced two part sale of its wholesale natural gas marketing business. The first part of this sale involved the sale of substantially all of its wholesale natural gas marketing business to Sequent Energy management. The sale was expected to reduce collateral support requirements by \$290 million. The second part of the transaction is the sale of 11.5 bcf of storage, is expected to take place between now and April 2011.

Duke Energy Kentucky has reached a settlement with the Kentucky Public Service Commission to approve the negotiated rate increase for natural gas delivery service of \$13 million or 10.4% on total gas revenues, down from its prior request of a 14% increase.

The Qatari LNG tanker Umm Slal, a Q-Max tanker (which has 80% more capacity than conventional carriers) is scheduled to arrive from Qatar at the U.S. Sabine Pass LNG terminal on December 31st.

Generator Problems

NPCC – NextEra Energy's 1245 Mw Seabrook nuclear unit was shut early Monday. The unit had been operating at 65% power since mid-November due to a vibration in a low-pressure turbine.

Bruce Power's 822 Mw #6 nuclear unit was restarted on Saturday after a three week shutdown.

OPG reported that three 490 Mw Nanticoke coal fired units have returned to service, Units #1, #7 and #3. The company also reported that its 494 Mw Lambton #1 coal fired unit was shut for short term maintenance today, while Unit #2 which had been off line since October 26 returned to service.

PJM – FirstEnergy's Beaver Valley #2 nuclear unit was at 98% power up 7% from Sunday.

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit was up to 92% power on early Monday, up 89% from Friday's levels.

MISO –NextEra's 514 Mw Point Beach #2 nuclear unit was at 28% power this morning as it restarted from its recent refueling outage.

Exelon's 867 Mw Dresden #2 nuclear unit ramped up to 83% power Monday. The unit had been at 24% power on Friday.

SERC – Duke Power's 846 Mw Oconee #1 nuclear unit was back at full power this morning. The unit was at only 20% power on Friday as it was returning from its recent refueling outage.

WSCC – APS 1314 Mw Palo Verde #2 nuclear unit was back at full power Monday morning. The unit was at just 38% power on Friday. The 1247 Mw Palo Verde #3 unit was at 12% power after being shut down last Thursday due to a problem with a containment isolation valve.

TransAlta said its 450 Mw #3 coal fired unit at the Genesee power plant returned to service early Monday.

ERCOT & SPP – Entergy's 1157 Mw Waterford #3 nuclear unit has ramped back to full power. The unit had been at just 16% power on Friday.

AEP's Pirkey #1 coal fired power plant was expected to be restarted this week after planned maintenance on the boiler, precipitator and scrubber.

The NRC reported today that 89,287 Mw of nuclear generation was on line this morning, up 0.3% from yesterday, and off some 3.95% from the same time a year ago.

The National Weather Service reported this morning that it is looking for the current week ending December 12th to see 204 HDD on a gas home heating customer weighted basis. This would be 7.9% higher heating demand than normal and 2.5% better than a year ago. For last week the NWS estimated there were 169 HDD some 2.9% less than normal.

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	901,600	\$4.782	\$0.252	(\$0.174)	\$0.005	\$0.058
Chicago City Gate	764,800	\$5.112	\$0.333	\$0.156	\$0.001	\$0.164
NGPL- TX/OK	711,500	\$4.757	\$0.269	(\$0.200)	(\$0.063)	(\$0.136)
SoCal	424,000	\$5.155	\$0.315	\$0.199	(\$0.017)	\$0.241
PG&E Citygate	895,300	\$5.612	\$0.370	\$0.656	\$0.038	\$0.672
Dominion-South	380,200	\$5.067	\$0.265	\$0.111	(\$0.067)	\$0.098
USTRade Weighted	21,096,800	\$5.019	\$0.337	\$0.063	\$0.00	\$0.058

Reuters is reporting that the Methane Jane Elizabeth LNG tanker is expected to arrive at the Dragon terminal at midweek. Also scheduled to arrive this week

is the Mekaines LNG tanker at the South Hook terminal on December 10th from Qatar, with two other tankers the Al Hamal and the Maran Gas Coronis scheduled to arrive next week at the Milford Haven and Isle of Grain terminals respectively. This past weekend saw the arrival of two LNG cargoes into Britain.

PIPELINE MAINTENANCE

Gulf South said it will be performing system maintenance at the Harrisville Compressor Station on Unit T-2 and on Unit T-1 beginning Monday morning and lasting for 48 hours. Based on current system operations and nominations, the company does not expect any impact to shippers utilizing the Harrisville Compressor Station.

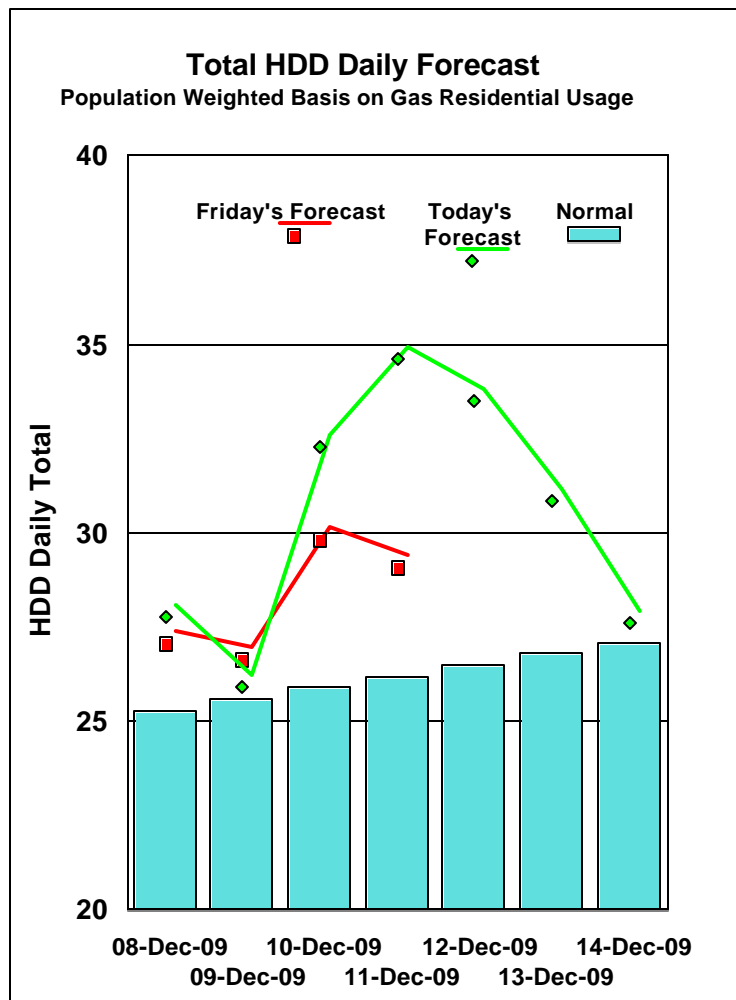
PIPELINE RESTRICTIONS

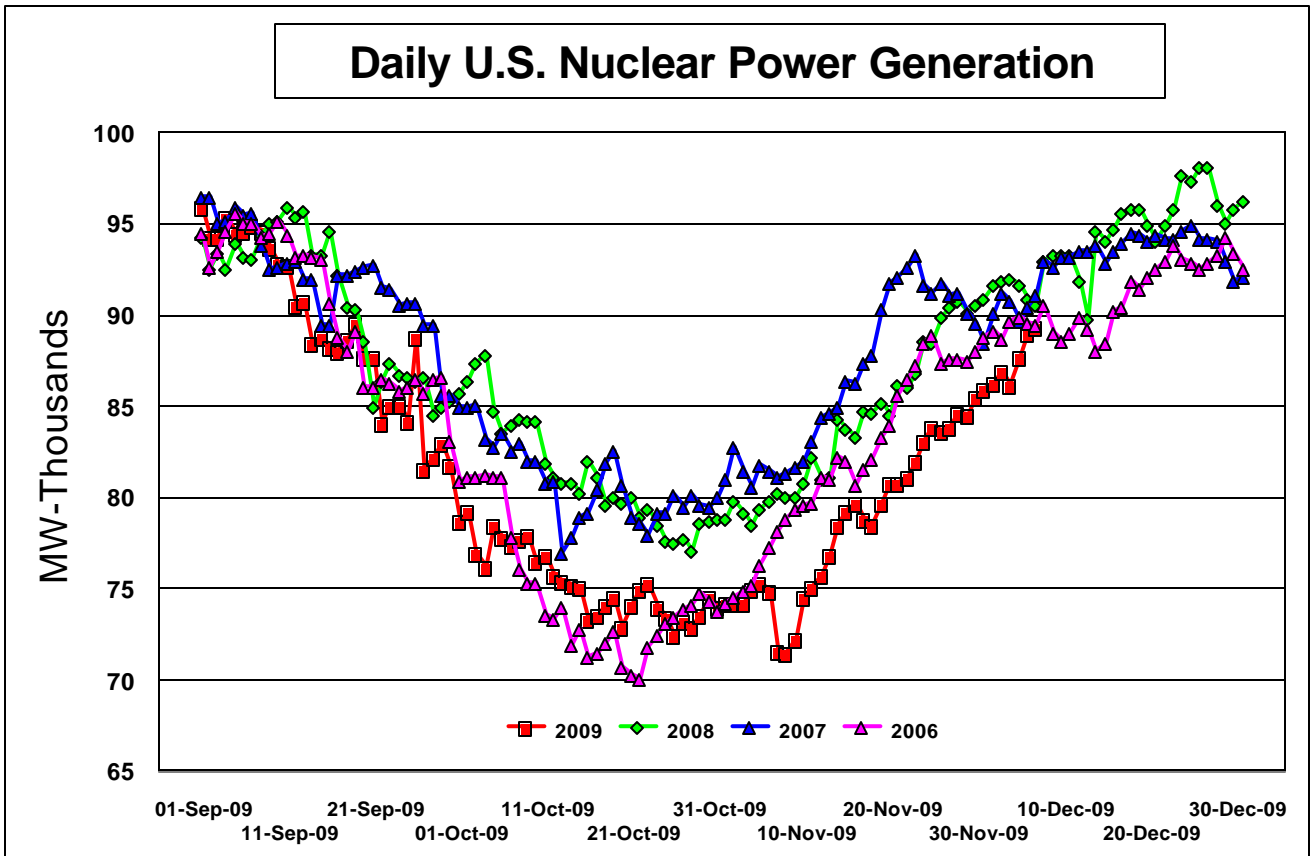
TransCanada said that due to low line pack, there is the potential for an Alberta System tolerance change due to a supply demand imbalance.

ELECTRIC MARKET NEWS

The Obama administration today via the EPA ruled that greenhouse gases endanger human health. This ruling will allow the EPA to issue regulations regulating greenhouse gases even if Congress fails to pass its climate legislation. The Obama administration said it would prefer that Congress to deal with the issue rather than the EPA, but the agency is prepared to move forward if Congress fails to act.

Genscape reported that for the week ending December 3rd U.S. power output for the week ending December 3rd rose 5.7% from the prior week, but was down 2.21% from

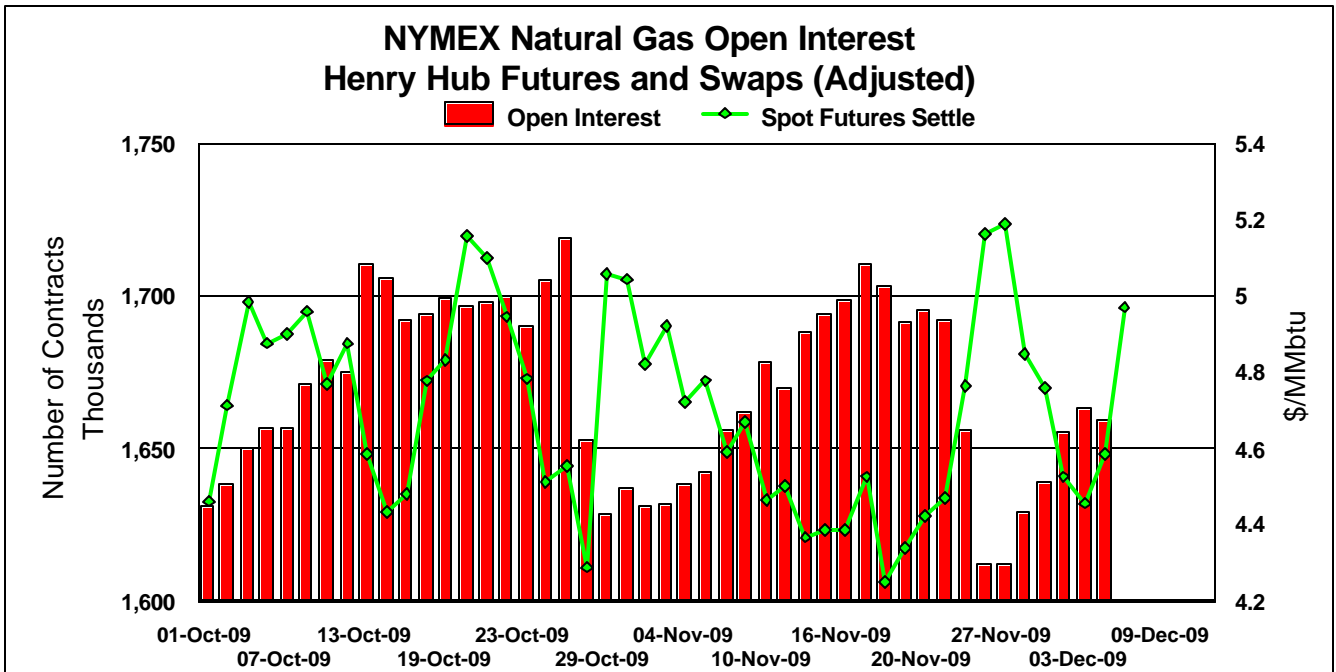




the same week a year ago.

MARKET COMMENTARY

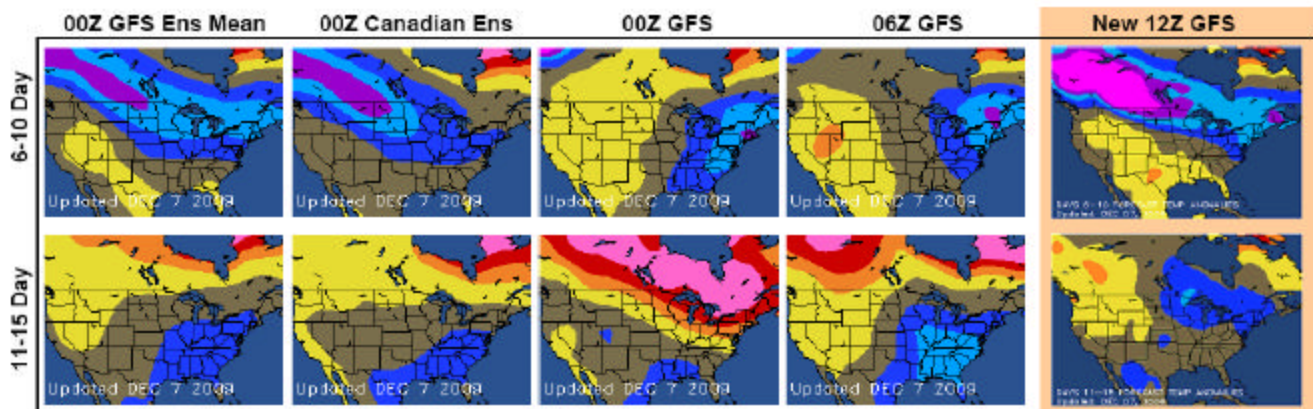
The natural gas futures market today rose the most in eleven weeks as traders were met this morning by forecasts for colder temperatures over the next two weeks, especially the mid section of the country. These colder temperatures also pushed the next day gas market to its highest level since the



third week in October as the trade weighted national price reached over \$5.00 today.

The price drive seems to have been fueled further by nervous shorts, which exited the market in greater frequency today. While Friday's rally seems to have been prompted by nearly 3600 lots in open interest that was reduced on Friday following the prior four sessions in which the combined futures and swaps in Henry Hub contracts had grown by over 50,000 on the NYMEX, we would expect today's rally resulted in even greater short covering.

Forecast Model Comparison



We look at today's trading season, as the true first winter time rally, could have the potential to last another day or so basis short covering and a typical spec bullish response to cold weather. But we feel the ability of this rally to be sustained will be limited given the record overhang of working gas stocks along with rebounding nuclear generation levels that have quietly returned to seasonal levels after basically two months in which a significant portion of nuclear generation assets have been shut in for maintenance. We as a result would be patient to sell into this rally but our initial target point for a sale would be \$5.60 area. We see initial resistance at \$5.037 tomorrow followed by \$5.133, \$5.24, \$5.35, \$5.47 and \$5.565. Support we see at \$4.92 followed by \$4.79. \$4.74-\$4.72, \$4.65, \$4.51 and \$4.44-\$4.43.

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