



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 8, 2009

NATURAL GAS MARKET NEWS

The EIA released their latest Short Term Energy Outlook today. It estimates that production of natural gas in the fourth quarter of this year will average 57.19 bcf/d. This was a significantly upward revision from last month when it estimated production this quarter would fall to 55.54 bcf/d. While the agency still sees 2010 production of natural gas declining, its reduction is not as great as last month's estimate. The EIA now estimates production next year will average 55.78 bcf/d, an upward revision of 1.5% from last month. The EIA though has revised lower its estimates for net imports of natural gas in 2010 from 7 bcf/d to 6.6 bcf/d, helped in part to a 3.9% lower expectation for LNG imports, but the biggest decline coming from Canadian imports as low rig counts in Canada will lead to continued contraction in Canadian production levels. Consumption in the 4Q2009 is now seen averaging 63.21 bcf/d down 0.7% from last month's estimate. The agency sees 2010 demand for natural gas to average 61.88 bcf/d, a 0.6% increase over last month's estimate. The growth in 2010 demand is based on expectations for a return to normal weather next year and expectations for economic growth. Growth though will be tempered by the loss of some power generation demand for gas as utilities switch back to coal given the expectation for higher prices. The EIA estimated that in 2010 Henry Hub price should average \$4.62 a 7.8% decline from last month's estimate.

ExxonMobil today released their report "Outlook for Energy: A View to 2030". It sees natural gas will help to meet demand for power generation, the largest and fastest growing energy demand sector. It

Generator Problems

NPCC – OPG's 494 Mw Lambton #3 coal fired power station was shut for short-term maintenance this morning

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit was back at full power this morning up 8% from yesterday.

MISO – NextEra continues to ramp output up at its 518 Mw Point Beach #2 nuclear unit after it was restarted this weekend. The unit was at 46% power this morning up 18% from yesterday.

SERC – Southern Nuclear's 1200 Mw Vogtle #1 nuclear unit was shutdown overnight. The unit had been at full power yesterday.

ERCOT & SPP – Unit #1 at the coal fired Martin Lake power plant tripped off line yesterday.

Entergy's 1218 Mw Waterford #3 nuclear unit was at 77% power this morning, off 23% from yesterday.

The NRC reported today that 88,032 Mw of nuclear generation was on line this morning, down 1.4% from yesterday, and off some 5.6% from the same time a year ago.

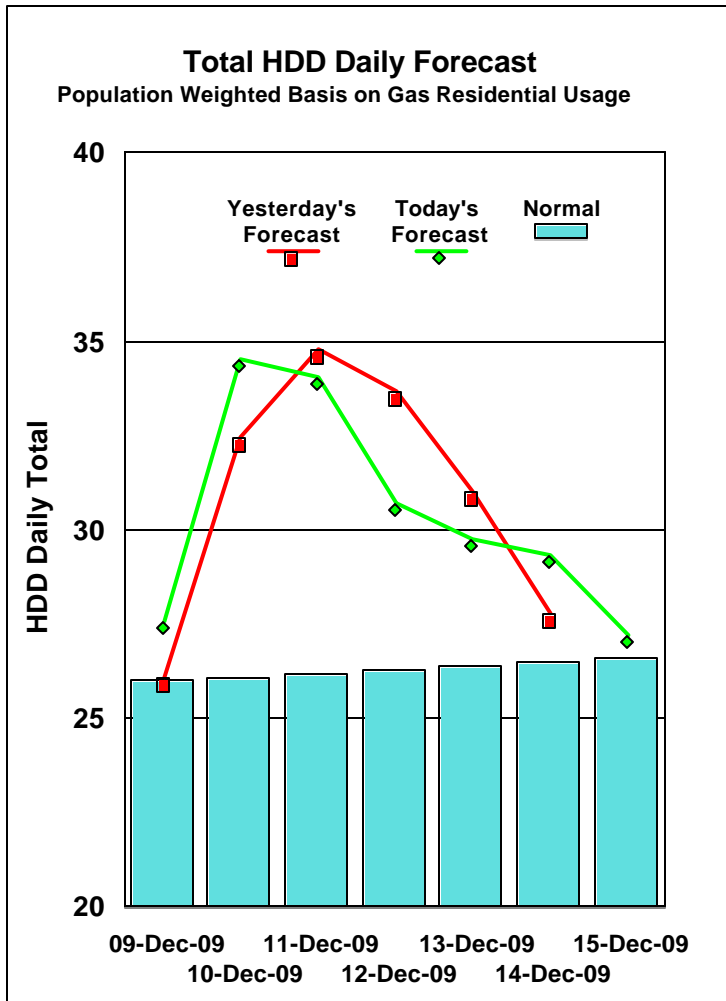
Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	1,207,700	\$5.099	\$0.317	(\$0.002)	\$0.139	\$0.163
Chicago City Gate	869,300	\$5.472	\$0.360	\$0.371	\$0.215	\$0.286
NGPL- TX/OK	1,118,000	\$5.070	\$0.314	(\$0.031)	\$0.169	(\$0.045)
SoCal	299,300	\$5.449	\$0.294	\$0.348	\$0.149	\$0.335
PG&E Citygate	900,400	\$5.832	\$0.220	\$0.731	\$0.075	\$0.739
Dominion-South	268,500	\$5.346	\$0.280	\$0.245	\$0.135	\$0.204
UTrade Weighted	23,099,500	\$5.303	\$0.284	\$0.202	\$0.14	\$0.163

sees this sector accounting for 55% of the total growth in energy demand through 2030. By 2030 it sees power generation accounting for 40% of total primary energy demand.

An expert from the University of Texas told an industry gathering yesterday that the highly successful Haynesville Shale play in Louisiana and East Texas may be larger than previously believed as the boundary of the formation looks like it will extend to the Sabine Island area. Another academic expert noted that eight of the ten largest onshore natural gas plays in the United States currently producing are from unconventional reservoirs, primarily shale plays. His studies have found that the technically recoverable resource of unconventional gas in any basin is 5-10 times greater than the ultimate recovery from all conventional oil and gas reservoirs in the same basins. He noted as a result unconventional plays remain understated.



Statoil said Tuesday its Snoehvit LNG facility was still offline and gave no details on when the unit was expected to be restarted. Back on November 23rd the company had said it expected Snoehvit production to resume in 14 days at the "earliest". The facility has been out of service for a major repair since mid August. It briefly restarted in early November before being forced to shut down again.

The Wyoming Pipeline Authority told the FERC yesterday that gas production in Wyoming is growing rapidly and as a result it is testing the limits of pipeline systems that are seeking to move the gas out of the Rocky Mountain region. The group has asked the FERC to approve Kern River 's proposed Apex Expansion. The project would add 266,000 Dth/d of capacity for deliveries into Nevada.

Indonesian energy ministry officials said today the development of the giant Natuna LNG project could be delayed due to uncertainties over the terms and conditions of current contract negotiations regarding the terms of the production split. Indonesia has been pushing for a 40% share for Pertamina with 60% to be shared by eight

potential partners. The Natuna D-Alpha block reportedly holds a quarter of the country's recoverable natural gas reserves but due to its high carbon dioxide content it is expected to be very costly to develop. The government had been targeting the project to come on stream in 8-9 years, provided final governmental approval is granted next year.

ExxonMobil and its partners gave final approval on Tuesday to a \$15 billion LNG project in Papua New Guinea. Exports from the PNG LNG project are expected to begin in 2014. The 6.6 million tonne per year project, already has signed commitments for 3.8 million tonnes per year.

Total, a project member in the Shtokman natural gas project in Russia said today that a final investment decision, said partners in the in project are likely to postpone a final investment decision

after running into financing problems during the economic crisis. A Total official said that a final investment decision may come at the end of 2010. The project is expected to cost \$15 billion on its first phase alone. Gazprom has said that while the financial crisis has caused it to scale back some investments, the company said that some projects including Shtokman would not be affected.

The Central European Gas Hub exchange in Austria said it would start offering spot contracts on Friday. Traders see this as the first step toward developing it into a wider continental European gas trading platform. The delivery point will be the Baumgarten gas hub on Austria's eastern border. Baumgarten is a major transit point for Russian gas delivered to western Europe as well as the potential ending point for the proposed Nabucco pipeline. The CEGH plans to launch a gas futures market in the spring of 2010, pending regulatory approval. All the products would be physically settled at trading locations of the CEGH and cleared by European Commodity Clearing, the clearing arm of the German energy exchange EEX.

PIPELINE MAINTENANCE

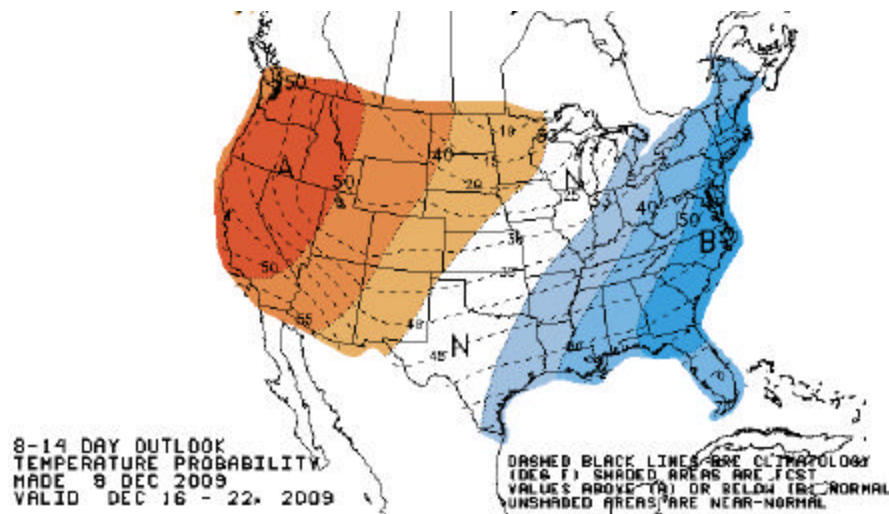
Gulf South said it would perform an additional day of pigging maintenance on its Index 880 Mobile Bay 30 inch pipeline beginning December 8th.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective Tuesday morning it restricted through approximately 11% of supply to market secondary out of the path nominations pathed for delivery to the Leidy Meters.

NGPL said that effective for today and until further notice it is at capacity for northbound flow through Compressor Station 309 on Segment 27 in Montana. Interruptible transportation service and authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.

KMIGT said it is experiencing insufficient system supply east of Big Springs which threatens the operational integrity of the KMIGT system. As a result the company issued directional notice to maintain system integrity east of Big Springs. Effective for December 9th and until further notice shippers are directed to increase daily receipts to balance with daily deliveries east of Big Springs via their transportation and storage agreements. In addition the company said effective December 10th and until further notice it is declaring an unauthorized overrun period related to withdrawal quantities for no-notice service and small customer service, as these two services are provided without advanced nomination.



NNG declared a force majeure for deliveries on the Marquette branch line and will continue through the current heating season.

The Rockies Express Pipeline said late yesterday the force majeure declared back on November 14th on REX east of Chandlersville Compressor Station remains in effect, as investigations into the disruption continue.

CIG announced that an unexpected incident impaired the dehydration capability of its Totem Storage facility on segment H25. As a result the company has declared a force majeure for the duration of the outage.

ELECTRIC MARKET NEWS

The EIA said in the latest Short Term Energy Outlook that retail sales of electricity to the industrial sector from January through September were down by about 12% compared to the same period a year ago. The EIA noted that this decline was similar to the decline in the U.S. manufacturing production index. The agency looks for 3.6% growth in manufacturing during 2010, which should translate to an increase of 1.1% in power sales to the industrial sector with the residential and commercial sectors growing by 1.2% and 2.4% respectively. The projected share of electricity generated by natural gas, which in 2009 was 22% should fall to 21% in 2010.

Maryland picked NRG Energy's Bluewater Wind subsidiary as one of the three companies to supply power to the state from renewable sources. The company will provide up to 55 Mw of wind generation under a power purchase agreement, which will help the state meet its renewable portfolio standard.

Progress Energy reported that its new SO₂ scrubber has gone into operation at its Crystal River power plant and that a second scrubber is due on line early next year.

DTE Energy announced today that it would begin construction in the first quarter of 2010 on the next set of two SO₂ scrubbers at its Monroe coal fired power plant. Two scrubbers went into service at the plant earlier this year.

MARKET COMMENTARY

As colder temperatures and snow spread across the mid section of the country today, cash prices continued to rise for the third consecutive trading session. Traded volume over the ICE system for next day natural gas delivery at Henry Hub was at its highest level since November 16th. This cash market strength helped to boost futures prices as well as the latest computer models calling for several waves of arctic air to continue to spill into the Midwest and eastern U.S. over the next two weeks, with warmer than normal temperatures confined to the western United States. As a result it appeared short covering on NYMEX continued for the third consecutive day, allowing prices to retrace just over 38% of the sell off since mid October in the January contract. We continue feel that this rally may still have a little more upside left in it and as a result would still target the \$5.60 area as an entry point for new shorts. We see resistance tomorrow at \$5.152 followed by \$5.349, \$5.496 and \$5.565. Support we see at \$5.063, \$4.877, \$4.792 and \$4.707. Additional support we see at last week's lows of \$4.445 and \$4.432.

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