



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 9, 2009

NATURAL GAS MARKET NEWS

Anadarko Petroleum said Wednesday that it would briefly shut in production at the Independence Hub natural gas platform in the Gulf of Mexico, due to some "small" maintenance work. The company warned that there may "have another couple of days of maintenance coming up later this month".

Colorado State University released their 2010 Atlantic hurricane season forecast this morning. The forecasting group said next year should see "above average" tropical activity as some 11-16 tropical storms should form, with 6-8 becoming hurricanes. The group expects 3-5 of these hurricanes will become Category 3 or higher. This past year saw only 9 named storms, and was the quietest season since 1997. The group expects an upswing in activity as a result of the expectation of the current El Nino event will dissipate by the hurricane season and given warm sea-surface temperatures that are expected to continue into next season, the spawning of storms should increase. Dr. Gray's team said there is a 64% chance of at least one major hurricane making landfall along the U.S. coastline. The team estimated that there was a 40% chance that a major hurricane could make landfall along the U.S. Gulf Coast, a 10% high chance of probability than normal.

Generator Problems

NPCC – OPG's 515 Mw Pickering #6 nuclear unit had returned to service early Wednesday. The unit was shut in October 2nd for maintenance.

OPG's 535 Mw Lennox #2 oil and gas fired unit returned to service early Wednesday. The unit had been off line since December 7th.

MISO – NextEra continues to ramp output up at its 518 Mw Point Beach #2 nuclear unit. The unit was at 69% power, up 23% from yesterday..

SERC – Southern's 1152 Mw Vogtle nuclear power plant started to exit its recent outage and was at 3% power this morning.

ERCOT & SPP – AEP's Welsh #1 coal fired unit was expected to be restarted over the next week, as system availability requires.

The Monticello coal fired Unit #1 was expected to undergo maintenance today.

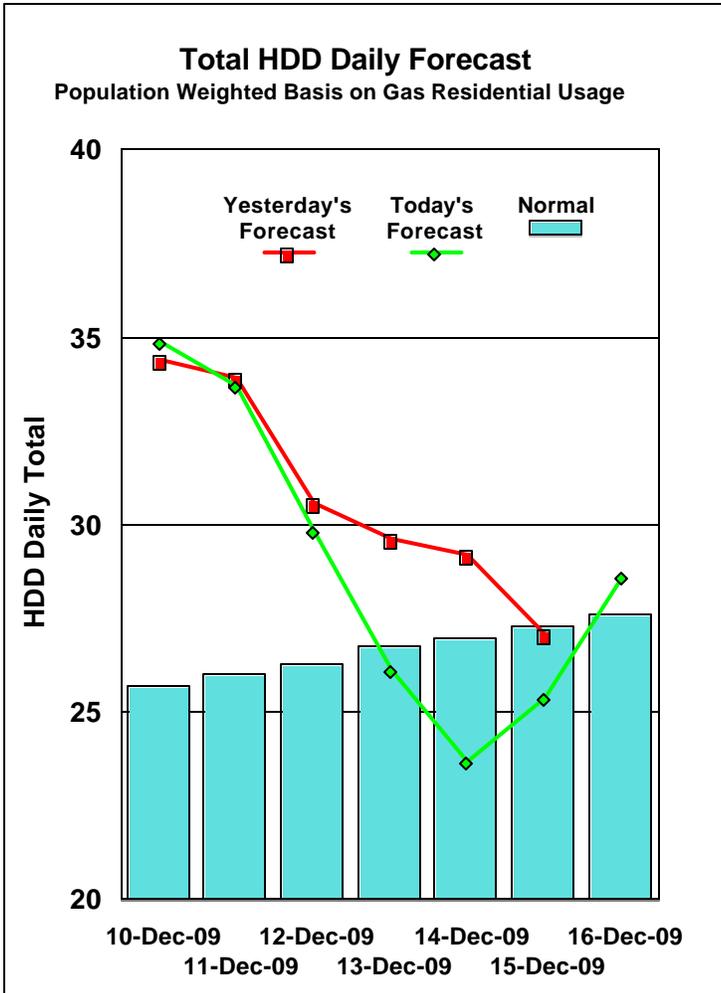
Entergy's 995 Mw Unit #2 at the Arkansas Nuclear One nuclear plant was shut early Wednesday. The unit had been at full power on Tuesday.

Entergy's 1218 Mw Waterford #3 nuclear unit was back at full power this morning up 23%.

The NRC reported today that 87,466 Mw of nuclear generation was on line this morning, down 0.7% from yesterday, and off some 6.2% from the same time a year ago.

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	626,200	\$5.267	\$0.168	\$0.263	\$0.286	\$0.198
Chicago City Gate	1,124,800	\$5.644	\$0.172	\$0.640	\$0.270	\$0.322
NGPL- TXOK	1,192,700	\$5.209	\$0.138	\$0.205	\$0.235	(\$0.028)
SoCal	401,200	\$5.642	\$0.193	\$0.638	\$0.290	\$0.356
PG&E Citygate	1,046,000	\$5.909	\$0.077	\$0.905	\$0.174	\$0.733
Dominion-South	406,300	\$5.619	\$0.273	\$0.615	\$0.370	\$0.268
UTrade Weighted	24,946,300	\$5.493	\$0.189	\$0.489	\$0.29	\$0.198

Reuters reported that according to its poll of eight industry analysts it found that the consensus is for U.S. LNG imports to nearly double next year as it reaches 2.3 bcf/d.



Russian President Medvedev warned today that it would be “irresponsible” to change existing gas supply contracts between Russia and the Ukraine. He noted that just this year the countries had signed a ten-year treaty. The Ukraine’s Naftogaz said today there is no basis for a new crisis with Russia over supplies of natural gas. The company said there are no financial reasons for an interruption in regular payments for imported gas.

The Russian energy minister today at the gathering of the Gas Exporting Countries Forum said the most important thing the gas exporting countries could do is stabilize prices not raise them. He noted though that he did not see the current gas market as over supplied.

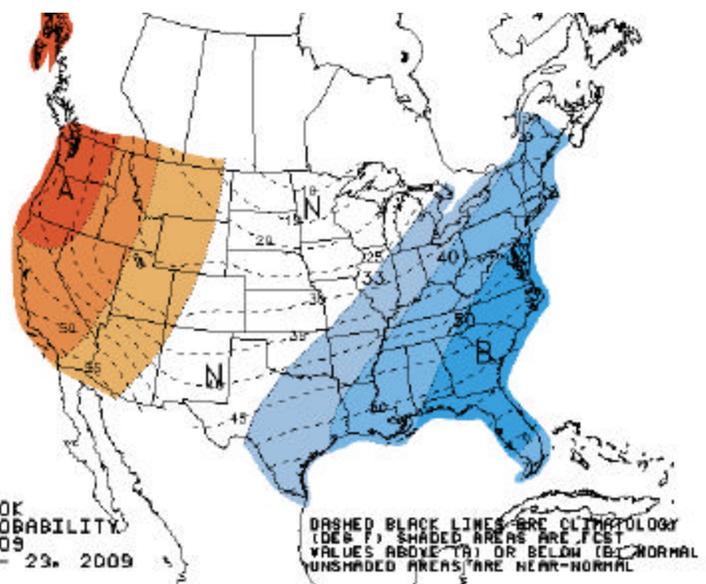
ExxonMobil Wednesday said it has approved five engineering, procurement and construction contracts for the \$15 billion PNG LNG gas plant in Papua New Guinea.

The Saudi oil minister said today that the kingdom expects to add natural gas reserves next year and boost gas output significantly by 2015, as it seeks to help drive the development of the kingdom’s

petrochemical industry. The country’s raw gas production is seen exceeding 13 bcf/d by 2020 from about 8.8 bcf/d currently.

PEMEX said today that it looks for its total natural gas production next year to fall by 12% to 6.2 bcf/d.

The Wall Street Journal reported that despite public denials Sempra may very well sell its stake in the RBS Sempra Commodities joint venture now that the Royal Bank of Scotland is being forced to sell its 51% stake. A deal may be concluded in the next several weeks. The paper reported that the two companies are seeking more than \$3 billion for full ownership of the firm and more than 20 banks and nonfinancial companies have expressed interest.

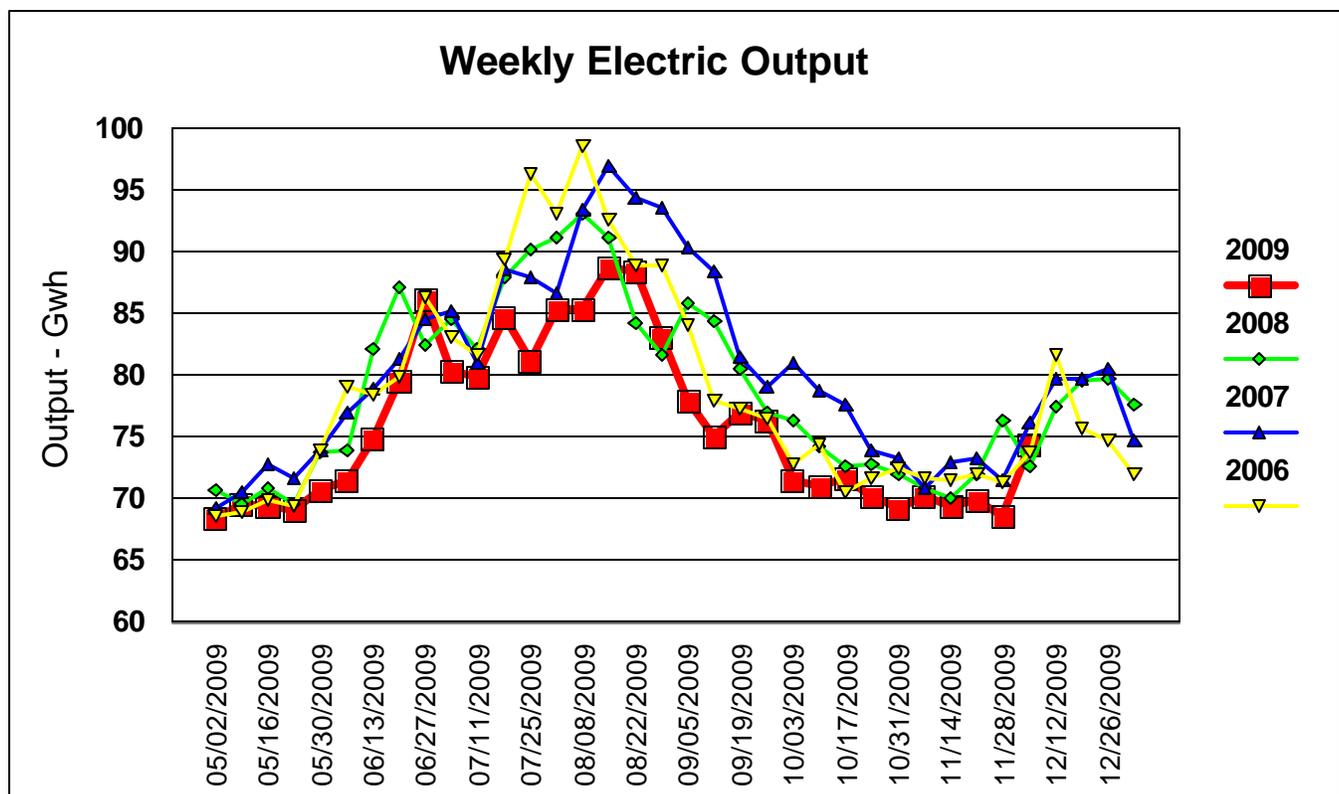


The head of Deutsche Bank Advisors' global commodities team said they are convinced "we are in a secular bull market in commodities" and he looks for Chinese demand to continue to surprise traders well into 2010. They look for higher highs in oil prices over the next one to two years.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that for today's gas day, December 9th it has restricted the Leidy Delivery meters through approximately 32% of supply to market secondary out of path nominations pathed for delivery to the Leidy meters.

KMIGT said the Directional Notice posted on December 8th had virtually no impact to the insufficient supply on the system, which threatens its operational integrity east of Big Springs. Consequently KMIGT issued a Critical Time Operational Flow Order applicable to all shippers to maintain system pressures and to prevent outages or other reliability of the system east of Big Springs. It is estimated that this OFO will remain in effect for several days or longer depending on weather and operating conditions.



Rockies Express Pipeline said effective for December 9th and until further notice it is at capacity for delivered quantities to NNG Gage. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

Northern Natural Gas said that due to colder than normal weather, it was calling a Safe Operating Limit in Zone ABC and EF with 0% safety management systems for December 9th and December 10th.

NGPL said that effective today and continuing until further notice it has capacity available for deliveries to ANR South Joliet #2. Interruptible transportation service/authorized overrun and secondary firm transport volumes are available.

PG&E has issued a system wide OFO for December 9th due to low inventory. A 5% tolerance was set.

ELECTRIC MARKET NEWS

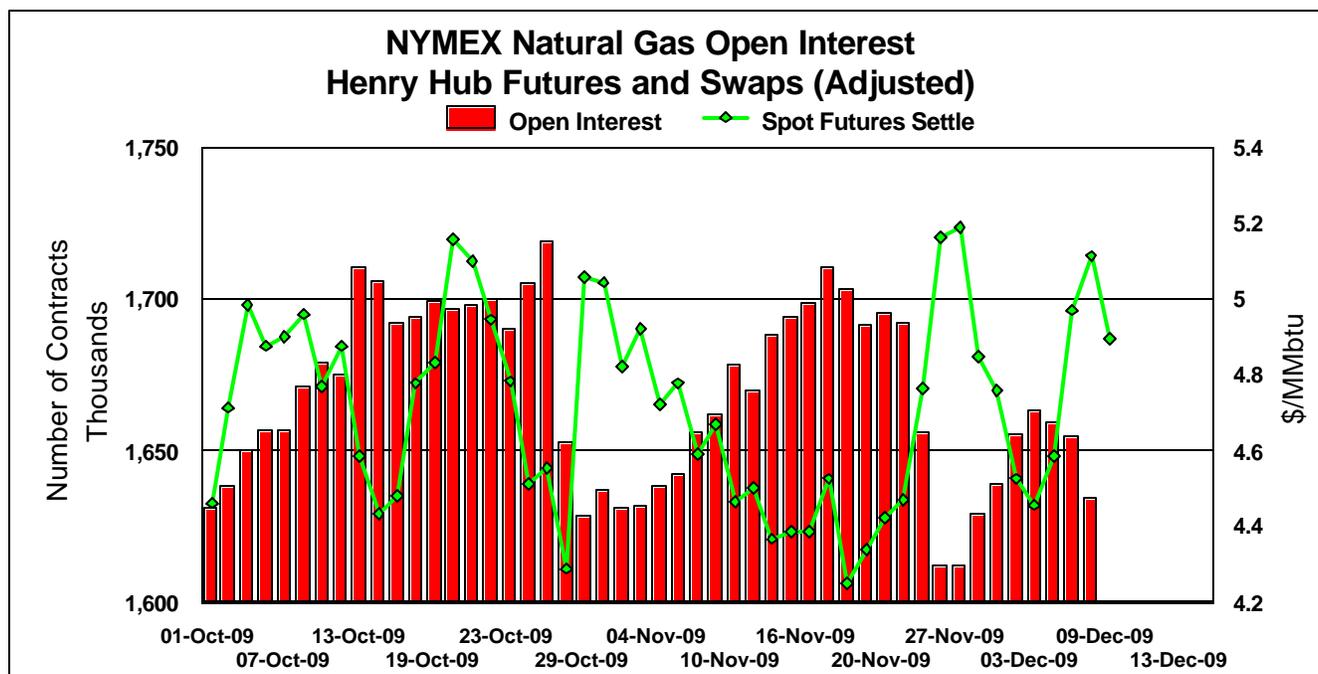
The Obama administration said today that the United States will contribute to a fund to help poor countries deal with the effects of climate change, but the government does not see a need to make “reparations” for its centuries of carbon pollution.

The Texas Commission on Environmental Quality Wednesday approved permits to allow NRG Energy to build a \$1.2 billion pulverized coal unit in Texas. The company is seeking to build an 800 Mw unit at the Limestone power station.

The Edison Electric Institute reported that for the week ending December 5th the U.S. saw some 74,442 Gwh of power generated. This was some 8.5% higher than the prior week but still lagging last year, off by 4.4%.

Vestas Wind Systems, the world’s largest maker of wind turbines said it would halt production at its Windsor, Colorado, blade-manufacturing plant until at least the second quarter of 2010. It said tight credit markets have exacerbated slow sales.

Unistar Nuclear Energy has asked the NRC to temporarily suspend review of its application for a new reactor unit at the Nine Mile Point nuclear facility, given that the plant is no longer a finalist for a federal government loan guarantee. The company though is still seeking a license for Calvert Cliffs #3, a proposed third nuclear unit at that Calvert Cliffs plant.

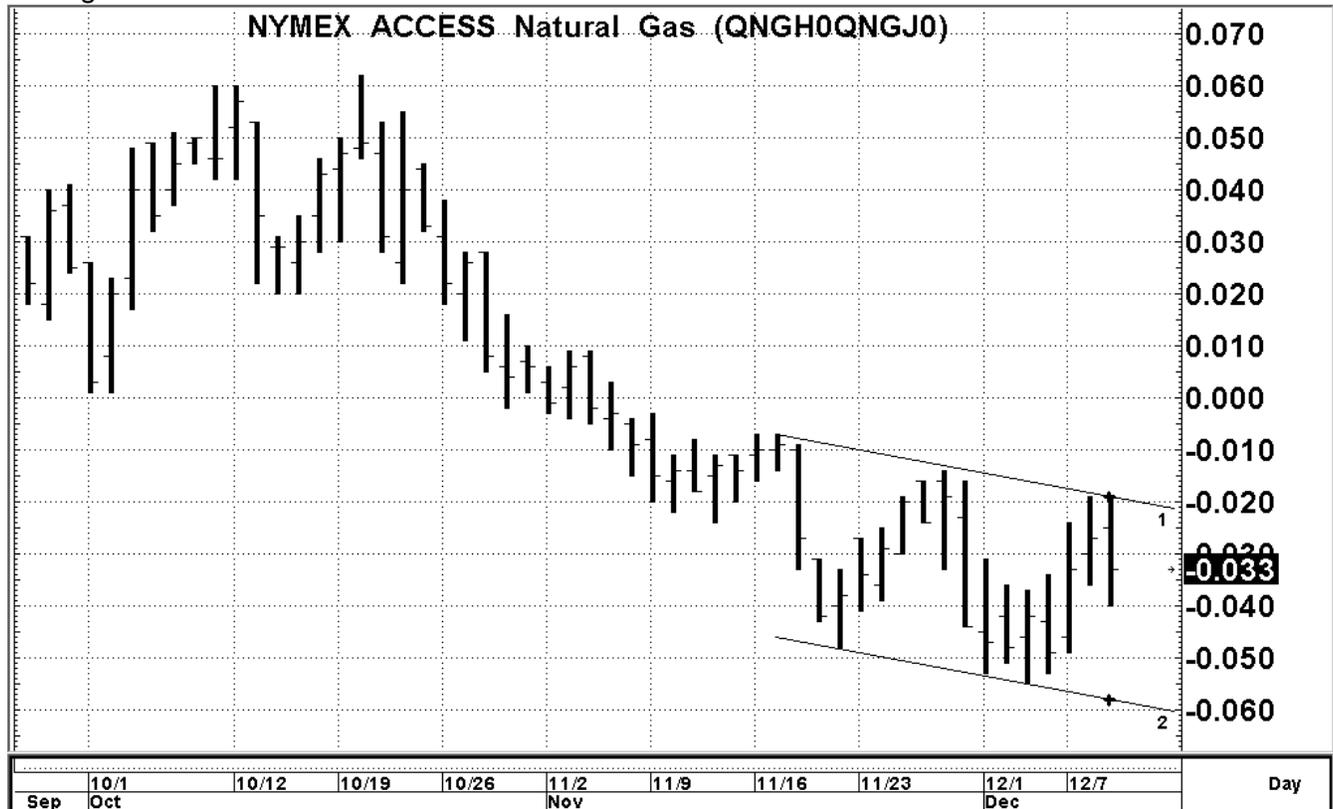


MARKET COMMENTARY

The natural gas market today appeared to run out of steam in its recent rebounding rally. Traders this morning while still seeing supportive colder than normal forecasts for the eastern half of the nation in the 6-10 and 11-15 day forecasts, the near term temperature forecast for the next seven days nation wide was moderated overnight and heating demand was revised lower by 10% from yesterday’s forecast. When technically the market appeared unable to challenge the highs of November 27th at \$5.29 this morning and as oil prices began to erode once again, natural gas moved into negative territory and spent much of the morning and afternoon eroding in value. It also appears judging by the significant decline in total open interest in Henry Hub futures and swaps on the NYMEX over the past

three days of some 28,615 contracts, that short covering activities may have finally been concluded for the most part. As a result by the end of the day the market was able to nearly retrace 50% of the rally of the past week.

Market expectations for tomorrow's EIA Working Gas Storage Report is for a 45 bcf decline in stocks. This would be the first weekly drawdown of the winter heating season, some two weeks later than normal. Last year stocks fell by an adjusted 66 bcf for the same week, while the five year seasonal average shows a 90 bcf decline.



We would not be surprised to see tomorrow's storage report, which will post the season's first decline in stocks help to support prices tomorrow, especially if oil prices do not head below \$70.00. But we continue to look for a rally towards the \$5.60 area as an excellent selling opportunity. We see resistance tomorrow in the January contract starting at \$5.13 followed by more significant resistance points at \$5.23 and \$5.29. Additional resistance we see at \$5.3349, \$5.522 and \$5.565. Support we see tomorrow at \$4.831, \$4.76-\$4.74 followed by \$4.567 and \$4.44-\$4.43. It is interesting to note that the popular March-April 2010 spread remains contained within its trading channel of the past month. For the bulls to truly gain the upper hand in this market we feel that this spread needs to break through resistance at a March discount of 1-2 cents.

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