



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 13, 2010

NATURAL GAS MARKET NEWS

Spectra Energy announced a non-binding open season for Algonquin Incremental Project, with the open season beginning today, December 13th and ending on February 11, 2011. The project would be an expansion of the company's existing Algonquin pipeline system to deliver additional Appalachian and Marcellus Shale natural gas supplies to the Northeast and New England. The AIM project will provide shippers with the opportunity to design transportation services from multiple receipt points on the Algonquin system to multiple existing and proposed delivery points. Shippers also may request to increase the capacity at the Algonquin interconnect at Brookfield, providing incremental gas deliveries into the Iroquois Gas transmission via a compression only service offered by Algonquin.

As expected New York Governor Paterson on Saturday signed legislation that will halt all horizontal, high volume hydraulic fracturing until July and no such drilling can take place after that date until environmental regulators deem it safe. The state Department of Environmental Conservation will conduct a "comprehensive review and analysis." But the governor vetoed a bill passed by the state legislature that would have placed a moratorium on fracking plus all conventional, low volume, vertical oil and gas drilling until May 15th. The governor's order allows for conventional drilling to continue that designated for low volume or vertical oil and gas wells.

Valero Energy reported today that it has signed a memorandum of understanding with the government of Aruba addressing the delivery of LNG to the island.

Chinese natural gas output in November reached 8.42 bcm, up 5.8% from a year earlier. For the first 11 months of 2010, natural gas production is up 11.8% for the year.

Qatar's oil minister said today that Qatar could expand production of LNG by around 10 million tons a year through debottlenecking its biggest LNG facilities. He said any expansion of their production

Generation Update

NPCC – OPG's 490 Mw coal fired Nanticoke #1 power plant returned to service Sunday evening. The unit had been shut since December 5th for planned maintenance.

Dominion's 877 Mw Millstone #2 nuclear unit dropped to 55% power on Monday, down from full power on Friday.

PJM – Exelon's 619 Mw Oyster Creek nuclear unit was synchronized to the grid over the weekend at reduced power on one transformer. The plant was running at 53% power this morning, up from 25% power on Friday. The plant's turbine will be taken off line once more over the next several weeks when the transformer is replaced. The turbine first came off line on December 3rd.

SERC – Southern's 876 Mw Hatch #1 nuclear unit dropped to 58% by early Monday. The unit had been at full power on Friday.

MRO - NextEra's 580 Mw Duane Arnold nuclear unit ramped up to 92% power this morning, up from 22% power on Friday.

ERCOT – AEP's Welsh #3 coal fired unit was shut down for maintenance

SPP – The 1166 Mw Wolf Creek nuclear reactor was back at full power today, up 28% from Friday.

The NRC reported today that some 94,602 Mw of generating capacity was online today, up 1.2% from yesterday and 4.8% higher than the same day a year ago.

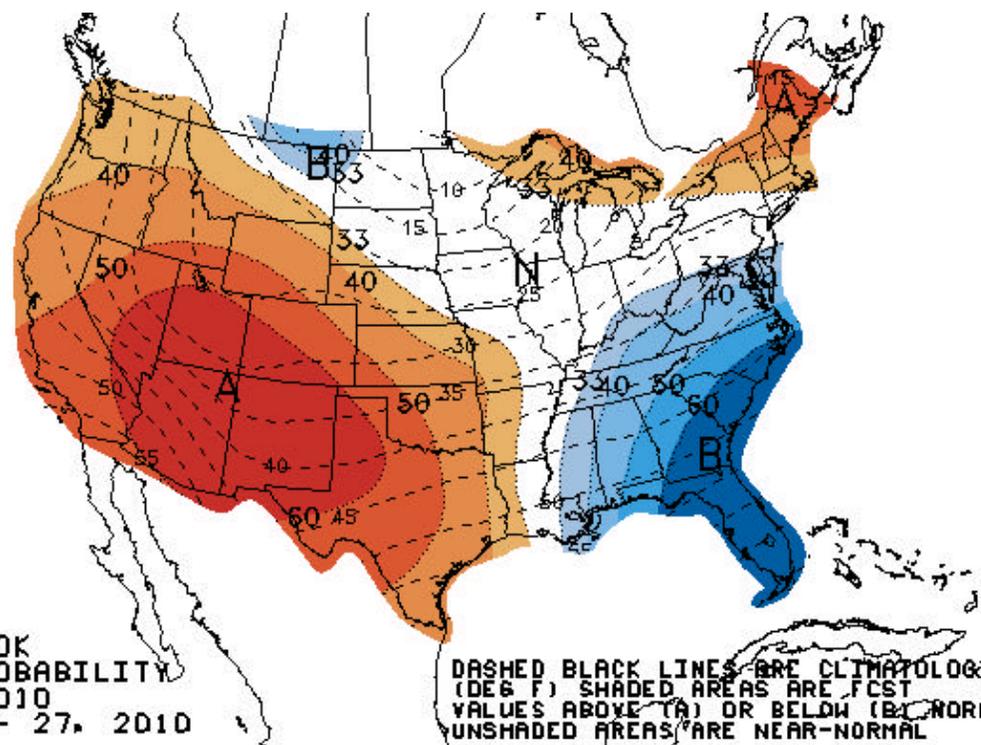
capacity would first come from this work rather than building more “grassroots projects”. Qatar on Monday celebrated reaching 77 million tons of annual LNG production capacity.

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	703,400	\$4.549	\$0.181	\$0.177	\$0.853	\$0.366
Chicago City Gate	877,000	\$4.900	\$0.216	\$0.529	\$0.284	\$0.293
NGPL- TX/OK	668,900	\$4.438	\$0.191	\$0.067	\$0.259	(\$0.097)
SoCal	521,400	\$4.437	\$0.211	\$0.066	\$0.279	(\$0.096)
PG&E Citygate	1,122,000	\$4.581	\$0.127	\$0.210	\$0.195	\$0.079
Dominion-South	412,900	\$5.080	\$0.306	\$0.709	\$0.374	\$0.427
USTRade Weighted	22,354,300	\$5.396	\$0.785	\$1.025	\$0.85	\$0.366

Gassco reported Monday that it faced a challenge to complete the final phase of the \$1.3 billion upgrade to the Kaarstoe gas processing plant. The operator said that 85% of its Kaarstoe

Expansion Project has been done while the budget and projected completion date of September 2012 remains intact. The expansion project is a series of sub-projects intended to modernize the plant to run for an additional 25 years

The Al Samriya LNG tanker from Qatar was expected to arrive at the South Hook terminal on December 18th. The ship has a 263,000 cubic meter capacity. The Bluesky LNG tanker is expected to arrive at the Dragon terminal on December 19th from Nigeria according to port officials. The ship has a 147,700 cm capacity. Meanwhile the 150,000 cm KLNG tanker, the Grace Acacia is expected to arrive



8-14 DAY OUTLOOK
 TEMPERATURE PROBABILITY
 MADE 13 DEC 2010
 VALID DEC 21 - 27, 2010
 at the Zeebrugge terminal on December 28th.

The US Freeport LNG import terminal in Texas is set to re-export a cargo of LNG this week. The Expedient LNG tanker arrived at the terminal today, according to AIS Live shop tracker on Reuters. This could be the first of two tankers to load and re-export from the terminal this month.

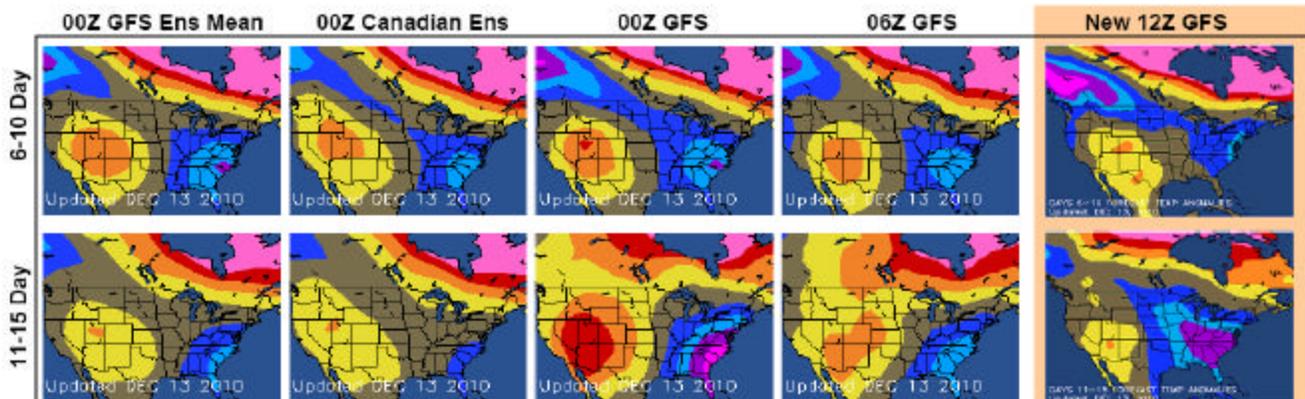
German utility E.ON AG reportedly is in exclusive talks with a consortium of French insurer AXA and Italian group F2i about selling its Italian gas network. The deal is believed to be valued at 300-350

million euros. The company's Italian network comprises over 9300 kilometers of gas lines serving close to 600,000 customers

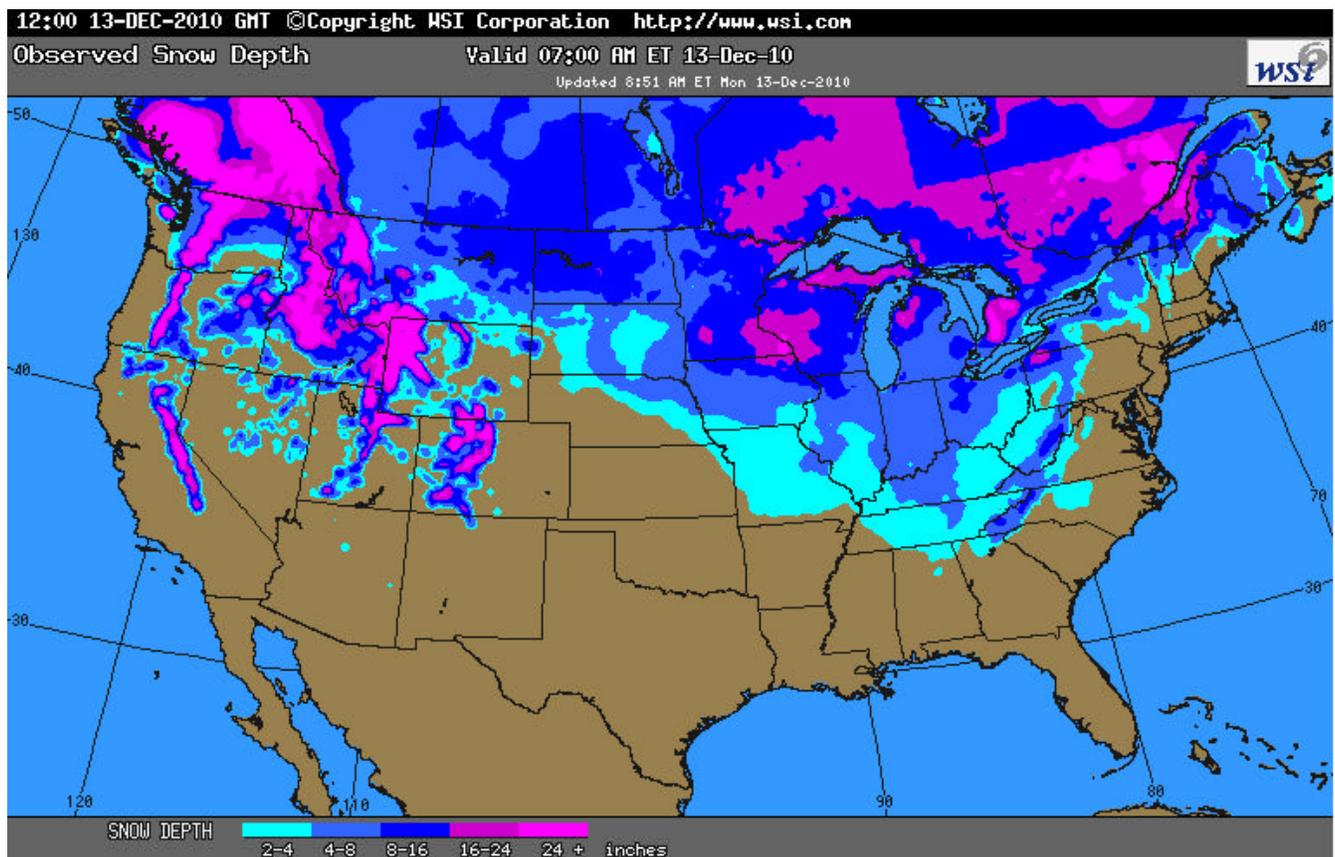
ELECTRIC MARKET

Genscape reported today that U.S. power output for the week ending December 9th rose by 9.9% over the prior week but was 1.75% less than the same week a year ago.

Forecast Model Comparison



ERCOT reported that Texas set a record for wind power output over the weekend, reaching 7,227 Mw, more than 76% of the installed wind capacity of the state. At the time the record was set over the weekend wind power accounted for 25.8% of morning's power demand.



MARKET COMMENTARY

The U.S. natural gas cash market today moved substantially higher as arctic like temperatures swept through much of the United States over the weekend and into today, even threatening Florida with a deep freeze tonight. Futures prices though were not matching the cash market strength as the futures market traders were more focused on the 8-14 day forecasts. These forecast were a bit more mixed. The GFS model runs appear to be showing more of the Midwest and mid-Atlantic seeing below normal temperatures, but the NWS afternoon forecast, in which it takes a more blended view of the various forecast models such as the European and Canadian models along with the GFS model, is showing just the southeast with below normal temperatures while most of the western half of U.S. and the Northeast would see above normal temperatures. In addition it appears the pool of cold air in Canada in the 11-15 day period has been tapped out. While it would appear the depth of the current snow cover of 39.4% of the total nation will help to slow any significant warming of temperatures in the eastern half of the nation, it is just slightly better than the preceding 6 year average of this date of 36.5%.

As a result traders appear to be indecisive in where to take this market. While the market posted an outside trading session, prices have finished basically in the same area for the fourth time out of the last five trading sessions. While the natural gas market appeared to break through temporarily a month long support line today at \$4.349 late this morning, a supportive midday GFS model run helped values to bounce back and settle back above this trend line once again. But we would look for this support line to be retested again tomorrow and if it can settle below this trendline, which tomorrow is at \$4.374 we would stop our selves out of any long positions. Additional support we see at \$4.323, \$4.245 and \$4,152. Resistance we see \$4.45 followed by \$4.547 and \$4.661-\$4.681.

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