



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 14, 2010

NATURAL GAS MARKET NEWS

EnCana Corp said it is interested in marketing gas produced in the United States for shipment overseas as domestic production increases. The company holds ownership stakes in shale gas formations across the United States and Canada. The company earlier this week voiced its support of Cheniere Energy's LNG application to regulators to export U.S. natural gas via LNG shipments from Cheniere's Sabine Pass terminal in Louisiana. The Department of Energy noted that Encana was the only gas producer to support the application during the public review process, but that the agency had not received any objections from other companies though. Encana said it was not currently engaged in talks to supply gas to the Cheniere facility, but would be interested in exploring the possibility if the company received government approval of its application. The company noted that it is in favor of all three proposed export plans, including the Kitimat project in Western Canada and the Freeport-Macquarie one in Texas.

Generation Update

NPCC – OPG's Lambton #4 coal fired power plant has exited its recent outage.

Dominion's Millstone #2 nuclear power plant dropped to 55% capacity this morning

MRO - AEP's 1009 Mw Cook #1 nuclear unit dropped to 49% power early Tuesday after running at full power on Monday

NextEra Energy's 516 Mw point Beach #2 nuclear unit was shut down early Tuesday, after the unit had been at full power on Monday. Operators reported a problem with the control rods.

The NRC reported today that some 93,532 Mw of generating capacity was online today, down 1.1% from yesterday but 2.6% higher than the same day 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	651,400	\$4.353	(\$0.195)	\$0.075	(\$0.145)	\$0.506
Chicago City Gate	1,061,600	\$4.656	(\$0.243)	\$0.378	(\$0.150)	\$0.310
NGPL- TX/OK	653,500	\$4.233	(\$0.205)	(\$0.045)	(\$0.112)	(\$0.092)
SoCal	474,800	\$4.303	(\$0.133)	\$0.025	(\$0.040)	(\$0.077)
PG&E Citygate	1,037,700	\$4.456	(\$0.125)	\$0.178	(\$0.032)	\$0.095
Dominion-South	386,200	\$4.812	(\$0.268)	\$0.534	(\$0.175)	\$0.450
USTrade Weighted	21,117,600	\$5.159	(\$0.238)	\$0.881	(\$0.14)	\$0.506

OGE Energy reported today in an SEC filing that one processing train at Enogex's Cox City natural gas processing plant resumed production on December 10th. The company

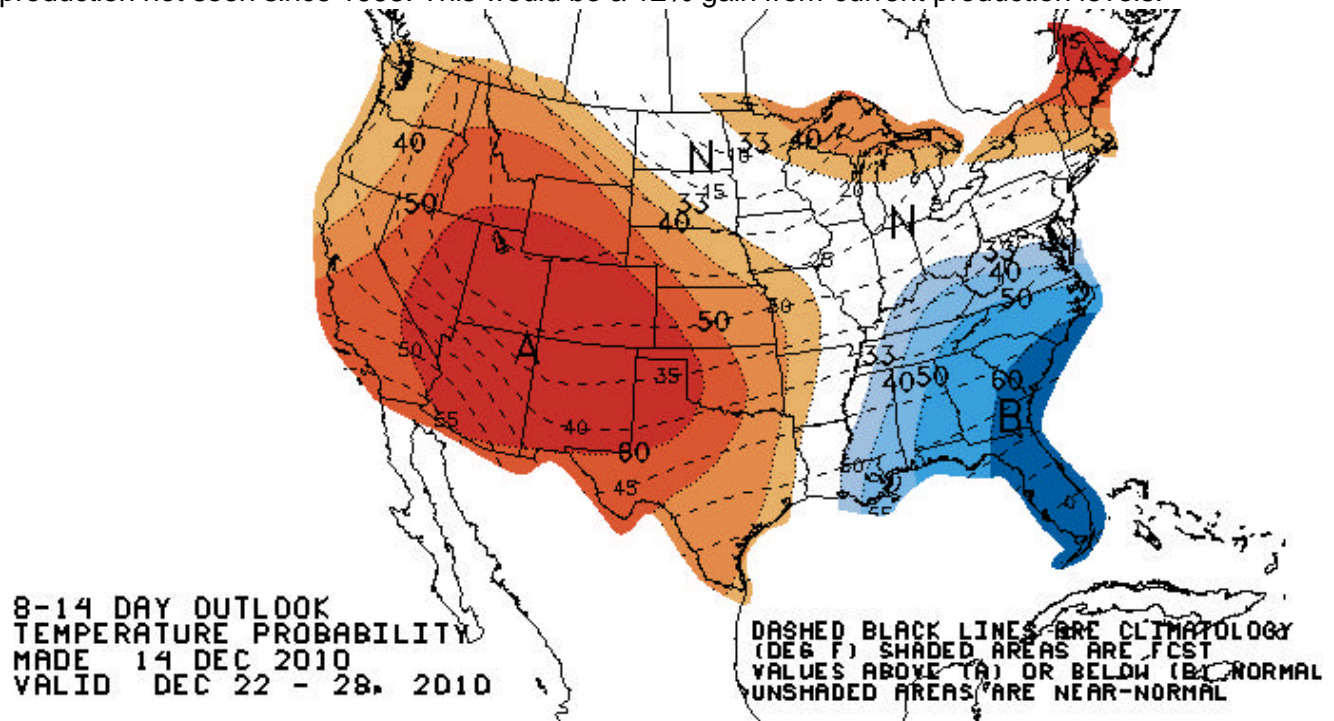
noted that two other processing trains are expected to be back online within 3-4 weeks each at 15 mmcf/d. The company does not expect to see full processing at the plant to return to full pre-fire processing capacity of 180 mmcf/d until mid 2011. Cost for replacement and repairs following the fire at the facility are expected to reach \$10 million.

The National Transportation Safety Board said today in its preliminary report on the PG&E pipeline rupture and explosion back on September 9th that the pipeline did not appear to have been corroded or have any previous leaks or have any dents, gouges or other damage that would have been caused by

digging equipment. A preliminary report issued back in October had noted a potential cause had been an electrical voltage problem that may have caused the utility to lose control of a pipeline valve.

Azerbaijan's gas output for the January-November period this year is some 13.8% higher than a year ago. This follows a 0.8% growth a year ago over the prior year.

Gazprom said it sees annual natural gas production rising to 570-580 bcm by 2015, a level of production not seen since 1993. This would be a 12% gain from current production levels.



Statoil said today that it aims to maintain its oil and gas production in Norway steady for the next ten years, as it begins to expand drilling activities next year. The company said it sees greater production at the Snoehvit LNG facility than previously planned. The company also noted that capacity at the Hammerfest terminal may have to be expanded.

Platts announced today that it would acquire Bentek Energy, as it seeks to expand its analytical services in natural gas. The purchase price was not disclosed, but following the closure of the deal, Bentek will continue to operate under its current name and its current management.

ELECTRIC MARKET

SolarReserve LLC has received environmental permits for its proposed 150 Mw Crossroads solar thermal power project.

ECONOMIC NEWS

The US Commerce Department reported that sales at US retailers increased more than expected in November. Total retail sales increased by 0.8%, the fifth consecutive increase. Retail sales for October were revised up to 1.7% from a previously reported 1.2% gain. Excluding autos, sales increased by 1.2% in November, exceeding market expectations of a 0.6% gain. Separately, the Commerce Department also reported that inventories at US businesses increased less than expected in October. Inventories increased by 0.7% to a seasonally adjusted \$1.418 trillion, the highest level since February 2009. It reported that September inventories increased by 1.3%, up from a previous estimate of a 0.9% increase. US business sales also increased by 1.4% in October to \$1.119 trillion following a revised 0.8% gain in September.

The National Retail Federation raised its holiday sales forecast. It expects sales to increase by 3.3%. It raised its November retail industry sales up 6.8% on the year.

The US Labor Department reported that US producer prices increased more than expected in November due to higher energy and food costs. The Producer Price Index increased by a seasonally adjusted 0.8% in November. The Core PPI, excluding food and energy prices, increased 0.3% in November. In the 12 months ending in November, the PPI increased by 3.5%, down from a 4.3% annual increase in October. The core index increased by 1.2% on the year.

According to a quarterly survey by the Business Roundtable, the chief executive officers of large US companies are much more optimistic about the economy than a few months ago. The Roundtable's economic outlook index increased to 101, its highest level since the first quarter of 2006 and up from 86 three months ago. More CEOs than last quarter, 80%, expect their sales to increase over the next six months and about six out of 10 expect to increase capital spending.

MARKET COMMENTARY

The natural gas futures market demonstrated that the weight of high inventories around the neck of this market finally became too heavy to hold up without the prospects of a continued cold snap remaining over most of the nation. This morning's computer forecasting models while looking for temperatures to be a bit cooler for much of the nation over the next week, the longer-term outlooks appeared to be moderating. By midday the updated forecasting models continued to move towards a more moderate outlook for much of the main heating markets of the country, especially in the east and south for the 11-15 day period. As a result the January futures market convincingly broke down today breaking through once again the month old support line and this time settling below it. The January contract posted its lowest settlement since November 30th and finished the day just above the 40-day moving average.

We would look for this market to remain on the defensive tomorrow if there is not a noticeable change in the 11-15 day weather forecasts. We would look for support at \$4.232, \$4.152, \$4.126 and \$3.853. Resistance we see at \$4.29, \$4.40, \$4.457 followed by \$4.547 and \$4.637. The March April 2011 spread we feel is also on the verge of breaking lower and would look to sell it tomorrow on any move below today's low of 2.3 cents. We continue to feel that this spread is headed into negative territory.

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