



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 16, 2010

NATURAL GAS MARKET NEWS

The EIA has revised upward its estimates for new and existing shale gas resources to 827 Tcf, or 474 Tcf greater than the agency's 2010 annual energy outlook. According to EIA spokesman, Richard Newell, a growing supply of natural gas from shale will bring about lower gas prices, with expectations that prices will reach \$6.53 per Mcf by 2035, down from a projected \$8.19 per Mcf in its 2010 outlook.

Generation Update

MAPP – AEP's 1,009 Mw nuclear power station ramped up to full power by early Thursday from 65% on Wednesday.

OPG's 494 Mw Lambton #3 coal fired power plant returned to service early Thursday following a brief outage.

SERC – Southern Co's 876 Mw #1 nuclear power plant slipped to 17% early Thursday from 59% on Wednesday.

The NRC reported today that some 93,644 Mw of generating capacity was online today, basically unchanged from yesterday but 1.78% higher than the same day a year ago.

The National Oceanic and Atmospheric Administration said below normal temperatures are expected to stretch from the Great Lakes region to the Pacific Coast in January through March. Above normal temperatures are expected in Texas and extend from the desert southwest to the Florida Panhandle. Along the East Coast, there is not a clear temperature outlook. It said that from the Northeast to the middle of the country, it sees equal chances of normal, above normal or below normal temperatures.

Qatari's Mozah LNG tanker is expected to arrive at the UK's South Hook terminal on Dec. 23rd. Capacity for this vessel is 266,000 cubic meters of super-cooled natural gas.

According to a spokeswoman for Russia's state owned oil firm, Rosneft ROSN.NM, the company will be able to produce natural gas from its Arctic Kharampurskoey deposit by 2012. .

Italian oil and gas group, Eni has successfully drilled the Jangkrik 3 well in the Muara Bakau permit area off Borneo in Indonesia. Discoveries so far have indicated that the field has the capacity to produce 1.4 trillion cubic feet.

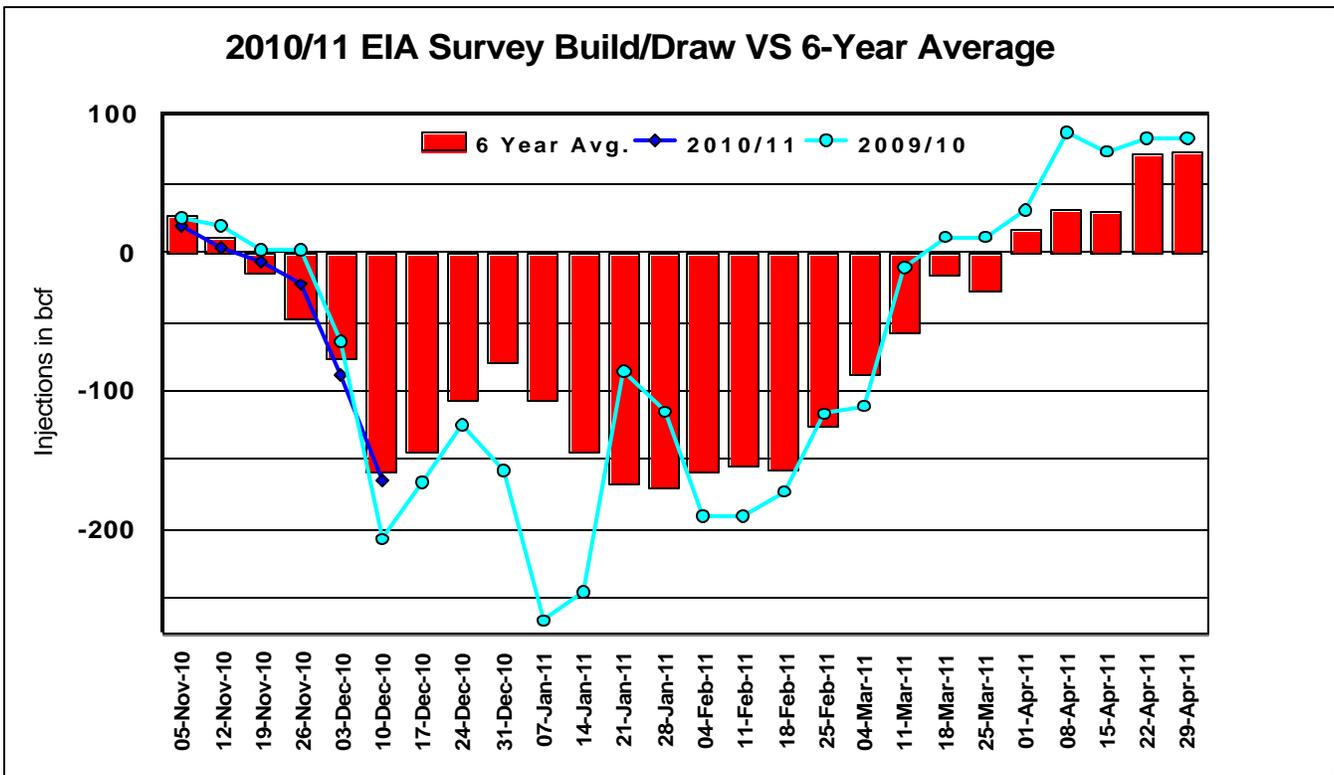
A three-year contract has been drawn up between Croatia's oil and gas group, INA INA.ZQ and Italy's Eni for natural gas. The contract extends for three-years, with Eni supplying 750 million cubic meters of gas annually. Croatia is currently consuming just less than 3 billion cubic meters of gas per year and gets more than 60 percent of its demand from its own gas fields.

EIA Weekly Report

	12/10/2010	12/03/2010	Change	12/10/2009
Producing Region	1204	1246	-42	1131
Consuming East	1891	2002	-111	1981
Consuming West	466	477	-11	484
Total US	3561	3725	-164	3596

*storage figures in Bcf

Korean Gas Corporation is said to be in advanced talks with Australia's Santos STO.AX on a natural gas supply deal but no definitive deal has been signed. KOGAS is expected to make a long-term contract for LNG supplies from Santos' planned



Gladstone LNG plant in Australia.

Slovakian natural gas firm, SPP has said that it is well prepared for any restrictions of natural gas supplies from Russia, adding that it did not expect any disruptions this winter. Hundreds of industrial firms were hit with supply disruptions last year, when a contract dispute between Russia and Ukraine stopped the flow of gas to central Europe. This pushed SPP to invest in precautionary measures. Citing a diverse portfolio of sources, SPP chairman, Achim Saul, said that the company's subsidiary, Eustream is able to launch reverse flow immediately and that the company had filled its storage facilities to 100 percent in preparation of winter.

ELECTRIC MARKET

U.S. Northwest River Forecast Center has projected that water runoff at The Dalles Dam on the Columbia River in Oregon will be at 103 percent of normal from January through July.

ECONOMIC NEWS

The US Labor Department reported that the number of initial unemployment claims fell by 3,000 to 420,000 in the week ending December 11th. The previous week's figures were revised slightly upwards to 423,000 from 421,000. It reported that the four-week moving average continued to fall for the sixth consecutive week by 5,250 to 422,750. It stated that the unemployment rate for workers with unemployment insurance for the week ending December 4th was 3.3%, unchanged from the prior week's revised rate.

The US Commerce Department said home construction in the US increased in November on the strength of the single-family market. Housing starts increased by 3.9% to a seasonally adjusted annual rate of 555,000 from an upwardly revised 534,000 in October. It reported that building permits fell by 4% to 530,000. The results were driven by a 6.9% gain in single-family home construction to a seasonally adjusted annual rate of 465,000. Multifamily construction fell by 9.1% on the month.

**Canadian Gas Association
Weekly Storage Report**

	10-Dec-10	03-Dec-10	11-Dec-09
East	219.1	231.8	229.5
West	358.6	379.2	351.1
Total	577.8	611	580.6

storage figures are in Bcf

The Commerce Department also reported that the US current account deficit widened in the third quarter. The deficit increased by 3.2% to \$127.2 billion. The deficit in the second quarter was revised down slightly to \$123.2 billion from an originally estimated \$123.3 billion.

The Philadelphia Federal Reserve Bank said its business activity index increased to 24.3 in December following a jump to 22.5 in November. It was the highest reading since April 2005. Economists expected a reading of 15.

MARKET COMMENTARY

Natural gas extended yesterday's losses as it responded to bearish storage numbers and moderating temperatures across parts of the U.S. Both these factors left traders disappointed and lacking in confidence that this market will be able to hold on to any strength it may experience. The January futures contract experienced a late session sell-off, making new lows as the session was coming to an end, trading close to our near-term objective of \$3.996. While this market will remain weather sensitive, it is difficult to take on any long positions; therefore, we would rather be sellers than buyers, selling any pops in this market. A retracement back to the \$4.300 area would provide a selling opportunity. Our initial downside objective remains \$3.996.

According to the EIA's natural gas storage report, underground storage decreased 164-Bcf, in line with expectations. This brings total natural gas storage to 3,561 Bcf, making it 35 Bcf below last year's level and 321 Bcf above the five-year average for the same week. This is bearish in comparison to the 186 Bcf withdrawals for the same period last year and to the five-year average of 153 Bcf.

Support can be found at 3.996, 3.853, 3.6560, 3.41 and 3.255, Resistance is set at 4.226, 4.455, 4.455 and 5.196.