



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 21, 2010

NATURAL GAS MARKET NEWS

The CFTC said Tuesday it has fined two natural gas traders for a fraudulent trade allocation scheme and permanently banned them from trading. The CFTC said that R. Scott Hopkins of Plano, Texas, the head of trading for a natural gas delivery company, was fined \$650,000 and registered floor broker Thomas Carrol of Mahwah, New Jersey was fined \$50,000 and both were permanently banned from trading.

Generation Update

The NRC reported today that some 94,127 Mw of generating capacity was online today, down 0.87% from yesterday and 1.31% higher than the same day a year ago.

Qatar's Aamira liquefied natural gas tanker is scheduled to arrive at the UK's South Hook terminal on December 26th. The vessel has a capacity of 268,000 cubic meters.

The Al Thakhira and Fuwairit liquefied natural gas tankers are due to arrive at Belgium's Zeebrugge terminal on January 2nd and January 6th, respectively. The Al Thakhira has the capacity to carry up to 143,517 cubic meters while the Fuwairit has the capacity of 138,000 cubic meters.

Russia's Gazprom said its gas production is expected to total 507 billion cubic meters in 2010 and fall to 505.6 billion cubic meters in 2011. It also reported that it expects its gas output to increase to 570-580 billion cubic meters/year by 2015.

Iran has signed new contracts in the gas sector worth \$6.5 billion. The head of the National Iranian Gas Co said Iran's gas sector was not hampered by international sanctions.

Poland's gas monopoly PGNiG plans to increase its investments in 2011 to around 5.2 billion or \$1.71 billion to 5.4 billion zlotys. It expects total gas sales in 2010 of about 14 billion cubic meters, up from 13.3 billion cubic meters in 2009.

Japan's Inpex Corp said it expects the start of liquefied natural gas production from the Abadi gas field in the Masela block of the Timor Sea in 2018, delayed from its previous plan to start production in 2016. The floating LNG project will have a capacity of 2.5 million tons per year, down from the previously proposed capacity of 4.5 million tons.

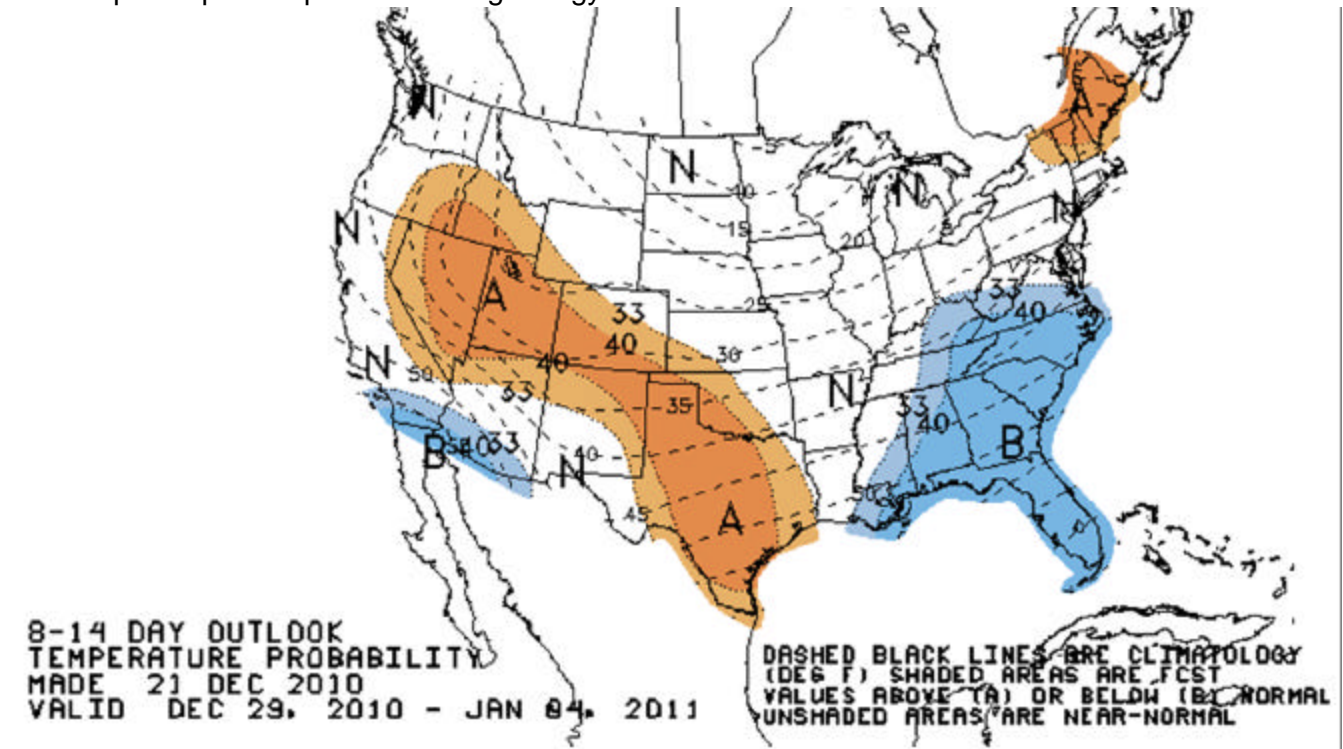
Croatia's state-owned gas pipeline operator said it was notified that the plans about the Adria liquefied natural gas terminal were put on hold and urged pursuing an alternative project without delay.

Japan reported that its imports of LNG in November reached 5.756 million tones, up 11.1% from the same time a year ago.

ELECTRIC MARKET

Atlantic Wind Connection plans to file with federal energy regulators its proposal to build a power transmission system in the Atlantic Ocean along the US Mid-Atlantic coast to enable the region's offshore wind potential. The project would stretch from New Jersey to Virginia and enable up to 6,000 megawatts of wind power to be built.

The U.S. Department of Interior has approved SolarReserve's proposed 110 Mw Crescent Dunes solar thermal power plant capable of storing energy in Nevada.



The U.S. Northwest River Forecast Center today projected water run off at the Dalles Dam would be 95% of normal for the January-July period, unchanged from its forecast made a week ago.

Georgia utility regulators have approved a 10% rate hike for customers of Southern Company's Georgia Power utility starting in January.

MARKET COMMENTARY

The natural gas market ended in negative territory amid slightly milder weather forecasts and profit taking following Monday's sharp rally. The natural gas market opened strong in overnight trading as the near term cold temperatures continued to underpin the market. However the market failed to breach Monday's high as it posted a high of \$4.245. The natural gas market erased most of Monday's gains as it sold off to a low of \$4.056 ahead of the close. It posted an inside trading day as it failed to test its previous low and settled down 17.8 cents at \$4.059.

The natural gas market is seen finding resistance, as sustained cold temperatures are not seen in the weather forecasts. The market is seen finding resistance at \$4.10, \$4.184, \$4.25, \$4.278 followed by \$4.309 and \$4.373. Support is seen at today's low of \$4.056, \$4.013, \$3.995, \$3.951, \$3.931 and \$3.806.

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