



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 22, 2010

NATURAL GAS MARKET NEWS

The LNG tanker, Kano, from Qatar, is due to arrive at the UK's Dragon LNG terminal on Dec. 29.

There has been a delay in arrival of the Al Thakhira and Fuwairit LNG tankers at Belgium's Zeebrugge terminal. The tankers were due to arrive on Jan 2 and Jan 6 but have been delayed until Jan. 4 and Jan. 7, respectively. The Al Thakhira can carry up to 143,517 cubic meters of super cooled gas while the Fuwairit can carry up to 138,000 cubic meters

The Berge Arzew LNG tanker berthed at the Isle of Grain regassification terminal in the UK early Tuesday. Import capabilities are 9.8 million metric tons of LNG a year.

Production at Statoil's Snoehvit LNG plant in Hammerfest has been halted indefinitely due to unspecified technical problems. An investigation into the problem is being investigated. According to The Norwegian Petroleum Directorate estimates, Snoehvit will have an output of 5.76 billion cubic meters of gas and 0.30 million tons of liquid gas in 2010.

The number of rigs drilling for natural gas in the U.S. this week declined by 10 to 931, according to Baker Hughes. While the gas rig count is 42 percent off its record peak of 1,606 from September 2008, it is currently set at 180 rigs, 24 percent higher than that of the same period last year.

A basic agreement has been met between Japan's top city gas distributor, Tokyo Gas Co and Hokkaido Gas's Ishikari LNG terminal. The agreement is said to last for 11 years starting in 2012/13. Volumes have not been decided upon yet, but multiple LNG projects are on the table. Ishikari is set to open in December 2012.

ELECTRIC MARKET

The Edison Electric Institute reported that the total US electricity production in the week ending December 18th increased by 5.7% on the week to 84,813 Gwh.

ECONOMIC NEWS

The Commerce Department said the US economy grew slightly more than previously thought in the third quarter as companies increased inventories. GDP increased at seasonally and inflation adjusted

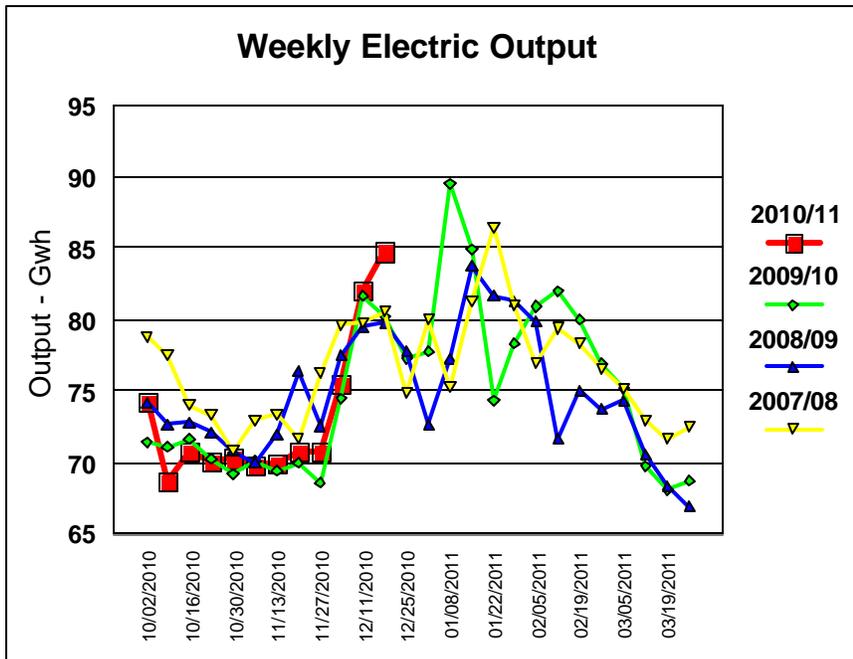
Generation Update

ERCOT – NRG Energy Inc. plans to restart its 864 Mw Limestone Unit 2 coal fired power station in TX on Wednesday. The unit was shut for turbine maintenance.

MAPP- OPG'S Lambton coal-fired power station in Ontario came back on line early Wednesday.

MAIN- NextEra Energy Inc's 516 Mw Unit 2 exited an outage and ramped up to 55 percent power by early Wednesday. The Unit shut Dec. 14 due to a problem with control rods.

The NRC reported today that some 94,489 Mw of generating capacity was online today, up 0.38% from yesterday and 1.83% higher than the same day a year ago.



annual rate of 2.6% in July through September. It previously estimated that GDP increased by 2.5% in the third quarter following an increase of 1.7% in the second quarter. It reported that third quarter business inventories increased by \$121.4 billion, revised up from the \$111.5 billion increase previously estimated and up from \$68.8 billion in the second quarter. It also reported that consumer spending, accounting for about 70% of demand in the US economy, increased 2.4%, down from a previously estimated 2.8% increase.

The National Association of Realtors said sales of previously owned homes increased less than expected in November. Sales increased by 5.6% to a seasonally adjusted annual unit rate of 4.68 million units.

The Federal Housing Finance Agency's latest House Price Index showed that US home prices increased by 0.7% on the month in October. US home prices were 3.4% below their October 2009 level and 14.5% below their April 2007 peak. Home prices fell a revised 1.2% from August to September.

MARKET COMMENTARY

Early session dips were erased by pre-holiday short covering and an expected 155 Bcf draw in inventories. Traders remain leery of this upward move, as inventories and production are still high at a time when demand is struggling and the economy is slow to recover. If cold weather does not persist through out the heating season, inventories are expected to remain high, and could finish the season around record highs of 1.8 tcf and 2 tcf. We may see more short covering prior to the New Year but believe that this market will eventually succumb to the fundamentals and head back down.

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 \$4.167, \$4.217, \$4.25, \$4.281 and \$4.396. Support is seen at today's low of \$3.988, \$3.951, \$3.923 and \$3.859.

Market estimates for tomorrow's EIA report are ranging from a draw of 155 Bcf to a draw of 200 Bcf, with most forecasts landing close to 180 Bcf. This compares with a five-year average of 136 Bcf and a 172 Bcf pull from last year. Natural gas supplies still remain strong despite the recent spate of cold weather and increasing demand. Production last week averaged 63 Bcf per day, nearly 10% above the same period last year. Imports from LNG and Canada have also increased and natural gas in storage is near its historical high for this time of year.

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