



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 29, 2010

NATURAL GAS MARKET NEWS

U.K. natural gas grid operator National Grid PLC announced on Wednesday the Al Utouriya LNG tanker berthed at its Isle of Grain regassification terminal in Kent, England. Four more tankers are expected to arrive at the terminal by Jan. 14. The Maersk Meridian is due on Jan. 3, the British Sapphire on Jan. 7, the Alsahta on Jan. 8 and the Maran Gas Coronis is scheduled to arrive on Jan. 14. Separately, three LNG tankers are expected to arrive at Britain's Milford Haven terminal in Wales and another one is due at Belgium's Zeebrugge terminal. The Qatari tankers Shagra and Al Mayeda are expected at the South Hook terminal on Jan. 2 and Jan. 5 and the Methane Heather Sally is due to reach the Dragon terminal from Trinidad on Jan. 5.

Generation Update

The NRC reported today that some 95,463 Mw of generating capacity was online today, unchanged from yesterday and 1.44% higher than the same day a year ago.

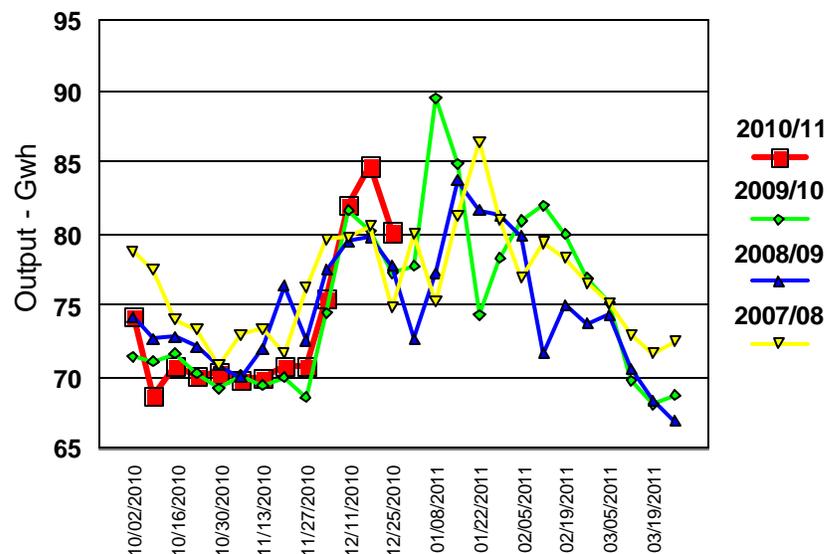
Centerpoint CNP. N Energy experienced a 6-inch pipeline rupture on a gas transmission line in rural Conway County, AK. There was no fire or injuries reported during the rupture that affected between 200 – 300 customers.

Russia's Gazprom said the average price for Russian gas shipped to Europe will increase to \$327 per 1,000 cubic meters in the first quarter of 2011. Europe paid an average of \$308 per 1,000 cubic meters of Russian gas in 2010.

ELECTRIC NEWS

According to data released by Edison Electric Institute, for the week ending Dec. 25, power output in the continental U.S. increased 3.8 percent from the same week last year, to 80,221 gigawatt hours. The largest year-on-year percentage gain was once again seen in the Southeast, which increased 11.1 percent to 23,086 gigawatts. Year-on-year, the largest decline was seen in the Rocky Mountain region, which fell by 5.7 percent to 5,268 gigawatts. For the 52 weeks ending Dec. 25, power output was up 3.7 percent from the corresponding period in 2009 at 4,059,278 gigawatts.

Weekly Electric Output

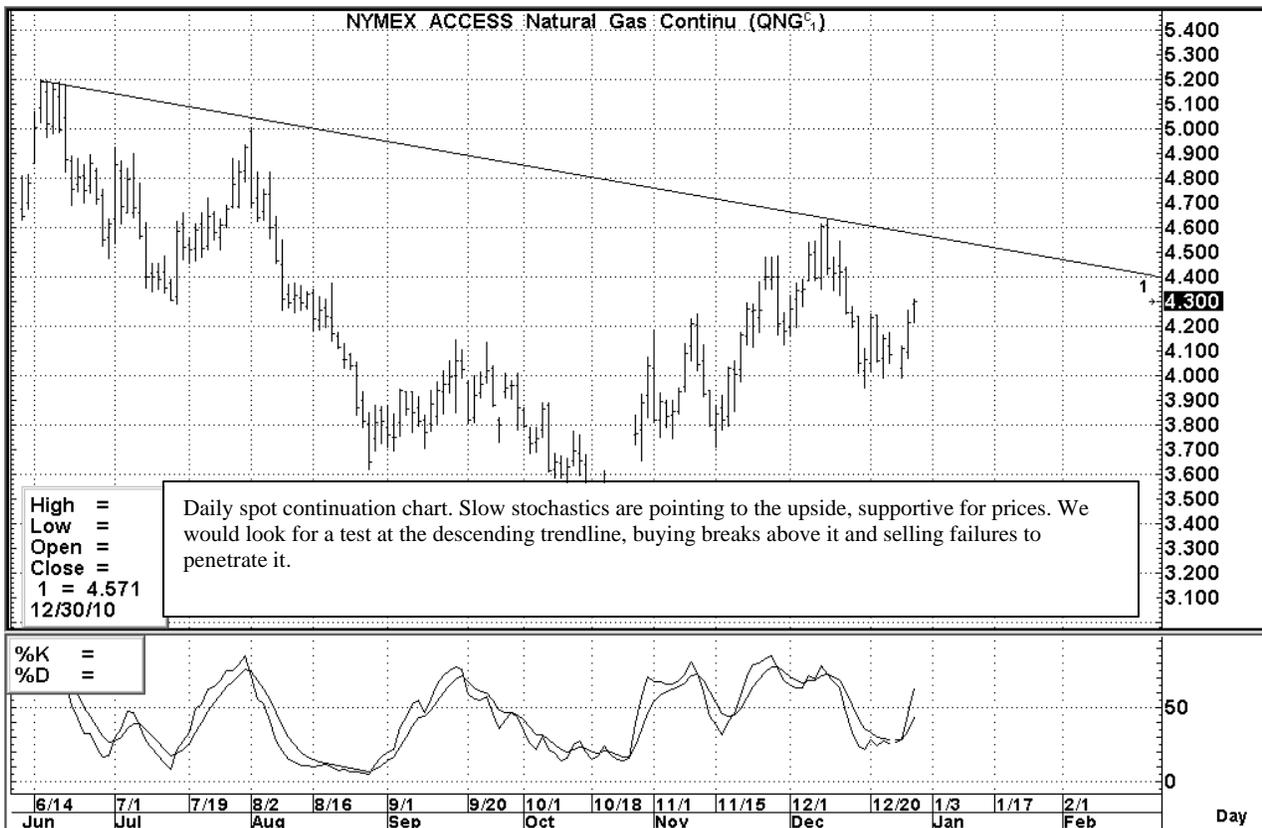


MARKET COMMENTARY

The February natural gas contract finished the day barely unchanged, in what was a choppy trading session. Early in the day, prices succumbed to milder weather forecasts and the realization that demand typically falls during the Christmas and New Year holidays as schools and many businesses are closed. A report by the EIA showing wet natural gas production was down 0.2% during October sparked a mid session rally. Recent drawdowns in this overstocked market could bring sidelined bulls back in as the fundamental picture may be changing. The storage surplus to the five-year average has recently been eroding from a peak of 353 Bcf in late October to 264 Bcf. with additional cuts expected in the upcoming reports as utilities rely on storage to meet cold weather demand.

Expectations for Thursday, Dec. 30 data is calling for draws between the range of 130 Bcf to 150 Bcf, with most expectations falling in the 140 Bcf to 145 Bcf band. This compares to a five-year average of 118 Bcf and a withdrawal of 130 Bcf for the same period last year. According to data released by the EIA, domestic wet natural gas production in the contiguous U.S. dipped by 0.2% in October, the first decrease in production since June. Output for the month registered 65.72 Bcf/d, down 0.15 Bcf/d from September, which was revised downward to 65.87 Bcf/d. The EIA reported that the federal offshore Gulf of Mexico and the "other states category" are the only regions to see a rise in production. Both the near-term fundamentals and technicals appear to be supportive for prices. We would look for a test at the ascending trendline that can be drawn on a spot continuation chart, buying successful trades above it and selling unsuccessful ones.

Technically, the natural gas market is seen finding resistance at its high of \$4.31, \$4.369, \$4.387, its 62% retracement level from a high of \$4.635 to a low of \$3.985, followed by \$4.449 and \$4.578. Support is seen at \$4.215, \$4.16 and \$4.112. More distant support is seen at \$4.04, \$4.031, \$4.019, \$3.985 and \$3951.



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