



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 1, 2010

NATURAL GAS MARKET NEWS

The National Weather Service reported today that is estimated heating degree days totals for the current week based on gas home heating customer weighted basis would be 210 HDD some 2.3% less than normal and some 4.1% less than the same week a year ago. The NWS estimated that last week saw some 217 HDD some 1.8% less than normal.

AccuWeather's Joe Bastardi today released his updated 90-day forecast. He continues to look for a colder than normal February to be followed by a March that runs 7-14 days behind schedule as far as average temperatures go for much of the nation south of Interstate 80 from the Rockies eastward. He sees April though flipping to warmer than normal over the Great Lakes and interior Northeast, while the southern Plains and Rockies remain cold. Bastardi continues to base his near term colder than normal forecast on the development of one of the strongest, if not strongest, negative AO in the last 50 years. He is calling for the week ending February 7th to average 2 degrees below normal with the following two weeks being 7.5 degrees below normal.

Generator Problems

NPCC – Bruce Power LP has restarted the 750 Mw Unit #4 and the 822 Mw Unit #7 at the Bruce nuclear power station over the weekend.

OPG's 515 Mw Pickering #1 nuclear unit returned to service over the weekend. The unit had been shut for maintenance back on January 19th.

OPG's 490 Mw Nanticoke #2 coal fired power plant was shut early Monday.

PJM – Exelon's 1140 Mw Peach Bottom #2 nuclear plant was at 60% power this morning, off from full power from late last week. Operators had reduced operations at the plant over the weekend for control rod adjustments.

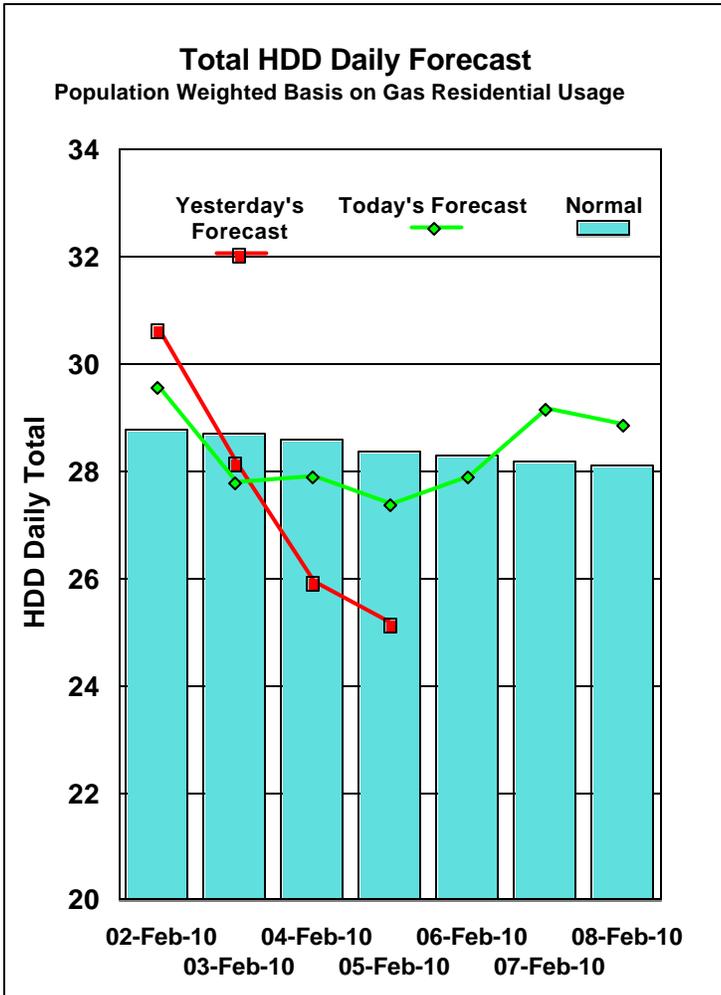
CallSO reported this afternoon that 12,558 Mw of generating capacity was offline today. This was 23% from Friday. Some 41,8% of this off line generation today was non gas fired generation.

The NRC reported today that 95,164 Mw of nuclear generation was on line this morning, up 0.3% from yesterday and up nearly 3% from the same time a year ago.

ExxonMobil reported today that its natural gas production in the United States in the fourth quarter reached 1.298 bcf/d up 0.5% from the third quarter and posting its fourth consecutive quarterly gain.

Production in the fourth quarter was some 6.7% higher than a year ago. The company also reported today that it has partnered with a privately held Pennsylvania based independent to explore nearly 300,000 net acres

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	732,300	\$5.298	\$0.042	(\$0.090)	(\$0.201)	\$0.178
Chicago City Gate	732,900	\$5.478	\$0.046	\$0.090	(\$0.157)	\$0.272
NGPL- TX/OK	722,600	\$5.211	\$0.084	(\$0.177)	(\$0.119)	(\$0.046)
SoCal	441,000	\$5.452	\$0.066	\$0.064	(\$0.137)	\$0.201
PG&E Citygate	538,500	\$5.622	\$0.008	\$0.234	(\$0.195)	\$0.403
Dominion-South	399,000	\$5.652	(\$0.003)	\$0.264	(\$0.206)	\$0.380
USTRade Weighted	20,334,100	\$5.399	\$0.002	\$0.011	(\$0.20)	\$0.178



in the Marcellus Shale region.

Anadarko Petroleum announced it was selling its Granger Gathering System and related gas processing plants in Wyoming to its affiliate, Western Gas Partners LP for \$254 million in cash and stock. Anadarko's output in the region accounts for half the gas flowing through the system. The company also reported that in the 4Q2009 production of natural gas in the United States averaged 2.076 bcf/d down 3.3% from the previous quarter and off 5.5% from a year ago. The company reported that as of February 1st it had hedged 1630 thousand Mmbtu's of natural gas production utilizing a three way collar, with the weighted average price for the floor sold at \$4.22, \$5.59 for the floor purchased and \$8.23 for the ceiling sold. For 2011 and 2012, it had three way collars on for 480 thousand Mmbtu and 500 thousand Mmbtu of production sold respectively. The company has sold 90 thousand Mmbtu's of production for both 2010 and 2011 at fixed price hedge of \$6.10 and \$6.17 respectively.

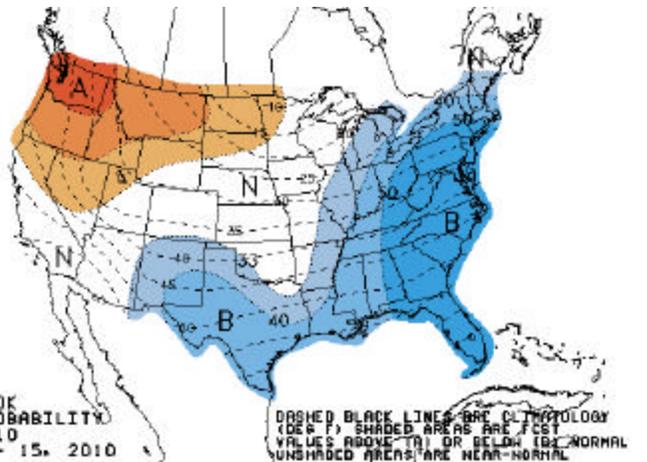
The IEA said today that it looked for global gas demand to likely rise by 1-2% in 2010,

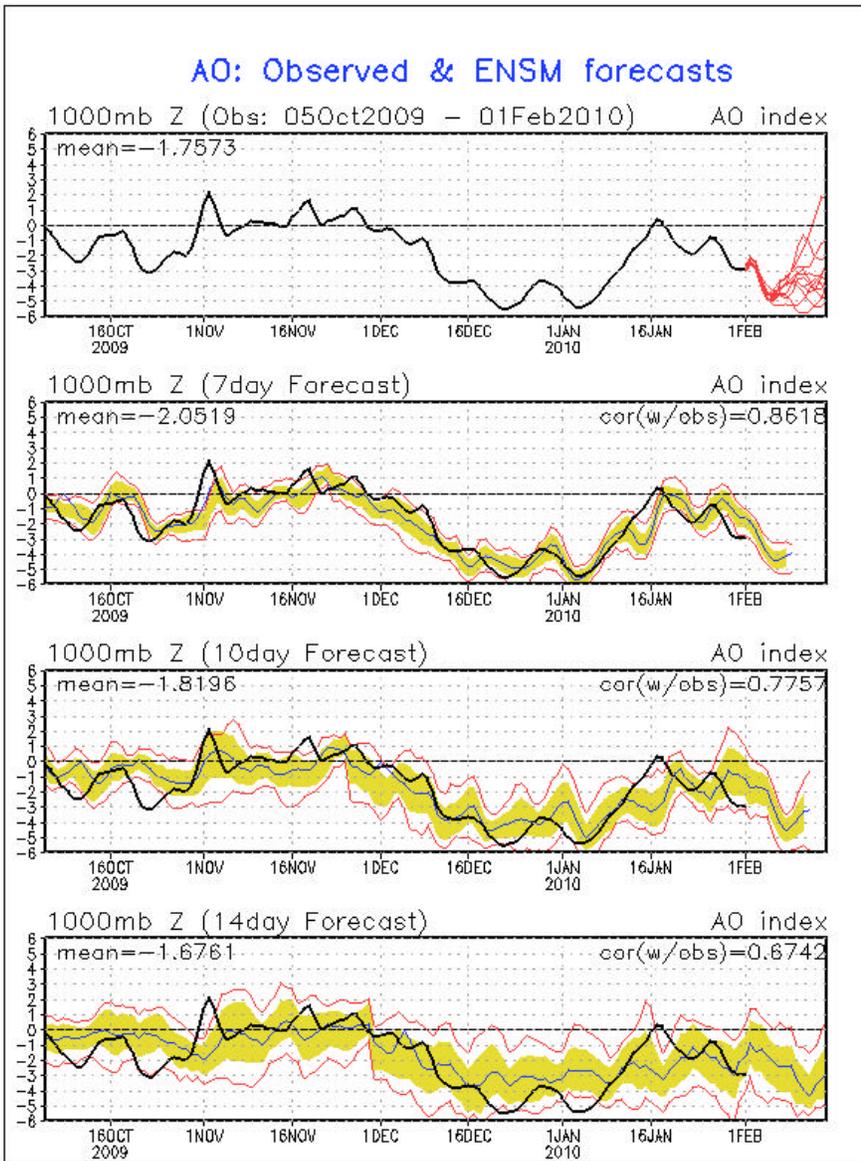
fueled by demand in the Middle East, China and India. Despite the economic recovery global demand will still not exceed 2008 levels.

ExxonMobil said today that it hope to have its Golden Pass LNG import terminal start up operation in the second half of this year. The facility's start up originally slated for 2009 was delayed due to hurricane damage back in 2008. The terminal is owned by Qatar (70%) Exxon (17.6% and ConocoPhillips (12.4%). Exxon also said today that Rasgas's 7.8 million tonne per year Train 7 is expected to come on line in the next few weeks. The company said gas is flowing into the facility currently.

According to shipping officials, two LNG tankers are expected to arrive in the UK tomorrow, one from Qatar and the other from Algeria. The Belgium port at Zeebrugge is expected to receive one LNG cargo this week from Qatar as well.

The Arctic Princess LNG tanker is expected to arrive at the U.S. Cove Point LNG terminal on February 4th from Norway according to a





Reuters report. This would be the second tanker from Norway to arrive at the facility over the last couple of weeks. Meanwhile the Canaport terminal in New Brunswick, Canada has received the Celestine River LNG tanker from Trinidad late last week and the Sabine Pass terminal reportedly received a cargo from Qatar on Sunday.

South Korean energy firm KOGAS has reportedly cancelled a LNG purchase deal from the Tangguh project. In 2008, Indonesia reached an initial agreement to supply 1 million tonnes per year of LNG to KOGAS from 2010-2012. KOGAS said the deal was being canceled due to the economic situation in South Korea has not improved. Indonesian officials said that they would seek another buyer of the 1 million tonnes per year, since they will not produce the LNG without a buyer.

The CEO of Oman LNG said that due to strong local demand for gas Oman LNG is unlikely to have additional cargoes of LNG for sale for the foreseeable

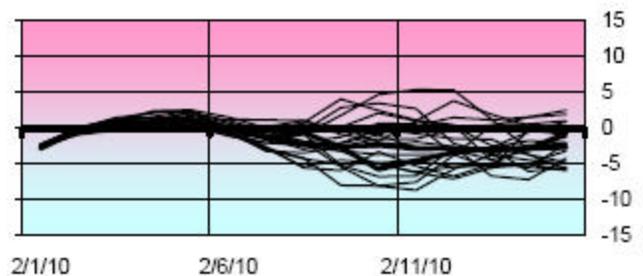
future. The company noted that Oman lacks the gas needed to meet both rapidly rising domestic demand and to fill the LNG facility, which therefore has been running at below capacity. Oman currently is producing just 8 million tonnes per year to meet its existing long-term supply contracts, some 3 million tonnes per year below the facilities' capacity.

Poland's gas monopoly PGNiG said it will resume full deliveries to chemical producer, Police later on Monday after cutting deliveries to the company last week.

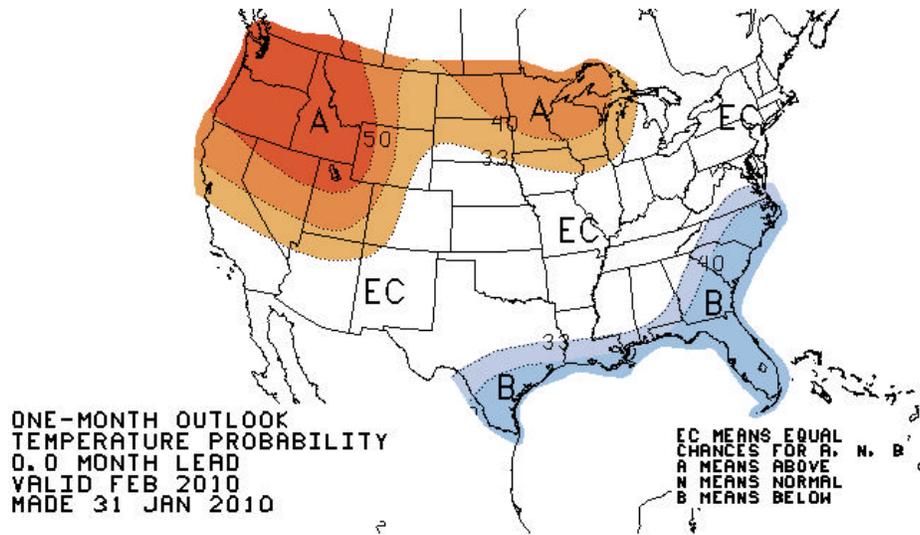
JPMorgan Chase reportedly may drop plans to acquire the North American operations of Sempra Commodities as a result of President Obama's recent comments that he would seek to curb banks proprietary trading activities. The bank may focus instead on buying the European division instead.

The Institute of Supply Management reported this morning that its national factory activity

Morning Forecast Model Spread



index rose faster than expected in January rising to 58.4 in January from 54.9 in December. Market expectations had been for the index to be around 55.5.



The Department of Commerce reported this morning that while personal income rose 0.4% in December, personal spending rose by only 0.2%. The Commerce Department though did revise upward its November estimate by 0.1% to 0.5% for personal income and revised upward personal spending by 0.2% to a 0.7% gain.

NYU economist Nouriel Roubini, who in 2007 correctly predicted a “hard landing” for the world economy due to the financial crisis and last year called for the global recession would last through the middle of 2009 with growth resuming the second half of 2009, has said now that U.S. economic growth this year looks “very dismal” and warned that U.S. unemployment will continue to rise. He warned, “it is going to feel like a recession even if technically we’re not going to be in a recession.”

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that it has made progress on the anomaly digs between MLV 535-1 and MLV 542-1 (Purvis, Mississippi to DeKalb, Mississippi) has allowed the Heidelberg Transport meter to return to service. The Pine Springs Road meter though remains shut in until further notice. The company hopes that the remaining work should be completed by Friday.

PG&E has issued a system wide OFO for February 2nd due to the anticipation of high inventory levels. A tolerance level of 6% has been set.

PIPELINE MAINTENANCE

NGPL announced that from February 4th through February 5th it will be working on the compressor at the NNG-Mills interconnect, which require a total shutdown at the location.

ELECTRIC MARKET NEWS

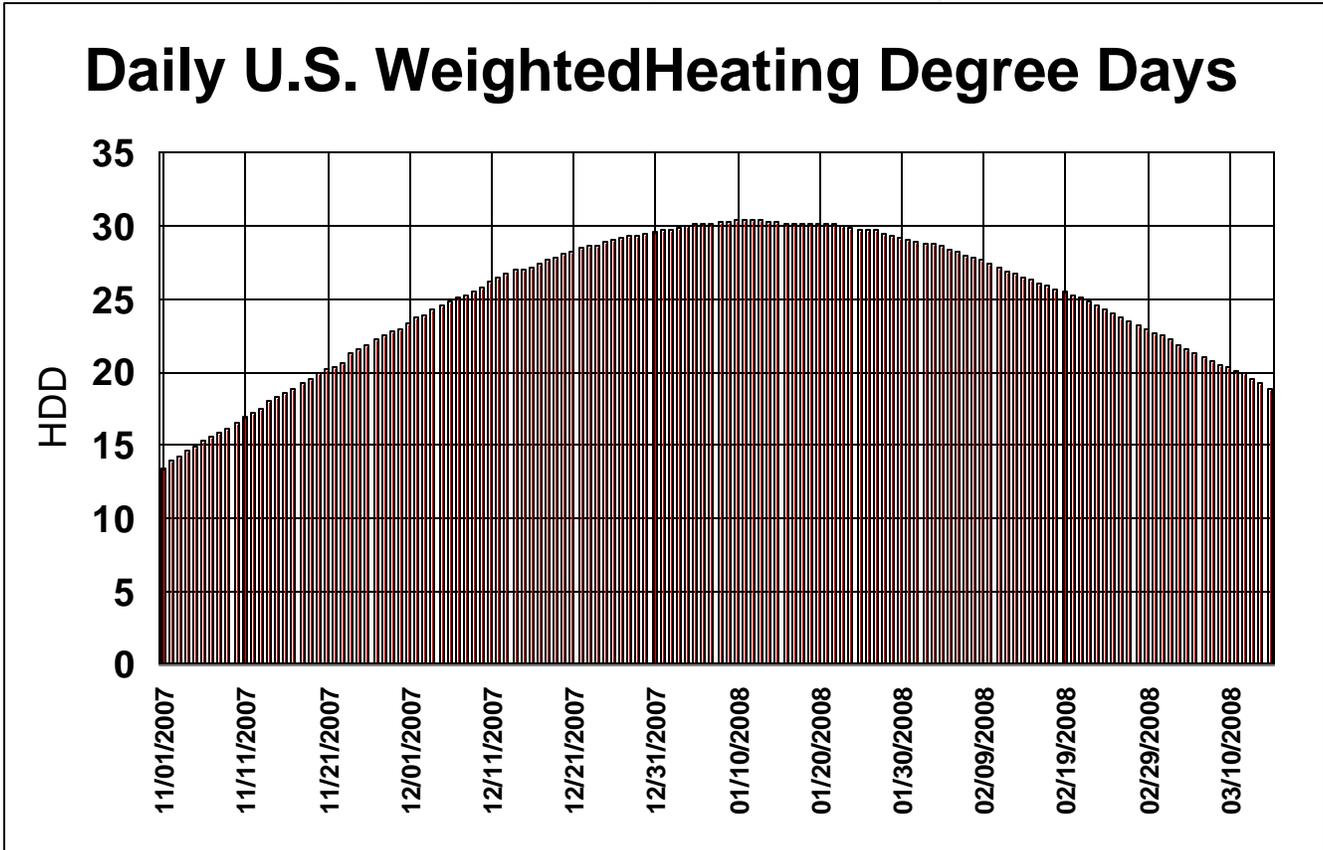
Genscape reported today that U.S. power output for the week ending January 28th rose 0.7% from the prior week but was 4% less than the same week a year ago.

Exelon Corp announced over the weekend that it would join the FutureGen Industrial Alliance, a public-private partnership dedicated to building the FutureGen IGCC plant in Mattoon, Illinois. The alliance was in need of new private backers after AEP and Southern Company withdrew from the project in 2009. The facility is a 275 Mw integrated gasification combined-cycle plant. About 60% of the carbon dioxide would initially be captured and stored underground, while in later development up 90% of the CO2 would be captured.

MARKET COMMENTARY

The bulls returned to the market this morning, as private weather forecasters again were beating the alarm bells that February would be colder than normal despite yesterday’s government forecast, which

showed below normal temperatures to be basically confined to the Southeast and Gulf Coasts. This bullish demand outlook found addition support from this morning's ISM manufacturing report, which pointed to an even stronger manufacturing rebound in January than most in the market had been expecting. This bullish fever allowed the spot month to post its strongest one-day gain since January 6th, in what we feel was probably compounded by some short covering. But we feel that this bullish



euphoria may be a bit over done. First the next day cash markets today while seeing higher values at most locations given the higher heating demand expected for the next couple of days nation wide, did not even come close to matching the lofty gains that the futures market recorded. Next it appears that some bulls have lost sight of an accurate benchmark of what normal means. On February 1st typically nation wide heating demand is similar to what demand would be recorded on December 25th, while the end of February sees heating degree demand that is equated to end of November, far from the lofty demand recorded in January. Thus while we feel the market is capable of some further short covering that may drive prices higher over the next couple of days we would look at this potential rally as a selling opportunity if price move up to the \$5.52-\$5.66 level. We see initial resistance at \$5.453 followed by \$5.50-\$5.52, \$5.574-\$5.665 and \$5.708. More distant resistance we see at \$5.804 and \$6.027. Support we see at \$5.30 followed by \$5.255 and \$5.21. Additional support we see at \$5.162 and \$5.06.

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