



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 1, 2011

NATURAL GAS MARKET NEWS

Eight super-cooled LNG tankers are expected to arrive in the UK beginning in early February. Two are destined for South Hook, two for The Dragon Terminal, three for the Isle of Grain and one for the UK. Separately, three tankers are slated to arrive in Belgium during the month of February.

Generation Update

The NRC reported today that 93,732 Mw of generating capacity was online today, up 0.1% from yesterday but 1.6% less than the same day a year ago.

Anadarko Petroleum said today that it expects its 2011 oil and gas production to rise steadily driven for the most part by its shale production growth. The company noted that it has not put any Gulf of Mexico drilling in its plans until the second half of 2011. The company reported that it continues to accelerate the growth of production at its shale field programs. In the Eagleford Shale, in Texas, the company began 2010 producing a little more than 2000 boe/d net and ended the year producing more than 14,000 boe/d net and was the largest producer in the Maverick basin. In the Marcellus Shale, in Pennsylvania, the company ended the year producing approximately 330 MMcf/d. doubling its production from just the quarter previously.

Dominion Resources announced that plans to build an LNG export plant at its existing import terminal in Cove Point, MD are under consideration. The export plant could be online by 2015 at the earliest according to a

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	903,300	\$4.422	(\$0.000)	\$0.059	\$0.001	\$0.247
Chicago City Gate	1,208,200	\$4.813	\$0.120	\$0.450	\$0.089	\$0.224
NGPL- TX/OK	1,665,500	\$4.427	\$0.056	\$0.064	\$0.025	(\$0.056)
SoCal	531,000	\$4.538	\$0.137	\$0.175	\$0.106	(\$0.071)
PG&E Citygate	1,101,600	\$4.456	(\$0.002)	\$0.093	(\$0.034)	(\$0.004)
Dominion-South	455,000	\$4.816	\$0.182	\$0.453	\$0.151	\$0.260
USTrade Weighted	30,914,500	\$4.645	\$0.032	\$0.282	\$0.00	\$0.247

company spokesman. The export plant would look to source its gas from the developing Marcellus shale gas field. Dominion said it has discussed the potential for liquefaction facilities at Cove Point with a number of major companies. Dominion officials said they would proceed with the proposed project if it were tied to a long-term supply and off take agreement. Dominion said it would look to work with Statoil, which has import capacity at Cove Point and production acreage in Marcellus to build a connection between the Marcellus region and the proposed export plant.

Petrohawk Energy Corp said its fourth quarter production increased by about 50% mainly due to its operations in the Haynesville and Eagle Ford shales. The company estimates that oil, condensate and natural gas liquids will make up for 12% of its production in the current year, up from 5% in 2010. Its fourth quarter output increased by about 48% to 761 million cubic feet/day of natural gas equivalent.

Plans for Crescent Petroleum of the UAE to supply gas to Iran have put on hold due to sanctions set against Iran.

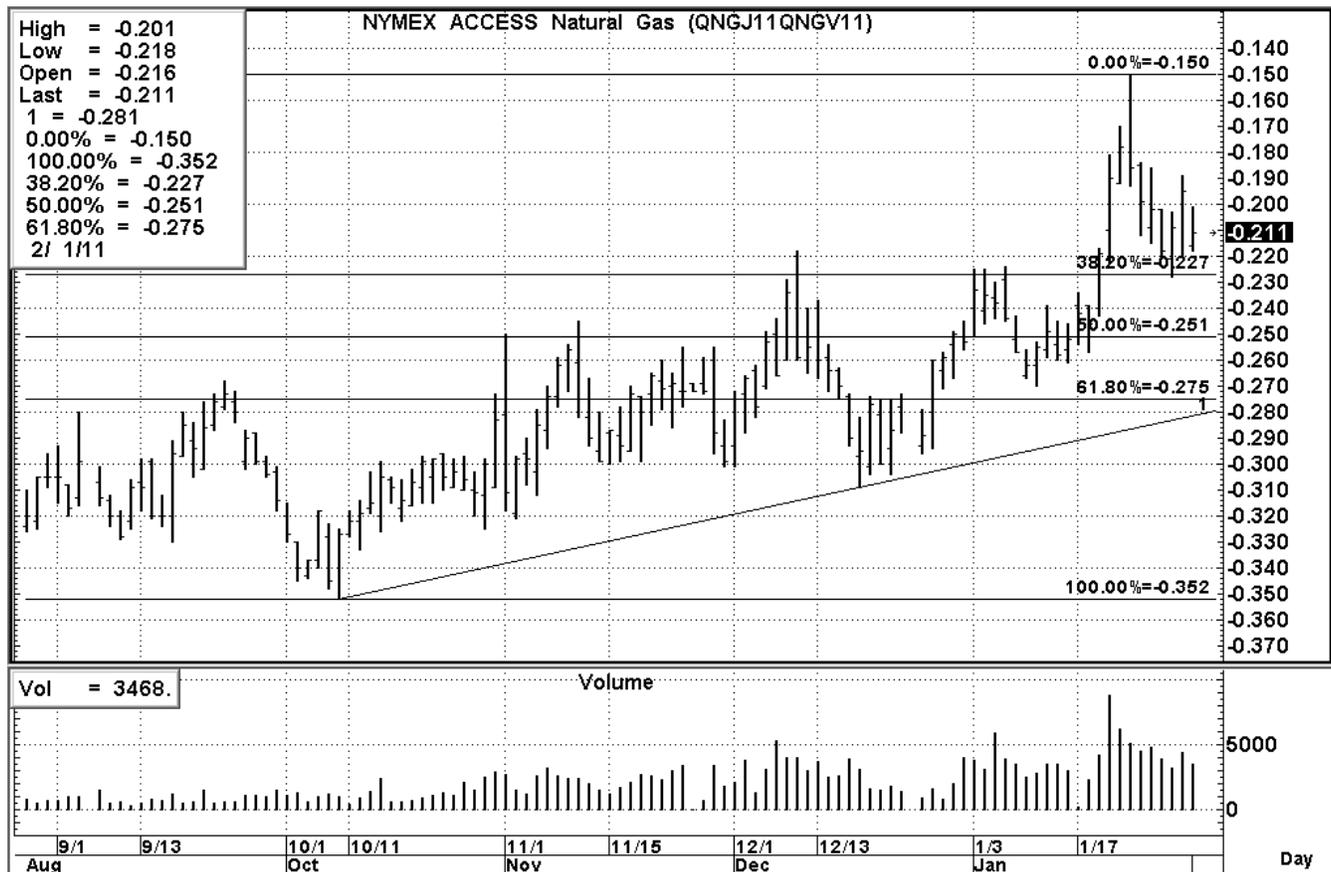
ELECTRIC MARKET NEWS

The Nuclear regulatory Commission said today that it would increase oversight of Progress Energy's 899 Mw Robinson nuclear power plant as a result of a series of problems reported over the past year.

ECONOMIC NEWS

The US manufacturing sector grew at its fastest pace in nearly seven years in January. The Institute for Supply Management manufacturing index came in at 60.8 in January, above consensus forecasts of 58 and higher than December's 58.5 level. The prices paid index increased to 81.5 from 72.5 in December.

The US Commerce Department reported that US construction spending fell for a second consecutive month in December. Spending on construction fell by 2.5% to a seasonally adjusted annual rate of



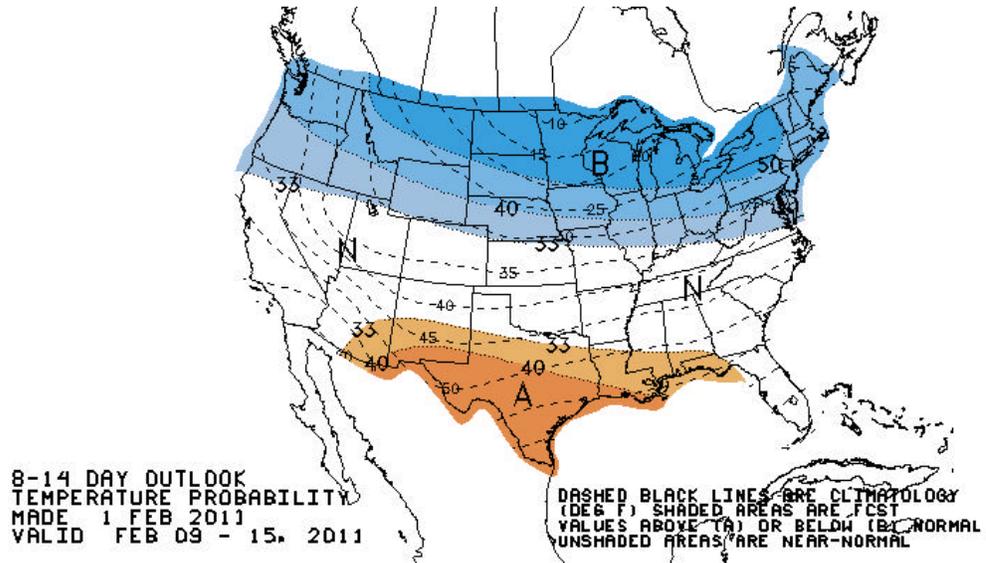
\$787.88 billion compared to the prior month. Spending in November fell 0.2%, revised down from a previously estimated increase of 0.4%. The value of construction in 2010 fell by 10.3% from 2009.

The International Council of Shopping Center and Goldman Sachs reported that US chain store sales fell by 1% last week but increased by 1.6% on the year to 488.2.

Redbook Research reported that US chain store sales increased by 1.8% last week. It also reported that US chain store sales in January increased by 2.3% on the year but fell by 0.9% on the month.

European statistics agency Eurostat said the euro zone jobless rate held steady at 10% in December. It said the number of unemployed people in the euro zone fell by 73,000 on the month, falling to 15.8 million but increased by 178,000 on the year. Eurostat said unemployment in the 27 member European Union was unchanged at 9.6% and the number of unemployed fell by 19,000 to 23.1 million in December.

Germany's Federal Labour Office said unemployment in Germany fell more than expected in January, leaving the unemployment rate at its lowest level since March 1992. Unemployment fell by a seasonally adjusted 13,000 and the rate to 7.4%.



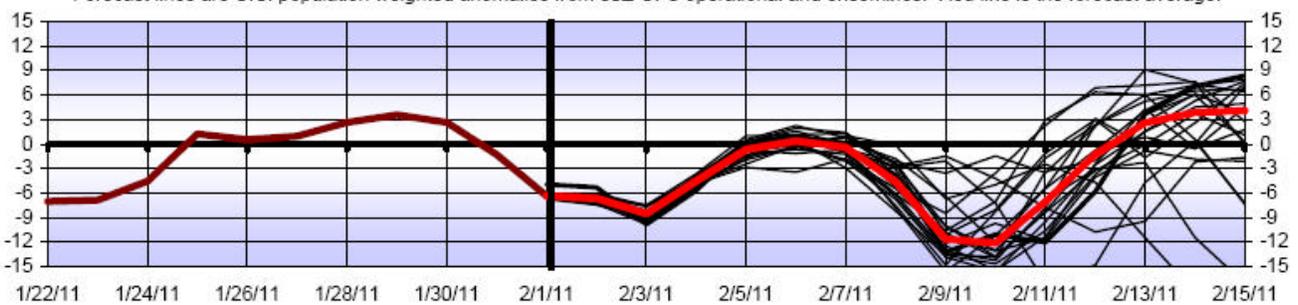
Manufacturing activity in the euro zone accelerated more than previously expected in January. The Markit Eurozone Manufacturing Purchasing Managers' Index increased to 57.3 in January from 57.1 in December, exceeding an earlier estimate of 56.9.

MARKET COMMENTARY

What a difference a day makes. The 8-14 day temperature outlook went from calling for nearly the whole nation to be below to much below normal temperatures in yesterday's forecast, to now having only the northern third of the nation seeing below normal temps with the southern third of the nation experiencing above normal temperatures. Forecasters assigned a rather higher degree of confidence to this outlook as they see moderation in temperatures returning as a result of the jet stream becoming

10 Day Observed U.S. Population Weighted Temperature Anomalies and 15 Day Ensemble Forecast

Forecast lines are U.S. population weighted anomalies from 00Z GFS operational and ensembles. Red line is the forecast average.



much less amplified and returning to more of a zonal west to east pattern. As a result while arctic temperatures are expected to sweep across the country following in the wake of this week's mega winter storm, traders remain focused on the outlook for the period a week from now. This bearish weather pattern coupled with declining oil prices returned the natural gas market to the defensive

today and allowed the March contract to retrace two thirds of the rally off of Friday's lows. The March contract also posted an inside trading session which could signal the potential for a volatile trading session tomorrow. But we feel that this may be postponed a day as traders wait for the release of the next storage report on Thursday.

The March-April spread today appeared to show that this market will be on the defensive, as it settled down on its lows of the day as well as next to the lows from last week. Spread activity remained brisk today with over 21,762 lots traded via Globex on the day. Even with the prospects of cold temperatures over the next week, this spread for the last week has been unable to move back to a March premium over the April contract. Meanwhile the April-October spread appears headed lower as well with the April contract moving back toward potentially a 27 cent discount to the October contract.

We see support in this market at \$4.32 followed by \$4.25-\$4.24. Additional support we see at \$4.067, \$3.98 and \$3.875. Resistance we see at \$4.47-\$4.492, \$4.538-\$4.566, \$4.605 and \$4.639.

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