



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 2, 2011

NATURAL GAS MARKET NEWS

BP reported today that the CFTC and FERC are currently considering whether to file charges against BP related to alleged manipulation of the next day gas market at the Houston Ship Channel during October and November 2008. The company said that the CFTC notified BP that it planned to recommend alleging market manipulation. The FERC is considering whether to proceed with the matter or not.

Bentek Energy reported today that the freezing weather in Texas has forced the shut in of at least 600 MMcf/d of natural gas production in the Fort Worth, East Texas and Texas Gulf Coast basins. The analysts noted that production fell sharply between Monday and Tuesday. Production reportedly was beginning to rebound today.

Gas flows into the St. Fegus Mobil terminal in Scotland dropped by half overnight down to 10 mcm but by mid morning began to rebound and was back to 18 mcm. Exxon Mobil declined to comment on the operational status of its facilities.

According to port officials the LNG tanker the Rasgas Asclepius from Qatar was expected to arrive at the Zeebrugge

terminal on February 15th carrying 145,000 cubic meters of gas. Reuters reported that the trinity Glory should arrive at the same terminal on February 18th.

Meanwhile port authorities in Britain reported that the Qatari LNG tanker, the Al Mafyar, is scheduled to arrive at the South Hook terminal on February 4th, carrying 266,000 cubic meters of LNG.

Generation Update

NPCC – Bruce Power’s 822 Mw Bruce #8 nuclear unit was taken off line late Tuesday.

ERCOT – Luminant’s 568 Mw Sandow coal fired Unit #4 was shut earlier today, when the unit tripped due to a faulty feed water flow transmitter that froze during recent cold temperatures.

MISO – Exelon’s 1118 Mw LaSalle #1 nuclear unit was shut early Wednesday morning. The unit had been at full power m Tuesday.

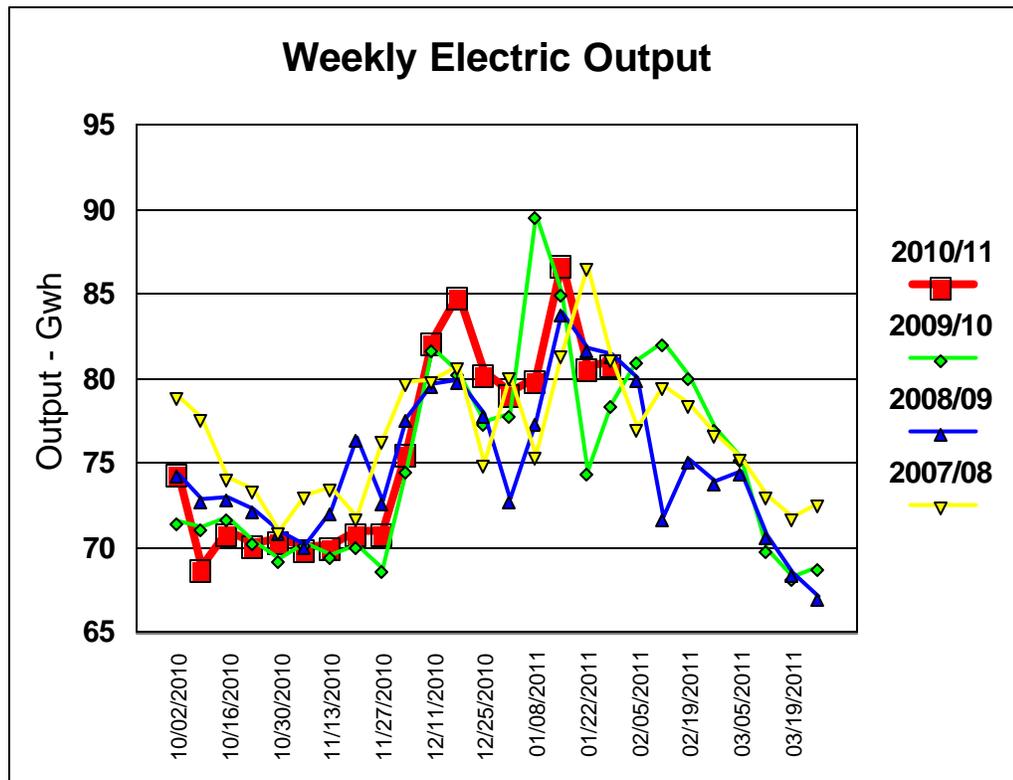
The NRC reported today that **2,646 Mw** of generating capacity was online today, down 1.2% from yesterday and 2.2% less than the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		<small>(As of 12:30 PM)</small>		<u>Moving Avg</u>
Henry Hub	1,053,800	\$4.554	\$0.132	\$0.177	\$0.478	\$0.372
Chicago City Gate	1,267,100	\$5.200	\$0.387	\$0.823	\$0.373	\$0.377
NGPL- TX/OK	1,535,400	\$4.564	\$0.138	\$0.187	\$0.124	\$0.013
SoCal	456,900	\$5.564	\$1.026	\$1.187	\$1.012	\$0.218
PG&E Citygate	980,400	\$4.545	\$0.088	\$0.168	\$0.074	\$0.058
Dominion-South	576,400	\$5.095	\$0.280	\$0.718	\$0.266	\$0.369
USTrade Weighted	32,068,600	\$5.137	\$0.492	\$0.760	\$0.48	\$0.372

Barclays Capital told investors that global shipments of LNG would not be significantly affected if unrest in Egypt spills over and forced the closure of the Suez Canal. Around 3.1 million tones per month of LNG transits the canal or 14% of total global LNG trade. In the event the canal is closed it would increase shipping costs but not disrupt production it is assumed.



Azerbaijan announced it has reached agreement with Greece to sell that nation some 0.7 bcm of natural gas per year directly, bypassing Turkish intermediaries. In the past Greece has purchased those volumes from Turkish intermediaries.

The Russian Energy Ministry reported today that Russian natural gas production in January reached 63.697 bcm up 1% from December but 0.4% less than the same

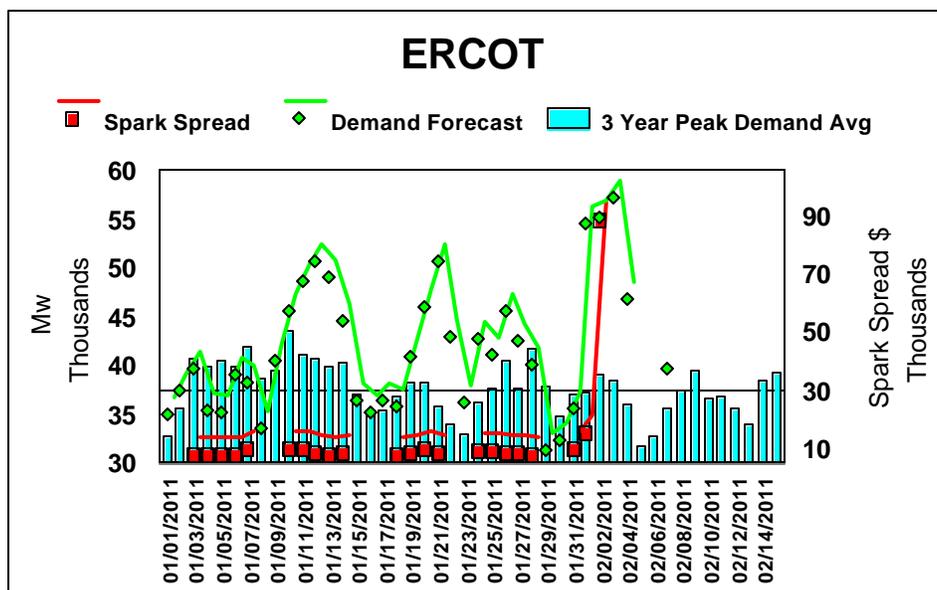
month a year ago.

Shell reported that it has drilled a dry well some 12 kilometers northwest of the main production area of Ormen Lange gas field, offshore of Norway.

Shell and Mitsubishi are expected to finalize a deal this month with Iraq to capture gas from Iraqi oilfields. The long awaited agreement has been held up for months due to legal issues. The deal is expected to be ratified by the Iraqi cabinet shortly.

ELECTRIC MARKET NEWS

ERCOT said that it had imposed rolling blackouts across Texas on Wednesday to deal with the loss of over 50



generating units or 7000 Mw of generating capacity overnight during a severe ice storm and cold temperatures. While ERCOT declined to outline the off line units, STP nuclear reported that its two

nuclear units remained online and operating at full power. Hourly power prices surged to \$2,000 per Mwh, up substantially from the \$50 it has been trading at. recently. The grid operator urged consumers to cut back on their power usage. The power grid operator late Wednesday afternoon said that its rolling blackouts across the state were no longer needed, but warned that there was a strong possibility of more rotating outages would be required again Wednesday night or Thursday, depending how quickly the disabled power plants return to service.

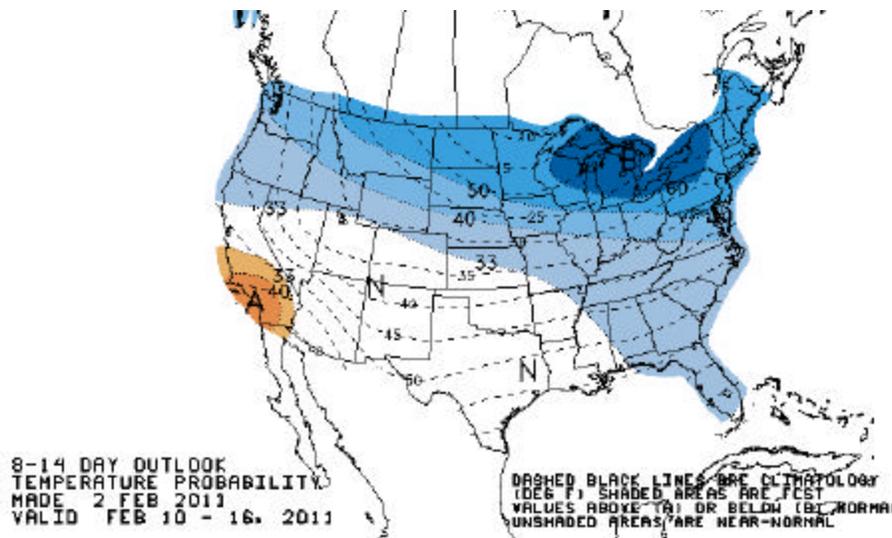
10 Day Observed U.S. Population Weighted Temperature Anomalies and 15 Day Ensemble Forecast

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



The giant winter storm that has swept through the Midwest and the Northeast knocked power out to over 750,000 customers, with some 462,000 still without power as of midday Wednesday.

The Edison Electric Institute reported today that power production in the United States for the week ending January 29th stood at 80,822 Gwh up 0.22% from the prior week and 3.04% above the same week a year ago. For the first five weeks of this year, power production has been averaging 0.5% more than a year ago.



The NRC said today that it would seek public comment later this month on Westinghouse Electric's proposed AP1000 nuclear reactor. The comment period would last for 75 days and the NRC could render a decision by late summer or early fall 2011. The proposed reactor design appears to be the choice of utilities looking to build 14 new nuclear power plants. If the NRC approves the design, the agency could possibly issue construction

licenses to Southern and SCANA to build their new reactors by the end of this year.

ECONOMIC NEWS

According to ADP, private sector payrolls expanded in January, led by small business hiring. Private sector jobs in the US increased by 187,000 in January compared with expectations of an increase of 143,000. The estimated change in employment for December was revised to show an increase of 247,000. The ADP report showed that large businesses with 500 employees or more hired 11,000 new employees and medium sized businesses added 79,000 workers in January and small business that employ fewer than 50 workers added 97,000 new workers.

Global outplacement company Challenger, Gray & Christmas said the number of planned layoffs at US firms in January increased by 20% on the month to 38,519.

MARKET COMMENTARY

Despite the weather forecast provided by Punxsutawney Phil and Staten Island Chuck today that we will have an early end to winter, natural gas traders appeared to be more focused on the 8-15 day forecast which today looked to be a bit colder than yesterday's outlook and thus helped to support this market. With additional support coming from news of natural gas shut ins from the recent cold weather in Texas along with some positive economic news, the natural gas market posted the third higher settlement out of the last four trading sessions, but values remained contained within the trading range of the past week as traders awaited tomorrow's storage report.

Market expectations for tomorrow's EIA weekly storage report appear to be running between a 175-200 bcf draw down with most estimates centered around a 190 bcf decline. For the same week a year ago stocks declined an adjusted 111 bcf while the five-year seasonal average shows a 165 bcf draw. If the storage draw comes in at 195 or higher would turn the current working gas storage levels from a surplus to a deficit relative to the five year seasonal average. If this becomes a reality it will most likely lend a further supportive hand to this market, but we continue to feel that this market will remain mired in its six week relative sideways trading pattern with the March contract stuck between \$4.23-\$4.82.

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