



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 3, 2010

NATURAL GAS MARKET NEWS

Private weather forecaster, Accuweather started out the morning once again calling for significantly colder temperatures over the next three weeks. Forecaster Joe Bastardi was calling for temperatures in major populations centers will average 2.5 degrees below normal over the next week, with the week ending February 16th and 23rd seeing temperatures averaging 8 degrees and 5.5 below normal. Private weather forecasters Frontier Weather and Commodity Weather Group also seemed to reflect these bullish forecasts as well, but maybe with a bit lower level of confidence.

India's Hazira LNG reportedly will re-open its LNG terminal in western Gujarat state following a planned maintenance shutdown by mid-February. The terminal was reportedly shut sometime late last week for planned maintenance on the 3.6 million tonnes a year facility.

The province of New Brunswick has called on the FERC to reject the Calais LNG Project LLC's application to build a LNG import terminal in Maine. The province said the application is

"patently deficient" due to how it minimizes the potential for accidents and ignores the cumulative effects of two LNG terminals that would be located in the same area. The province also said that if the FERC moved ahead with its approval process then it should impose on the project "all necessary and reasonable conditions to protect the citizens of the Province of new Brunswick that live along the proposed LNG vessel transit route." The proposed LNG terminal would be capable of storing 1 million barrels of LNG in each of its LNG storage tanks and have the capacity to deliver up to 1 bcf/d of gas to the grid.

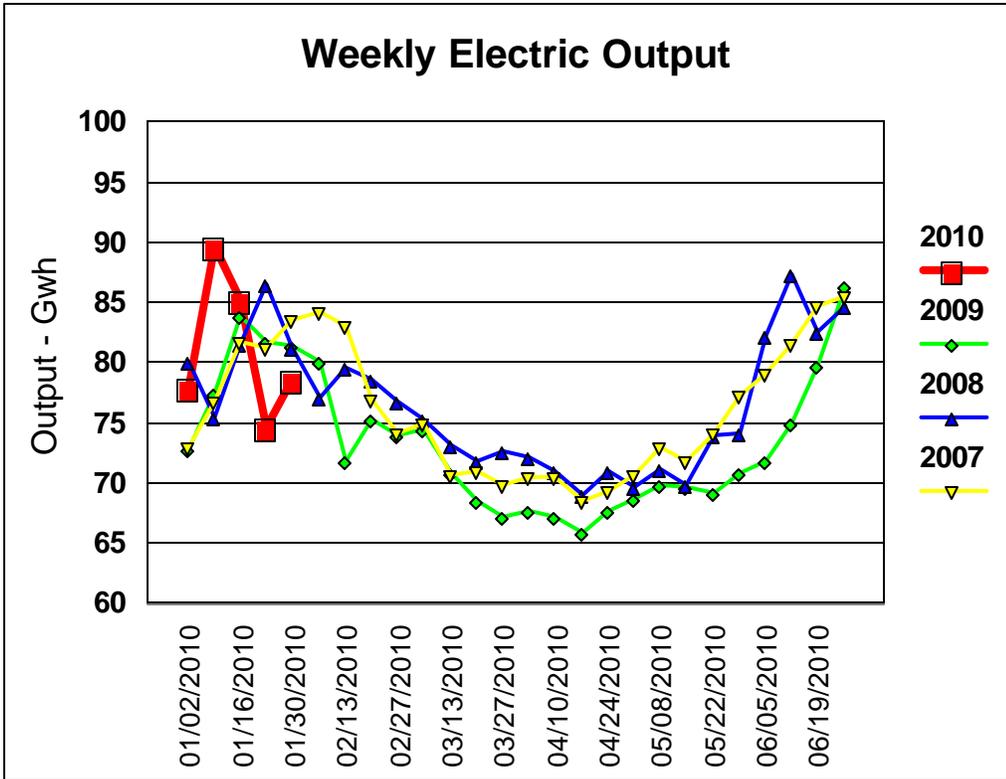
Generator Problems

PJM – Exelon's 1140 Mw Peach Bottom #2 nuclear unit was at only 40% power this morning down 50% from yesterday.

ERCOT & SPP – Entergy's 995 mw Arkansas Nuclear #1 nuclear unit was holding at 70% capacity as operators worked to repair a main feed water pump.

The NRC reported today that 94,681 Mw of nuclear generation was on line this morning, down 0.6% from yesterday and up nearly 2.2% from the same time a year ago.

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	831,400	\$5.507	\$0.035	\$0.031	\$0.068	\$0.136
Chicago City Gate	629,900	\$5.679	\$0.048	\$0.202	\$0.063	\$0.204
NGPL- TX/OK	581,100	\$5.416	\$0.081	(\$0.060)	\$0.096	(\$0.088)
SoCal	516,400	\$5.605	\$0.029	\$0.128	\$0.044	\$0.146
PG&E Citygate	718,200	\$5.807	\$0.047	\$0.331	\$0.062	\$0.343
Dominion-South	244,400	\$5.828	\$0.106	\$0.352	\$0.121	\$0.364
USTrade Weighted	20,958,100	\$5.580	\$0.053	\$0.104	\$0.07	\$0.136



The U.S. Coast Guard on Tuesday announced it would allow LNG cargoes from Yemen to enter into Boston Harbor beginning later this month, but tankers coming from Yemen, due to terrorist threats will be subject to additional security.

Midstream operator, Frontier gas Service LLC said Wednesday that it has acquired two more natural gas gathering systems in Arkansas Fayetteville Shale, adding to the four it already operates in the region.

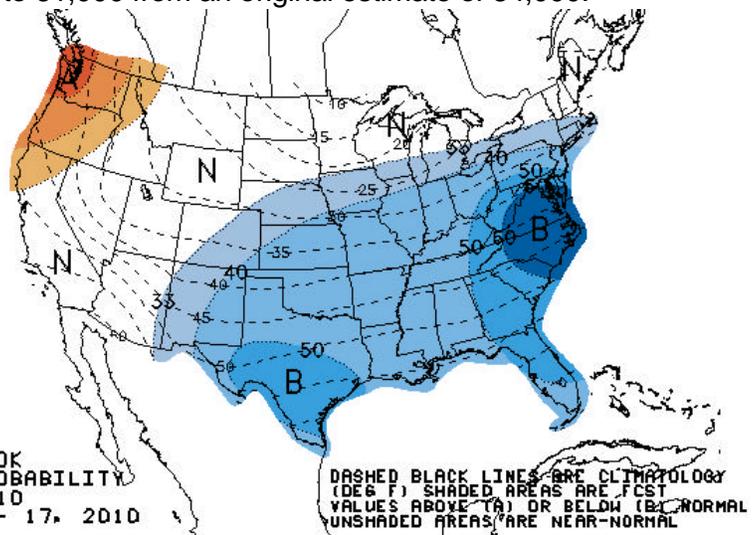
The Institute for Supply Management said the US services sector grew slightly in January. It said its services index increased to 50.5 in January from 49.8 in December. It is slightly below the average forecast of 51.

ADP reported that US private employers cut 22,000 jobs in January, less than the 61,000 jobs lost in December. December's job cut was revised to 61,000 from an original estimate of 84,000.

PIPELINE MAINTENANCE

Gulf South reported it plans to conduct compressor maintenance at the Carthage Junction Expansion Compressor Station on turbine T5 beginning on February 9th and on turbine T6 on February 10th. The work on each unit is expected to last for approximately 12 hours. Based on

8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 3 FEB 2010
VALID FEB 11 - 17, 2010



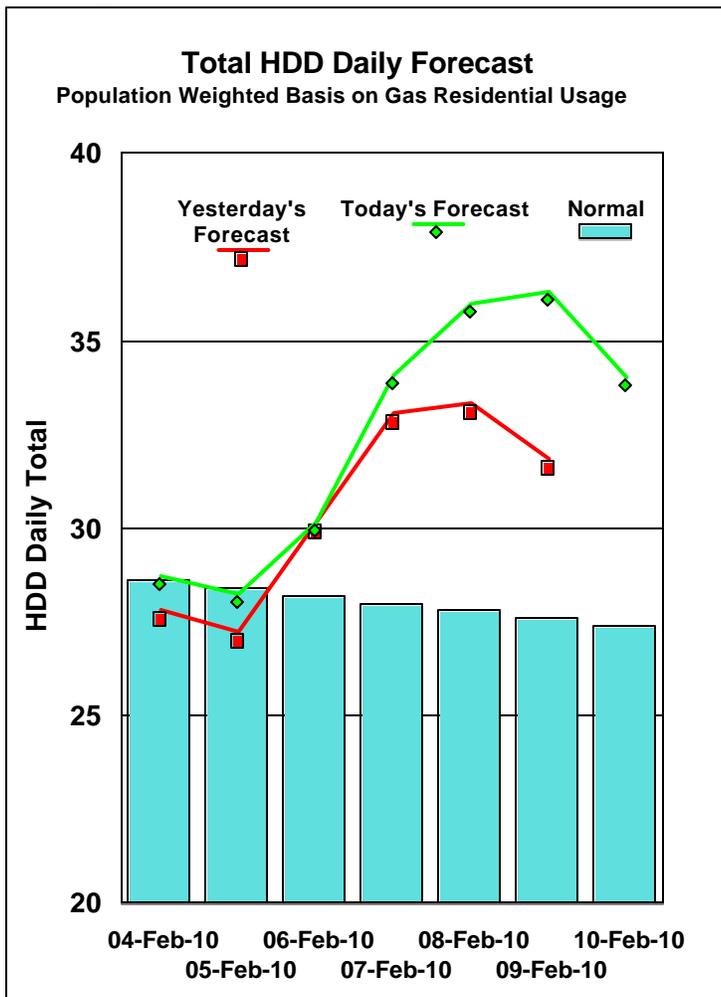
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system operations and nominations, the company does not anticipate any impact to shippers at this time utilizing the Carthage Junction Expansion Compressor Station.

ELECTRIC MARKET NEWS

Georgia Power Company has issued its 2010 integrated resource plan and it said the utility will continue its previously announced plans to heavily invest in nuclear and natural gas generation while also adding solar and biomass capacity to its resource mix. The company will continue to pursue the addition of two more nuclear units at its Vogtle nuclear facility, while looking to retire two coal fired units at its Jack McDonough plant; the addition of three new gas fired units at the same location; the conversion of Unit #3 of its Mitchell plant from coal to biomass; and the purchase of 1795 Mw of capacity and energy under three power purchase agreements beginning on June 1st.

The U.S. Congressional Research Service has recommended to Congress that the legislative body charter a study on the potential for displacing coal-generated electricity with power from existing natural gas fired power plants. The study would need a sophisticated computer modeling process to simulate the operation of the power system to determine whether there is sufficient excess gas fired capacity, and the supporting transmission and other infrastructure, to displace a material volume of coal over the near term.



Dominion Virginia Power said it sees projected load growth in PJM over the upcoming 10-year period will be higher than any of the states or zones operating in PJM, which leaves the company with a 5600 Mw generation shortfall, despite its current construction program. It said this shows the need for additional generation capacity to be built in the coming years.

President Obama today announced a new task force to come up with ways to deploy clean coal technology in 10 years. He said he want to see the U.S. to have 10 clean coal demonstration projects operating by 2016.

The Edison Electric Institute reported today that for the week ending January 30th, U.S. saw some 78,364 GWh of power generated, up 5.35% from the prior week, but some 3.7% less than the same time a year ago.

Two House committee chairmen have filed a bill to block the EPA from regulating greenhouse gases under its own power. They said Congress, not unelected bureaucrats, should set environmental policy. The EPA cleared the way for

regulation under air pollution laws a month ago, when it ruled that greenhouse gases endanger human health. The EPA could act as early as March to offer regulations. Efforts were being made in both chambers of Congress to derail EPA regulation. Besides blocking EPA regulation of six gases, including carbon dioxide, methane and nitrous oxide, blamed for global warming, the House bill would remove two roadblocks to greater use of biofuels. It would also bar EPA from holding US fuels responsible for forest clearing and cropland expansion overseas.

MARKET COMMENTARY

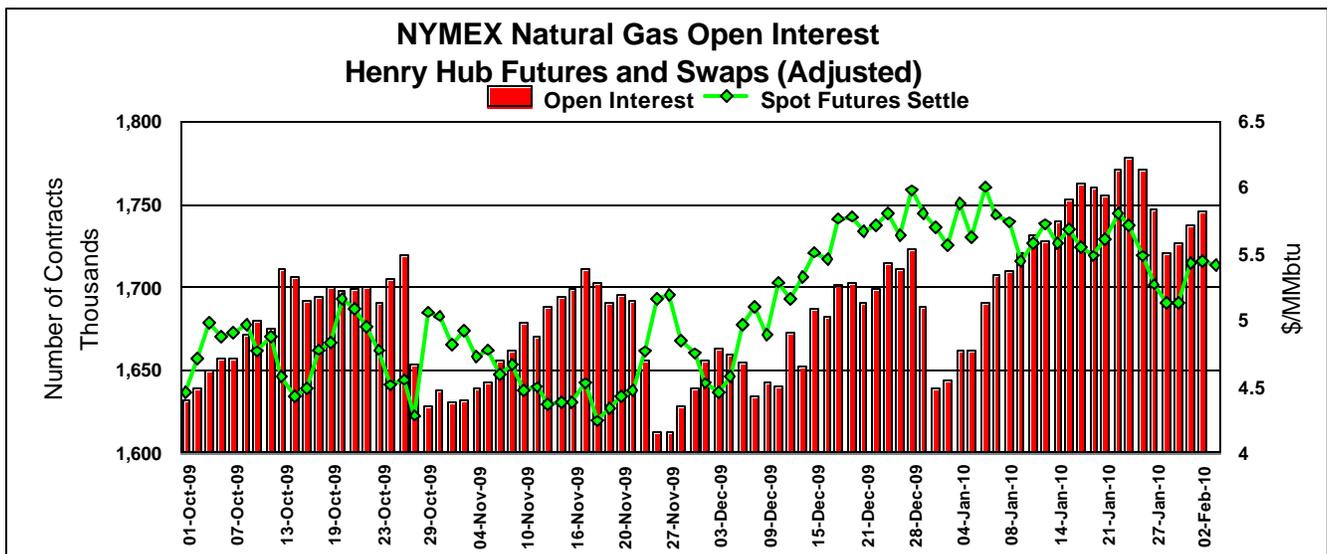
While the 7 day forecast was seen a bit cooler this morning versus yesterday's outlook, the 6-10 and 11-15 day forecasts were also revised to much colder than yesterday as well as the private weather forecasters expectations for the 16-30 day period, one would have thought that this market would have moved higher on the day. But in fact the market settled lower for the first time in three trading sessions, as it posted its first outside trading session since December 21st. The late session sell off appeared to be possibly based on profit taking in front of tomorrow mornings EIA Storage Report, especially as the midday model runs appeared to show temperatures not being as bitter cold as the models showed earlier in the day.

Open interest reported at midday by the CME showed that Henry Hub futures and swaps on a combined and adjusted basis increased by over 9,100 lots, the third consecutive day with significant gains in open interest, as what appears to have been continued new longs coming into the market.

Market expectations for tomorrow's EIA Storage Report appear to be ranging between 110-130 bcf drawdown, with most centered on a 120-bcf draw. For the same week a year ago inventories fell by an adjusted 194-bcf, while the five-year seasonal average shows a 178-bcf decline.

Even if oil prices returned to being under pressure tomorrow, we feel that the natural gas market will not be able to see additional downside pressure tomorrow without a bearish storage number that would highlight the pressure that ample inventories will have on this market going forward even with colder than normal temperatures expected for the next two weeks. Otherwise with a neutral to bullish storage number we feel will hold prices between a \$5.40-\$6.00 trading range going into the last week of the month.

We see support tomorrow starting at \$5.40 followed by \$5.368, \$5.309 and \$5.25-\$5.23. More distant support we see at \$5.06, and \$4.96-\$4.95. Resistance we see at \$5.56, \$5.6225, \$5.869, \$6.027 and \$6.108.



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