



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 5, 2010

NATURAL GAS MARKET NEWS

Baker Hughes reported this morning that for the current week ending February 5th, the number of drilling rigs searching for natural gas in the United States stood at 878, up 17 from the previous week and the highest level since May of last year.

Gazprom announced today it is looking to see its production of natural gas in 2010 to grow by 12.5% over 2009 levels and reach 520 billion cubic meters. This higher production level coupled with rebounding energy prices should allow earnings to improve by 20% in 2010. The Russian government reportedly has approved the domestic price will be increased by 26%. The company also announced that it has delayed the start of its giant Arctic Shtokman gas field by three years to 2016 as a result of the recent weakness in the global market in LNG. Gazprom said it has agreed with its consortium partners, Total and StatoilHydro to delay pipeline gas production from Shtokman by the three years. The gas field located under the Barents Sea is expected to require at a minimum \$15 billion of investment for just the first phase of development. Gazprom had initially planned to liquefy and ship most of the gas to the United States.

PT Pertamina said it hopes to complete construction of its \$200 million floating LNG receiving terminal in West Java by September 2011.

Generator Problems

MISO- Exelon's 1043 Mw Clinton nuclear unit has exited a refueling outage after just 25 days. The unit was ramping up and was at 5% power this morning.

Exelon's 1138 Mw LaSalle #1 nuclear unit continues to coast down to its scheduled refueling outage. The unit was at 97% capacity this morning down 1% from yesterday.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit has returned to full power. The unit had been shut on Wednesday

Southern Nuclear's 876 Mw Hatch #1 nuclear unit was at 93% [lower this morning down 1% from Thursday. The unit is believed to be coasting down to its scheduled refueling outage next week.

The NRC reported today that 92,490 Mw of nuclear generation was on line this morning, down 0.8% from yesterday and up only 0.6% from the same time a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

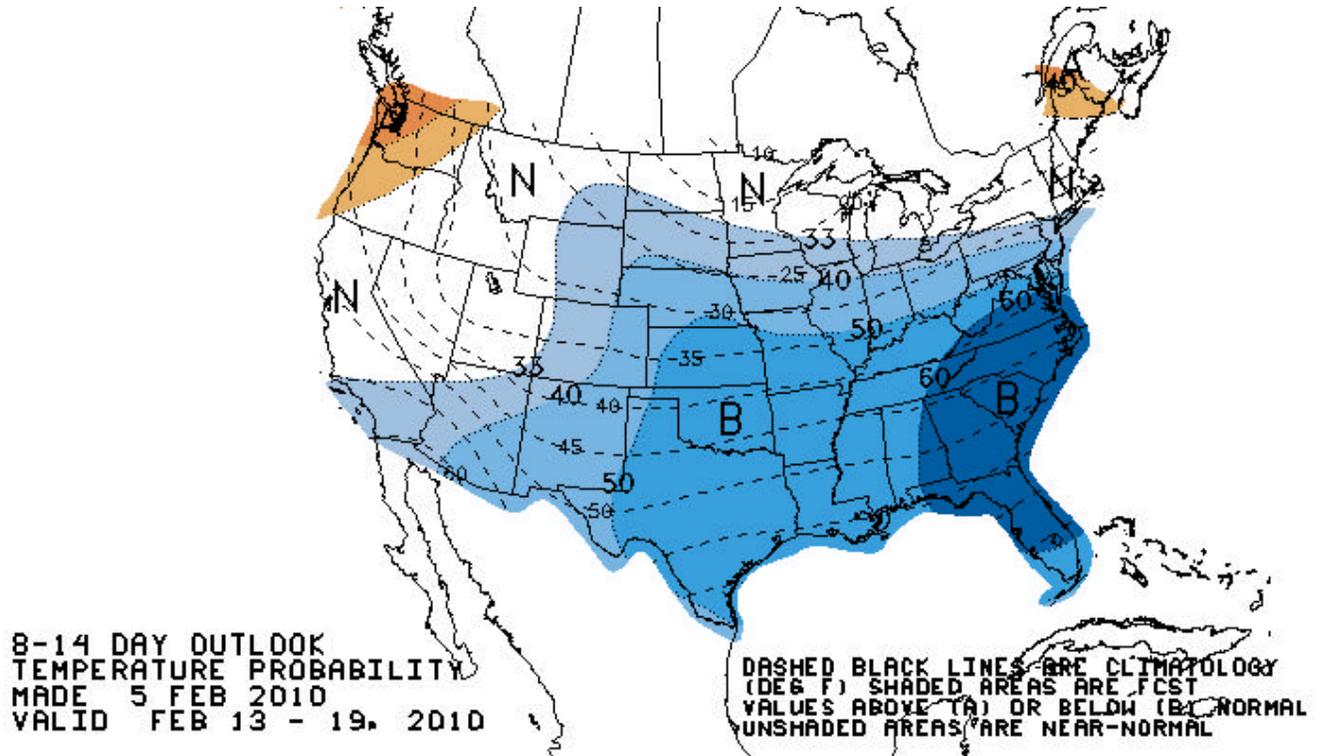
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	873,900	\$5.605	\$0.140	\$0.073	\$0.043	\$0.156
Chicago City Gate	707,700	\$5.745	\$0.114	\$0.213	(\$0.126)	\$0.197
NGPL- TXOK	478,700	\$5.487	\$0.123	(\$0.045)	(\$0.117)	(\$0.073)
SoCal	614,300	\$5.657	\$0.110	\$0.125	(\$0.130)	\$0.132
PG&E Citygate	712,000	\$5.811	\$0.082	\$0.279	(\$0.158)	\$0.310
Dominion-South	470,000	\$6.077	\$0.230	\$0.545	(\$0.011)	\$0.390
USTRade Weighted	21,047,000	\$5.868	\$0.283	\$0.336	\$0.04	\$0.156

South Korea's KOGAS said it looks to sell about 28 million tones of LNG in 2010 up from the 24.6 million tones sold in 2009.

BG Group said today that while it

sees weak global demand for LNG in 2010, it is still interested in building a LNG import terminal at Brindisi, Italy, as it sees growth returning to the market by 2012. It sees the Nigeria OL LNG project

coming on stream in the second half of the next decade rather than in the first half due to increasing costs.



The Nabucco consortium has approached the European Investment Bank about the possibility of securing a 2 billion euro financing package to support building its natural gas pipeline. But reportedly the bank is requiring the partners gain legislative approval of the pipeline in transiting their respective territories before it would approve such a loan. So far three of the five transit countries have approved agreements for the pipeline. The project though still has not secured any definitive supply agreements from Iraq, Azerbaijan or Turkmenistan which has reportedly been a requirement by other financing groups.

The \$1.5 billion energy related hedge fund, BlueGold, said today that despite market rumors yesterday, it was not responsible for the recent fall in crude prices. Market rumors swirling about yesterday and earlier today said the fund had sold long positions. While Bloomberg was reporting that the fund's results this year were off 11%, the hedge fund's CEO said this morning the fund's activity "was no different from activity in the last 6-7 months". The fund said "at the current time we maintain our bullish outlook for the price of oil in 2010."

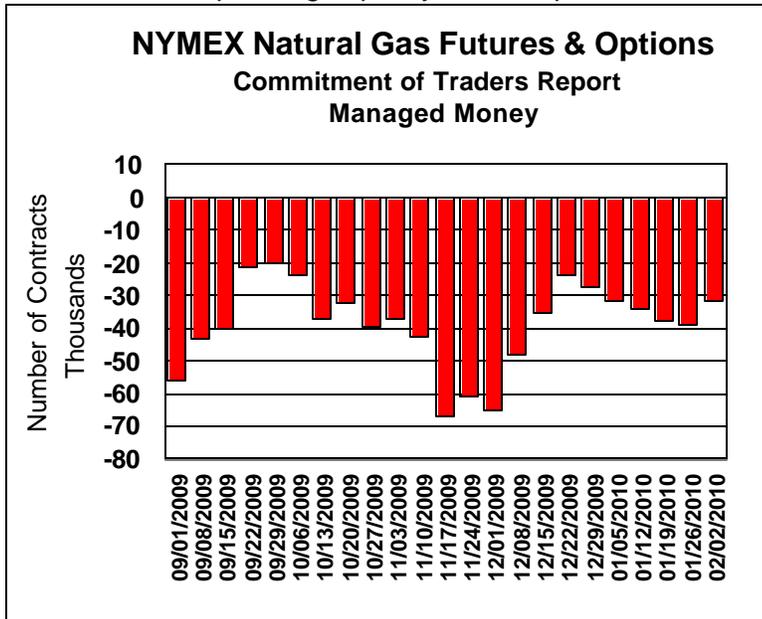
According to the US Labor Department, the US unemployment rate unexpectedly declined in January. The unemployment rate fell to 9.7% in January from 10% in December. Nonfarm payrolls fell by 20,000 compared with a revised 150,000 drop in December. Last year, job losses were almost 600,000 more than previously reported.

Statistics Canada said Canada's unemployment rate unexpectedly fell in January to its lowest rate since September. The unemployment rate fell to 8.3% in January from 8.4% in December and 43,000 jobs were added. The increase in employment follows a decline of 28,300 jobs in December.

PIPELINE RESTRICTIONS

The Rockies Express Pipeline reported today that it was lifting the force majeure this weekend that has been in place since November 14th on its system east of the Chandlersville Compressor Station. The

pipeline segment capacity from near Chandlersville Compressor Station to Clarington has been fully restored to the operating capacity in effect prior to November 14th.



PG&E has issued a system wide OFO for February 6th, due to high inventory levels. A 15% tolerance has been set.

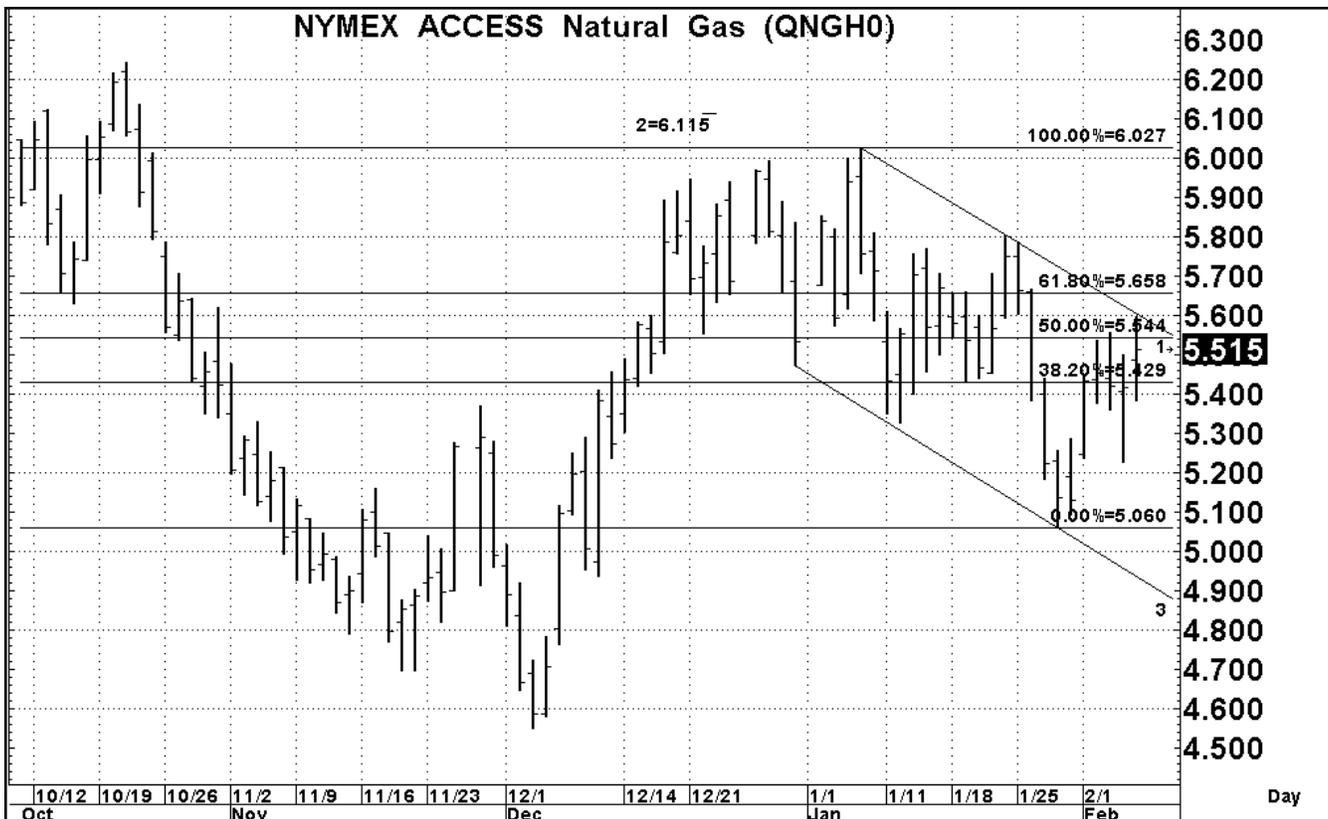
Southern Natural Gas has issued a force majeure due to scheduled repair work that will be conducted on the Southeast Supply Header pipeline upstream of their Gwinville Compressor Station in Mississippi on February 6th for at least 24 hours. Due to the work, nominations for gas sourced upstream of SESH's Greenville Station will not be scheduled for February 6th.

ELECTRIC MARKET NEWS

Genscape reported today that it estimates U.S. coal usage rose 6% last

week from the previous week, as a result of below normal temperatures across much of the nation. Compared with the same week a year ago, U.S. coal usage was up 1% from the same week.

The U.S. Northwest River Forecast Center on Friday said it expects water run off at the Dalles Dam on the Columbia River to be 74% of normal for the January-July period, down 7% from its last forecast done two weeks ago.



MARKET COMMENTARY

The natural gas market like the oil markets found early support from this morning's unemployment report. This market made several early attempts to challenge the upper end of the five week trading channel, which today was at \$5.605. This challenge though was quickly dashed as oil prices broke down and breached support levels dating back to over the past two and a half months. But while oil prices went into free fall natural gas prices held surprisingly well and by late in the session rallied back to finish higher and post its highest settlement in the March contract since January 25th. This strength in the market was simply the weather forecast. With private and government weather forecasters throughout the day calling for much of the nation to experience below normal temperatures, this market saw no traders willing to take a short position home for the weekend and as a result any shorts placed earlier in the session in sympathy with the collapse in the oil market we covered before the close.

We would look for \$5.585 to be a key resistant point to start next week. If this is breached the market has to potential to run a bit we feel. Additional resistance points we see at \$5.658, \$5.804 and \$6.027. We would not consider adding to short positions until prices reached the \$5.90-\$6.00 level. Support we see at \$5.383, \$5.294, and at \$5.227. Additional support we see at \$5.06 and \$4.916.

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