



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 7, 2011

NATURAL GAS MARKET NEWS

Kinder Morgan Pipeline said today that full operations have returned at its Brooks natural gas compressor station in southern Texas. The facility on the Tejas pipeline system reported having problems back on Friday and did not see normal flow rates come back until Saturday. The facility has a 50,000 Mmbtu/d capacity.

El Paso Natural Gas Company reported that its pipeline system was experiencing high pressure conditions. The company noted late Sunday that system line pack will continue to increase due to the combination of low loads and scheduled quantities in excess of actual deliveries and thus was forced to declare a system wide strained operating condition effective for February 6th. Its Washington Ranch storage field remained at maximum injection. The company also warned that more cold weather in the Southwest could interrupt operations on its Colorado Interstate Gas pipeline system if customers fail to maintain adequate supplies

Chesapeake Energy Corporation said it wants to sell holdings in its Fayetteville shale natural gas field as well as holdings in Frac Tech Holdings and Chaparral Energy before the middle of this year. BP, which owns 25% of the acreage that Chesapeake is seeking to sell, has first right of refusal on its stake.

The Climate Prediction Center reported today that it looks for the current week to see gas home heating customer weighted basis to reach 239 HDD some 14.9% higher than normal and 1.3% more than the same week a year ago. For the past week the CPC estimated that there were some 244 HDD, some 13% more than normal and some 4.7% more than the same week a year ago.

Kitimat LNG Partners announced it has agreed to purchase a stake in Pacific Trail Pipeline, along with Apache Canada and EOG Canada. Kitimat LNG said Apache Canada and EOG Canada are in marketing discussions with potential Asia-Pacific LNG customers.

Newfield Exploration Company today announced its 2011 capital investment program and expectations for production growth. The company said it plans to invest some \$1.7 billion in 2011 with some two thirds of the budget being allocated to oil projects and substantially all of the remainder is planned for "liquids rich" gas plays as the company sees natural gas prices remaining "challenged" in 2011. Approximately 70% of the Company's expected 2011 gas production is hedged, with 45%

Generation Update

NPCC – Bruce Power's 822 Mw Bruce #5 nuclear unit returned to service Sunday afternoon. The unit had been shut since February 3rd for maintenance on the electrical system.

OPG's 515 Mw Pickering #5 nuclear unit was shut early Sunday.

OPG's 490 Mw Nanticoke #1 and #8 coal fired power plant were shut over the weekend, while Unit #2 returned to service by late Friday.

OPG's 494 Mw Lambton #3 coal fired power plant was shut early Sunday.

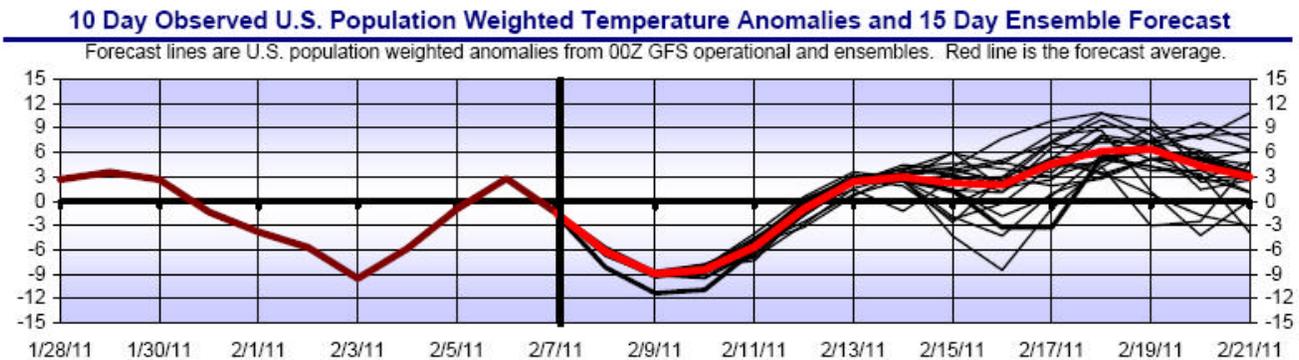
The NRC reported today that 92,070 Mw of generating capacity was online today, up 1.3 % from yesterday and 0.3% higher than the same day a year ago.

hedged at a weighted average fixed price of \$6.26 per Mmbtu and 25% hedged using three way collars of \$4.50 x \$5.95 x \$7.71. The company noted a new resource play located on a significant portion of the Company's Woodford Shale acreage in the Arkoma Basin. To date the company has drilled six wells in this play and hopes to drill 12 to 18 additional wells in 2011.

Port officials reported that the LNG tanker, the Aamira was expected to arrive in Britain from Qatar on February 14th.

According to press reports BP is in talks with India's Reliance Industries over purchasing a 30-45% stake in the D6 hydrocarbon block basin off of India's eastern coast. Reliance is currently producing 52-53 mcm of gas from the Krishna Godavari block.

Gassco reported that the Kollsnes gas processing plant was ramping up production today after sustaining a third power failure in four days. Production was at 40 million cubic meters per day at mid-afternoon. The facility has a normal capacity of 143 mcm/d. The company also reported that the Kaarstoe facility saw production return to normal on Saturday.



The volume of Russian gas transported through the Ukraine to Europe rose 3.3% year on year to 10.05 bcm in January 2011.

ELECTRIC MARKET NEWS

Genscape reported today that it estimated U.S. power output for the week ending February 3rd fell 1% from the prior week and was 1.2% less than the same week a year ago. The company noted that its index fell as a result of weather related shut downs of factories, stores, offices and schools during the period.

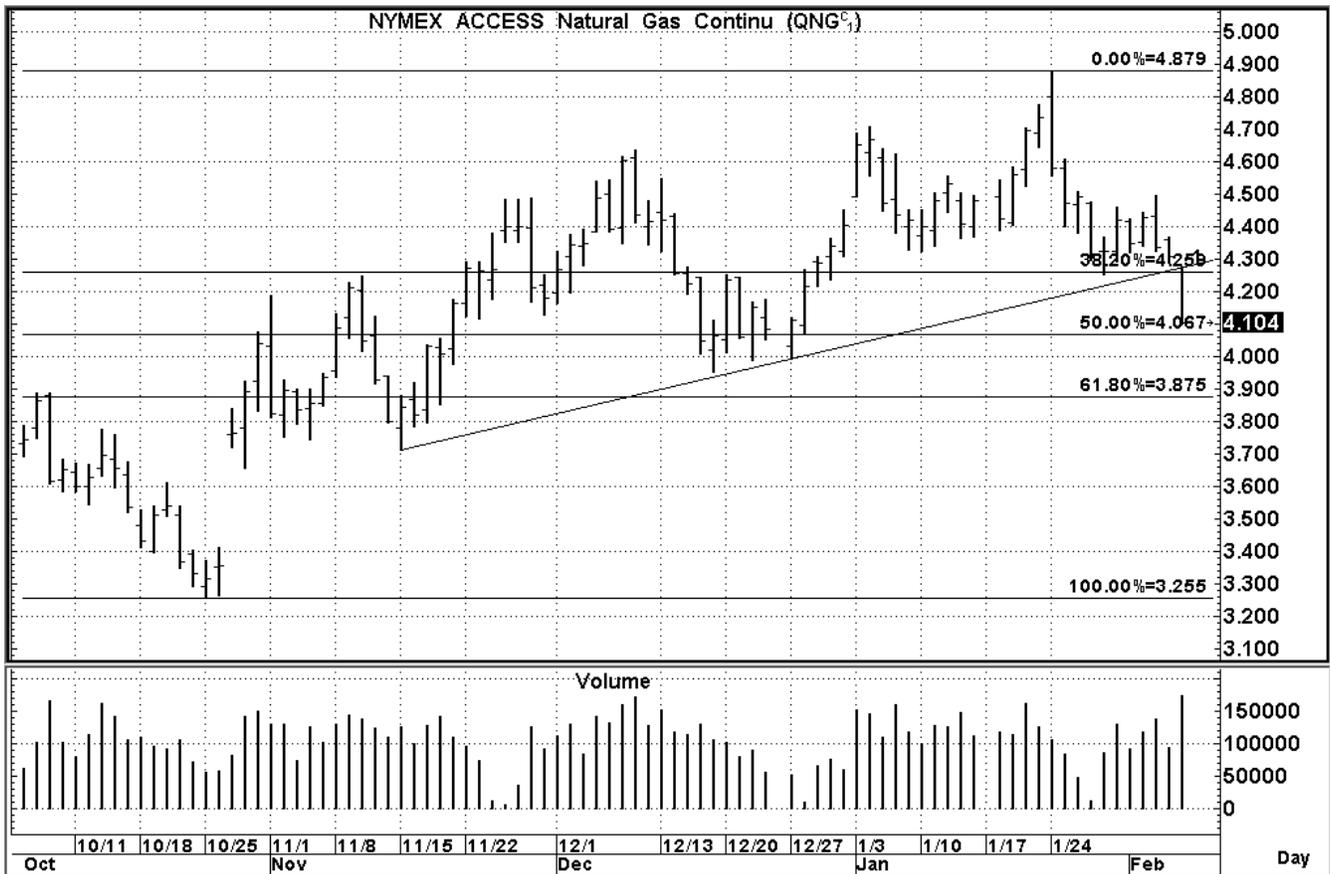
Austria's carbon emissions registry said it has tracked down and frozen stolen carbon permits, which were reportedly stolen last month.

The U.S. Northwest River Forecast Center on Monday projected water runoff at the Dalles Dam to be at 103% of normal for the January–July period. This estimate is some 2% higher than forecasted from a week ago. A year ago water flows at this dam were at 79% of normal.

The North American Electric Reliability Corporation said in a release Monday it is working with reliability coordinators in Texas and the West to determine what went wrong last week in power supplies and what improvements can be made. The Texas Public Utility Commission has also said it is looking into the events of last week, while a Texas lawmakers has called for that state to rethink its policy on gas fired power generation curtailment policy.

MARKET COMMENTARY

The bulls began running for the exit today as they were confronted with weather forecasts that were looking for the nation to see warmer than normal temperatures spreading across much of the nation for the 6-15 day period after what may be the last significant arctic blast of the winter plays out over the next five days. In excellent volume prices breached the three-month upward trend line on the spot continuation charts and fell over 20 cents today. This price decline was the largest daily net change in the spot contract since November 1st and over the last three weeks prices have basically retraced 50% of the rally since late October through mid-January. It is interesting to note that the March-April spread appears to have acted again as an early warning sign for this technical breakdown, as it breached its recent near term support on Friday and continued lower yet again today.



While this market may see some modest retracement tomorrow following such a large one day technical breakdown, this market appears will continue to have the bears in charge once again as long as the weather forecast remains relatively similar to today's outlook. We would look for support at \$4.10-\$4.067 followed by \$3.98-\$3.95, \$3.85 and \$3.71. Resistance we see at \$4.20 followed by \$4.35-\$4.377, \$4.462, \$4.50 and \$4.547. More distant resistance we see at \$4.70 and \$4.879.

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