



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 9, 2011

NATURAL GAS MARKET NEWS

Tennessee Gas Pipeline posted late Tuesday that it has restricted some gas flows for deliveries on Wednesday.

Natural gas operations in the U.S. Southwest were mostly back to normal on Wednesday, following last week's regional power outages and natural gas well freeze offs. El Paso said it has lowered the probability that it would declare a strained pipeline operations. Spectra and Kinder Morgan both reported that their operations were back to normal

Generation Update

WSSC – A company official said today that the outage at the 1080 Mw San Onofre #3 nuclear unit, which has now entered its fifth month, should return to service later this month. When operators took the unit off line in October, it had been expected to return to service in 3-4 months.

ERCOT – Unit #2 at the Big Brown Steam Electric Station tripped off line this afternoon due to a cooling water tube leak. Operators hoped to have the unit back up later Wednesday.

The NRC reported today that 92,106 Mw of generating capacity was online today, basically unchanged from yesterday and 2.6% down than the same day a year ago.

Qatargas announced today that it has produced the first LNG from its new train seven plant. The 7.8 million tonne per year plant saw the first gas fed into the facility on February 3rd. Qatar's energy minister said this was a significant milestone as all 14 LNG trains are now producing LNG in Qatar.

Germany's E.ON Ruhrgas said reported today that its sales volumes were significantly higher in 2010 than the year before due partly to the economic recovery in Germany.

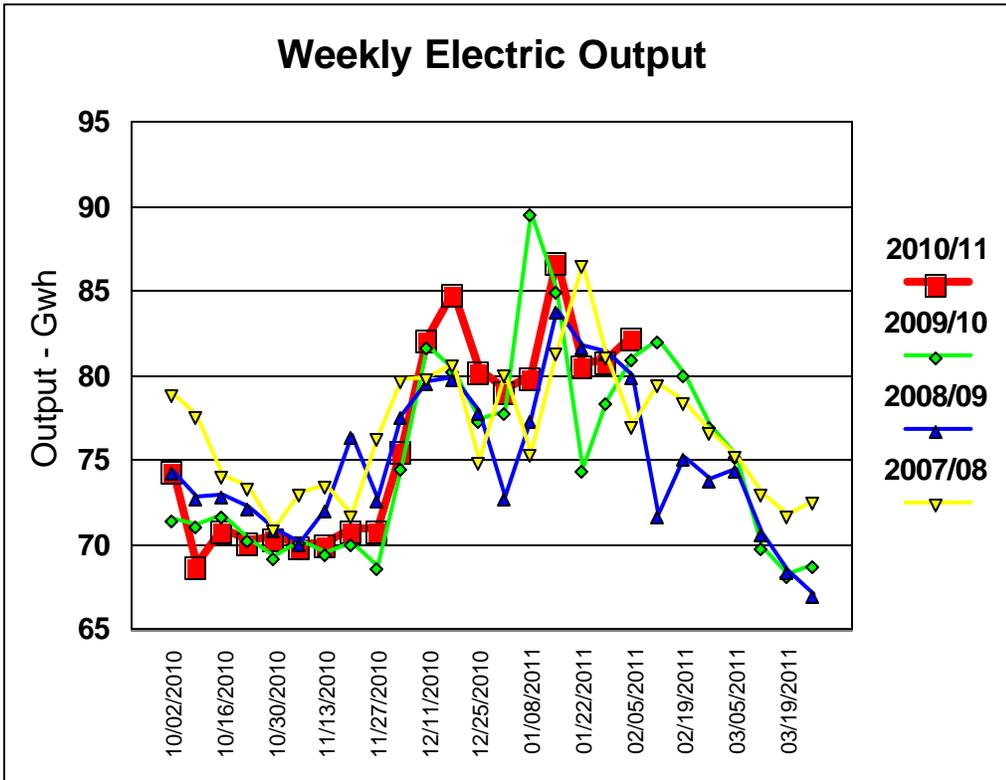
Chevron announced today that it has found additional natural gas reserves in Australia, its 10th natural gas find offshore of Australia in the past 18 months.

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	778,300	\$4.216	(\$0.029)	\$0.168	(\$0.090)	\$0.498
Chicago City Gate	983,900	\$4.406	(\$0.225)	\$0.358	(\$0.211)	\$0.559
NGPL- TX/OK	1,150,300	\$4.194	(\$0.040)	\$0.146	(\$0.026)	\$0.234
SoCal	507,000	\$4.193	\$0.025	\$0.145	\$0.039	\$0.433
PG&E Citygate	1,420,000	\$4.142	(\$0.035)	\$0.094	(\$0.021)	\$0.105
Dominion-South	399,300	\$4.468	(\$0.194)	\$0.420	(\$0.180)	\$0.545
USTrade Weighted	24,661,400	\$4.471	(\$0.104)	\$0.423	(\$0.09)	\$0.498

As a result of its recent successes in finding natural gas supplies the company expects these events should help underpin further expansion of the Gorgon project.

An Algerian official said today that the start up of the Medgaz natural gas pipeline running from Algeria to Spain is imminent, as all technical tests have been completed. The line has a design capacity of 8 bcm per year.

Indonesia's first LNG receiving terminal near Jakarta is expected to begin operations in the first quarter of next year, some 4-5 months behind schedule, due to some problems in land reclamation. PT Nusantara Regas is developing the floating terminal.



Russian Prime Minister Putin told the Russian Energy Ministry and Gazprom to work out proposals ensuring that the country's independent gas producers get priority access to domestic pipelines. He said the decision must be taken quickly and that contracts should be long term

ELECTRIC MARKET NEWS

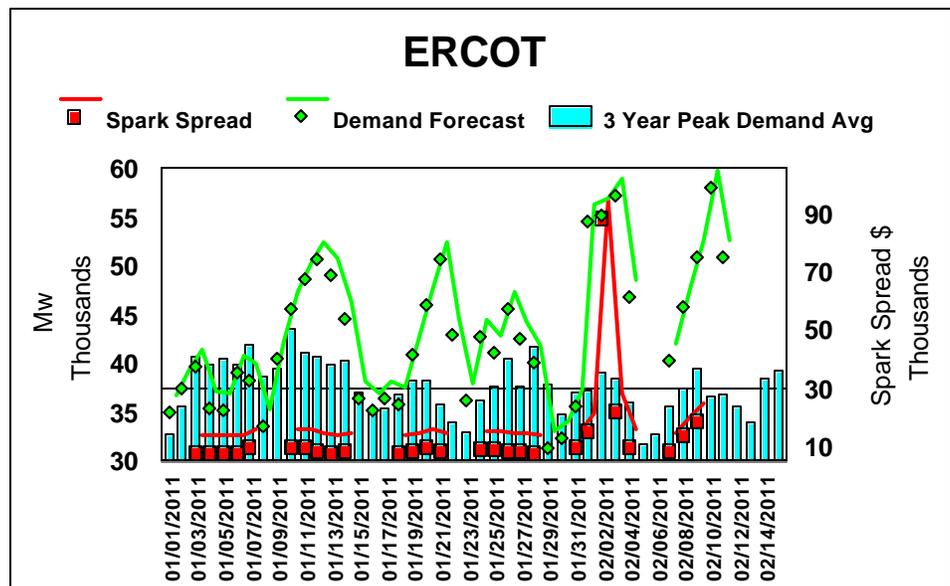
The Texas power market was relatively quiet and stable today, one day before ERCOT has warned

that it expects extreme cold across its service area to boost heating demand and drive power demand to yet another winter usage record. Late Tuesday officials at CPS Energy in San Antonio warned that a rolling blackout might be needed Wednesday to keep the grid in balance.

First Solar said today that it will build a 250 Mw power plant in Nevada. The plant would begin operations in 2014 and reach full operations by May 2017. The project will connect with SCE's Eldorado-Ivanpah 220 Kv transmission line.

New Jersey state regulators said today that rates for residential and commercial customers should fall by 3-4% following an auction to provide electricity to the state's four investor owned utilities. They noted that lower natural gas prices over the last year or two have pressured utility rates.

Exelon said it was considering the addition of 1300-1500 Mw of nuclear power production capacity through upgrades and power uprates by 2017.



The Edison Electric Institute today said that they estimated U.S. power production for the week ending February 5th reached 82190 Gwh,

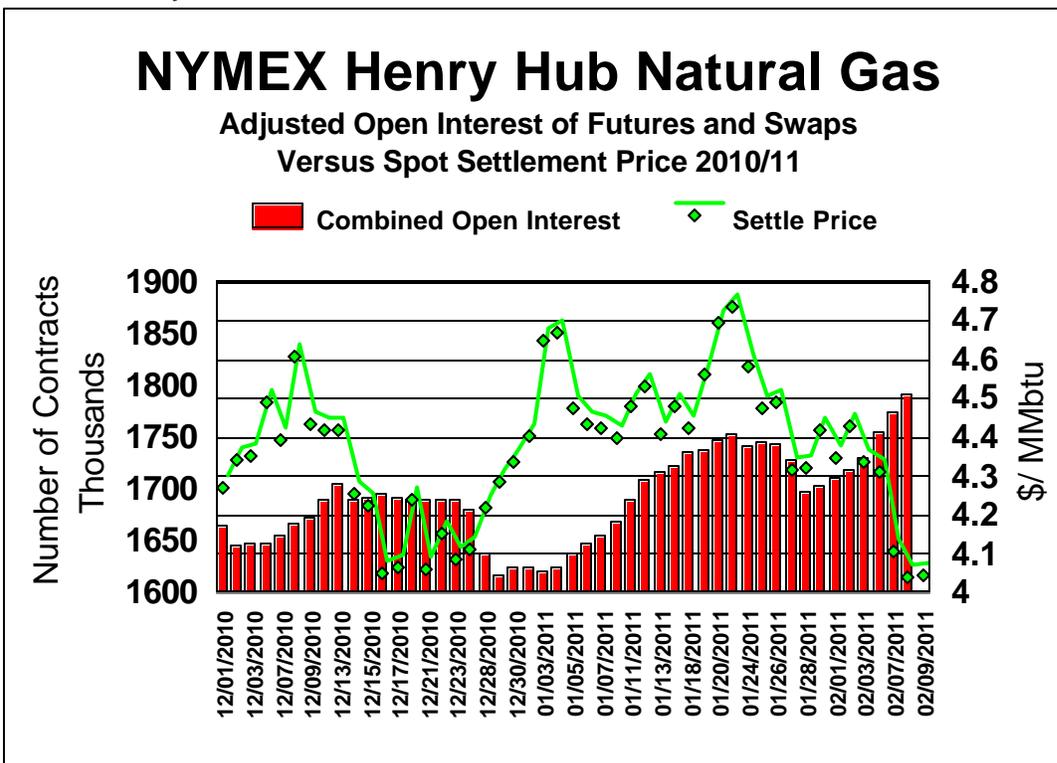
10 Day Observed U.S. Population Weighted Temperature Anomalies and 15 Day Ensemble Forecast



MARKET COMMENTARY

Despite natural gas prices falling momentarily below the \$4.00 price threshold early this morning, there appeared little interest by traders to challenge the major technical support in the March contract at \$3.98 in front of tomorrow's storage report. As a result with volumes a bit more subdued today, prices drifted higher today driven by probably light profit taking on recent shorts and settled higher for the first time in five trading sessions. According to open interest reports released this afternoon, yesterday saw open interest in the Henry Hub futures and swaps increase for the seventh straight trading session, growing yesterday by 18,917 lots on an adjusted and combined basis. Over the past four sessions open interest has increased nearly 74,000 contracts.

Market expectations for tomorrow's EIA natural gas storage report appear to be running between 180-220 bcf draw down with most estimates centered around a 200-202 bcf decline. For the same week a year ago stocks shrank by 180 bcf on an adjusted basis with the five-year season decline at 159 bcf.



As a result of seeing such a large jump in open interest over the past week in the natural gas market in what has to be seen as a dramatic jump in new shorts coming to the market, this market could be very susceptible to a bullish EIA storage report tomorrow. We feel that a purchase of the March \$4.20 call at tonight's settlement of 5.6 cents to start the morning tomorrow in front of the report may be worth a bet for looking for a bullish storage report.

We see resistance in the March contract tomorrow at \$4.09 followed by \$4.12-\$4.14, \$4.29-\$4.30. More distant resistance we see at \$4.41 and \$4.506. Support we see at \$3.98, \$3.875 and \$3.473.

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