



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 10, 2011

NATURAL GAS MARKET NEWS

PG&E said Thursday that it was experiencing low pressure on its pipeline system. It warned customers they would be charged a penalty for taking more than 16% of the gas capacity they own on the line in an effort to maintain balanced pressure and keep gas flowing.

Marathon and ConocoPhillips announced today that they plan to shut the Kenai LNG plant in Alaska as depleting local gas resources and market changes in Asia make the exports no longer viable. The companies have a license to export LNG from the small plant until 2013, under an extension granted last year, but the dwindling local gas supplies has forced operators to stop exports and redirect natural gas supplies to meet their local contractual obligations in the region. Conoco said that the Kenai LNG plant will cease its exports from April or May of this year and that the plant would be mothballed for any potential future use.

Generation Update

NPCC – OPG's 490 Mw Nanticoke #7 coal fired power plant returned to service Wednesday evening. The unit had been shut on February 7th.

ERCOT – Luminant's 575 Mw coal fired Unit #2 at the Big Brown power plant, which tripped off line Wednesday afternoon did return to service over night.

The 347 Mw Unit #1 at the coal fired Harrington power plant is scheduled to undergo maintenance late this afternoon to fix a tube leak. The outage is expected to last for five days.

The NRC reported today that 92,082 Mw of generating capacity was online today, basically unchanged from yesterday and 2.8% down than the same day a year ago.

An analyst with Bentek Energy said this week that with coal prices hitting a 26-month high last month while natural gas prices have been struggling to even approach \$5.00 is providing an economic incentive for utilities to look to gas as a generating fuel over coal. He estimated that we could see some 2.5 bcf/d of coal to gas switching this year given a \$3.75 gas price. This would be displacing

EIA Weekly Report

	02/04/2011	01/28/2011	Change	02/04/2010
Producing Region	789	856	-67	745
Consuming East	1055	1165	-110	1152
Consuming West	300	332	-32	346
Total US	2144	2353	-209	2242

*storage figures in Bcf

some 4% of coal generating demand. The managing director of commodities research at Barclays Capital estimates that this displacement could be even greater, reaching 3.7 bcf/d some 34% more than was recorded in 2009.

The Qatari LNG tanker is scheduled to arrive at the Zeebrugge terminal in Belgium on February 26th. The vessel has a capacity of 145,000 cubic meters. Meanwhile the Zarga LNG tanker from Qatar is slated to arrive at Britain's South Hook terminal on February 17th.

Gazprom said today that it plans to increase its underground storage capacity in Europe and other markets it exports to no less than 5% of its total yearly export volumes by 2030. The company exported 140 bcm of gas to Europe last year and it said it increased storage capacity in Europe to 2.5 bcm last year from 1.4 bcm in 2006.

Exxon Mobil reportedly is looking to sell 49% of its interest in four shale gas concessions in the Podlasie Basin in southeastern Poland. After the sale Exxon would remain as operator of the fields, which cover about 1 million acres

Canadian Gas Association

Weekly Storage Report

	04-Feb-11	28-Jan-11	05-Feb-10
East	103.2	120.8	124.5
West	226.6	249.8	223.6
Total	329.7	370.5	348.2

storage figures are in Bcf

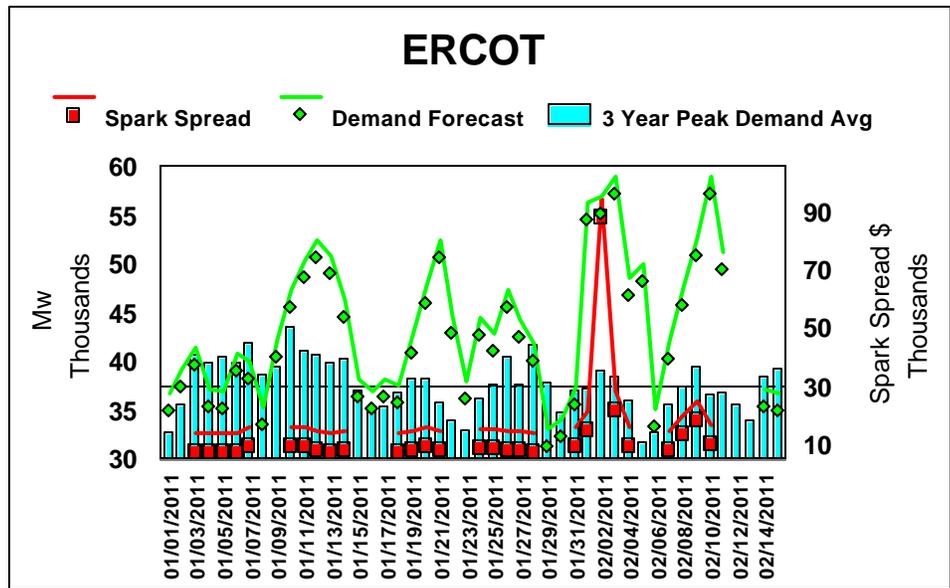
EnCana Corporation announced late Wednesday that it was selling half of its holdings in the Cutbank Ridge shale gas region in northwestern British Columbia to PetroChina for \$5.4 billion. The company said it would form a joint 50-50 venture with the Chinese company. The deal is aimed at accelerating production while keeping a lid on development costs.

The Climate Prediction Center said today that the La Nina weather pattern should begin to weaken in the months ahead, but its ability to last into the summer is uncertain. The CPC noted that nearly all of the forecasting models predict a weakening in the coming months, but only a majority of the models predict a return to neutral conditions by May-June 2011. The CPC said it is "equally likely" a weak La Nina may last into early summer or dissipate all together by that time.

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	772,300	\$4.113	(\$0.103)	\$0.100	(\$0.250)	\$0.354
Chicago City Gate	1,024,900	\$4.246	(\$0.160)	\$0.233	(\$0.125)	\$0.466
NGPL- TX/OK	816,900	\$4.040	(\$0.154)	\$0.027	(\$0.119)	\$0.112
SoCal	413,700	\$4.006	(\$0.188)	(\$0.007)	(\$0.152)	\$0.104
PG&E Citygate	1,064,700	\$4.101	(\$0.042)	\$0.088	(\$0.006)	\$0.098
Dominion-South	377,100	\$4.265	(\$0.204)	\$0.252	(\$0.169)	\$0.470
UTrade Weighted	21,830,600	\$4.187	(\$0.285)	\$0.174	(\$0.25)	\$0.354

ELECTRIC MARKET NEWS

ERCOT warned this morning that with regional demand expected to set yet another new winter usage record of 60,000 Mw that customers should conserve power to avoid the return of rolling blackouts that were needed last week to safeguard the reliability of the grid. ERCOT did say though it had additional generation reserves as a precaution and did not expect any state wide rolling outages, as long as there were not any significant generation outages. Some 2700 Mw of generating capacity remained unavailable for service due to unplanned or forced outages. Even though ERCOT did not expect the



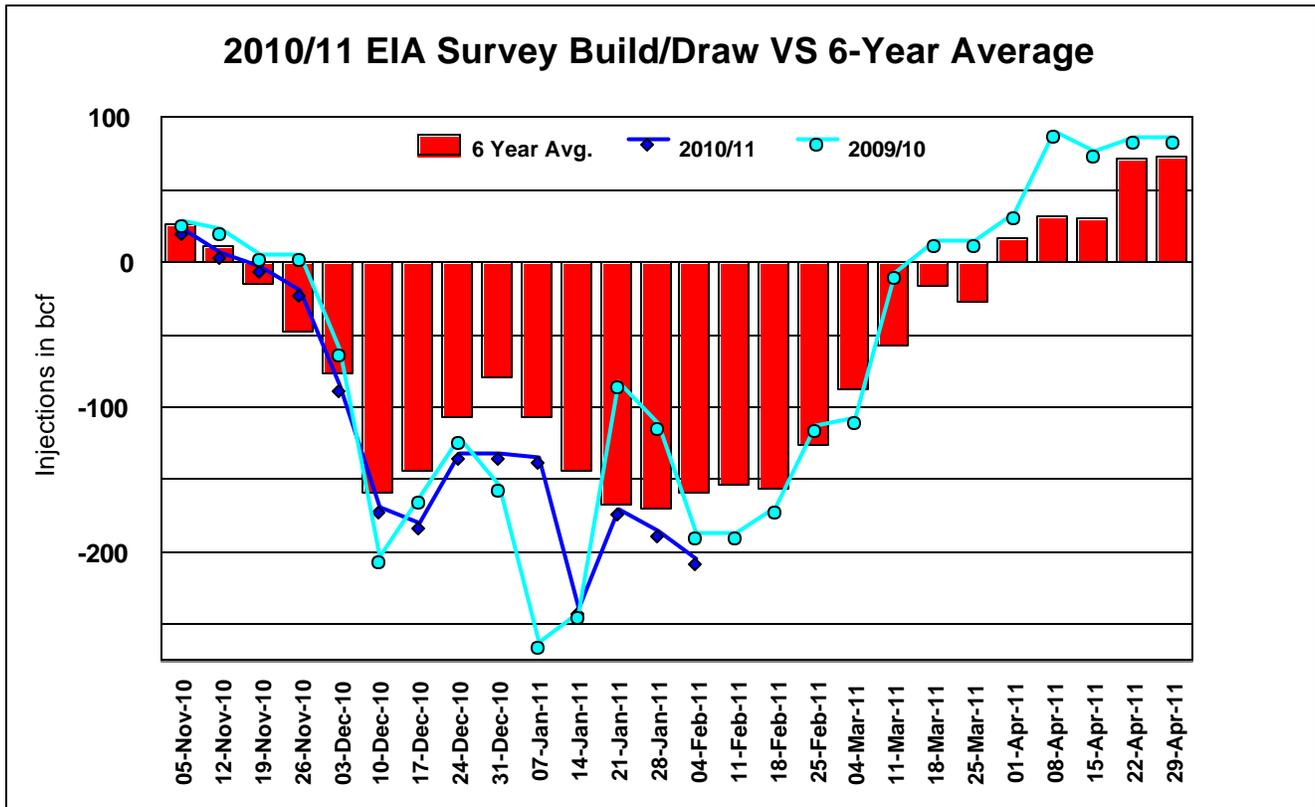
return of state wide rolling blackouts, the grid operator did warn of a higher risk of rolling blackouts in the Rio Grande Valley due to transmission line limitations.

ECONOMIC NEWS

The US Labor Department said the number of US workers filing new claims for unemployment benefits fell more than expected in the week ending February 5th. Initial jobless claims fell by 36,000 to 383,000 on the week, the lowest reading since July 2008. The previous week's figures were revised to 419,000 from 415,000. The four week moving average of new claims fell by 16,000 to 415,500 in the week ending February 5th. The

report showed that the number of continuing claims fell by 47,000 to 3,888,000 in the week ending January 29th. The unemployment rate for workers with unemployment insurance was 3.1% in the week ending January 29th.

The US Commerce Department said wholesale inventories increased more than expected in December while sales fell. Wholesale inventories increased by 1% to a seasonally adjusted \$430.54 billion. While the gain in inventories was larger than expected, sales increased by 0.4% in December, down from a 1.9% increase in November.



The National Association of Realtors reported that home prices increased in about half of US metropolitan areas in the last three months of 2010. The median price for home resales in the fourth quarter increased in 78 out of 152 or 51% of metropolitan areas. Prices fell in 47% or 71 cities and were unchanged in three. The national average price for single family homes was \$170,600 in the fourth quarter of 2010, up 0.2% on the year.

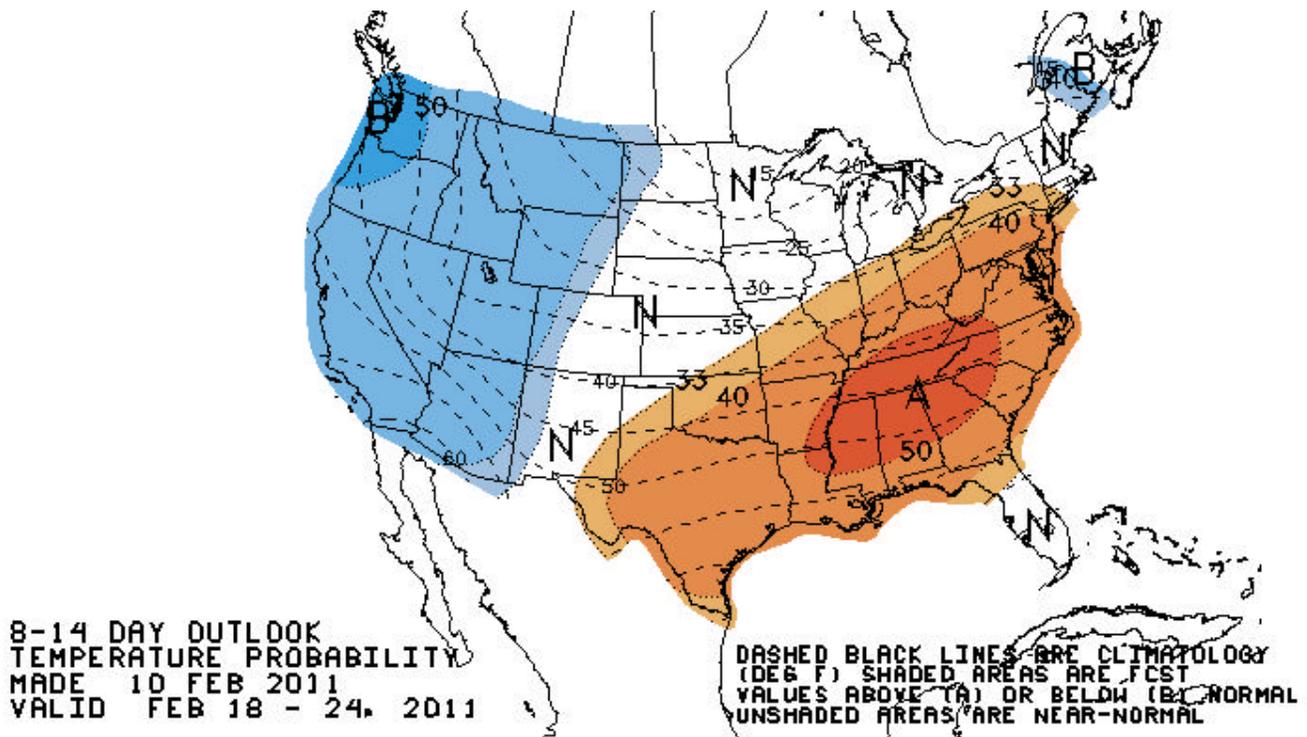
President of Atlanta's Federal Reserve Bank, Dennis Lockhart, urged Congress to come up with a credible plan to lower government debt levels, which he suggested are a threat to sustained economic growth.

MARKET COMMENTARY

The EIA storage report today showed that U.S. working natural gas stocks have finally slipped below the five year seasonal average for the first time since January 15, 2010, and this was only the third time in the last two and a half years that this event has been recorded. Meanwhile the Canadian weekly natural gas stocks posted another 40 + bcf drawdown on the week and that is after revising last week's total stock figure down by 10 bcf. But despite these two bullish reports the natural gas futures markets had just a brief spike upward only to see selling pressure to return throughout the afternoon as weather forecast were calling for above normal temperatures by the middle of next week, with many regions seeing temperatures some 20-40 degrees warmer than current readings. The March contract,

which posted an outside trading session today, was able to settle below the \$4.00 level for the first time since October 25th.

While it appears that bears remain solidly in control of this market there is no denying that this market is in an extremely oversold condition, as the daily stochastics are on the verge of moving into single digits. Meanwhile the 12-month strip is once again on the verge of retesting the lows of mid November and possibly the lows at \$4.30 in mid-October. As a result we feel there is limited potential to establish new shorts in this market until there is at least some price correction. We see support basis the March contract at \$3.951 and \$3.89. More distant support we see at \$3.71 and \$3.65. Resistance we see at \$4.149, \$4.286, \$4.389 and \$4.491.



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