



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 14, 2011

NATURAL GAS MARKET NEWS

UGI Utilities said today that a crack in a 12-inch gas main appears to have been the likely cause of an explosion that killed five people in Allentown, Pennsylvania last week.

Tennessee Gas Pipeline said this morning that the force majeure remains in place following last week's pipeline explosion on a segment of the line in Ohio. The company said it anticipates a possible restriction through 100% secondary out of path nominations for February 15th. The company declined to give a timetable for a possible return to service on that section of pipeline,

The Climate Prediction Center today forecasted that this current week will see heating demand across the U.S. on a gas home heating weighted basis will be only 150 HDD, some 24% less than normal and 30% less than the same week a year ago. For the week ending February 12th, the CPC estimated that the U.S. saw some 243 HDD some 16.8% more than normal.

Generation Update

NPCC – OPG's 490 Mw Nanticoke coal fired Units #5 and #8 returned to service by early Saturday. Unit #5 had gone off line on February 10th and Unit #8 had been off line on February 4th.

PJM – Constellation Energy's 862 Mw nuclear unit #2 was shut early Monday from full power on Sunday.

SERC – Southern's Farley #2 nuclear unit was shut over the weekend and remained off line today. The unit had been at full power on Saturday.

MISO - Exelon's 1118 Mw LaSalle #1 nuclear unit exited its recent outage on Saturday and was back at full power today. Unit #2 though dropped to 1% power early Monday, after running at 92% power on Friday.

SPP – Entergy's 978 Mw River Bend nuclear power plant ramped up to 58% power Monday morning. The unit exited its recent refueling outage last week and was at 1% power on Friday.

The NRC reported today that 91,016 Mw of generating capacity was online today, basically down 1.6% from yesterday and 3.7% down than the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day Moving Avg
				(As of 12:30 PM)		
Henry Hub	635,800	\$3.894	(\$0.061)	(\$0.000)	\$0.033	\$0.232
Chicago City Gate	938,000	\$4.006	(\$0.039)	\$0.112	\$0.007	\$0.275
NGPL- TX/OK	968,900	\$3.798	(\$0.041)	(\$0.096)	\$0.005	\$0.030
SoCal	648,000	\$3.848	(\$0.018)	(\$0.046)	\$0.028	\$0.025
PG&E Citygate	1,023,300	\$3.994	(\$0.002)	\$0.100	\$0.044	\$0.090
Dominion-South	526,700	\$4.032	(\$0.000)	\$0.138	\$0.046	\$0.301
USTrade Weighted	20,440,400	\$3.937	(\$0.013)	\$0.043	\$0.03	\$0.232

Gas flows through the Langed pipeline between Norway and Britain was back up near normal Sunday running at 70 mcm per day, after production at Norway's

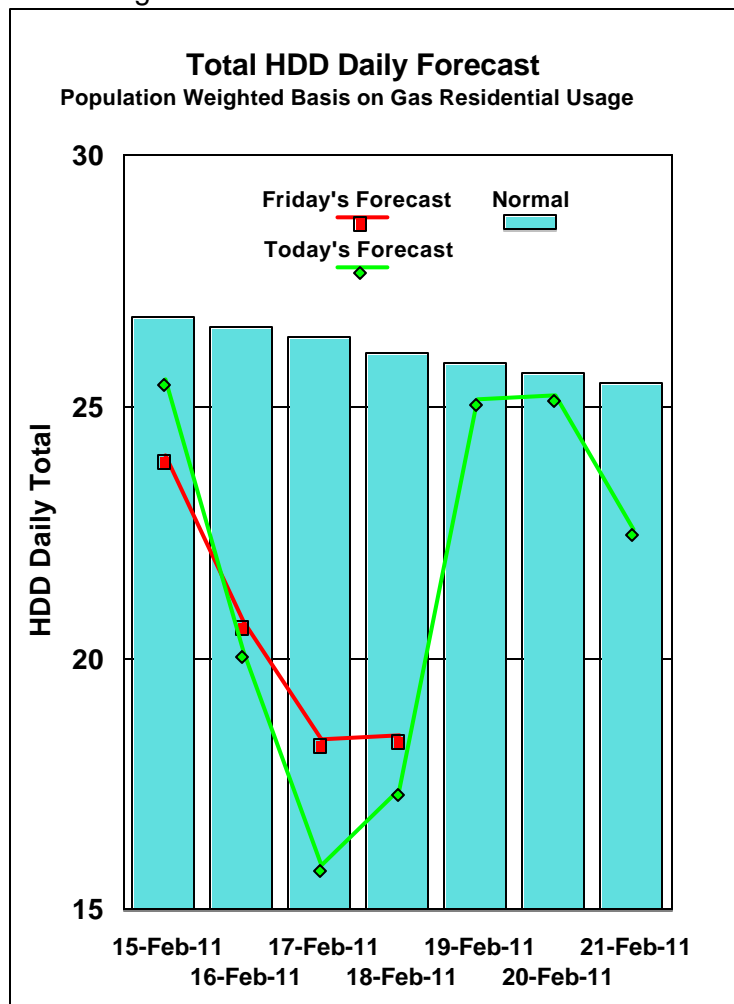
Ormen Lange gas field resumed production. A technical glitch on Friday knocked out production.

Reuters reported that according to ship tracking services, the LNG tanker the Berge Arzew was expected to arrive at the Isle of Grain terminal on February 16th. Meanwhile the Exemplar is expected to arrive at Teeside import terminal from Norway on February 17th. In addition the LNG Lokoja and Bu

Samra LNG tankers are expected to arrive at the Milford Haven terminal on February 22nd and 24th respectively. Port officials at the Belgium port of Zeebrugge said they expect the Al Sahla LNG tanker to arrive from Qatar on March 6th.

Repsol has signed an agreement to supply LNG to Korea Gas. This would be Repsol's first LNG deal in Asia. The 15-month agreement calls for the shipment of 1.9 bcm of gas to Korea.

Romania reported that its natural gas consumption rose 4.8% in 2010 from the prior year, with imports accounting for 15% of its needs.



Gazprom said on Monday that it has agreed to cut gas prices in its long-term contracts for some European clients last year. Gazprom though declined to say how large the cut was. The company also said it agreed to include a spot price element into its long term contracts with some European customers, while raising take-or-pay obligations on some who received concessions.

Azerbaijan's gas output fell by 10.7% in January 2011 versus the same month a year ago. Production reached 2.04 bcm. Officials blamed the decline on weak demand on both the domestic and foreign markets because of very warm winter temperatures.

A senior Iraqi oil official said today that Iraq expects to sign an agreement for the Akkas natural gas field next week. The deal originally announced between Iraq and a partnership of Korea Gas and KazMunaiGas was put on hold when local officials feared that the 400 MMcf/d of expected production was going to be all exported and none available for local use. Local officials gained concessions which

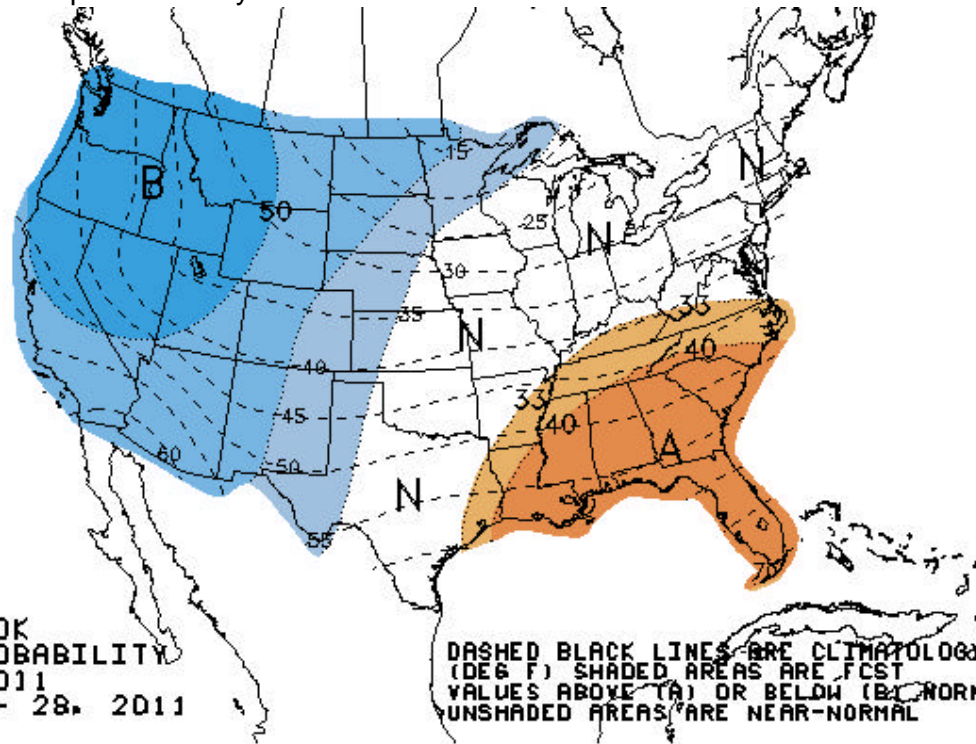
included extending the gas pipeline to a power station under construction as well as a commitment to build a 250 Mw power plant near the field.

Denmark's DONG Energy announced it has started gas and condensate production at its Trym field in the Norwegian sector of the North Sea on Saturday. The field has estimated commercial reserves of 4.4 billion cm and 1.1 million cm of condensate. Peak daily production rates will be about 1.8 mcm of gas per day. The gas will be transported to Denmark and the Netherlands.

Abu Dhabi National Oil Company said today that its new partner, Occidental Petroleum, in the development of the Shah gas project should result in starting production by the middle of 2014. Occidental replaced ConocoPhillips which pulled out of the project last April.

ECONOMIC NEWS

European Union statistics agency Eurostat reported that Euro zone industrial production in December was down 0.1% month but up 8% on the year.



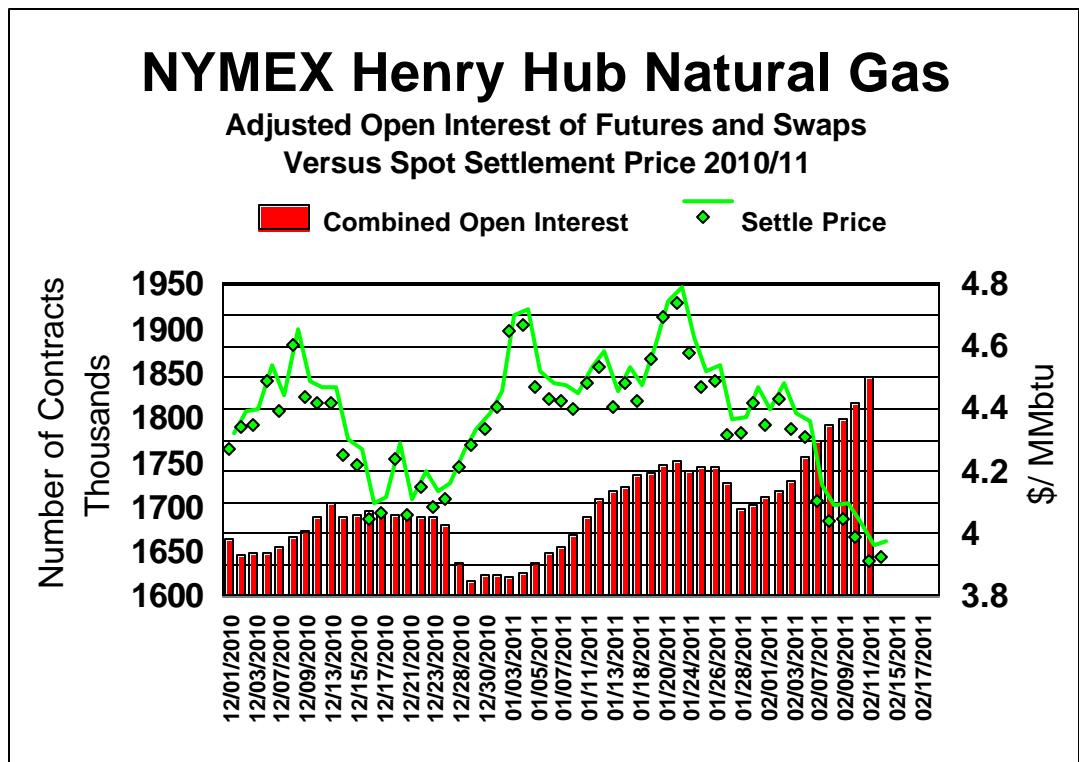
Japan's economy contracted slightly in the final quarter of 2010. Its GDP contracted 0.3% in the fourth quarter. The country's annualized contraction was 1.1%.

India's wholesale price index in January increased by 8.23% on the year due to higher food prices. The annual reading for November was upwardly revised to 8.08% from 7.48%.

France's Economy Minister Christine Lagarde said the country is not proposing price controls on commodities under its presidency of the Group of 20.

MARKET COMMENTARY

Despite the arrival of the long anticipated "spring thaw" across much of the nation, the natural gas market finally saw a bounce. While prices edged lower



overnight, shorts appeared to come into their offices today to finally begin to take some profits on their recent short positions as throughout the morning and afternoon March prices ground higher. Volume appeared moderate, but still the smallest since February 4th. This short covering appeared to be triggered by the outlook for temperatures in the 8-14 day period to begin to move back toward seasonal levels across the Midwest and Northeast, with the western half of the nation would see below normal readings while the Southeast would be the only region seeing warmer than normal temperatures.

We expect that this rebound may find some additional follow through this week, as technically this market still remains extremely oversold. The daily stochastics, which are in single digits, appear on the verge of crossing back to the upside for the first time since January 24th. The 5-day RSI's also prior to today's price action was also moving at the lower support levels of the past five months. Open interest in this market has swollen by more than 143,000 contracts in the Henry Hub futures and swaps on an adjusted basis since the start of this month. Given the movement of prices one must assume that this is a lot of new speculative shorts that have flooded into the market.

We see initial resistance at \$3.954, \$4.007 and \$4.034. More significant resistance we see \$4.09, \$4.113, \$4.169, \$4.228 and \$4.342. Support we see at \$3.86, \$3.809, \$3.71, \$3.678-\$3.656.

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