



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 17, 2011

NATURAL GAS MARKET NEWS

The CEO of Nexen said today that he expects to finalize a partnership by the second half of this year to help it develop its Horn River Shale assets. The Bank of America has been retained by the company to assist it in its search.

Cheniere Energy said today that it is engaged in talks with Spain's Endesa and Italy's Enel for these companies to buy capacity at its proposed export plant at Sabine Pass. The companies have signed a tentative agreement under which Enel and Endesa would jointly acquire up to 1.5 million tonnes per year of LNG import and export capacity at the Sabine Pass facility. The talks are on firming up these nonbinding agreements. The facility is expected to be built by 2015 on the site of the existing import facility

EIA Weekly Report

	02/11/2011	02/04/2011	Change	02/11/2010
Producing Region	698	789	-91	682
Consuming East	937	1055	-118	1045
Consuming West	276	300	-24	325
Total US	1911	2144	-233	2052

*storage figures in Bcf

forecasters see the south central U.S. seeing above normal temperatures next month with the Pacific Coast and Pacific Northwest and Northern Plains seeing below normal temperatures. The government forecasters also see a warmer than normal summer for much of the southern third of the nation this year.

Duke Energy's CEO said today that his company is interested in securing long term supplies of natural gas to help reduce volatility in the price of its generating fuel. The company noted that the price of natural gas has spiked above \$10 four times in the past decade, which creates a significant price risk to power plants. The company has had preliminary discussions with Chesapeake Energy over such a supply agreement.

Generation Update

NPCC –OPG's 490 Mw Nanticoke #7 coal fired power plant was shut late Wednesday.

SERC - Progress Energy's 900 Mw Harris nuclear unit dropped to 63% by early Thursday, down 37% from Wednesday. By late in the day though the unit was back to full power.

MISO - AEP's 1009 Mw Cook #1 nuclear unit dropped to 65% power this morning, down 35% from yesterday.

DTE's 1122 Mw Fermi #2 nuclear power station ramped up to 96% power on Thursday, up 39% from yesterday.

WSCC - SCE's 1080 Mw San Onofre #3 nuclear unit has exited its refueling outage and was at 15% power this morning. The unit has been off line since October 12th for refueling. The company though late in the day said the unit remains offline.

The NRC reported today that 91,532 Mw of generating capacity was online today, down 0.3% from yesterday and 1.1% down than the same day a year ago.

The National Weather Service today released their latest longer-term weather forecasts. It looks for its forecast to continue to be driven by La Nina conditions; which are expected to remain in place at least through the spring. The

Canadian Gas Association

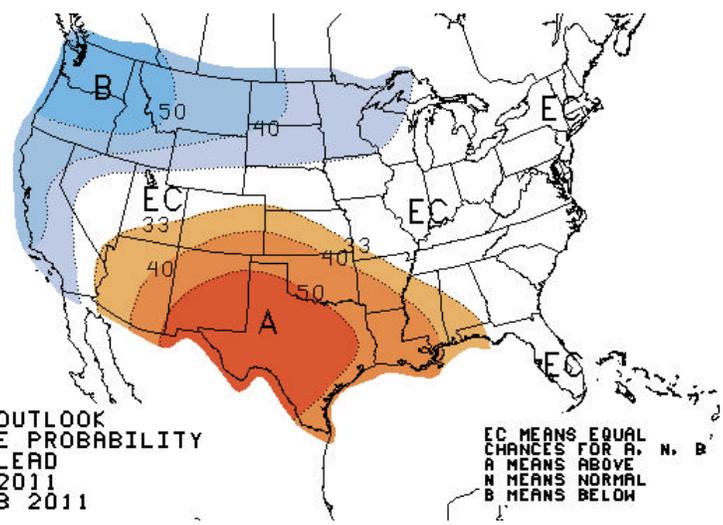
Weekly Storage Report

	11-Feb-11	04-Feb-11	12-Feb-10
East	84.4	103.2	104.6
West	208	226.6	212.6
Total	292.3	329.7	317.2

storage figures are in Bcf

Gazprom's president and managing director of Gazprom Marketing and Trading USA has said his company looks to increase its natural gas trading in the United States by up to 50% this year as it seeks to become a major player in the U.S. market in the coming years. The company looks to increase the volume of gas it traded in the second half of 2010 of 2 bcf/d to 3 bcf/d this year.

The operator of Russia's Shtokman gas project said today it has no plans to delay the project, but Russian governmental officials are saying it is still discussing pushing its development back to 2018. The operator though said there are no current plans to adjust its development scheduled and as a result the first pipeline gas from the project is set for 2016, with LNG deliveries starting in 2017. Any decision to push the project back two years would have to be approved by the Russian government's energy commission. A final decision to move forward with the project is expected later this year by the partners in the project, Gazprom, Statoil and Total. Last year the partners voted to delay the start up by three years after weaker economic conditions and a surge in shale gas production in the United States helped to dampen global natural gas prices.



ONE-MONTH OUTLOOK
TEMPERATURE PROBABILITY
0.5 MONTH LEAD
VALID MAR 2011
MADE 17 FEB 2011

EC MEANS EQUAL
CHANCES FOR A, N, B
A MEANS ABOVE
N MEANS NORMAL
B MEANS BELOW

Reuters reported today that EU officials are pushing for a merger of the two proposed pipeline projects, Nabucco and ITGI. While discussion of a potential merger are ongoing on a political level, there are no concrete talks and especially by the consortiums.

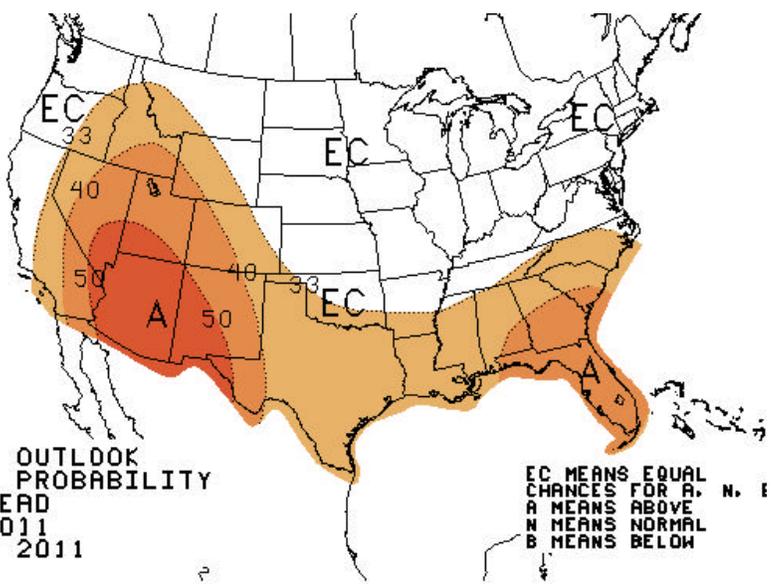
The European Network of Transmission System

Operators for Gas (ENTSOG) said today that it expects indigenous gas production in Europe to drop from 37% to just 22% of demand needs by the end of the decade, thus forcing European gas suppliers to find more supplies from imports.

Italy's Eni SpA and Gazprom agreed to finalize a gas sale deal for their jointly held company SeverEnergiya, by the end of the month.

ELECTRIC MARKET NEWS

Shell Oil said today that the British government was making a mistake in trying to underpin the European carbon price with its own tax. The company said it did not believe the UK should set its own internal carbon



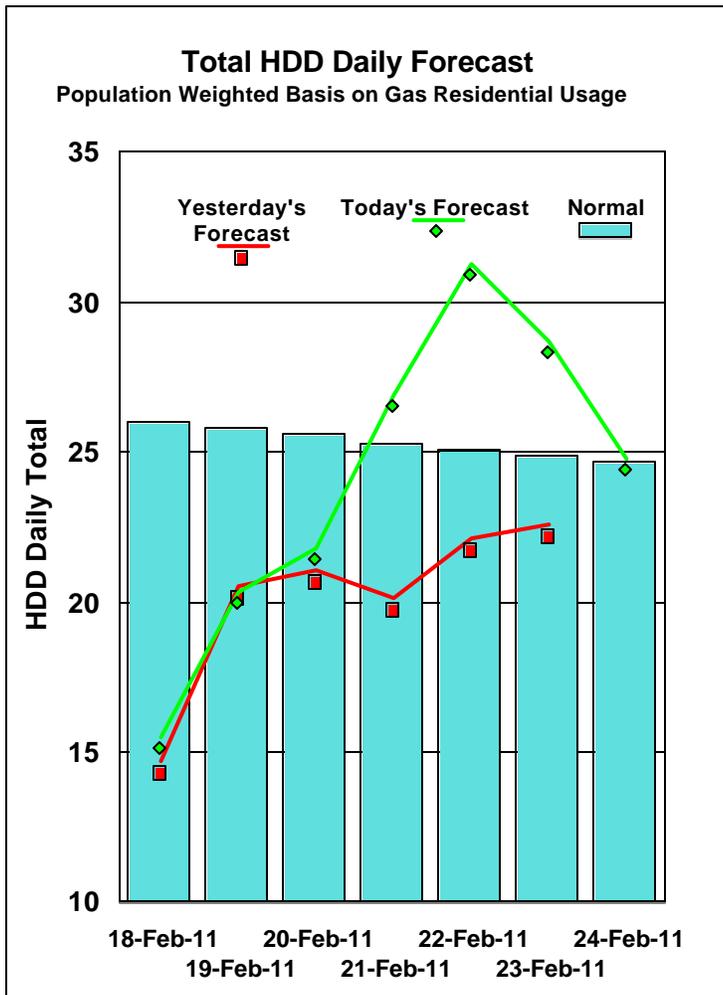
THREE-MONTH OUTLOOK
TEMPERATURE PROBABILITY
3.5 MONTH LEAD
VALID JJA 2011
MADE 17 FEB 2011

EC MEANS EQUAL
CHANCES FOR A, N, B
A MEANS ABOVE
N MEANS NORMAL
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price, and should rather be engaged in reaching a European consensus that the EU ETS (emissions trading scheme) delivers a viable carbon price signal. The British government is looking to set a carbon floor price by taxing companies on their electricity use or fossil fuel consumption when the EU carbon price falls below a certain level. The government feels that this floor price would help support development of technologies that assist in reducing carbon emissions such as carbon capture and storage.

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	702,300	\$3.895	(\$0.039)	\$0.021	\$0.047	\$0.012
Chicago City Gate	671,400	\$4.011	(\$0.041)	\$0.137	\$0.054	\$0.101
NGPL- TX/OK	939,500	\$3.787	(\$0.038)	(\$0.087)	\$0.057	(\$0.116)
SoCal	69,500	\$3.918	(\$0.015)	\$0.043	\$0.080	(\$0.041)
PG&E Citygate	895,200	\$4.074	(\$0.029)	\$0.200	\$0.066	\$0.111
Dominion-South	529,000	\$3.979	(\$0.041)	\$0.104	\$0.054	\$0.088
USTrade Weighted	21,382,500	\$3.912	(\$0.048)	\$0.038	\$0.05	\$0.012

The U.S. Northwest River Forecast Center released their latest water flow report today and it called for water flows at the Dalles Dam for the January – July period should average 101% of normal some 2% less than a week ago’s estimate. A year ago water flows were just 79% of normal.



Dominion said today it could retire its 738 Mw Salem Harbor coal fired power plant in Massachusetts in June 2014 in order to avoid making necessary investments in the plant to have it meet compliance with increasingly more stringent federal environmental regulations.

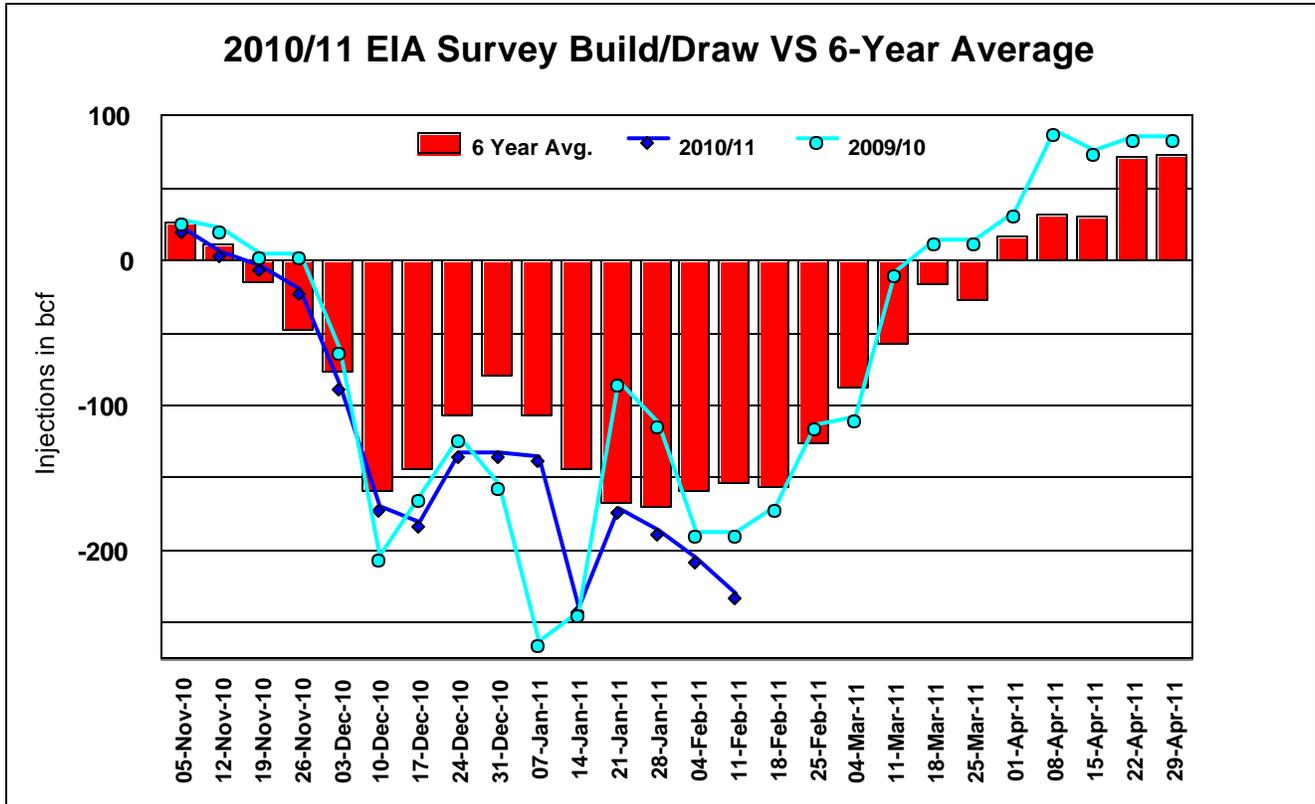
ECONOMIC NEWS

The US Labor Department reported that initial unemployment claims increased more than expected by 25,000 to 410,000 in the week ending February 12th. The previous week’s figures were revised to 385,000 from 383,000. The report showed that the four week moving average of new unemployment claims increased by 1,750 to 417,750 in the week ending February 12th. It reported that the number of continuing claims increased by 1,000 to 3,911,000 in the week ending February 5th. The unemployment rate for workers with unemployment insurance was 3.1% in the week ending February 5th.

The US Labor Department reported that US consumer prices continued to increase in January as energy and food prices increased. The seasonally adjusted consumer price index in January increased by 0.4% from December. Over the last 12 months, prices increased 1.6%. The core consumer price index,

excluding energy and food, increased by 0.2%. The annual underlying inflation rate stood at 1% in January.

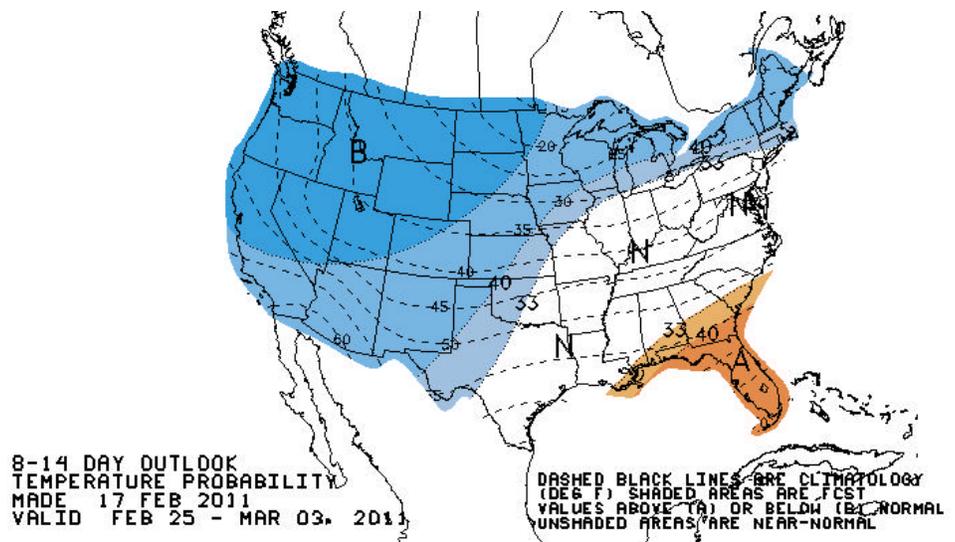
The Conference Board reported that its index of leading indicators increased by 0.1% to 112.3 in January while its coincident index increased by 0.1% to 102.1 and its lagging index fell by 0.1% to 107.9.



The Federal Reserve Bank of Philadelphia said its index of business conditions in the US Mid-Atlantic region increased in February to 35.9 from 19.3 in January. It increased more than expected to the highest level in seven years.

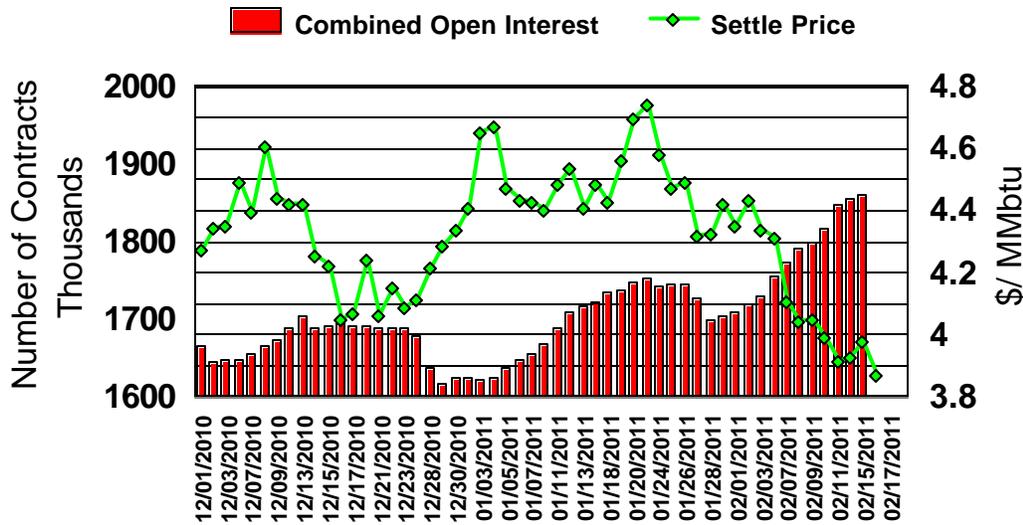
MARKET COMMENTARY

Despite the release of a neutral or supportive inventory report this morning, slightly more supportive weather forecasts for the next week and the 8-14 day period, and positive economic news, the natural gas futures market still sold off for the second consecutive session and set a new low for the week. It appeared new shorts were waiting until the release of the storage report before



NYMEX Henry Hub Natural Gas

Adjusted Open Interest of Futures and Swaps
Versus Spot Settlement Price 2010/11



moving back into the market. But considering yesterday was an inside trading day, and prices broke out of that trading range, the market did not post a particularly high volume trading session, especially for a storage report session. Volume this week has been basically static with the March contract trading between 95,000-102,000 lots per day.

We continue to feel that this market is extremely oversold and would not rush back into the market on the short side. We feel that with heating demand returning, positive economic news and the fact that current inventories have now moved more than a 100 bcf below year ago levels and the five year seasonal average should all ultimately support this market. We see support at today's low of \$3.825 followed by \$3.71 and \$3.654. More distant support we see at \$3.41 and \$3.255. Resistance we see at \$3.949, \$3.969 and \$4.00. Additional resistance we see at \$4.406, \$4.206, \$4.324 and \$4.442.

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