



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 8, 2010

NATURAL GAS MARKET NEWS

Private weather forecasts continued to call for colder than normal temperatures to be seen across much of the nation into the middle of March. AccuWeather this morning called the next 30 days as potentially one of the five coldest seasonal 30 day period in 50 years. Only the northern border areas, the Pacific Northwest and West Coast will escape this cold finish to this year's winter. AccuWeather's forecaster Joe Bastardi continues to note that the AO blocking that is now in place will almost be impossible to break until the jet stream pulls north and disrupts it. He noted that this current pattern would continue to bring more major snow to the Plains and eastward into the East Coast and even deep into the South. He called for the first two weeks of March to have the potential to be the coldest start of the month since 1969.

The National Weather Service reported this morning that for the week ending February 6th the nation saw some 225 heating degree days on a gas home heating customer weighted basis. This was some 7% colder than forecasted at the start of last week. For the current week ending February 13th, the NWS is forecasting 227 HDD, which would be 7.3% colder than normal and more than 58% colder than the same week a year ago.

Generator Problems

MISO- Exelon's 1043 Mw Clinton nuclear unit remained off line this morning at 17% power, up 12% from Friday's levels. The reactor was shut on January 10th for refueling and maintenance.

Exelon's 1138 Mw La Salle #1 nuclear unit has been shut for its scheduled refueling and maintenance outage. The unit had been at 97% power on Friday. The outage is expected to last 25 days.

ERCOT & SPP – Texas Municipal Power Agency's 462 Mw coal fired Gibbons Creek power plant was restarted yesterday following repairs that shut the unit on Saturday to fix a tube leak.

WSCC – Intermountain Power Agency's 900 Mw coal fired power plant was shut Sunday for a week of maintenance.

SERC – South Carolina Electric & Gas reported that its 986 Mw Summer nuclear unit has returned to full power, up 86% from Friday's operating levels.

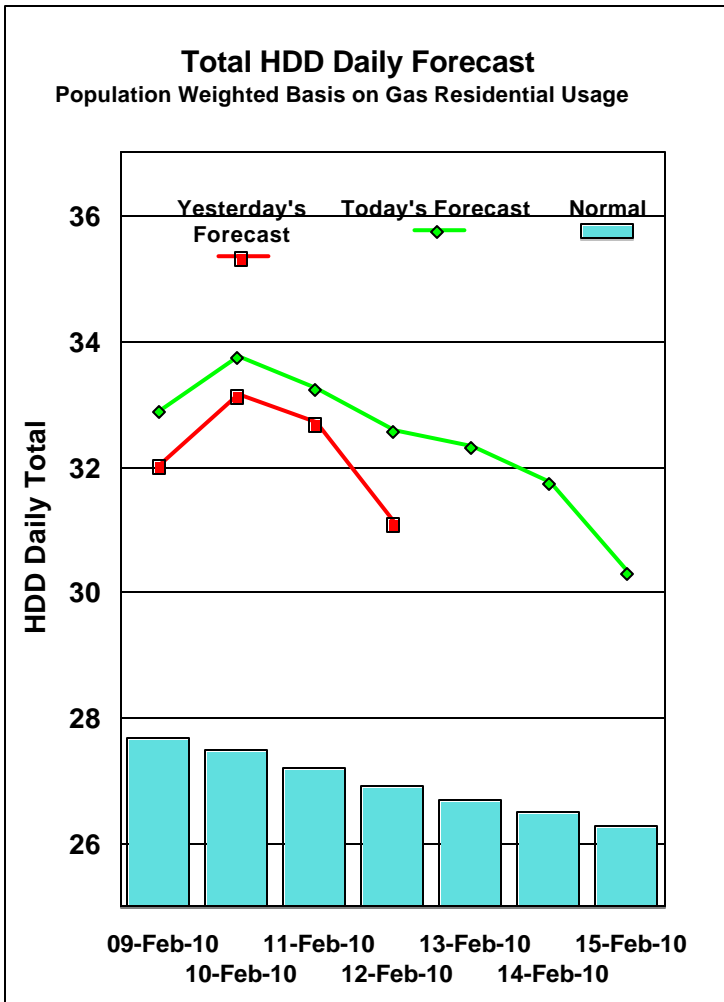
Southern Nuclear's 876 Mw Hatch #1 nuclear unit has been shut for its scheduled refueling outage. The unit had been at 93% power on Friday. The outage is expected to last 42 days.

Progress Energy's 937 Mw Brunswick #2 nuclear unit was at 75% power this morning, down 25% from last week's levels.

The NRC report was unavailable today.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	724,900	\$5.733	\$0.128	\$0.201	(\$0.045)	\$0.212
Chicago City Gate	714,800	\$5.895	\$0.150	\$0.363	\$0.150	\$0.251
NGPL- TX/OK	736,400	\$5.619	\$0.132	\$0.087	\$0.132	(\$0.020)
SoCal	371,400	\$5.799	\$0.142	\$0.267	\$0.142	\$0.172
PG&E Citygate	698,700	\$5.903	\$0.091	\$0.371	\$0.091	\$0.337
Dominion-South	290,000	\$6.063	(\$0.014)	\$0.531	(\$0.014)	\$0.443
UStTrade Weighted	20,888,300	\$5.823	(\$0.045)	\$0.291	(\$0.05)	\$0.212

Singapore LNG Corp awarded the contract for engineering, procurement and construction to a South Korean firm today to build Singapore's first LNG terminal. The \$1.05 billion



project is expected to begin operations in 2013 with an initial capacity of 3.5 million tonnes per year, with the potential to be expanded to 6 million or more if needed.

Shipping sources reported that the Q-Max LNG tanker, the Bu Samra was scheduled to arrive in Britain on February 10th, along with two other tankers on February 12th and February 18th. Meanwhile another Q-Max tanker arrived in Britain on Sunday.

The Nord Stream group said on Monday that its initial schedule for commissioning the gas pipeline remained valid despite the recent announcement that the Shtokman gas field has been delayed by at least three years. Gazprom said the pipeline is still scheduled to have the first line in operation by 2011 and the second line starting in 2012. Gazprom said that the pipeline system is not tied to one or two gas fields but rather drawing its supplies from the entire Russian gas system. The Nord Stream is still waiting for approval from Finnish environmental authorities, the last obstacle before the start of the undersea pipeline construction.

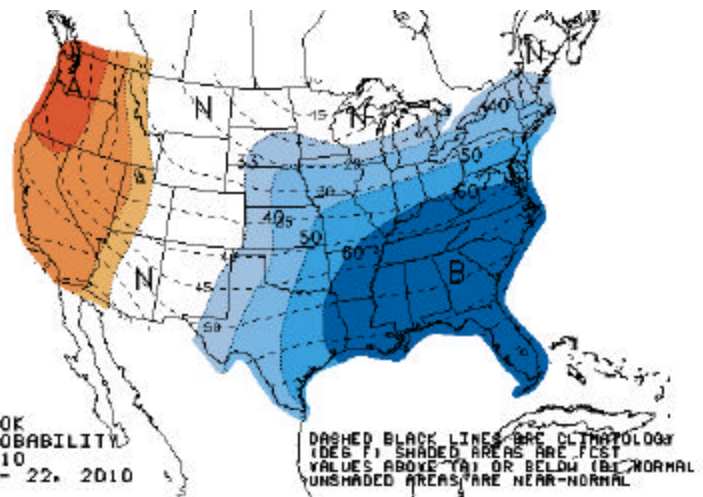
North Sea gas pipeline operator Gassco reported Monday that the Kolisnee gas

processing plant was back to normal operating levels since Sunday morning, while volumes at the Kaarstoe gas processing plant were still some 6-14 mcm below capacity,

Tokyo Electric Power reported that its use of crude and fuel oil fell in January, as it increased its reliance on nuclear, coal and LNG generation. LNG consumption for power generation was at 1,708,000 tonnes, up 6.7% from a year earlier.

Barclays Capital in a research note to clients this week said that natural gas prices will get support from cold temperatures in the first quarter and strengthening coal markets will lift the gas-coal switching price floor in Q2 and Q3, but demand will fail to revive gas prices this year they believe.

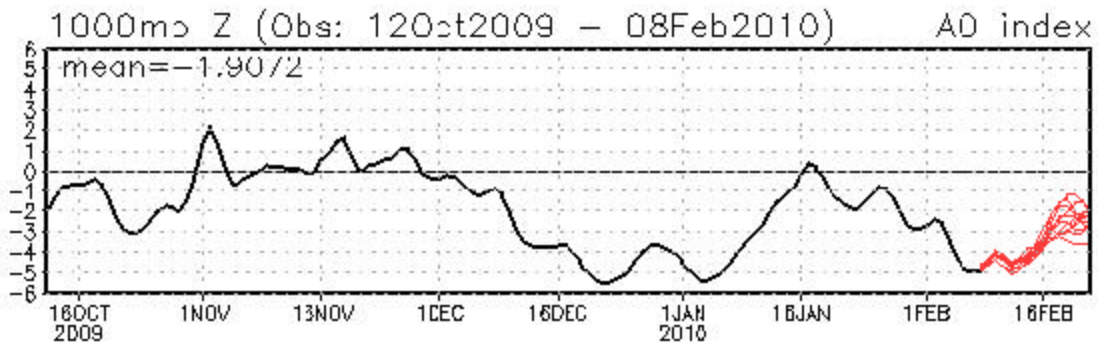
ExxonMobil said Monday that it has successfully drilled and cased the first of two development natural gas wells



at its Point Thompson project on Alaska's North Slope. The well reached a measured depth of over 16,000 feet to a targeted gas reservoir more than 1.5 miles under the Beaufort Sea. The company noted that a 60 mile ice road has been completed to the drill site and the drilling rig will be moved to the second development well site and will continue drilling. Work is continuing on front end engineering and design for the initial production system.

The EIA said today that its monthly short-term energy forecast will be delayed one day because of

AO: Observed & ENSM forecasts



massive snow storm that closed the federal government on Friday and Monday. The report will now be released on Wednesday at 12 noon EST.

ELECTRIC MARKET NEWS

Genscape reported that it estimates U.S. power output for the week ending February 4th rose some 12.2% from the prior week and was 8.9% greater than the same week a year ago.

Kleen Energy's 714 Mw combined Cycle natural gas fired power plant, under construction in Middletown, CT was rocked by an explosion over the weekend that left at least 5 construction workers dead and 12 injured. The facility was expected to come on line this summer.

MARKET COMMENTARY

The natural gas market stated trading last night higher as it seemed the record snowfalls across the Mid Atlantic states along with calls from private weather forecasters of seasonally below normal temperatures for much of the eastern half of the nation lasting into the second half of march lent support to bulls in the market. In addition the market gained a technical bounce once trading started Sunday night gapping above the upper trend line of the four week downward channel. But despite a weaker dollar and higher oil prices the natural gas market failed to gain any traction but rather traded in a sideways 10 cent trading range until midday. When the midday computer models were updated though an element of doubt crept into the bullish forecasts, as the GFS model run began to suggest that some moderation in temperatures is possible in the northern tier later on in the 6-10 day period, especially for the higher demand areas of the northern Plains and Upper Midwest. The models suggested that these areas could even see above normal temperatures for a brief time. The 11-15 day forecast at midday also suggested that temperatures might start to moderate toward the end of the period, while the West was seen as above normal for the entire period. As a result prices began to erode and basically fell back toward the lows from Friday.

If overnight weather models continue to show the potential for further moderation in the temperature outlooks for the next two weeks this market could see some further price erosion. We would look for key support tomorrow starting at \$5.38-\$5.37 followed by \$5.327 and \$5.297. Resistance we see at \$5.60, \$5.68-\$5.70, \$5.804 and \$5.873. More distant resistance we see at \$6.00-\$6.027 and \$6.108.

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