



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 10, 2010

NATURAL GAS MARKET NEWS

The EIA finally released their Short Term Energy Outlook at midday today and it now estimates that total natural gas consumption to increase by 0.4% to 62.5 bcf/d in 2010 and grow by another 0.4% in 2011. These new demand estimates were some 0.1% higher than last month's estimates, as lower snowpack levels in the Pacific Northwest, coupled with improving industrial demand were seen as factors for the improving demand outlook. The EIA sees natural gas production to decline by 2.6% to 58.7 bcf/d in 2010 and then increase by 1.3% in 2011 to 59.5 bcf/d. The EIA revised higher its 2010 and 2011 production estimates by 0.5% from last month's estimate in part to the strong rebound in drilling rig activity in the last month. Projected U.S. pipeline imports are expected to decline by 8.3% or 0.7 bcf/d, to 8.1 bcf/d in 2010 due to sustained impact of lower Canadian drilling and production as well as increasing demand from oil sands projects in western Canada. A portion of the pipeline import decline will be offset by expected higher imports of LNG, as global supplies increase due to additional production facilities coming on line. LNG imports are estimated at 1.83 bcf/d in 2010 up from 1.27 bcf/d. The EIA estimates Henry Hub spot price in 2010 will average 5.52 and \$6.03 in 2011. These price forecasts have been revised higher from just last month when the agency had estimated Henry Hub gas price in 2010 would average \$5.36. The EIA estimated that at the end this heating season, working gas storage should stand at 1.64 tcf, some 90 bcf less than what it was estimating just a month ago.

Generator Problems

MISO – Exelon's 1043 Mw Clinton nuclear unit was at 97% capacity this morning up from 28% power recorded yesterday morning.

ERCOT & SPP – Entergy's 858 Mw Arkansas Nuclear One #2 nuclear unit was back to near full power this morning at 99% capacity, up 29% from yesterday.

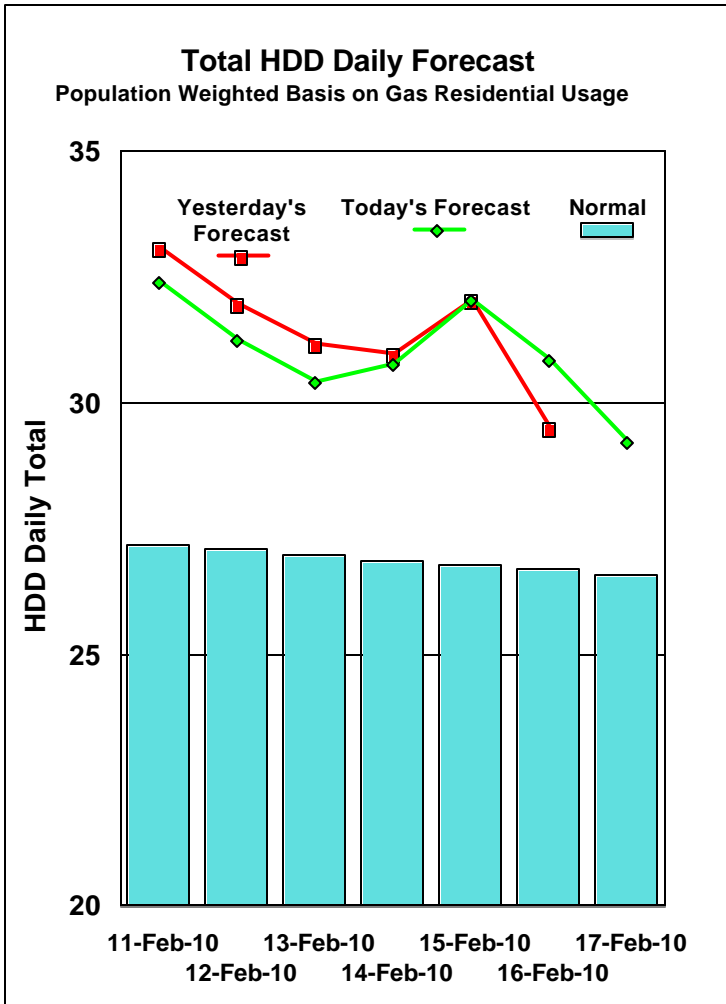
STP Nuclear's 1250 Mw South Texas #1 nuclear unit was at 89% capacity, up from 13% from yesterday.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit was at 97% power this morning, up 32% from yesterday.

The NRC reported that there was some 94,581 mw of nuclear power generated today, up 2.5% from yesterday and 4% higher than a year ago was unavailable today.

A small town in Texas, some 50 miles northwest of Dallas, in the Barnett Shale natural gas field has voted to institute a 90 day moratorium on new gas well drilling in the township, as officials work on updating its drilling ordinance "to incorporate some of the greener

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	813,900	\$5.476	(\$0.059)	\$0.188	\$0.020	\$0.286
Chicago City Gate	721,100	\$5.648	(\$0.041)	\$0.360	\$0.023	\$0.322
NGPL- TX/OK	746,100	\$5.347	(\$0.053)	\$0.059	\$0.011	\$0.044
SoCal	455,800	\$5.496	(\$0.058)	\$0.208	\$0.006	\$0.212
PG&E Citygate	701,800	\$5.603	(\$0.079)	\$0.315	(\$0.015)	\$0.347
Dominion-South	403,900	\$5.865	(\$0.033)	\$0.577	\$0.031	\$0.551
USTrade Weighted	22,502,300	\$5.553	(\$0.044)	\$0.265	\$0.02	\$0.286



technology.” Town officials made the move following in the wake of last month’s report of tests by the Texas Commission on Environmental Quality which found in tests of 94 well sites in the Barnett Shale region two sites were found with extremely high levels of benzene and 19 more with elevated levels of the cancer causing chemical.

IHS Herold reported today that it sees capital spending by exploration and production companies in North America should post a strong rebound on average 22% in 2010, following drastic cuts in 2009.

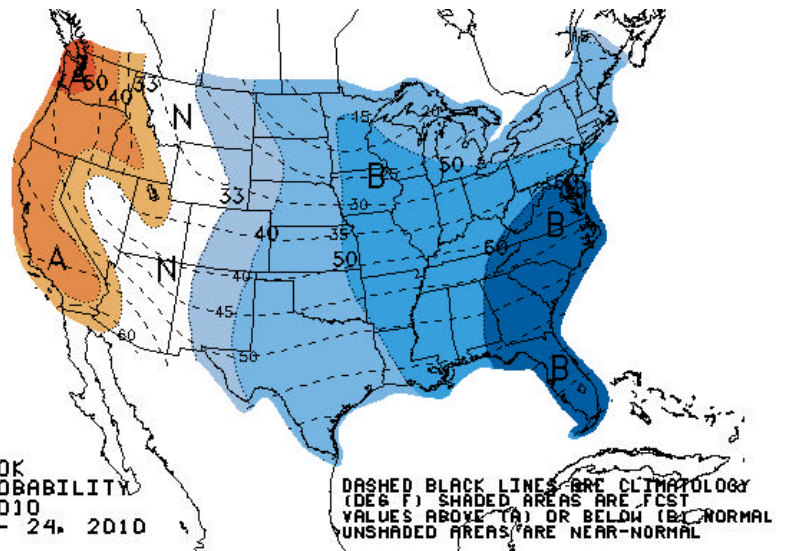
Sempra LNG said it is open to selling its planned LNG terminal project at Port Arthur, Texas, but it is open to considering other ways to utilize the property. Officials said the \$800 million proposed terminal is unfeasible given the rising supplies of shale gas produced domestically.

Input from the St Fergus Mobil terminal was back up at around 25 mcm after dropping to 10 mcm on Tuesday, which had prompted some worries that the Britannia field might have had some technical problems on Monday.

Dolphin Energy reported that maintenance on a gas plant in Qatar would cut gas exports by 25% to UAE from February 26 to March 8th. Gas supply through the pipeline from Qatar to the UAE would be reduced to 1.5 bcf/d from a normal flow rate of 2 bcf/d. The company plans more work in April and May as well.

PIPELINE RESTRICTIONS

Rockies Express Pipeline said that effective for February 10th and lasting until further notice it is at capacity for delivered quantities to Columbia Gas Fairfield. Based on the level of nominations, interruptible transportation service/authorized overrun and secondary quantities are at risk of not being scheduled.



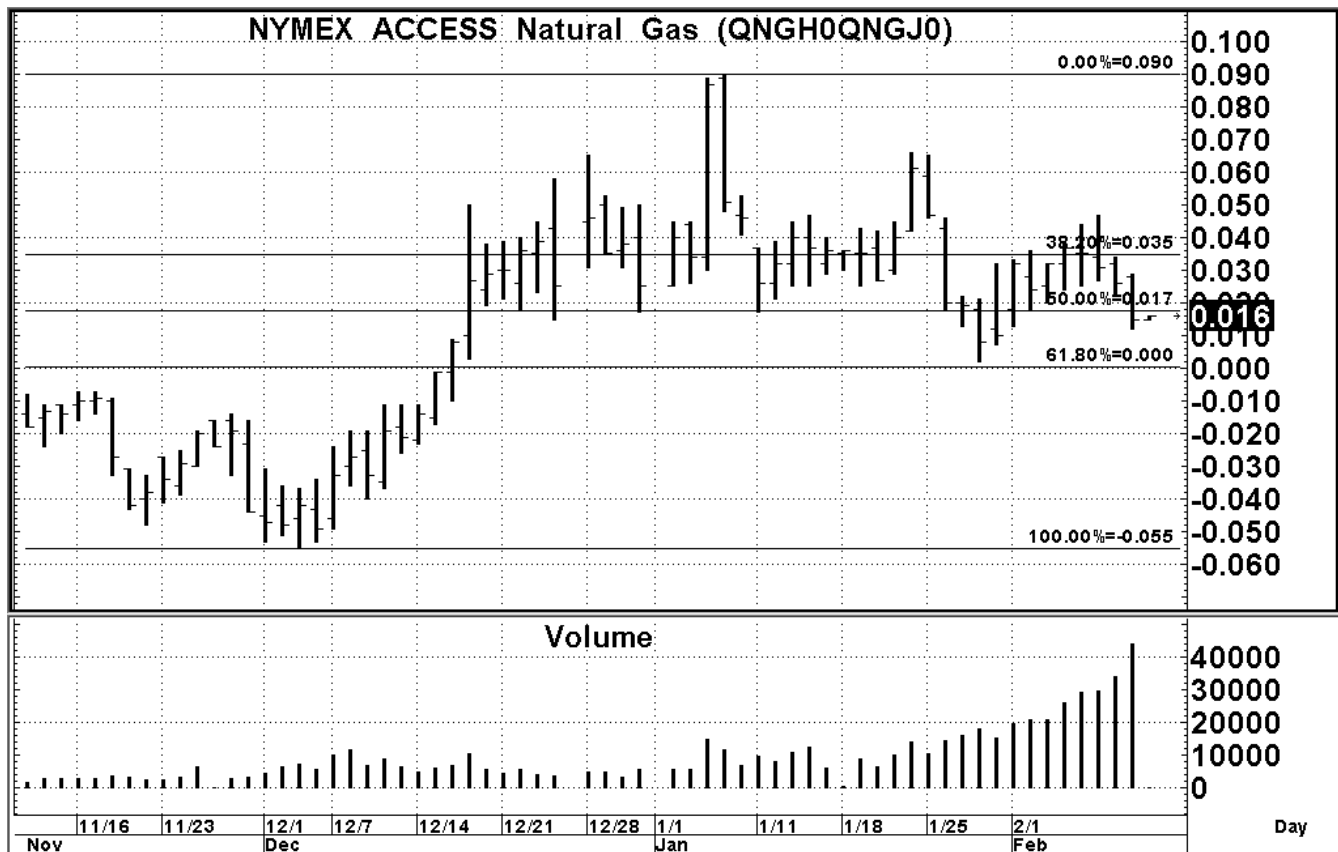
PIPELINE MAINTENANCE

Gulf South Pipeline said it would perform maintenance on Index 300 from Gulfport, Mississippi to Mobile, Alabama on April 20th and last for three days. The work will most likely cause pipeline pressures to be reduced to below normal levels but does not anticipate any customer interruptions during the work.

ELECTRIC MARKET NEWS

The consulting firm Charles River Associates said today in a research report that they estimate that the \$1 billion Cape Wind offshore wind project in Massachusetts will reduce wholesale electric prices in new England by \$4.6 billion over a 25 year period, as the 420 Mw project would pressure wholesale clearing prices lower by reducing operations of higher priced and polluting fossil fueled power plants.

The Edison Electric Institute said today that due to recent weather difficulties, it has delayed its week power generation report to Thursday or Friday.



MARKET COMMENTARY

The natural gas market today posted its smallest daily trading range in the spot contract since November 11th of last year, as it appeared the snow storm along the East Coast coupled with more stable currency markets and other commodity markets helped to tamp down volume in the spot contract to its lowest level in a week. The market seems to be looking towards Friday's storage report to provide it with its next directional indicator.

Market expectations for this week's storage report appear to be running between a 160-190 bcf draw, with the average draw down coming in around 176-180 bcf. This would compare to last year's 164 bcf decline and the five year seasonal decline of 155 bcf.

While we continue to look at this market through a bearish lens, we have to admit that we are a bit amazed that the market has found basically no lift from the weather this week. It would not surprise us though to see March natural gas prices basically to spend much of its remaining time this month trading between \$5.10 and \$5.60 with a settlement by the end of the contract around \$5.15-\$5.30, as many natural gas traders are forced to continue to drawdown their inventories of natural gas by the end of the heating season. This seems to be reflected in the continued uptick in trading activity in the March-April spread which today traded nearly 44,000 times on Globex, a nearly 29% jump from yesterday's volume and a 113% jump of the volume from a week ago. This spread appears headed to test support once again at parity between the two months.

Tomorrow we see support at in the March natural gas contract at \$5.24-\$5.22, followed by \$5.187, \$5.164, \$5.08 and \$5.06. Resistance we see at \$5.34-\$5.36, \$5.408, \$5.445-\$5.46, \$5.50-\$5.51 and \$5.63. More distant resistance we see at \$5.68 and \$5.804.

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