The Windham Group
Energy Futures Brokerage

*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 11, 2010

## NATURAL GAS MARKET NEWS

Private weather forecasters continue to look at the next two weeks as having below normal temperatures east of the Rockies and especially in the southeast and south central U.S. Private weather forecasters continue to call for higher heating demand in general for the U.S. well into the first half of March. Government weather forecasts also continue to be in agreement with this temperature outlook at least for the next couple of weeks.

**Generator Problems**

**ERCOT & SPP** – STP Nuclear's 1250 Mw South Texas #1 nuclear unit was back at full power this morning, up 11% from yesterday.

**The NRC reported that there was some 94,685 Mw of nuclear power generated today, up 0.1% from yesterday and 3.7% higher than a year ago was unavailable today.**

EnCana Corp, Canada's largest natural gas producer, reported that its fourth quarter 2010 natural gas production fell to 2.687 bcf/d, down 9.8% from a year ago and off 2.3% from the 3Q10. The company shut in production in the second half of 2009 as well as restricting productive capacity and delayed some well completions due to low prices. These company wide initiatives resulted in production restrictions of approximately 300 million cf/d pro forma for 2009. Most of this production though is expected to be back on stream by the end of the first quarter of 2010. Total 2009 production was also lower due to the net divestitures of non-core assets, which were producing about 2% of the company's daily production last year. The company reported that it has exited January 2010 with natural gas production approaching 3.1 bcf/d. As of January 31, 2010, about 125 MMcf/d remains shut in at its Canadian properties. The company reported that in 2009 well completion costs were cut by 25%, due to improvements in technology, economies of scale and cost inflation. The company is targeting cost reductions of at least another 10% this year especially in the Haynesville Shale region. The company reported that about 60% or 2 bcf/d of its expected 2010 natural gas production has been hedged at an average NYMEX price of $6.04. As of the end of January the company had hedged 935 MMcf/d of expected production for

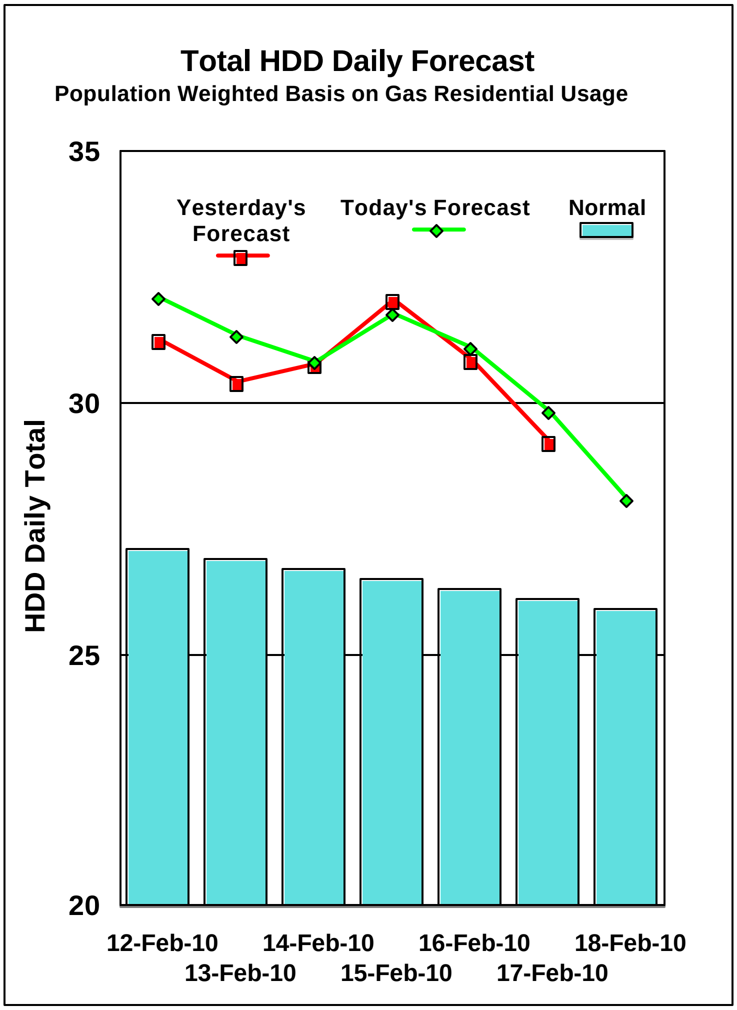
Natural Gas Cash Market
ICE Next Day Cash Market

| Location | Volume Traded | Avg Price | Change | Basis (As of 12:30 PM) | Change | Basis 5-Day Moving Avg |
|---|---|---|---|---|---|---|
| **Henry Hub** | 825,200 | $5.531 | $0.055 | $0.211 | $0.044 | $0.289 |
| **Chicago City Gate** | 525,200 | $5.668 | $0.021 | $0.348 | ($0.011) | $0.324 |
| **NGPL- TX/OK** | 750,300 | $5.413 | $0.066 | $0.093 | $0.034 | $0.048 |
| **SoCal** | 505,800 | $5.533 | $0.037 | $0.213 | $0.005 | $0.203 |
| **PG&E Citygate** | 547,800 | $5.617 | $0.013 | $0.297 | ($0.019) | $0.319 |
| **Dominion-South** | 380,800 | $5.927 | $0.062 | $0.607 | $0.030 | $0.561 |
| **USTrade Weighted** | 21,006,200 | $5.629 | $0.076 | $0.309 | $0.04 | $0.289 |

**Canadian Gas Association**
**Weekly Storage Report**

| | 05-Feb-10 | 29-Jan-10 | 06-Feb-09 |
|---|---|---|---|
| **East** | 124.5 | 143 | 97.2 |
| **West** | 223.6 | 235.2 | 196.2 |
| **Total** | 348.2 | 378.2 | 293.4 |

storage figures are in Bcf




2011 at $6.52 and 870 MMcf/d of expected 2012 production at $6.47 per Mcf.

Energy Transfer Partners LP said this week it is planning an expansion of its proposed Tiger Pipeline, which will serve the Haynesville Shale producing region. The company has entered into a new binding, 10 year agreement with a shipper for 400 MMcf/d of additional capacity, bringing the pipeline's long term contractual commitments to 2.4 Bcf/d. The company said that it would launch a binding open season later this month to solicit additional shipper interest in the expansion.

The Mozah LNG tanker was scheduled to arrive at the South Hook terminal on February 18th according to port officials.

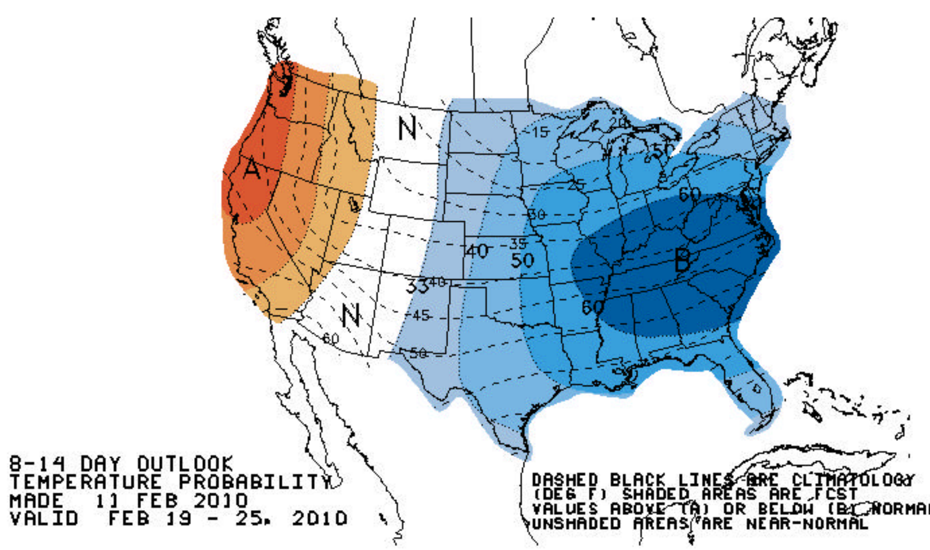
Statoil's CEO said today that the company will be able to maintain its current oil and gas production on the Norwegian continental shelf until 2020, some five years longer than it had previously reported. This would not require the company from unlocking any new production areas.

## ELECTRIC MARKET NEWS

First Energy Corp announced today that would buy Allegheny Energy for $4.7 billion in stock to boost its generation assets, customer base and improve its environmental performance.

The Edison Electric Institute reported that power production for the week ending February 6th rose by 1.3% from the same week a year ago and was 3.3% higher than the prior week.

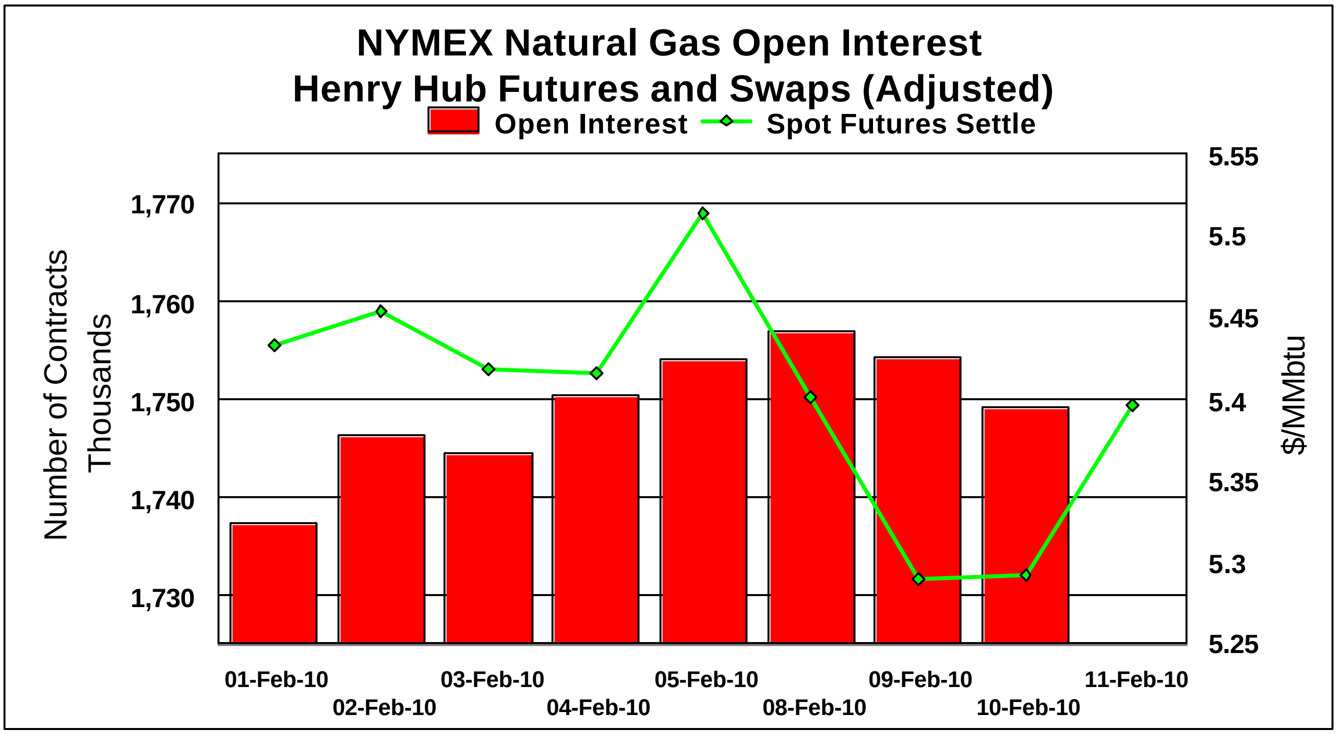
Barclays Capital in a current research report noted that even with greater allowances for certain types of projects, the United States is not likely to have enough carbon offsets to meet the high end of a cap under a federal cap and trade program. The bank analysts expect a domestic offset supply of about 70 million metric tons of C02 in 2012, with volumes adding near 10% year on year to 150



million metric tons of $CO_2$ by 2020. From 2012 to 2020 this will generate a cumulative 1049 million metric tons of $CO_2$ of offset supply, with about 10% of that coming from agriculture offsets. Given the EPA base case view on the growth of U.S. emissions, the aggregate gap to cap under the Waxman-Markley targets would be about 3.5 billion mt from 2012 to 2020. Thus in order for the market to balance, it will need either international offsets or greater internal abatement.

## MARKET COMMENTARY

The natural gas market today posted its strongest session for the week, as prices finished the day up about a dime. It appears that the contraction of open interest over the past couple of days in Henry Hub futures and options, in apparent long liquidation may have come to an end today. It appears the continued supportive weather forecasts coupled with stronger oil and equity markets basis positive economic news also provided comfort to the bulls in the natural gas market. The market though




appears to be awaiting tomorrow's storage report to gain a clearer signal for trading direction for the next week. If the reported drawdown falls short of market expectations though we feel the bulls will quickly exit this market and prices will quickly retest the support line at $5.28 from the past two weeks. Additional support we see at $5.24 and $5.06. Resistance we see at $5.46 followed by $5.512, $5.616 and $5.68. More distant resistance we see at $5.804 and $6.027.