



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 13, 2009

NATURAL GAS MARKET NEWS

CenterPoint Energy said Friday that one of its natural gas compressor stations was "heavily damaged" in Wednesday's explosion and fire at the DCP Midstream East Texas gas processing plant north of Carthage, TX. The company reported that there were no customer outages as a result of the station being shut because Centerpoint has a number of other compressor stations in the area and other receipt points. DCP Midstream's gas processing plant and the Carthage Hub remained shut though. The company declined to give a date when the facilities would resume operations. Devon Energy reported that about 80 million cf/d of its natural gas production has been shut in as a result of the explosion. It expects this production to return though within two weeks.

Baker Hughes reported this afternoon that the number of natural gas rigs operating in the United States this week stood at 1,054, down 46 from the previous week and some 374 less rigs

Generator Problems

NPCC – OPG's Nanticoke #7 coal fired unit was taken off line this morning while the operator brought back a sister unit, Unit #5 which had been off line since October 27th.

OPG's 515 Mw Pickering #5 nuclear unit was shut early Friday.

Entergy's 685 Mw Pilgrim #1 nuclear unit was at 83% capacity early Friday, up 27% from Thursday.

MISO- Exelon's 1163 Mw LaSalle #2 nuclear unit was at full power this morning, up 23% from yesterday. The unit was restarted this past Monday.

ERCOT – AEP's 528 Mw Welsh coal fired Unit #1 was expected to be taken out service today for auxiliary work. The outage is expected to last until February 17th.

Xcel Energy's 535 Mw Tolk #1 coal fired power unit was expected to be taken out of service today for extended repair work. The outage is expected to last until April 11th.

SPP – Entergy's Arkansas Nuclear One 836 Mw Unit #1 continued to ramp up. The unit was at 96% power, up 88% from Thursday.

WSCC – Energy Northwest's 1131 Mw Columbia nuclear power station started to exit an outage and ramped up to 1% power Friday morning. The unit had shut on February 8th.

The NRC reported this morning that 92,483 Mw of nuclear generation capacity was on line, up 1.3% from yesterday and 1.6% higher than the same time a year ago.

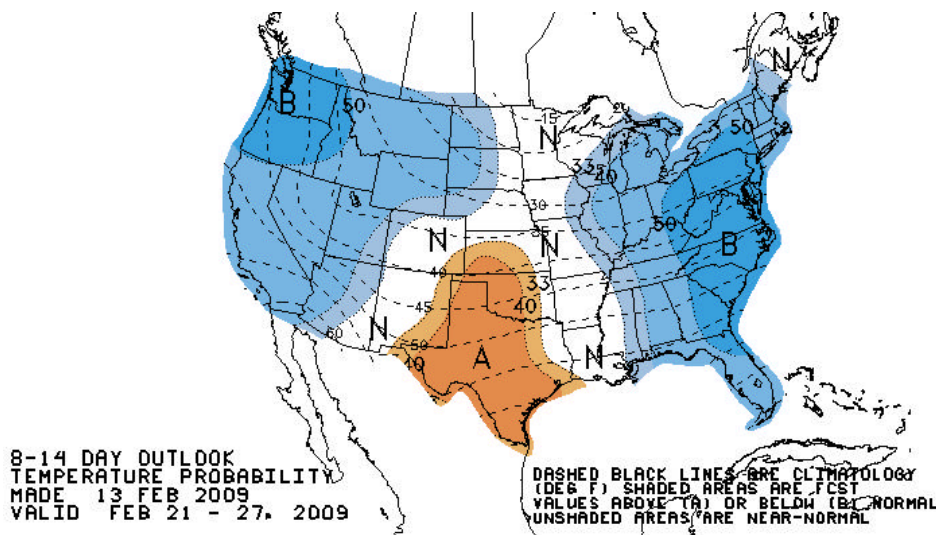
Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	553,800	\$4.599	(\$0.128)	\$0.163	(\$0.114)	(\$0.271)
Chicago City Gate	796,300	\$4.321	(\$0.112)	(\$0.115)	(\$0.046)	(\$0.077)
NGPL- TX/OK	1,357,300	\$3.439	(\$0.044)	(\$0.997)	\$0.022	(\$0.982)
SoCal	272,500	\$3.761	(\$0.162)	(\$0.675)	(\$0.096)	(\$0.645)
PG&E Citygate	565,700	\$4.682	(\$0.134)	\$0.246	(\$0.068)	\$0.265
Dominion-South	198,200	\$5.024	(\$0.082)	\$0.588	(\$0.016)	\$0.465
USTRade Weighted	15,986,200	\$4.183	(\$0.180)	(\$0.253)	(\$0.11)	(\$0.271)

than the same week a year ago.

Indonesia's regulator said today that Indonesia has signed a heads agreement extending its LNG supply contract with a Japanese consortium of buyers from 2011 through 2020. As part of the deal, the Japanese buyers have agreed to forgo 90 cargoes of LNG that Indonesia was contractually obliged to deliver in 2002-2011 under the existing agreement. Under the current contract, which expires at the end of 2010, Indonesia was supply 12 million mt/yr to the consortium at \$8-\$9 Mmbtu. Indonesia since 2002 reduced its expected LNG exports to Asian buyers because of faster than forecasted production declines from its gas fields.



Gassco AS, Norway's natural gas pipeline operator said a power blackout halted gas flows to the U.K. through the Vesterled pipeline today. StatoilHydro's Heimdal platform in the North Sea last night suffered the power outage that cut power to the Heimdal Riser and halted deliveries to Britain. The problem is currently being repaired. The company reported that more gas is

being pumped through the Langedale pipeline into the UK to compensate for the loss. The Heimdal Riser serves as a hub for gas from the Oseberg Gas transport line, as well as from the Huldra, Heimdal and Vale fields. The riser sends gas through the Statpipe system to Germany as well as the U.K.

PIPELINE MAINTENANCE

EI Paso Natural Gas Company said it will be conducting 4,000 hour inspections at Bondad #1A starting February 16th and lasting through February 17th. Estimated capacity at the station is expected to be reduced by 13%.

Tennessee Gas Pipeline said repairs have been completed and Line 523D-500 (Bully Camp-Calliou Island) has been placed into service and thus the company lifted its force majeure.

Questar Pipeline Co completed repairs at its Thistle compressor station following mechanical repairs.

PIPELINE RESTRICTIONS

NGPL said until further notice, it will schedule overruns of IBS "Banks", "Take Paybacks" or LPS (including SRO) "Parks" or "Loan Paybacks" in the production zones of both the Amerillo and Gulf Coast Systems. The company also said that effective for today's gas day and until further notice, ANR Woodstock is unavailable for deliveries due to operational conditions. ITS/AOR, Secondary and firm delivery transports are not available. The company reported that effective today and until further notice Florida-Jefferson has limited capacity available for deliveries. Limited ITS/AOR and Secondary Firm Transports are available.

TransColorado Gas Transmission said a force majeure event occurred at its Mancos Compressor Station. At this time, the exact repair time is unknown. The company said it will be scheduling down volumes through Segment 230 to 365,000 and Segment 240 to 415,000 Dth/d. At this level of

scheduled quantities, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

Tennessee Gas Pipeline reported that it is currently operating at full capacity on the 100 leg, however it was experiencing challenges moving its operational gas from Bear Creek to Northern Storage and thus issued an imbalance warning.

Northern Natural Gas said it has issued an OFO at Carlton Resolution for Saturday's gas day. Effective for that date, Carlton Resolution will be at 75%.

KMIGT said until further notice, it will have limited capacity available for storage withdrawals above its firm requirements. Depending on the level of nominations, nominated withdrawals for the Interruptible Storage, No-Notice services, as well as AOR for NNS, CMC-1 and CMC-2 services may not be fully scheduled depending on daily operating conditions.

ELECTRIC MARKET NEWS

Luminant reportedly has filed a request with Texas regulators to retire or mothball most of its natural gas generating plants in the state. Reportedly, the company is seeking to retire some 2,229 Mw of gas plants and set aside 1,596 Mw that could be returned to service. The proposal if approved would affect 12 gas plants leaving the company with a remaining eight units.

NRG Energy said the company is looking for a partner to take a 20% stake in its planned \$8 billion expansion of its South Texas nuclear facility by 2016.

The acting chairman of the FERC said yesterday that the money that Congress has included in the economic stimulus package for the U.S. electric transmission grid will just be the start of what will be a costly effort to improve reliability and deliver renewable power to consumers from remote locations. It appears the bill is providing \$10 billion or more for transmission upgrades, while the chairman estimates that upwards of \$200 billion will eventually be needed from the public and private sectors.

The EIA reported that for the week ending February 7th, U.S. production of coal reached 21.5 million tons, basically the same as the prior week and 2.6% less than the same week a year ago.

MARKET COMMENTARY

It was not surprising that the natural gas market posted an inside trading session today, being that it was a Friday trading session in front of an extended holiday weekend. The surprise to us that was found came at mid-day when the Nymex released their open interest statistics. In those numbers, one sees that open interest in the natural gas futures jumped yesterday by over 23,000 lots and over 26,000 lots on a combined and adjusted basis for futures and swaps at Henry Hub. The last time the futures market recorded such a large gain in open interest was back on May 22nd, while that day saw a relatively moderate 40 cent trading range, yesterday saw only a 25 cent trading range. As a result, the bears could argue that the market held up relatively well given the limited back sliding of the futures market in the front of new selling coming into the market. But there are two factors we feel that could be overlooked in explaining the relative resiliency of this market. The first is that the large speculative shorts in the March-April spread continue to flow out of the market, in part due to the calendar but also by the problems at the DCP Midstream's natural gas processing plants. This spread rallied again for the third day in a row and is nearly back at even money. The second factor we feel is coming from options. Despite the large gain in futures open interest yesterday, some traders have overlooked the point that option open interest also saw large gains, with the calls jumping by over 21,900 lots and the puts by 10,300 lots. Thus the bias of the calls appears would offset the seemingly bearish futures outlook.

Thus when all is said and done we remain bearish on this market and would sell it on any rally above \$5.00 but when prices move toward the \$4.00 level some profits should probably be taken.

The latest Commitment of Traders report showed that on a net adjusted basis, non-commercials increased their net long position by 11,482 contracts to 71,680 in the week ending February 10th. The commercials also increased their position by 15,815 to a net short position of 114,093.

