



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 16, 2010

NATURAL GAS MARKET NEWS

BP's British Trader LNG tanker was expected to arrive at the Cove point LNG terminal today according to shipping sources. Meanwhile the Seri Anggun tanker was expected to arrive at the Elba Island terminal on February 25th.

The National Weather Service estimated today that for the week ending February 20th the U.S. should see 211 HDD on a gas home heating customer weighted basis. This would be more than 8% more than normal and 6% higher than the same week a year ago. Last week saw 239 HDD some 16% higher than normal.

Chesapeake Energy reported today that its natural gas production in the fourth quarter of 2009 reached 2.618 bcfe/d up 5% from the third quarter and some 13% above the same period a year ago. These production increases were achieved despite the company's 26 mmcf/d voluntary production curtailments due to low natural gas prices during the period. The company said that it expects its production in 2010, excluding divestitures, to grow by 8-10% and in 2011 it should grow even at a faster rate, at 15-17%.

The Unite trade union has given notice to stop its members from working on Thursday and Friday at Britain's Milford Haven port. The port authority though is expected to seek a legal injunction to prevent the strike from taking place while negotiations continue. The strike could impact the arrival of oil and LNG tankers.

Generator Problems

NPCC – OPG's 881 Mw Darlington #1 nuclear unit was shut over the weekend for short-term maintenance.

MISO – Exelon's 1043 Mw Clinton nuclear unit ramped up to 97% this morning, up 18% from Friday's levels.

WSCC – Intermountain Power Agency restarted its 900 MW coal fired Unit #1 over the weekend after a weeklong outage.

ERCOT & SPP – Luminant's 750 Mw Martin Lake #3 coal fired power plant was restarted this morning. The unit had been shut on Monday to make electrical repairs on the field breakers

AEP began the shutdown of the 675 Mw Pirkey coal fired power plant on late Monday night to repair a tube leak.

The NRC reported that there was some 94,701 Mw of nuclear power generated today, up 0.2% from yesterday and 242% higher than a year ago.

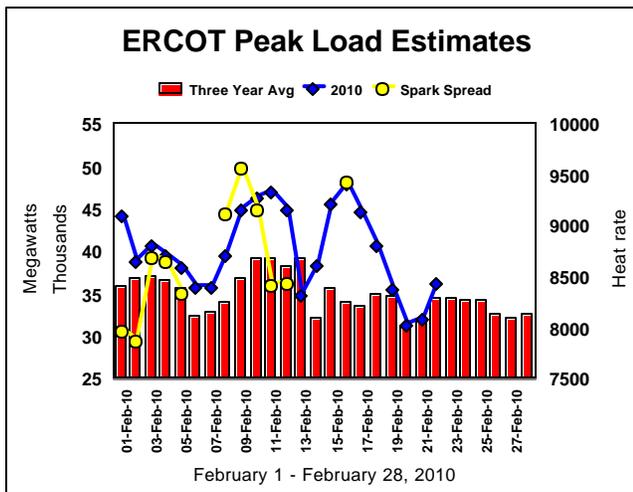
Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	719,100	\$5.651	\$0.169	\$0.276	\$0.326	\$0.220
Chicago City Gate	498,200	\$5.813	\$0.193	\$0.438	\$0.361	\$0.312
NGPL- TX/OK	780,700	\$5.539	\$0.193	\$0.164	\$0.361	\$0.033
SoCal	358,200	\$5.626	\$0.167	\$0.251	\$0.335	\$0.158
PG&E Citygate	643,300	\$5.743	\$0.132	\$0.368	\$0.300	\$0.276
Dominion-South	365,300	\$5.943	\$0.102	\$0.568	\$0.270	\$0.519
USTRade Weighted	20,115,100	\$5.678	\$0.158	\$0.303	\$0.33	\$0.220

Gassco reported that the Norwegian Kaaarstoe gas-processing plant was running at about 6-16% below capacity due to technical problems that have limited gas flows and it is

unclear when normal operations will resume. The facility's export capability to Europe this month is about 5-14 million cubic meters per day less than normal full capacity of 88 mcm. The problem is due to an electrical failure at a compressor.



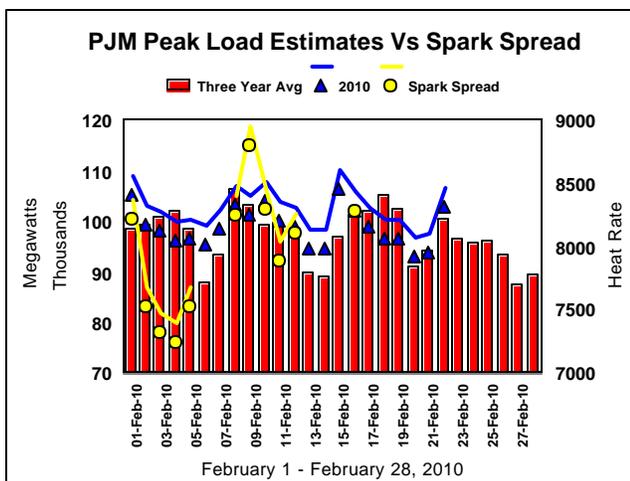
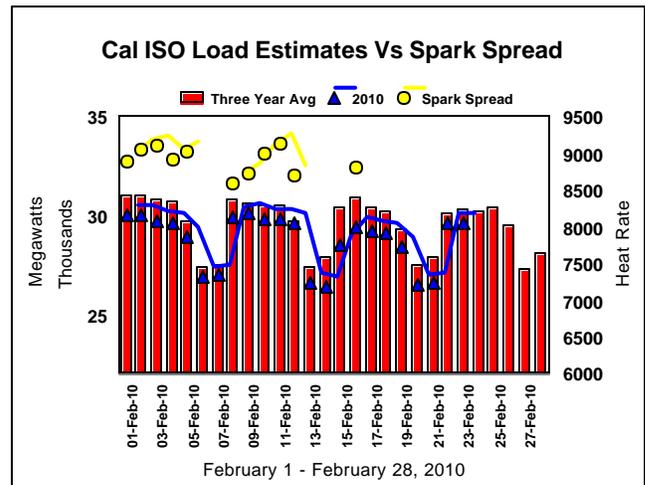
Anadarko Petroleum has signed an agreement with Mitsui E&P USA to form a joint partnership to explore for natural gas in the Marcellus Shale in Pennsylvania. The deal calls for Mitsui to take a 32.5% stake in Anadarko's Marcellus Shale assets. Mitsui will earn about 100,000 net acres in exchange for funding 100% of Anadarko's share of development costs in 2010 and 90% of those costs thereafter. All obligations are estimated to be completed by 2013.

Spanish grid operator, Enagas reported that gas use in Spain rose by 1.8% in January, marking a second monthly gain, due to cold weather rather

than power generation needs. Gas deliveries for power generation were actually down 10% on the month.

The Iranian Oil Ministry reported that gas output at the first ten phases of Iran's South Pars field reached 52.8 BCM in the Iranian year to March 2009.

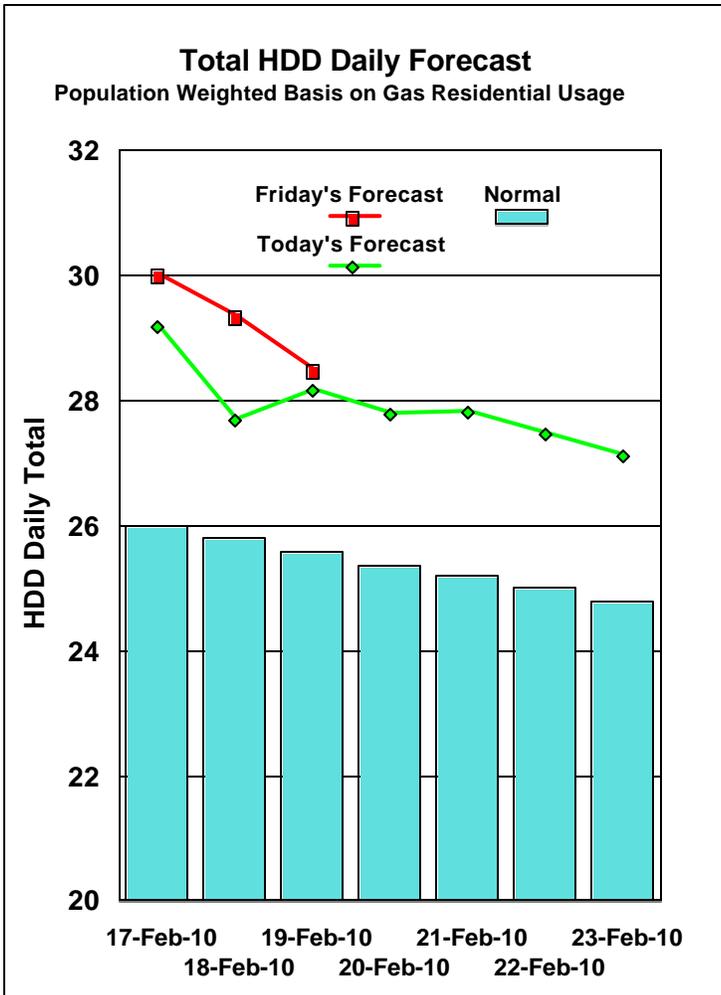
El Paso said today that it is planning a \$400 million expansion of its northeast facilities in order to provide 636,000 Dth/d of incremental firm transportation capacity from Tennessee Gas Pipeline's 300 Line in Pennsylvania to an interconnection in New Jersey. El Paso said that its subsidiary, Tennessee Gas Pipeline has executed binding, 20 year term agreements with Chesapeake Energy Marketing and Statoil Natural Gas for all of the Northeast Upgrade Project's capacity. Most capital spending for the project will occur during 2013.



The Wall Street Journal was reporting today that JP Morgan Chase is on the verge of announcing a \$1.7 billion deal to buy parts of RBS Sempra Commodities. The deal though will reportedly not include the North American assets of RBS Sempra Commodities, which remain up for sale.

The US Producer Price Index for December was revised to an increase of 0.4% compared to a previous estimate of an increase of 0.2%.

The NAHB/Wells Fargo Housing Market index increased 2 points to 17 in February. It increased more than expected.



The New York Fed's Empire State general business conditions index increased to 24.91 in February, the highest level since October and up from 15.92 in January. The inventories index increased to 0, its highest level in more than a year. However the new orders index fell to 8.78 in February from 20.48 in the previous month. The expectations index for six months ahead fell to 52.78 in February from 56.

PIPELINE MAINTENANCE

Gulf South said it has cancelled the pigging maintenance scheduled on Index 270-94, which had been scheduled to begin on February 22nd and last for at least one week. The company though reported that it will perform system maintenance at the Carthage Junction Expansion Compressor Station on Unit T5 and T6, one at a time, beginning the morning March 10th and lasting for 14 hours. Capacity through Carthage Junction Expansion Compressor Station could be reduced by as much as 150,000 Dth during this maintenance.

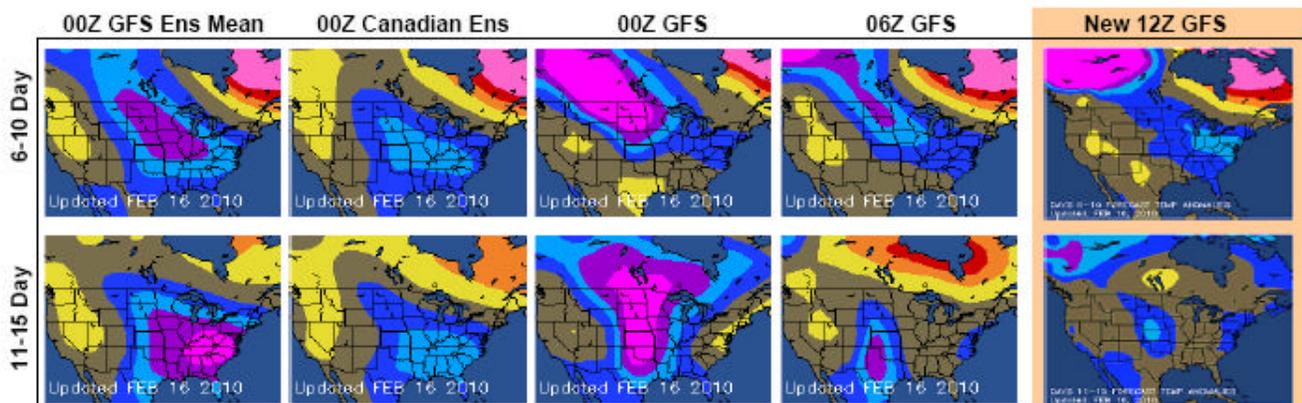
ELECTRIC MARKET NEWS

Genscape reported this morning that it estimates that U.S. power production for the week ending February 11th fell 2.3% from the prior week but was some 16.4% greater

than the same week a year ago.

Genscape reported that coal stockpiles at U.S. power plants fell 2.3% this week but remained 6.5% above year ago levels.

Forecast Model Comparison



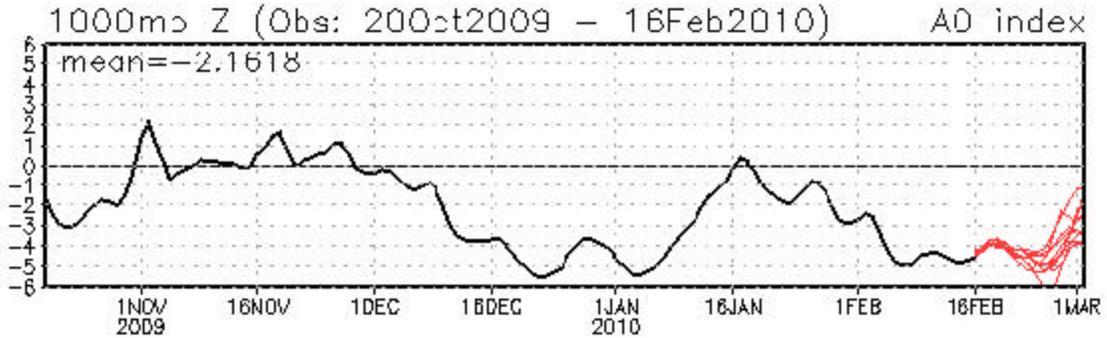
PNM Resources said that its subsidiary, Public Service Company of New Mexico signed a settlement and release last week of claims agreement to settle all remaining claims against PNM related to

certain transactions in the California energy markets during the California energy crisis of 2000 and 2001. The settlement is subject to FERC approval.

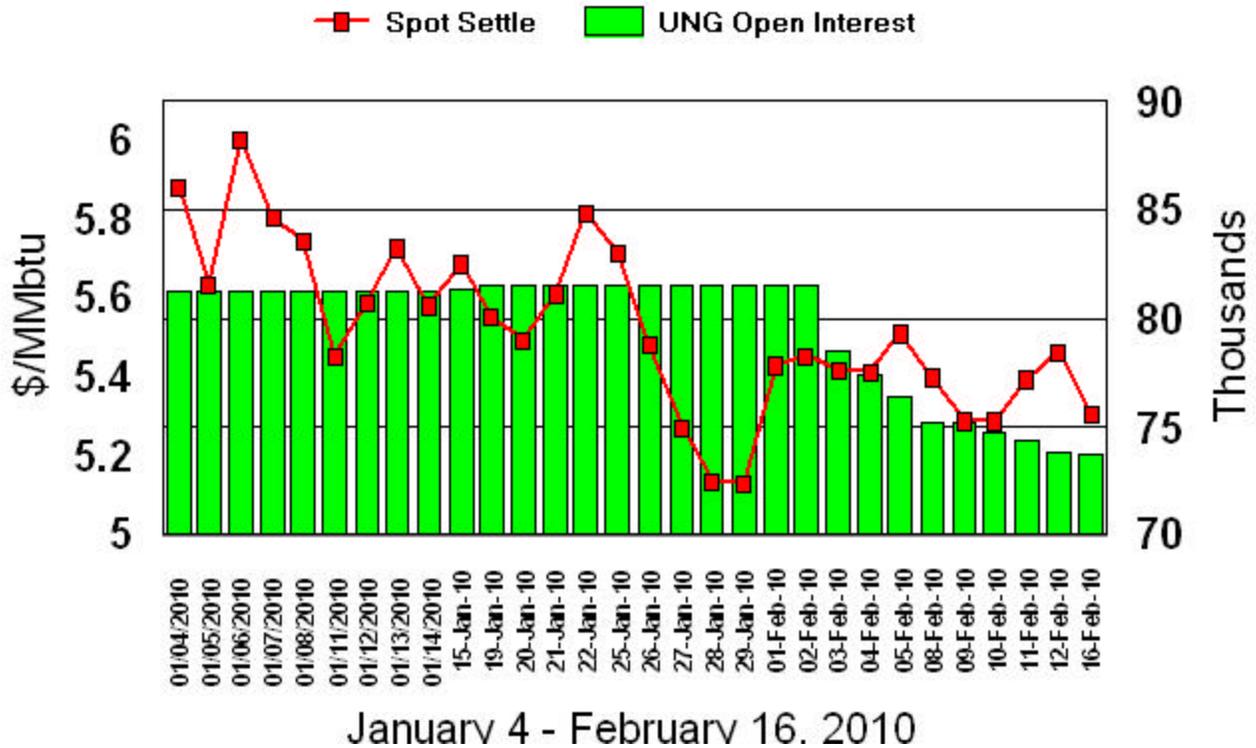
Under the agreement, PNM will pay the other parties in the agreement \$45 million.

The U.S. Chamber of Commerce and the State of Texas have filed separate petitions in federal court, challenging the EPA's authority to regulate greenhouse gas emissions under the Clean Air Act.

AO: Observed & ENSM forecasts



NYMEX Spot NG Settle Versus UNG Market Position Open Interest



The Obama Administration today announced that Southern Company would receive an \$8.3 billion loan guarantee to build two new nuclear generating units in southern Georgia. These would be the first new nuclear plants to be built in the U.S. in nearly three decades.

MARKET COMMENTARY

While oil prices were headed higher this morning, natural gas prices were headed in the other direction, lower. It appeared that traders despite seeing private weather forecasts, such as AccuWeather's continuing to call for below normal temperatures especially in the southern half of the nation east of the Rockies, the market went on the defensive this morning when prices could not clear the high's of Friday. Selling pressure increased at midday as the updated GFS computer model raised the question of just how much cold air would be brought southward from Canada and into the U.S. especially in the 11-15 day period. This appears to be supported by the outlook for the Arctic Oscillator beginning to rebound as well.

But what also appears to be going on in this market is the exiting of some spec length in the market, in particular the winding down of some positions in the natural gas ETF, UNG. This ETF has seen its holdings in the NYMEX, ICE and OTC markets decrease by over 8,000 contracts (10,000 Mmbtu size) since the start of the month. This may help to explain that despite bullish weather forecasts and at times bullish energy and commodity markets in general this market has been unable to sustain any upward momentum.

This market tomorrow will again struggle probably to gain any upside traction. We see resistance at \$5.368 followed by \$5.478 and \$5.56. Additional resistance we see at \$5.647, \$5.733 \$5.804 and \$6.027. Support we see at \$5.30 followed by \$5.243, \$5.20, \$5.137 and \$4.968.

Early market estimates for this week's storage report appear to be running between 180-190 bcf draw down,. A year ago saw a 44 bcf draw down, while the five-year seasonal average is a 129 bcf draw.

Despite the Presidents Day Holiday next week the EIA's Natural Gas Storage Report will be released as usual on Thursday morning at 10:30 a.m. EST.

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