



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 17, 2010

NATURAL GAS MARKET NEWS

Reuters reported this morning that the Umm Bab LNG tanker is scheduled to arrive at the Elba Island LNG terminal on March 5th. Elba Island is expected to receive about three cargoes in February.

Devon Energy reported today that its U.S. natural gas production was up 4.6% from a year ago, its domestic production of natural gas during the 4Q2009 was at 1.7697 bcf/d down 11.1% from the fourth quarter of last year. The company reported it drilled a total of 745 wells last year down significantly from the 1644 wells drilled in the U.S. in 2008. The company's CEO said he expected to see its Barnett Shale production growing to 1.2 bcf/d by the 3Q2010.

Generator Problems

NPCC – Constellation Energy's 621 Mw Unit #1 at the Nine Mile Point nuclear unit dropped to 45% power this morning. The unit had been at full power yesterday.

OPG's 494 Mw Lambton #4 coal fired power plant was shut.

SERC – Southern's 883 Mw Hatch #2 nuclear unit was operating at 57% capacity this morning down from full power recorded on Tuesday.

ERCOT & SPP – STP Nuclear's 1280 Mw South Texas #1 nuclear unit was at 88% power down 12% from yesterday.

The NRC reported that there was some **9,852 Mw** of nuclear power generated today, down 0.9% from yesterday and 2.3% higher than a year ago.

XTO Energy reported that it had record natural gas production in the 4Q2009 of 2.37 bcf/d, up 9% from last year. Gas production for all of 2009 ended up at 2.34 bcf/d up 23% from 2008.

Kuwait Oil Company has signed a five-year service contract with Shell to develop the country's gas fields in the northern part of the country. Kuwait which has seen its gas demand outstrip domestic supply has become an importer of LNG in recent months.

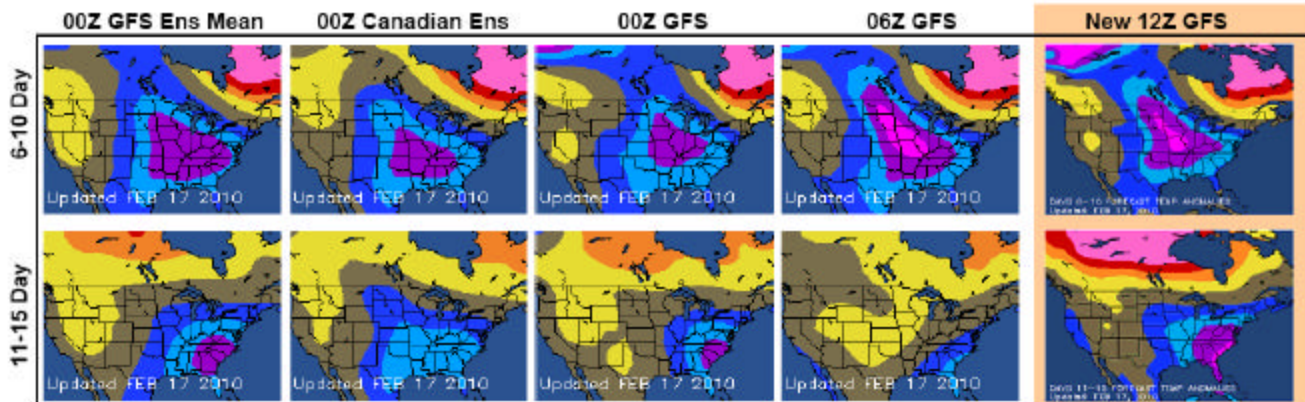
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	730,200	\$5.474	(\$0.177)	\$0.095	(\$0.211)	\$0.189
Chicago City Gate	506,700	\$5.604	(\$0.209)	\$0.225	(\$0.213)	\$0.290
NGPL- TX/OK	941,600	\$5.325	(\$0.214)	(\$0.054)	(\$0.218)	\$0.013
SoCal	481,000	\$5.410	(\$0.215)	\$0.031	(\$0.219)	\$0.124
PG&E Citygate	858,200	\$5.556	(\$0.188)	\$0.177	(\$0.192)	\$0.245
Dominion-South	259,200	\$5.731	(\$0.213)	\$0.352	(\$0.217)	\$0.480
USTRade Weighted	20,437,500	\$5.471	(\$0.207)	\$0.092	(\$0.21)	\$0.189

Kuwait is looking to boost its output from these fields to 1 bcf/d from current levels of 140 MMcf/d.

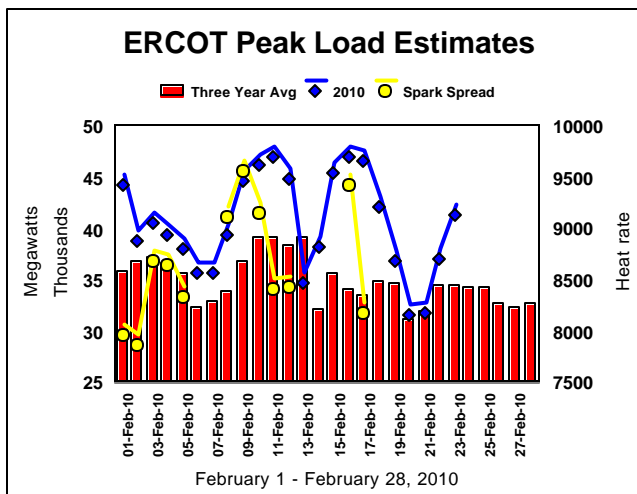
Barclays Capital

in a research noted this week said that while the Barnett Shale still might be the largest shale gas resource in Texas, the Eagle Ford Shale has now become the latest craze in shale drilling, given its prolific initial results and a high percentage of liquids production associated with it. As a result the region has generated some of the best economics of all drilling opportunities in the U.S. They noted that only 17 rigs were operating in the area last summer, with the most recent drilling data showing the

Forecast Model Comparison



number of rigs operating there has swollen to 40 with horizontal permits filed skyrocketing. Barclays estimates that the average initial well produces at 5 MMcf/d on a 30 day basis, but the record is 17 MMcf/d, on a purely gas well.



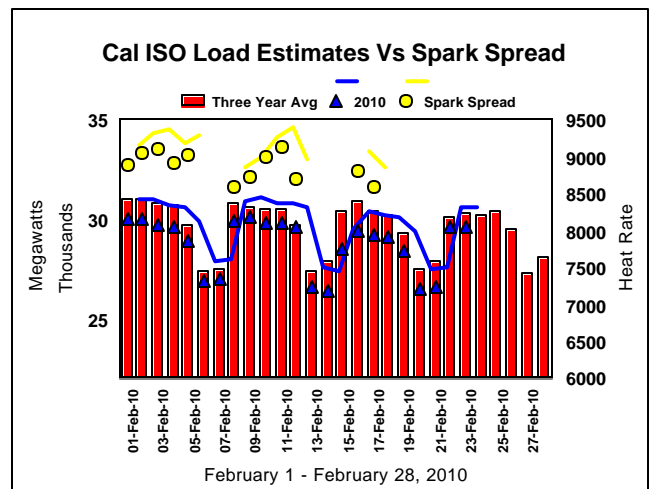
Poland's gas monopoly PGNiG said it expects to import 9 billion cubic meters of gas from Russia in 2010 and then see imports rise to 9.7 bcm in 2011 and 10.2 bcm in 2012. Poland imports 65-70% of its gas needs from Russia.

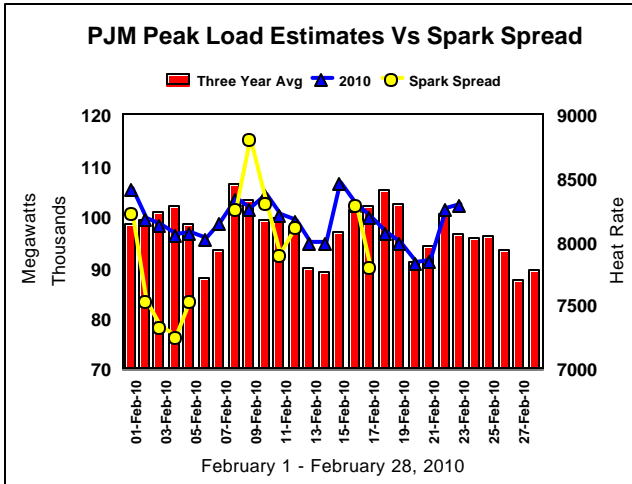
Russian environmental officials have recommended that BP's Russian oil venture TNK-BP be stripped of the firm's giant East Siberian Kovykta gas field. TNK-BP and the Russian government have been feuding for a decade over the production field. Russian officials have said the company has failed to follow obligations outlined in its production license, such as beginning full scale production. The company had offered to sell the

field to Gazprom for \$1 billion back in 2007. The deal though fell through over price disagreements and because of Gazprom's finances suffered from falling demand in Europe. The field, which has 2 tcm of reserves would need billions of dollars to reach peak production and build the necessary infrastructure to ship the gas into the Chinese market.

Norwegian gas pipeline operator Gassco said today that it would take over management of the gas terminal in Easington, on Britain's east coast from the current operator Centrica starting in October 2011. The terminal receives gas via the Langeled pipeline from Norway.

The Federal Reserve said industrial production in January increased by 0.9% compared with market expectations of an increase of 0.8%. December industrial production was revised to 0.7% from an original level of 0.6%. The rate industries used their capacity increased in January to 72.6% from 71.9%.





The US Commerce Department said housing starts increased by 2.8% to a seasonally adjusted 591,000 annual rate compared to the prior month. It is at its highest level in six months. December starts were revised up, falling 0.7% instead of 4%, as originally reported. Building permits in January fell 4.9% to a 621,000 annual rate. On Tuesday, the National Association of Home Builders reported US homebuilder confidence grew in February from a seven month low. The NAHB said its housing market index climbed two points to 17.

ELECTRIC MARKET NEWS

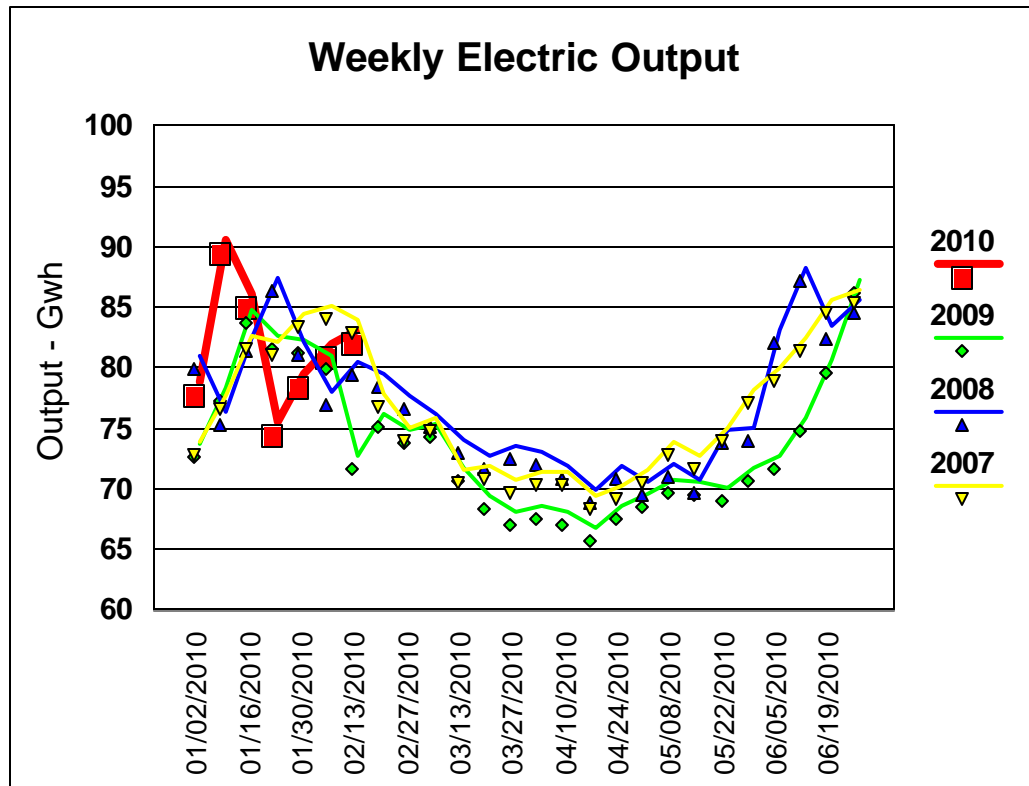
The Edison Electric Institute reported that power production in the U.S. for the week

ending February 13th stood at 82,018 Gwh some 1.3% higher than the previous week and 12.6% higher than the same week a year ago.

MARKET COMMENTARY

The natural gas market this morning made a run at the month old support line, which today was sitting at \$5.243. But despite prices getting within a couple of pennies of this line, it appeared the strong industrial production numbers released by the Federal Reserve this morning helped to stabilize the market and prices began to rebound supported by midday forecasts for the 11-15 day period which appeared to be a bit colder than yesterday's models were calling for, especially the widely watched GFS model. Prices ended the day back within a penny of the average settlement of the March contract this month. In the 12 trading sessions so far this month the March contract has an average settlement of \$5.398, with 9 sessions settling within 6 cents of this average price.

As a result traders should look towards tomorrow's storage



report for the spark to possibly break this market out of its trading range so far this month. We look for support tomorrow to be found initially at \$5.36 followed by \$5.256, \$5.204 and \$5.06. Minor resistance we see at \$5.442, \$5.498, with more significant resistance at \$5.55-\$5.56. Additional resistance we see at \$5.68, \$5.804 and \$6.027. We continue to feel though that potential rallies of this market above the \$5.50-\$5.60 should be sold especially ahead of the March contract's expiration a week from today.

Market expectations for tomorrow's storage report appear to be centered around a 188-192 bcf draw down.

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