



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 23, 2010

NATURAL GAS MARKET NEWS

US consumer confidence fell to a 10 month low in February on concerns over jobs. The Conference Board said its index of consumer attitudes fell to 46 in February, the lowest since April last year and down from a revised 56.5 in January. The Conference Board's "jobs hard to get" index increased to 47.7% in February from 46.5% in January. The present situation index fell to 19.4 from 25.2 in January, the worst since February 1983.

The Milford Haven Port Authority said Britain's Unite trade union has agreed to suspend strike action planned for Tuesday at the oil and gas port of Milford Haven for 28 days. The port will continue normal operations, including pilot services. The port and union officials hope the dispute over pensions can be fully resolved during the 28 day strike delay.

The Ramdane Abane liquefied natural gas tanker is expected to berth at Britain's Isle of Grain on February 27th. The ship can carry up to 126,000 cubic meters of super-cooled gas.

Norway's Kaarstoe gas processing plant continues to operate 6-16% below full capacity due to technical problems and it is unclear when normal operations will resume. The facility's export capacity to Europe has been limited by about 5-14 million cubic meters/day from total capacity of about 88 mcm this month due to an electric failure at a compressor.

Saudi Arabia reported a commercially viable natural gas field in its northern Jalamid area. Tests showed the Jalamid-3 discovery well in al-Sannara reservoir flowing at 12.1 million cubic feet/day.

The Oregon Department of Environmental Quality responded to demands made by NorthernStar Natural Gas Inc, indicating that it may not be able to issue a water quality certification for the company's Bradwood Landing LNG project. NorthernStar intends to construct an LNG import terminal

Generator Problems

NPCC – Entergy's 838 Mw FitzPatrick nuclear powered unit resumed full power on Tuesday, up from 79% of capacity on Monday. The unit's output was curtailed on February 19th due to a control rod sequence exchange and fuel route integrity testing.

SERC – Southern Nuclear's 920 Mw Farley nuclear unit 1 returned to full power on Tuesday, up from 92% on Monday. Power had been reduced to investigate a possible condenser leak.

Duke Energy Corp's 846 Mw Oconee nuclear unit 3 cut its power to 76% of capacity on Tuesday, down from full power on Monday.

The 1,100 Mw Browns Ferry nuclear unit 3 was operating at full capacity on Wednesday but is expected to enter a planned maintenance and refueling outage starting February 27th. It is scheduled to remain shut for about 26 days.

The 938 Mw Brunswick 1 nuclear unit was operating at full capacity on Wednesday but is expected to shutdown on February 28th for planned maintenance and refueling work. The outage is expected to last about 42 days.

ERCOT – NRG Energy Inc's 864 Mw Limestone coal fired unit 2 is expected to resume operations on February 23-24. The unit was shut on January 25th for maintenance.

WSCC – PG&E Corp's 1,122 Mw Diablo Canyon nuclear unit 1 cut its output further to 50% on Tuesday, down from 82% of capacity on Monday.

The NRC reported that there was some 91,054 Mw of nuclear power generated today, down 0.32% from yesterday and 1.07% higher than a year ago.

about 38 miles upstream from the mouth of the Columbia River in Clatsop County, Oregon. A DEQ water quality certification decision must be made on or before May 7th unless NorthernStar withdraws and resubmits its requests.

PIPELINE RESTRICTIONS

Tennessee Gas restricted the Leidy Meters for the gas day of February 23rd, due to increased nominations in excess of capacity. It restricted about 17% of supply to market evening cycle nomination increases pathed for delivery at the Leidy Meters.

Colorado Interstate Gas Co said it is proposing to allow limited withdrawals by firm customers, up to the quantities needed to test and verify the repairs to the Totem Storage Field dehydration facility. CIG declared a force majeure for the duration of the outage. Once CIG has verified the capability of the dehydration facility to support the return to full withdrawal service at Totem, CIG will post the in-service date and cancel the force majeure event.

Southern Natural Gas said it experienced an unscheduled engine outage at the Auburn Compressor Station in East Central Alabama. The unit is expected to return to service no later than February 25th. Southern does not expect any impact to firm deliveries due to this outage but it is possible that interruptible service could be limited. Additionally, customers east of the Auburn Compressor Station could experience pressures that are lower than normal starting February 24th.

Northern Natural Gas called a system overrun limitation for gas day, February 24th, for market area zones ABC, D, and EF due to low temperatures forecasted for those areas of the system.

ELECTRICITY NEWS

In a letter to Sen. Jay Rockefeller and seven other Senate Democrats, the US EPA said it plans to require facilities that already must apply for Clean Air Act permits for other emissions to address carbon dioxide emissions in their permit applications. The EPA Administrator, Lisa Jackson, said that in the first half of 2011, only facilities that already are required to apply for Clean Air Act permits as a result of other emissions will have to address their greenhouse gas emissions in their permit applications. She also expects that greenhouse gas emissions from other large sources will phase in starting in the latter half of 2011. She said the EPA is closely following the efforts to make integrated systems for capturing, transporting, and storing CO₂ from coal-fueled electricity generating facilities commercially available.

MARKET COMMENTARY

The natural gas market continued on its downward slide today after breaching its support and gapping lower on Monday as it was pressured by weaker cash prices and a sell-off in the oil markets. The natural gas market posted a high of \$4.934 in overnight trading and continued to trade lower. The market retraced some of its earlier losses as it traded to \$4.874 only to see it sell off once again. It traded to a low of \$4.773 ahead of the close and settled down 11.7 cents at \$4.778. The market remained pressured in late afternoon trading on Globex and posted a low of \$4.768.

The market may see some retracement of its recent losses ahead of the March contract's expiration at the close on Wednesday. However the market's gains are seen limited. Forecasters are predicting more moderate weather over the next few weeks. A private weather forecaster sees temperatures trending warming, with above normal temperatures expected in the Midwest from March 5-9. Technically, the natural gas market is seen finding support at its low of \$4.768, \$4.723, \$4.667 and \$4.562. Resistance is seen at \$4.80, \$4.85, \$4.884, its high of \$4.934 followed by its gap from \$4.977 to \$5.008, and \$5.045.

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