



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 24, 2010

NATURAL GAS MARKET NEWS

Ukrainian finance minister, Ihor Umanskiy, has announced that Ukraine will pay on time \$631 million for Russian natural gas supplies in February. In the past, disputes between Russia and Ukraine have led to disruptions in supplies to the European Union.

Resource estimates for Royal Dutch Shell's Ormen Lange gas field, which supplies up to 20 percent of British gas needs, was reduced by about 25% by the Norwegian Petroleum Directorate. Reserves have been cut by 103 million cubic meters of oil equivalent from an earlier 395-mcm estimate after two disappointing drills of appraisal wells. Total remaining recoverable resources off Norway stood at 8.1 billion cubic meters of oil equivalent at the end of 2009, with uncertainty range from 5.3 to 11.7 billion cubic meters.

Four LNG tankers are expected to arrive in Britain and Belgium between Feb. 24 and Mar. 1. The cargoes carry super-cooled gas to Europe's two most liquid gas markets; include cargoes delivered on a spot basis or on long-term contracts with suppliers. The Celestine River, with 145,000 cubic meter capacity, from Trinidad is slated to arrive on Feb. 24 at Dragon. Qatar's 260,000 cubic meter tanker, Al Mafyar, is expected to arrive at South Hook on Feb. 26, with Algeria's 126,000 cubic meter tanker, Ramdane Abane expected at Isle of Grain on Feb. 27 and Qatar's 266,000 cubic meter tanker, Shagra, expected to arrive on Mar. 1.

LNG output has started at Qatar's RasGas production facility. RasGas is one of two LNG producers in Qatar. RasGas train 7 has capacity to chill enough natural gas to produce 7.8 million tons per year of LNG for export. Qatar started three equally large facilities last year. The trains are the largest in the world. The new facility will take RasGas' output capacity to 36.3 million tons per year.

PIPELINE MAINTENANCE

Planned maintenance is expected at Panhandle Eastern Pipe Line Company's Haven Compressor Station due to the 2007 rupture. An outage will be experienced during the month of August to perform further maintenance of the 400-line.

Generator Problems

NPCC – Power at Entergy's 838 Mw FitzPatrick nuclear power unit was reduced on Wednesday to 88% of capacity, after running at full power on Tuesday. The unit's output was curtailed on February 19th due to a control rod sequence exchange and fuel route integrity testing.

MAAC- Constellation Energy's 862 Mw Calvert Cliffs unit 2 nuclear unit is in cold shutdown as a weld leak is repaired. The unit is seen resuming operations in a week.

SERC –Grand Gulf's nuclear reactor in MS was reduced to 82% capacity early Wednesday, down from 100% on Tuesday. A reason for the reduction was not yet given.

Duke Energy Corp's 846 Mw Oconee nuclear unit 3 ramped its power to 89% of capacity on Wednesday, up from 76% capacity on Tuesday.

Duke Energy's Catawba 1 nuclear reactor in No. CA has been restarted and is operating at 60% capacity. The unit was shut from full power early Feb 18 to inspect and repair a water leak.

The NRC reported that there was some 91,471 Mw of nuclear power generated today, up 0.46% from yesterday and 1.7% higher than a year ago.

PIPELINE RESTRICTIONS

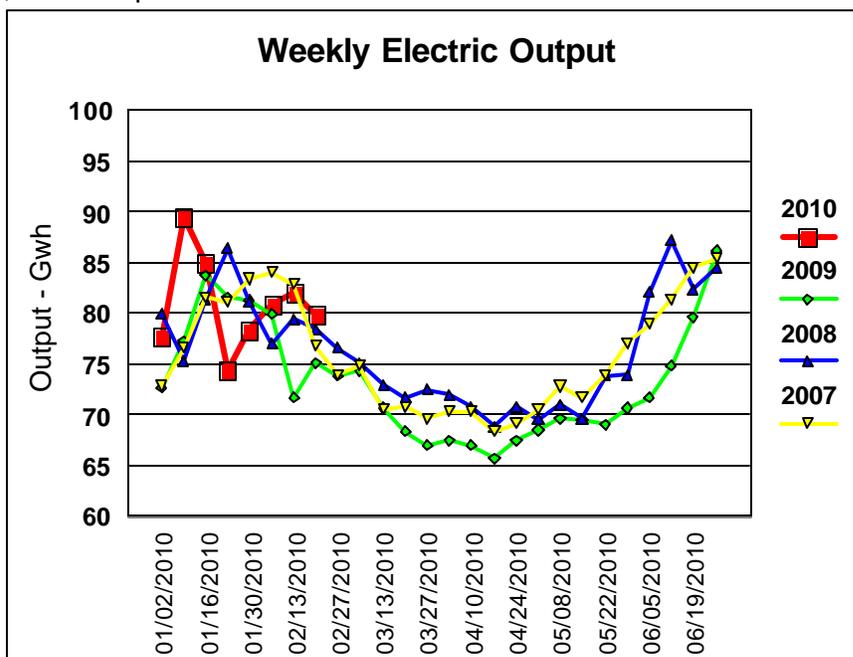
Planned maintenance is expected to begin at Gulf South's East Texas Index 817 pipeline on Feb. 25. Effective for the Feb 24 gas day, Gulf South will schedule its system to reduce capacity to 1.165 Bcf in the Expansion Area 16 Receipt scheduling group.

Tennessee Gas will accept increases for nominations pathed for delivery to the Leidy Delivery meters effective Intraday cycle 1 for the gas day Feb 24. Estimations are for approximately 4,500 Dths.

Northbound flow at NGPI's Bollinger, Mo Compressor Station 309 has been limited effective Feb. 24 and continuing until further notice. Limited interruptible transportation service/authorized overrun and secondary out-of-path firm transports are available.

ELECTRICITY NEWS

The Edison Electric Institute reported that electricity production in the US for the week ending February 20th increased by 6.6% on the year to 79,998 Gwh. For the 52 weeks ending February 20th, electricity generation was down 2.7% on the year at 3,938,455 Gwh while for the first eight weeks of the year, power production totaled 647,918 Gwh, up 4% on the year.



MARKET COMMENTARY

The natural gas market remained pressured in overnight trading on Globex, when the market posted its low of \$4.745. The market however retraced its losses and posted a high of \$4.884 early in the session amid some short covering ahead of the March contract's expiration at the close following the sharp sell-off seen in the past few sessions. The market also remained supported by the strength in the oil markets and weather forecasts of a heavy snowstorm in the Northeast. The March natural gas contract settled in positive territory, up 3.8 cents at \$4.816, breaking a four day losing streak. Meanwhile the April natural gas contract settled up 5 cents at \$4.859 after it posted a high of \$4.931 early in the session.

The natural gas market will seek direction from the EIA storage report due out on Thursday. While the market may further retrace some of its recent losses, its gains are seen limited amid the lack of supportive fundamentals. Technically, the market is seen finding support at its low of \$4.798, \$4.788, \$4.718, \$4.671, \$4.646 and \$4.595. Resistance is seen at \$4.90, its high of \$4.931, \$4.946, \$5.002 and \$5.072.

Market expectations for this week's EIA storage report are running between a 150 bcf and 179 bcf withdrawal, with the average draw of 169 bcf. This is up from an adjusted 90 bcf reported for the same week last year and the five year average of 132 bcf.

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