



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 23, 2009

NATURAL GAS MARKET NEWS

The National Weather Service today estimated that heating demand for natural gas for the current week should basically average out at near normal levels but some 13% less than the previous week and 10.5% less than the same week a year ago.

Strategic Energy and Economic research in its latest monthly report warned that natural gas prices “need to decline sharply to balance the market.” Ron Denhardt, vice president of natural gas service said he sees natural gas prices are likely to average below \$3.50 during April through October and it is quite possible that prices will decline below \$2.00 per Mmbtu. He noted that weather adjusted working gas storage draw downs are running some 8 bcf/d behind last year, at a time that industrial production last month was some 10% lower than a year ago. He is looking for gas storage levels to reach 1.666 tcf by the end of March, well above last year’s level of 1.247 bcf and the 5 year average of 1.486 tcf. He noted that without a substantial shut in of production over the next several months, this season’s injection season could end up with 4.4 tcf in storage. He estimates that U.S. LNG imports could grow by 600,000 MMBtu/d this year. He noted that coal displacement in the generating sector could be sufficient to keep storage from being filled to capacity, as natural gas could gain roughly 2.1 bcf/d of market share from intermediate coal plants. But he expects coal prices will probably decline in response to competition from gas.

BG Group’s Princess LNG tanker is set to arrive at the Elba Island LNG terminal on March 3^d. The tanker is carry gas from Egypt.

Generator Problems

MAIN – Exelon’s 912 Mw Quad Cities #2 nuclear unit was at 77% capacity this morning down from 96% capacity last week.

PJM – Constellation Energy shut its 862 Mw Calvert Cliffs #2 nuclear unit on Sunday for its planned refueling outage. The unit’s last refueling outage was two years ago.

FirstEnergy’s 1231 Mw Perry nuclear unit was taken off line today for a planned refueling outage.

ECAR – Entergy’s 789 Mw Palisades nuclear unit completed its return to full power over the weekend. The unit had dropped offline on February 18th.

SERC- TVA’s 1100 Mw Browns Ferry #2 nuclear unit continued to ramp up following last week’s shutdown and was at 96% of capacity this morning.

Duke Power’s 1100 Mw McGuire #1 nuclear unit was at 88% power this morning. The unit had been at full power on Friday.

SPP – AEP’s 528 Mw coal fired Welsh #3 unit is expected to remain offline longer than expected. The unit, which went off line on February 20th, was expected to be down for only 5 days. Operators now do not expect the unit back until March 21st.

AEP’s 675 mw Pirkey coal fired power plant went off line for unscheduled maintenance eon Sunday. The unit is not expected back until Thursday.

NPCC – OPG’s Lambton 1 and 3 coal fired units returned to service today while Unit #4 was taken off line.

The NRC reported this morning that 89,906 Mw of nuclear generation capacity was on line, down 0.4% from Friday and 0.8% lower than the same time a year ago.

The FERC on Friday approved Transwestern Pipeline's request to place a second and final phase of its Phoenix Expansion Project in service. This would include the 280 mile Phoenix Lateral, which will add 500 MMcf/d of capacity to meet the needs of Phoenix and surrounding areas. The lateral will have the capacity to expand capacity to 1 bcf/d. In addition modifications were made at the Seligman Compressor Station and the Ash Fork facility.

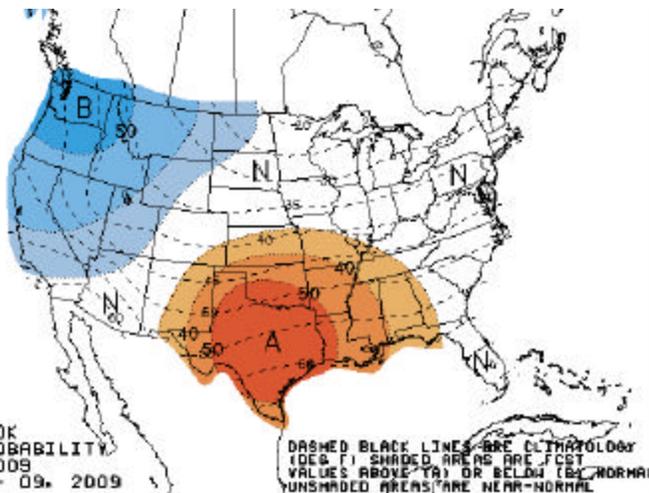
JP Morgan in its monthly energy update released today noted that the U.S. may import up to four more cargoes of LNG per month from April to December compared to last year, as demand for the fuel falls in Asia and Europe. The company estimates that some 36 bcf of gas per month could be imported some 6 bcf per month more than a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	593,100	\$4.235	\$0.020	\$0.184	\$0.052	(\$0.080)
Chicago City Gate	656,000	\$4.190	\$0.056	\$0.139	\$0.003	\$0.173
NGPL- TX/OK	936,700	\$3.390	\$0.041	(\$0.661)	(\$0.012)	(\$0.603)
SoCal	374,200	\$3.428	\$0.132	(\$0.623)	\$0.079	(\$0.598)
PG&E Citygate	511,400	\$4.262	\$0.191	\$0.211	\$0.138	\$0.220
Dominion-South	234,700	\$4.698	\$0.056	\$0.647	\$0.003	\$0.595
UTrade Weighted	14,778,000	\$3.956	\$0.105	(\$0.095)	\$0.05	(\$0.080)

BP's British Innovator LNG tanker arrived at the Isle of grain import terminal on Sunday, according to National Grid. The ship was delivering LNG from Trinidad and Tobago.

ExxonMobil announced it had reached agreement to sell PetroChina 2 million tones of LNG per year for the next 20-25 years from its Australian Gorgon project.

The CEO of Total SA said today, that despite Iranian claims that a new \$5 billion contract for the second phase of development of the South Pars gas field in Iran would be announced soon, any agreement would not be signed before the start of the Iranian New Year which begins March 21st. Total noted that despite its memorandum of understanding with NIOC to develop the second phase of the massive South Pars field, its talks with the Iranians continue to move ahead very "slowly".



The Federal Bank of Dallas reported today that its Texas monthly manufacturing outlook stood at -47.4, down 9.5 from last month. A negative level indicates contraction.

The Alberta Energy Department said it was monitoring the developments surrounding Abu Dhabi's state owned International Petroleum Investment Company's \$500 million takeover of Nova Chemicals. The deal is expected to allow Nova to strengthen its

balance sheet so it can keep operating and expanding. Over the weekend, Nova won a new \$150 million credit facility with Export Development Canada, allowing it to meet a key debt commitment before month end.

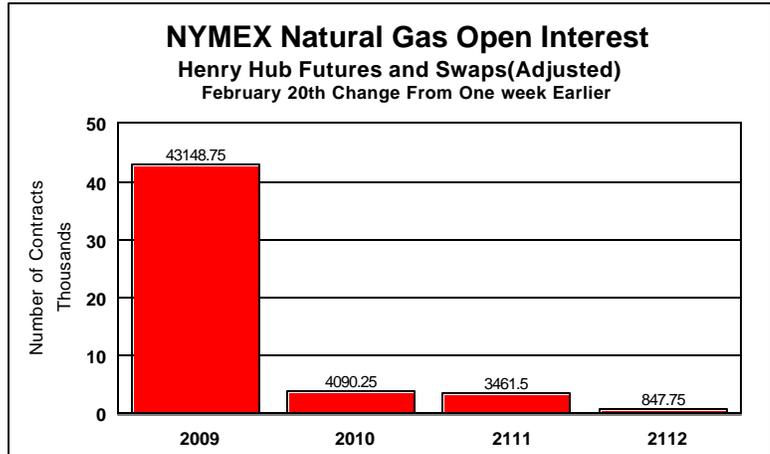
PIPELINE RESTRICTIONS

NGPL said effective for today's gas day through March 3rd, it will be lowering the Enbridge Bryans Mill Lateral near station 305 in Cass County, Texas. Based on the expected level of nominations Shippers will not be impacted during this outage.

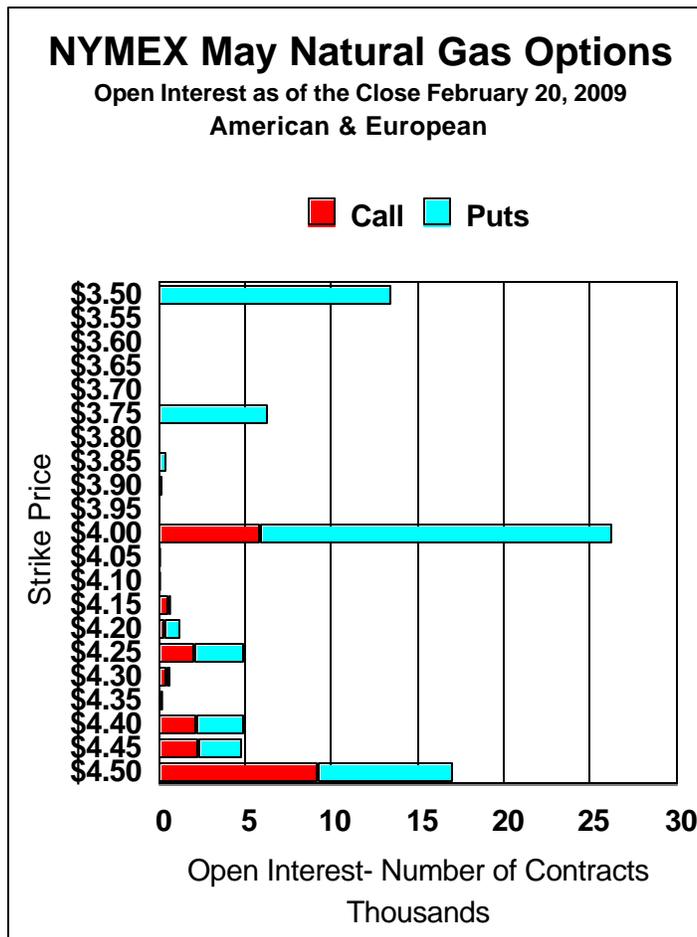
Northern Natural Gas said effective for February 24th it has issued an OFO for Carlton Resolution Obligation. Carlton Resolution will be at 50%.

PIPELINE MAINTENANCE

Cheyenne Plains Gas Pipeline said it issued a force majeure notice on February 20th as a result of it taking a compressor unit out of service at the Mocane Field effective March 1, 2009 due to excessive operating vibrations. Capacity will be reduced from 43 MMcf/d to 28 MMcf/d.



ANR Pipeline said it will continue performing unscheduled maintenance at its Birmingham compressor station in Iowa which will reduce total SW Mainline-CFTP capacity by 11 MMcf/d through February 27th.



Alliance Pipeline said inspections and maintenance require the Loreburn Compression Station to be offline for eight hours on February 24th. System throughput may be impacted.

Enbridge Offshore Pipelines said it has been advised by Crosstex that the Sabine Plant will be down for maintenance today and was expected to take eight hours. Effective for today's Timely Cycle, UTOS will not accept nominations at SW Lateral via Sabine or Sabine Plant PTR. Shippers are asked to re-direct gas flow to other available deliveries off of the UTOS System.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. power output rose 4.67% in the week ending February 19th, versus the prior week, but was some 5.23% less than the same week a year ago.

The Michigan Attorney General said today that Michigan's governor exceeded her legal authority when she issued an executive order which attempted to create new legal requirements for the construction of coal fired

power plants in Michigan.

The water flow forecast released late Friday showed that for the April–September period on the Columbia River at the Dalles Dam water flows are expected to be 7% less than forecasted just two weeks ago at 79% of normal and some 20% less than the same time a year ago.

Senate Majority Leader Reid said today that he expected to introduce legislation Thursday aimed at facilitating the development of an electricity grid that can deliver power generated by clean energy sources such as wind, from remote locations to urban populations. The bill would direct the President to designate areas that have the potential to produce significant amounts of clean energy. The legislation would give the federal government the authority to complete transmission lines without the approval of local governments.

MARKET COMMENTARY

Despite the erosion in the equity and oil markets today the natural gas market was able to hold itself above the \$4.00 price level and settle higher for only the second time in the last ten trading sessions. The March-April spread led the market higher on good volume as it posted its highest level since December 3rd as it moved into positive territory this afternoon. It appeared overall prices were helped in part due to short-term higher weather demand coupled with U.S. nuclear generation falling to its lowest level in two weeks. Technically this market today could have seen a bit of a short covering bounce given the significant gain in open interest levels over the past 1-2 weeks during this bear market move. The option market showed that on Friday open interest did not see gains in puts in the Tuesday expiring March contracts but rather gains in two main call strikes, the \$4.00 call and the \$4.15 call which saw gains of nearly 2100 lots and 535 lots respectively. Today though put trading activity in the march was stronger with the three most active strikes being the \$4.00, \$3.75 and \$3.00 puts which traded 1686, 789 and 900 times respectively.

We remain overall bearish on this market, especially as the economy continues to spiral lower. We see support tomorrow at \$4.00 followed by \$3.94-\$3.92, \$3.869 and \$3.80. Resistance we see at \$4.167, \$4.24, \$4.29 and \$4.32. More significant resistance we see at \$4.40, \$4.514 and \$4.88.