



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 MARCH 24, 2009

NATURAL GAS MARKET NEWS

Chesapeake Energy's CEO said today that it remains active in shale joint venture talks with overseas companies. He noted that he expects natural gas demand will improve and rebalance the market in the third quarter of this year. He noted the company plans again to cut its conventional drilling activities over the next two months. The company has already cut its conventional drilling program by 75% over the last six months and would reduce it to 85% in the next sixty days. He again noted the company can simply not make money in the sub \$7.00 and \$8.00 environment.. He expects to see the U.S. rig count to be flat in 2010 and 2011 due in part to privately held natural gas producers having difficulty accessing credit markets

Despite the declining natural gas rig count, Republican members of the Pennsylvania House of Representatives on Tuesday unveiled a plan to further tap into the Marcellus Shale deposits by expanding natural gas drilling access to over 390,000 acres of state forest land over the next three years.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #1 coal fired unit was shut today while the company brought back on line its sister Unit #3 which had been off line on Monday.

SERC – Operators at TVA's 1150 Mw Sequoyah #1 nuclear unit are preparing the unit for its refueling outage, which could begin as early as this weekend. The unit was at 98% power this morning.

TVA's Watts Bar #1 nuclear unit was at 94% power, up 17% from Monday.

ECAR – AEP's 1090 Mw Cook #2 nuclear unit was at 70% capacity this morning down 4% from Monday.

WSCC – PG&E Corp's 1122 Mw Diablo Canyon nuclear unit #1 started to exit its recent refueling outage and ramped up to 2%.

SPP – AEP's 675 Mw Pirkey coal fired power plant was shut for the next several days due to a hydrogen cooler leak.

The NRC reported this morning that 85,633 Mw of nuclear generation capacity was on line, up 4.2% from Friday and up 6.1% from the same time a year ago.

The final test LNG cargo was set to arrive at the Sabine Pass LNG terminal in Louisiana on Tuesday according to ship tracking services. The 145,000 cubic meter Celestine River tanker was expected to

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	837,400	\$4.128	(\$0.038)	(\$0.206)	(\$0.089)	(\$0.641)
Chicago City Gate	872,500	\$3.211	(\$0.125)	(\$1.123)	(\$0.143)	(\$1.039)
NGPL- TX/OK	1,126,400	\$2.881	(\$0.067)	(\$1.453)	(\$0.086)	(\$1.365)
SoCal	190,100	\$3.173	(\$0.077)	(\$1.161)	(\$0.096)	(\$1.080)
PG&E Citygate	533,500	\$4.033	(\$0.065)	(\$0.301)	(\$0.084)	(\$0.272)
Dominion-South	311,200	\$4.334	(\$0.114)	\$0.000	(\$0.132)	\$0.023
UTrade Weighted	16,084,200	\$3.655	(\$0.070)	(\$0.679)	(\$0.09)	(\$0.641)

be off loaded Tuesday. The cargo was bought by Cheniere, which operates the 2.6 bcf/d terminal. Total said it expects to send its first cargo of LNG to the terminal in mid April from

Nigeria. The company starting April 1st will hold 10 bcf of capacity at the facility. Total noted that last year the United States saw only minimal contracted imports of LNG as strong demand and higher prices in Europe and Asia pulled LNG cargoes away from the U.S. But the Total official feels that this year will be different, with demand in Asia sagging under the weight of economic decline, with possibly only India remaining an active buyer of LNG.

BG Group's Methane Alison Victoria LNG tanker is expected to arrive at Elba Island terminal from Egypt on April 4th.

The Obama administration said it would decide later this year whether to raise the royalty rates that energy companies would pay on the oil and natural gas they produce on federal leases. Companies

-----CONTRACT-----	TODAY'S SETTLE	PREVIOUS SETTLE	ESTIMATED VOLUME	DAILY HIGH	DAILY LOW
LN 04 09 P 4.000	0.0179	0.0297	3755	0.032	0.032
LN 05 10 C 9.000	0.2817	0.2441	2375	0	0
LN 06 09 P 3.500	0.0884	0.0984	1960	0	0
LN 07 09 P 3.000	0.0542	0.0592	1700	0	0
LN 04 09 C 5.000	0.0025	0.0024	1570	0.009	0.005
LN 05 09 P 3.500	0.0515	0.0607	1510	0.0425	0.0425
LN 09 09 C 6.500	0.2712	0.2544	1500	0	0
LN 09 09 C 7.500	0.1511	0.1424	1500	0	0
LN 05 09 P 3.250	0.0247	0.0299	1450	0.02	0.02
LN 06 09 C 5.500	0.1555	0.1417	1450	0	0
LN 04 09 C 4.500	0.0584	0.05	1280	0.035	0.035
LN 05 09 C 5.000	0.1362	0.1222	1275	0	0
LN 12 09 P 3.500	0.0937	0.1108	1200	0	0
LN 05 09 C 6.000	0.0208	0.0188	1150	0.025	0.025
LN 10 09 C 5.000	0.8222	0.7856	1125	0	0
LN 07 09 P 3.500	0.1307	0.1411	1080	0	0
LN 06 09 P 4.000	0.2154	0.2348	1050	0	0
LN 03 11 C 10.000	0.6207	0.5652	1000	0	0
LN 12 09 P 2.500	0.0161	0.0246	975	0	0
LN 04 09 P 4.250	0.0755	0.1034	950	0	0
LN 07 09 C 5.000	0.4368	0.4089	900	0	0
LN 07 09 P 4.000	0.263	0.2809	900	0	0
LN 10 09 C 5.500	0.6391	0.6086	885	0	0
LN 07 09 C 5.500	0.2861	0.2661	850	0.2525	0.225
LN 11 09 C 9.000	0.1642	0.1506	830	0	0
LN 07 09 P 3.250	0.0865	0.0938	800	0	0
LN 09 10 P 3.500	0.1544	0.1593	750	0	0
LN 01 10 C 9.000	0.3177	0.2846	730	0	0
LN 08 10 C 8.000	0.5631	0.5014	700	0	0
LN 11 09 C 12.000	0.0497	0.0449	700	0	0

currently pay a royalty rate ranging from 12.5% to 18.75% of the value of the oil and gas they extract.

Private weather forecasting service WSI said it looks for cooler than normal temperatures across the northern sector of the United States through May, while warmer than normal temperatures should move into the Northeast by June and could dominate the northern tier this summer.

Enterprise Products Partners and Duncan Energy Partners

said Monday that construction has been completed on the 174 mile Sherman Extension of the Enterprise Texas Intrastate natural gas pipeline system, which provide Barnett Shale gas another avenue to reach the market.

Raymond James & Associates said in a note to clients that based on publically traded U.S. natural gas producers financial information, it appears that U.S. natural gas production in the fourth quarter of last year grew by 3.5% year on year, despite the disruptions caused by Hurricanes Ike and Gustav.

The Industrial Energy Consumers of America yesterday welcomed the CFTC for officially closing the Enron Loophole, but it noted that there is still much work to be done to increase CFTC market

oversight and market transparency. They called for a requirement of position limits on speculators; requirement of “aggregating position limits” across all exchanges and the OTC market; Establish limits or banning index funds and passive long only and short only funds.

McMoRan Exploration said Tuesday that it will cut its 2009 capital budget by \$30 million to \$200 million and may pursue additional partner arrangements to further reduce capital expenditures. It has as a result cut its 2009 production estimate by 5,000-15,000 Mcf/d to 215,000 Mcf/d.

India’s Dabhol LNG terminal is expected to begin operations by mid-April. The terminal will have an annual capacity of 5 million tones and is expected to run at only 40% capacity until a breakwater is built possibly in 2011 or even later. The director of finance at GAIL one of India’s largest gas based utilities said that with LNG prices coming down to \$6.50-\$7.00 Mmbtu it is now looking at buying LNG both on the spot and long term contract basis.

Russia has postponed inter-governmental talks with the Ukraine indefinitely because of agreements reached between Ukraine and the European Union, in which the EU will commit to help upgrade the Ukrainian gas network.

The Seri Ayu LNG tanker has delivered its cargo to the Isle of Grain terminal. The cargo from the BG Group was the fourth it brought into the facility since it opened in December. The cargo was from Trinidad.

Royal Dutch Shell said it may use untested floating LNG technology to produce LNG from an area in offshore of Egypt according to a Egyptian government official. The company though declined comment on the report.

Portugal’s Sines LNG terminal will soon receive its second cargo of LNG from Trinidad & Tobago in a swap deal involving a Nigerian LNG cargo that usually supplies it. The tanker Jane Elizabeth is expected to arrive there on March 29th. A process engineer at the terminal said that the ships coming into the terminal are swaps between the Portuguese gas trader and the supply company, since the gas needed to be mixed with Algerian gas to make it suitable for the Portuguese gas market.

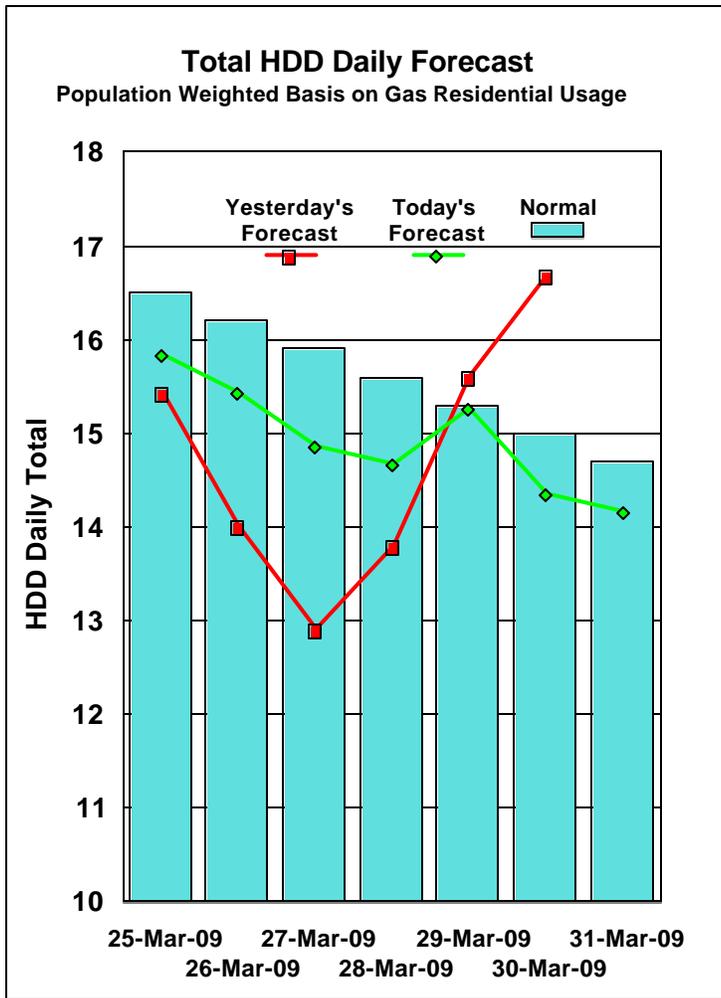
Natural gas output from Reliance Industries deep-sea fields in the Krishna Godavari Basin is expected to start in early April, slightly later than expected

Osaka Gas, Japan’s second biggest city gas supplier said that it plans to buy 12% less LNG in the new fiscal year starting in April and will stop spot purchases altogether. The firm purchased 7.4 million tones in the current year ending march 31st and looks to buy only 6.512 next year.

The president of the Kansas City Federal Reserve Bank warned today that the Federal Reserve Bank needs a forceful exit strategy from the trillions of dollars it is pumping into the economy or it will risk an inflationary outbreak.

PIPELINE RESTRICTIONS

NGPL said effective for today’s gas day and until further notice Texas Gas Lowry and northbound flow through Segment 13 and Segment 18 has limited capacity for deliveries. Limited ITS/AOR and Secondary Firm transports are available.



SoNat said that until further notice, it will be allocating/limiting interruptible capacity (b-1 and IT) in Group 10 Savannah Line and group 170 Cypress Line.

PIPELINE MAINTENANCE

TransColorado Gas Transmission said it will be performing maintenance at its Dolores Compressor Station on April 8-9. Capacity through Segment 220 will be limited to 340,000 Dth/d and capacity through Segment 240 will be limited to 390,000 Dth/d. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

El Paso Natural Gas Company said it would be performing required maintenance at the Blanco Interconnect for eight hours on April 7-8th. The company will be limiting the point capacity to 250,000 Dth/d on each day. Additional scheduled quantities up to 390,000 Dth/d are anticipated to become available for the Intraday 2 cycle.

NGPL said from April 7 to April 8, it will be removing the non-operating compression and related piping at Station 343 on Segment 25. This work will require a

reduced capacity in Segment 25 for the duration of the work. AOR/ITS and secondary out of path firm transports will not be available.

Gulf South Pipeline said it has rescheduled planned pipeline maintenance on its Index 269-1 previously scheduled for today until march 31st due to unfavorable weather conditions. Receipt points that will be shut in and unavailable for service will be SLIGO Plant and Section 23 CP.

KMIGT said it will be performing tie-in on the Rockport Lateral today. During the outage there will be no flow on the Rockport Lateral (Segment 620/790) in either direction.

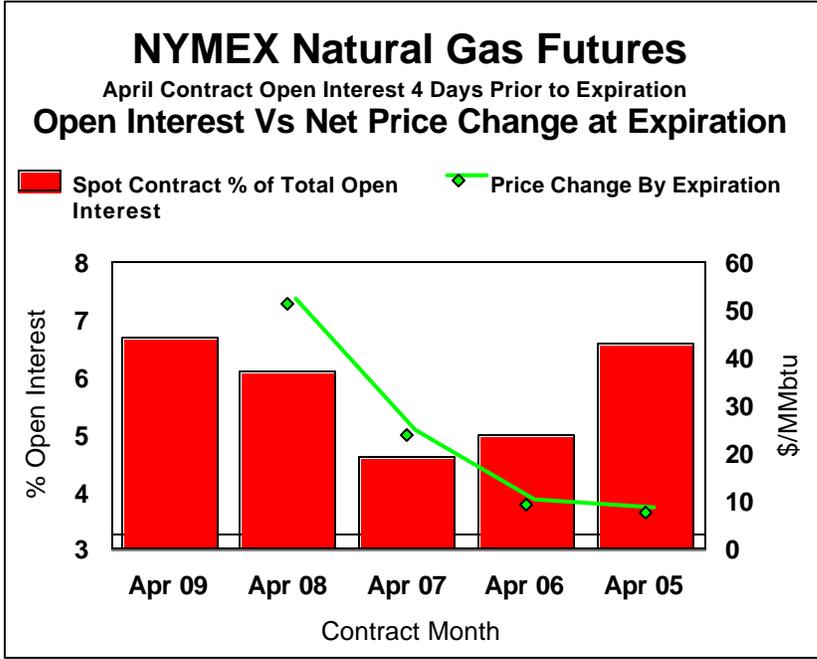
ELECTRIC MARKET NEWS

The U.S. NRC said today that it reduced its level of inspection oversight at the Palo Verde nuclear power station as a result of the safety improvements made by operators at the plant.

Genscape reported today that it estimated coal supplies at U.S. power plants rose 1.97% this week from last week and are 18.34% greater than the same time a year ago.

It appears that EPA's proposed declaration that greenhouse gases pose a health danger will increase pressure on Congress to deal with the greenhouse gas issue. The White House is currently reviewing the EPA proposal. Due to the potential of taking years for the EPA to develop regulations and the likely litigation that would follow its actions, participants on both sides of the issue say that Congressional action would be quicker and more definitive than an EPA endangerment finding.

The EPA announced that the cost to emit a ton of sulfur dioxide from a power plant fell close to its all time low in its annual auction of pollution allowances Tuesday. The average price for a 2009 sulfur dioxide allowance was \$69.74, down significantly from last year when prices average \$389.91. This year's price was the second lowest ever since the program began in 1993. Prices have been hit by the uncertainty surrounding the EPA's Clean Air Interstate Rule (CAIR) following last July when a federal appeals court struck down emission regulations. Further uncertainty was created in December when the appeals court ruled that CAIR although having fatal flaws should remain in place while the EPA fixes it, but the court declined to give a deadline to the EPA to alter the program.



MARKET COMMENTARY

The natural gas futures market edged higher yet again today and settled up for the fourth consecutive trading session, despite the cash market posting a weaker session across most trading points as temperature outlooks for the next week remain warmer than normal despite a minor near term revision this morning. The pattern over the previous four years has been for the expiring April contract to gain in value in each of those four years despite the level of open interest in the spot contract. This price escalation over the last week of trading appears to have been booked despite the relative level of inventories, but one could infer that given the relatively high level of stocks similar to 2006, the price gain should be relatively modest if the pattern holds.

Therefore we would look for the bulls in the natural gas market to remain relatively restrained as we approach Friday's expiration. We see significant resistance at \$4.42 with additional resistance at \$4.488 and key resistance at \$4.58-\$4.596. Support we see at \$4.20-\$4.18 followed by \$4.10 and \$4.06. Major support we see at \$3.672. We still feel though that given the existing economic malaise in the industrial sector that this market next month could once again come under pressure. The May \$4.00 puts may be an interesting purchase if one could buy this strike at 15 or less cents.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.