



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 17, 2009

NATURAL GAS MARKET NEWS

The National Weather Service reported that US heating demand this week is expected to average about 1% above normal as lower and more seasonal temperatures return to much of the country. Demand for natural gas will average 1% above normal while heating demand for electricity should average 0.7% above normal.

ExxonMobil said Monday that it remains in talks with Gazprom about possible export of gas from Exxon's Sakhalin-1 oil and gas project. While Exxon has been seeking exports of LNG from the facility, Gazprom has been insisting that the project sell the gas directly to Gazprom at prices lower than global LNG prices.

National Grid reported that two tankers of LNG docked at Britain's Isle of Grain import terminal over the weekend. One cargo was from Algeria while the other was from Qatar.

Russia's Gazprom's average natural gas production fell by 13.3% on the year in the first half of February as the financial crisis hit demand. The latest monthly Energy Ministry data showed that Gazprom produced 1.44 billion cubic meter of gas/day in January, down 13.7% on the year and 6.1% on the month.

Total signed a draft agreement with a consortium of liquefied natural gas buyers in Japan, setting out the principal terms for an extension of the 1973 and 1981 LNG sales contracts. Under the extensions, a total of 25 million metric tons of LNG will be delivered to Japan between 2011 and 2020 from the Bontang LNG plant in the Indonesia.

Southern Union Co and Enterprise signed a long term natural gas liquids fractionation agreement. The agreement provides it with up to 38,000 bpd of firm fractionation capacity at Enterprise's Mont Belvieu, Texas facility beginning January 1, 2010.

South Korea imported 3.91 million tons of LNG in January, up from 3.17 million tons last year.

Generator Problems

NPCC – Entergy Corp's 685 Mw Pilgrim nuclear unit is operating at full capacity as of early Tuesday. On Friday, the unit had ramped up to 83% of capacity after it was reduced to about 56% late Wednesday due to an offsite transmission problem.

Constellation Energy's 862 Mw Calvert Cliffs nuclear unit 2 is operating at 93% of capacity, down from full power on Friday.

ERCOT – Entergy Corp has restarted the last two units damaged by Hurricane Ike at its 1,960 Mw Sabine natural gas fired plant. All five of its units were operating by the weekend.

SPP – Entergy Nuclear's 930 Mw Arkansas nuclear unit 1 ramped production to full capacity, up from 96% on Friday.

SERC – Tennessee Valley Authority's 1,155 Mw Browns Ferry nuclear unit 2 was shut as of early Tuesday. The unit is in hot shutdown mode after being manually shut early Monday due to loss of stator cooling water.

WSCC – Energy Northwest's 1,131 Mw Columbia nuclear power station ramped up to full capacity on Tuesday. On Friday the unit was operating at 1% as it started to exit a February 8th outage.

The NRC reported this morning that 92,511 Mw of nuclear generation capacity was on line, up 0.03% from Friday and 0.62% higher than the same time a year ago.

India's Reliance Industries Ltd is importing LPG to deliver promised supplies to state oil firms. Reliance had committed to supplies of 320,000 tons in January but it sold only 270,000 tons. Reliance has informed state firms there will be a shortfall of 55,000 tons in February and about 80,000 tons in March.

Brazil's Petrobras said that domestic natural gas output fell to 47.1 million cubic meters/day in January, down from 52.3 million cubic meters in December.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline discovered two leaks on the Triple T line during the re-pressuring process after issuing a force majeure notice on February 6th. It has been assessing the damage and securing the equipment necessary to make the repairs. It has determined that the repair work will require a complete shutdown of the line and as a result does not expect to complete the repairs and begin pressurizing the line within the next two weeks.

Transcolorado Gas Transmission Co LLC will perform maintenance at its Mancos Compressor Station on Wednesday, February 18th. Capacity through Segment 230 will be limited to 365,000 Dth/d and capacity through Segment 240 will be limited to 415,000 Dth/d. AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

Gulf South Pipeline Co LP will perform system maintenance at the Kiln Compressor Station beginning Tuesday, March 3 and continuing for two days. Capacity through the Kiln Compressor Station could be reduced by as much as 125,000 Dth/d during the work.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Co said effective Tuesday and until further notice, it is at capacity for gas going northbound through Segment 27. ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled. Separately, it reported that effective for Tuesday and until further notice, it has capacity available for gas going northbound through Segment 18. ITS/AOR and Secondary out-of-path Firm transports are available. Natural Gas Pipeline Co also stated that effective for Thursday's gas day and until further notice, it will allow DSS storage shipper's additional firm withdrawal rights up to 100% of MDQ system wide.

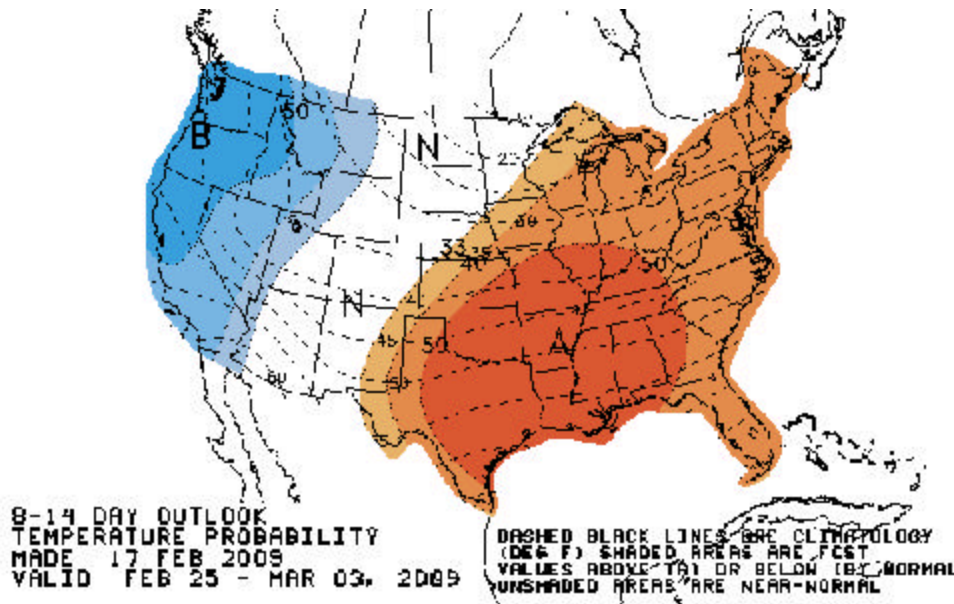
Northern Natural Gas Co has posted a SOL for all Market Area Zones for Wednesday due to colder temperature forecasts.

Rockies Express Pipeline said it has capacity available for deliveries to NGPL Jefferson effective for Tuesday and until further notice. AOR/IT and secondary out-of-path quantities may be scheduled.

KM Interstate Gas Transmission still has capacity for delivered quantities into Segment 35 located in Fremont County, Wyoming.

TransColorado Gas Transmission Co LLC said effective for Tuesday's gas day and until further notice, it has capacity available for delivered quantities to El Paso Blanco. IT/AOR and secondary quantities may be scheduled.

Dominion Transmission said it has determined that operating circumstances could cause reduced pressures or flow rates at several delivery areas to a level below that required to reliably service DTI's customers at existing firm contract levels because customers may take delivery of gas in excess of DTI's daily or hourly capability. As a result, Dominion will issue an operational flow order for Thursday



that will require customers to limit delivery fluctuations to Systems north of Lindley Gate Station and Stateline facilities in the northern portion of the Dominion operating area.

ELECTRIC MARKET NEWS

The US EPA will reconsider a Bush administration rule that would approve government permits for new coal fired power plants without looking at

the impact of carbon dioxide emissions. It acted in response to petitions filed by several environmental groups.

Genscape reported that US power output in the week ending February 12th fell by 8.63% on the week and by 11.04% on the year.

Trans-Allegheny Interstate Line Co announced that the Public Service Commission of West Virginia has issued an order relating to the construction of its 500 kv transmission line project. The commission will allow TrAILCo to build its transmission line in segments upon filing verifications that various permits and other approvals have been obtained for a specific segment of the line before the start of construction on that segment. The commission will not require TrAILCo to install a Static VAR Compensator at the Meadow Brook Substation in Virginia.

MARKET COMMENTARY

The natural gas market ended in negative territory for the fifth consecutive session amid the sharp losses in the oil complex. The market gapped lower from \$4.39 to \$4.322 and continued to trend lower as it traded to \$4.191 early in the session. It later retraced some of its losses, however as it found good resistance just above the \$4.25 level, the natural gas market continued to extend its earlier losses. The market sold off more than 26 cents to a low of \$4.189 ahead of the close and settled down 24.9 cents at \$4.203. The natural gas market continued to trade lower in late afternoon trading, posting a low of \$4.148, a low not seen since September 27, 2006, when the market posted a low of \$4.07.

While the market looks oversold and due for a technical bounce, its upside is still seen limited with winter winding down and comfortable inventory levels. The 8-14 day weather forecasts are calling for normal to above normal temperatures for the eastern two thirds of the country, providing little support to the market. The market is seen finding resistance at its gap from \$4.322 to \$4.39 followed by \$4.398 and \$4.475. Meanwhile support is seen at its low of \$4.148 followed by \$4.127, \$4.05 and \$3.953.

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