



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 27, 2009

NATURAL GAS MARKET NEWS

The EIA yesterday afternoon released their latest monthly statistics. It showed that in December domestic production of natural gas averaged 58 bcf/d, up 0.5% from November and some 6.5% higher than the same time a year ago. Imports in December reached 9.3 bcf/d its highest level since December of 2007, but still some 2.4% less than those levels. Part of the rebound in imports came via LNG imports, which reached a three-month high of 990 MMcf/d, up 23% from November. Consumption in December was estimated at 76.8 bcf/d off 0.5% from a year ago. While residential and commercial demand was up 7.1% and 5.8% due to colder temperatures, industrial and electrical utility demand plunged lower due to the contracting economy, off 10.1% and 5.6%.

Midstream operator Regency Energy partners LP announced it has reached agreement with Alinda Capital Partners and GE Energy Financial Services as joint venture partners to finance and construct its Haynesville Expansion Project, which would initially transport up to 1.1 Bcf/d of shale gas supplies from Northern Louisiana.

Generator Problems

PJM –Exelon’s 625 Mw Oyster Creek nuclear unit was at 22% power this morning, up 2% from Thursday.

NPCC – OPG’s 490 Mw coal fired Unit #1 Nanticoke power station returned to service on Friday.

OPG’s 494 Mw coal fired Lambton #4 power plant returned to service today. The unit had been down since February 22.

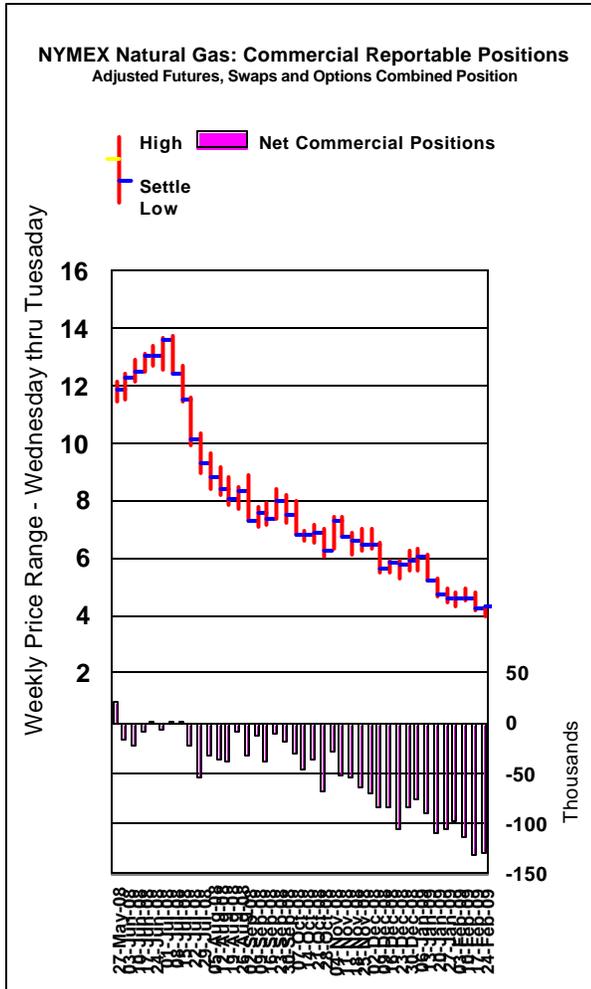
Entergy’s 838 Mw FitzParick nuclear unit was down 15% from yesterday and stood at 85% capacity.

The NRC reported this morning that 89,783 Mw of nuclear generation capacity was on line, down 0.1% from yesterday and down 0.4% from the same time a year ago.

Excelerate Energy confirmed Friday that it has been unable to offload a LNG tanker for the past six weeks at its Northeast gateway terminal because of liquid in the pipeline that connected to the onshore grid. The company though said the problem would be resolved shortly and noted that there was no physical damage to the pipeline. This is the first full cargo to arrive at the terminal since it was

commissioned last May. The company appeared to rule out the possibility of re-directing the cargo to the Teesside terminal in northern England, which has yet to receive its first

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	1,036,100	\$4.036	(\$0.046)	(\$0.168)	\$0.057	(\$0.402)
Chicago City Gate	654,800	\$3.928	\$0.095	(\$0.276)	(\$0.010)	(\$0.119)
NGPL- TX/OK	884,600	\$3.212	\$0.055	(\$0.993)	(\$0.049)	(\$0.853)
SoCal	297,800	\$2.976	(\$0.107)	(\$1.228)	(\$0.211)	(\$0.855)
PG&E Citygate	508,000	\$4.019	(\$0.037)	(\$0.185)	(\$0.141)	\$0.037
Dominion-South	223,800	\$4.602	\$0.208	\$0.398	\$0.104	\$0.445
USTrade Weighted	16,634,300	\$3.654	\$0.161	(\$0.550)	\$0.06	(\$0.402)



Southeast Area Fuel Segment.

NGPL said effective today and until further notice it is at capacity for northbound flow through Segment 13 in Iowa. ITS/AOR and Secondary out of path Firm transports are at risk of not being fully scheduled. The company also reported that effective today and until further notice Texas Eastern Transmission-Cameron has limited capacity available for deliveries.

Northwest Pipeline said its northbound OFO trigger level at the Kemmerer compressor station will be based solely on primary firm nomination in excess of 670,000 Dth/d.

KMIGT said it has been notified by Burlington Resources that the Burlington Hendry receipt interconnect will be permanently shut in effective March 1, 2009. KMIGT will no longer accept nominations at this location as of this time.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline said that as of Wednesday evening, the pig running through the East leg of Blue Water System arrived at the Cocodrie Separation and Dehydration facility. Unfortunately a small leak was discovered on the East Leg, in the area where the 36-inch line, which was damaged from Hurricane Ike, was recently repaired. The new leak necessitates the shut in of the East Leg. All gas on the Blue Water system, except for that north of Pecan Island, will be required to shut-in effective 9:00 AM this morning until the repair can be completed.

that business inventories fell by \$19.9 billion in the fourth quarter, instead of rising by \$6.2 billion. Fourth quarter spending by consumers fell 4.3%, down from a previously reported 3.5% and below the third quarter's 3.8% decline. The government's price index for personal consumption expenditures fell 5%.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 105.6 in the week ending February 20th from 107.2 in the previous week. It is the lowest the index has been since April 21, 1995, when it read 105.6. The annualized growth rate was steady at -24.1%, indicating an economic recovery is nowhere in sight.

PIPELINE RESTRICTIONS

Transco Pipeline said Friday that it would limit excess storage withdrawals and not allow any imbalances on its natural gas pipeline system due to cold weather expected to reach the U.S. Northeast by Sunday. The company also notified Garden Banks Gas Pipeline that Transco was unable to receive gas deliveries from Garden Banks. The company also notified all producers on the Southeast Louisiana Lateral to shut in immediately in an effort to control the pressure offshore and the rate at which the liquid is coming in at its facility in Gibson, Louisiana. The company expected that this condition could last several days.

ANR Pipeline said it has lifted capacity restriction to SS 207/Enbridge interconnect, located in the

Kern River Gas Transmission said maintenance activities at the Fillmore compressor Station have been completed ahead of schedule. Therefore the operational capacity at the Veyo compressor was increased to 2,090,000 Dth/d beginning with the Intraday I cycle for February 26th.

ELECTRIC MARKET NEWS

The FERC on Thursday asked two Houston based companies whether two people indentified in the companies' market based rate filings are the same individuals who in 2006 pleaded guilty to conspiracy to manipulate the price of natural gas. The FERC was also questioning the relationship between Vista Energy Marketing which is seeking a market based rate authority to trade wholesale power and provide ancillary services in CallSO and Vista Energy Trading which is looking to trade wholesale power and provide ancillary services in the PJM Interconnection, New York ISO, Iso New England and California ISO.

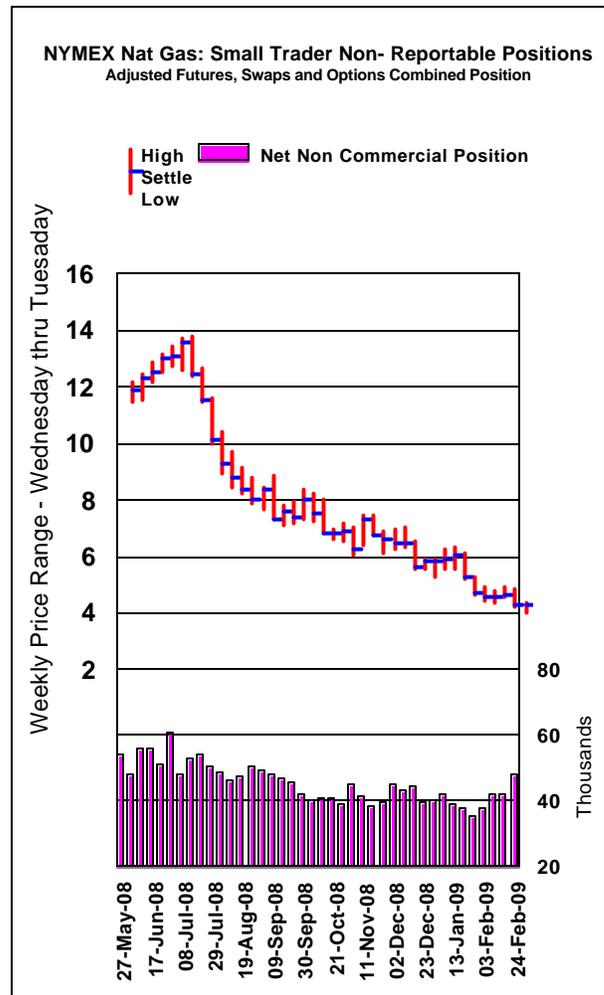
Genscape reported that it estimated its U.S. coal burn index for the week ending Thursday was unchanged from the previous week, but fell 4% from the same week a year ago.

Tampa Electric announced today that it plans to take immediate action to reduce customer rates for natural gas in response to declining natural gas prices. The lower fuel charge proposed to regulators will be effective in May and would offset, for most residential customers, all of the base rate increase requested by the company in August 2008.

MARKET COMMENTARY

Well the natural gas market once again confirmed the trading pattern today that this market tends to post a volatile trading session the day following an inside trading session. Prices this morning moved to make not only a new contract low but posted the lowest level in the spot contract in more than six years, as the somber economic news hit the market this morning that the 4Q2008 GNP had been revised substantially lower and now was estimated at a contraction of 6.2%, well larger than the market had anticipated. But with various cash market locations in the Midwest and Northeast not only holding value but posting strength on the return of colder temperatures at least for the next several days, the natural gas market bounced off its low and clawed its way back toward the \$4.00 price level by late morning and by midday was challenging yesterday's highs. Once this level was breached an new wave of buying flooded into the market pushing the market up to new highs for the week over the next hour of trading. While prices gave back a dime of these gains by the close prices still finished the week up over 13 cents from last Friday.

This afternoon's Commitment of Traders Report showed little change in their reportable net position by commercials, in fact it was the smallest weekly change in over three months, as their net short position in Henry Hub futures and swaps declined by only 725 lots. While non commercials saw their net long



position contract by 6,634 lots, this for the most part was offset by the small, non-reportable traders increasing their net long position by just over 5900 lots and holding their implied largest net long position since the beginning of August of last year.

While early heating demand next week could help support prices to start the week, we would look for prices to remain on the defensive and probably make another charge at today's lows before the week is out. We see resistance Monday at \$4.30 followed by \$4.357, \$4.42, \$4.52-\$4.53, \$4.737 and \$4.922. Support we see at \$3.977, \$3.916, \$3.757 and \$3.60.

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