



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 2, 2009

NATURAL GAS MARKET NEWS

Chesapeake Energy announced this morning that it has cut back its production by 7% through curtailing output at its Haynesville Shale joint venture with Plains Exploration & Production at least through March and that more cuts are being considered, possibly another 10% if prices remain low for several more months. The cut back in natural gas and oil production is approximately 240 Mmcf/d. The company reported that it has reduced drilling activity from 158 operated rigs in August to just 100 rigs currently. Chesapeake's CEO said Monday that most mid-continent prices make natural gas production unprofitable.

Raymond James & Associates today told investors that 800-1000 bcf of natural gas will need to be shut in this summer in order to stabilize the U.S. natural gas market.

Alaskan Governor Palin late last week asked the state legislature to give the Alaska Natural Gas Development Authority expanded authority to build a possible in-state pipeline to bring North Slope gas down to the state's major population centers. The state's downstate utilities are expected become short gas supplies starting in 2011 as gas fields downstate begin to be depleted.

U.S. factory activity contracted again in February, but was less than most market observers had been expecting. The Institute of Supply Management said its index of national factory activity rose to 35.8 in February from 35.6 in January. A reading below 50 indicates contraction in the sector. Market expectations had been for 33.8. Meanwhile famed investor Warren Buffet over the weekend said the U.S. economy is in "shambles".

Generator Problems

PJM – Exelon's 619 Mw Oyster Creek nuclear station returned to service and ramped up to full power by early Monday. The unit was taken off line on February 26th to connect a new transformer.

NPCC – OPG's Lambton 494 Mw coal fired units #1 and #3 were taken off line for maintenance. The company also shut its 490 Mw coal fired Unit #5 at the Nanticoke power station.

Energy's 838 Mw FitzPatrick was back at full power this morning, up 15% from Friday.

ERCOT – Operators at Luminant's 575Mw coal fired Unit #2 at the Big Brown power station planned to restart the unit today. The unit was shut on February 27th to fix a boiler tube leak.

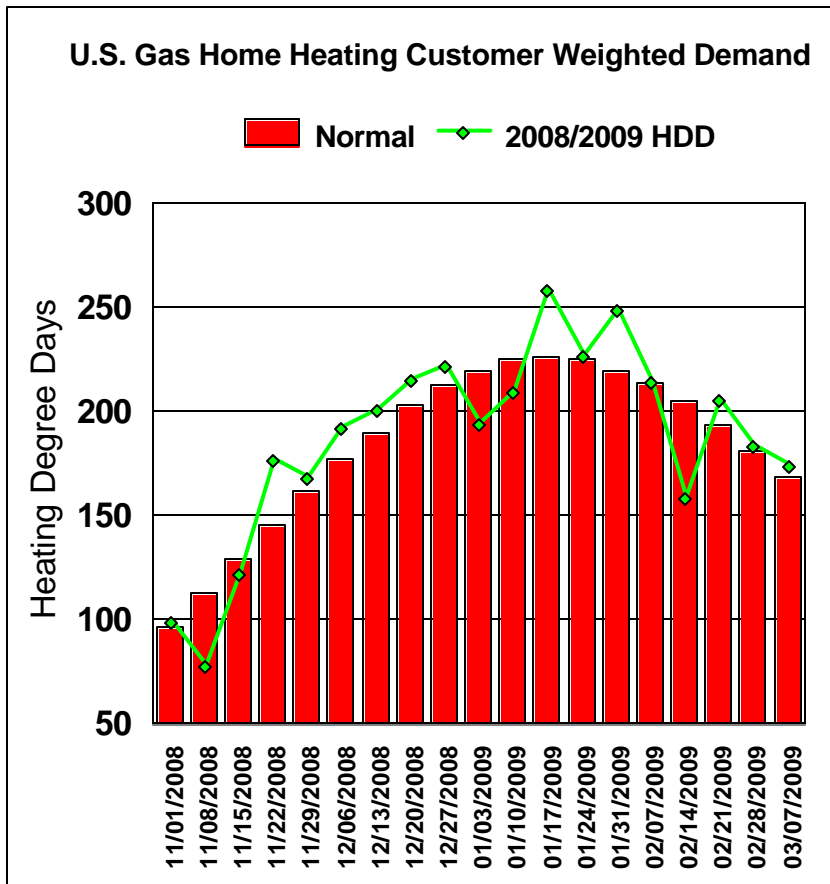
Luminat's 545 Mw Sandow coal fired Unit #4 was expected to be restarted shortly. The unit was taken down on February 20th for maintenance.

SERC- Progress Energy's 937 Mw Brunswick #2 nuclear unit was shut on Friday for refueling.

MISO – FPL Group's 580 Mw Duane Arnold nuclear power station started to exit a refueling outage and ramped up to 8% by early Monday. The unit was taken off line on February 1st.

Ameren's 1190 Mw Callaway nuclear unit started to exit its recent outage and had ramped up to 8% by early Monday. The unit was shut February 19th.

The NRC reported this morning that 88530 Mw of nuclear generation capacity was on line, down 1.4% from yesterday and up 1.78% from the same time a year ago.



The FERC late Friday approved a settlement agreement that ends a three-year-old affiliate abuse case against Energy Transfer Partner's Oasis Pipeline and affiliates. The FERC back on July 2007 charged the Dallas based gas marketing and transportation company had manipulated gas-trading points, Houston Ship Channel and the Waha Hub, between 2003-2005. The agreement, which dropped FERC's attempt to levy financial penalties, calls for Oasis to make several changes to its contract arrangements. The deal calls for the company to allocate capacity on a first come, first served basis regardless of whether a customer has a dual contract arrangement.

The National Weather Service today said it looks for demand for natural gas on a population heating related basis to be 3% higher than normal but 5% less than the prior week.

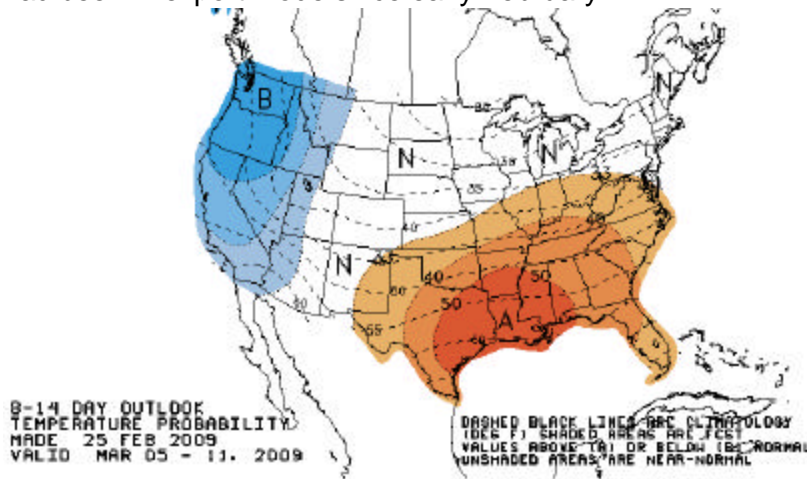
Reuters reported that it appears up to 5 cargoes of Australian LNG are set to head towards Europe as a result of falling demand and prices in Asia. This would be the first Australian LNG cargoes to head westward in a number of years. The LNG would be from the start-up of Train 5 of the North West Shelf venture in Australia.

Taiwan's imports of LNG plunged 37.9% in January versus a year ago as a weak economy curtailed demand for LNG needed for power generation. Demand in January was 33.5% less than December 2008. Taiwan did not buy any volumes on the spot market, and it paid an average of \$6.30 per Mmbtu for the gas during the month. The state run CPC Corporation also reported today that it will again delay the opening of its second LNG import terminal, until April at the earliest as a broken pipeline needs cleaning and the commissioning of the terminal will take at least three weeks following completion of repairs on the pipeline.

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	833,400	\$4.356	\$0.320	\$0.227	\$0.687	(\$0.356)
Chicago City Gate	713,900	\$4.401	\$0.473	\$0.272	\$0.548	(\$0.093)
NGPL- TX/OK	777,200	\$3.468	\$0.257	(\$0.661)	\$0.332	(\$0.853)
SoCal	326,100	\$3.226	\$0.250	(\$0.903)	\$0.325	(\$0.911)
PG&E Citygate	539,300	\$4.245	\$0.226	\$0.116	\$0.301	\$0.018
Dominion-South	489,900	\$5.660	\$1.058	\$1.531	\$1.133	\$0.622
USTRade Weighted	17,432,300	\$4.266	\$0.612	\$0.137	\$0.69	(\$0.356)

Yemen LNG is expected to launch commercial operations by the beginning of the 3Q2009. The project currently is 92% complete.

UK-Belgium Interconnector gas pipeline was switched to British import mode on Monday. The pipeline had been in export mode since early February.



LNG tanker Mourand Didouche arrived at Britain's Isle of Grain terminal on Sunday, National Grid reported.

The Ukraine state energy firm, Naftogaz, said it expects help from the government to cover its projected 2009 losses of \$1.2 billion, as a result of buying Russian gas and what it receives from utilities.

Gazprom said on Monday that it had agreed not to fine Ukraine for smaller

than contracted imports of gas in February on the condition that it paid for supplies by a March 7th deadline.

German Chancellor Merkel said over the weekend that the Nabucco gas pipeline must not be subsidized with public money. The EU has been backing the development of the pipeline in an attempt to reduce the EU's reliance on Russian gas.

PIPELINE RESTRICTIONS

Transco Pipeline said that due to below normal temperatures in its market area over the past couple of days it will not allow excess storage withdrawals under rate schedules GSS or WSS. In addition, Transco strongly encourages all parties to manage their supply requirements to ensure that no "due from shipper" imbalances are created.

NGPL said it has limited capacity available for northbound flow through and downstream of compressor Stations 109 and 110 on Segment 14. Limited ITS/AOR and Secondary out of path Firm transports are available.

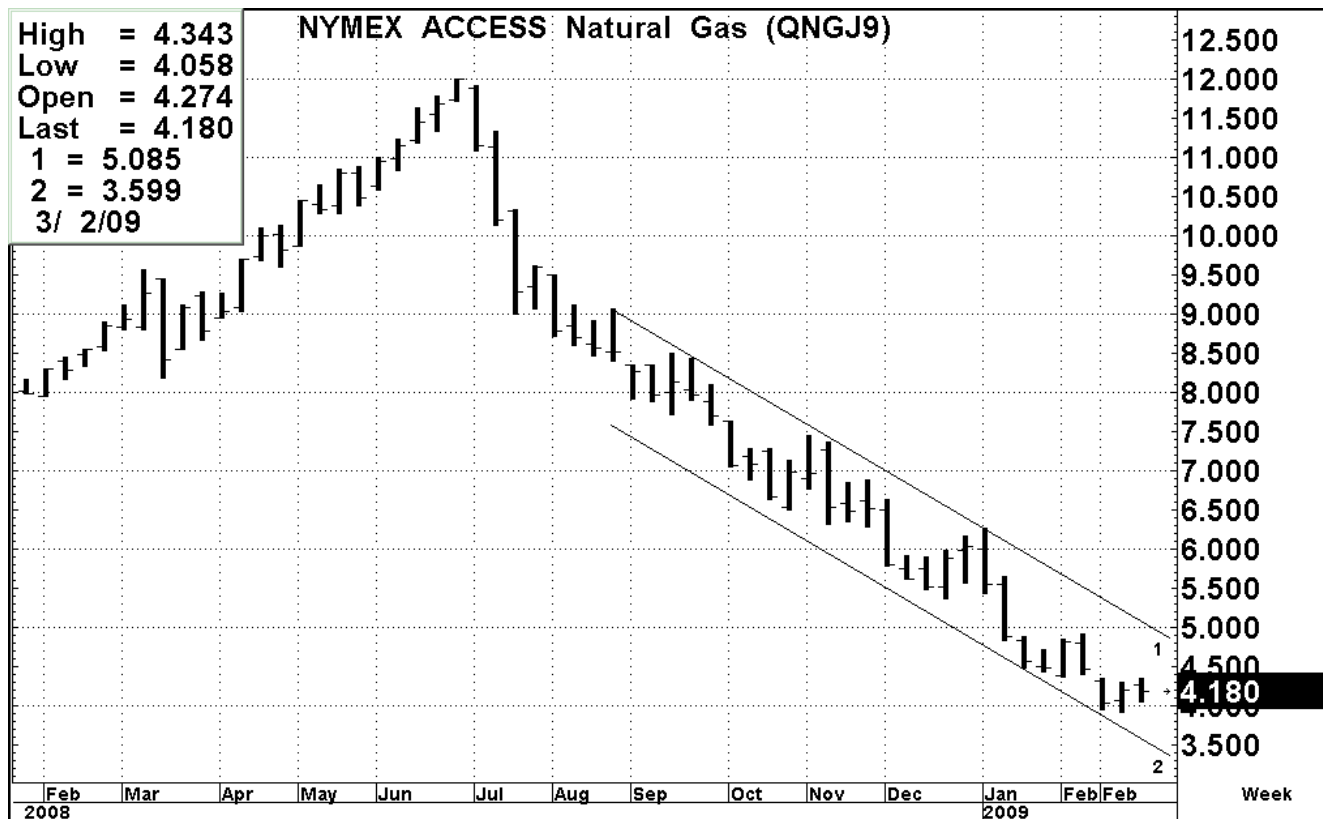
FGT issued a warning to natural gas shippers as cold weather expected for its service territory was expected to significantly boost demand on its pipeline system

PIPELINE MAINTENANCE

KMIGT said it will be performing maintenance starting March 3^d through March 13th at its Casper Compressor Station. Capacity through Segments 45 and 730 will be limited to 178,000 Dth/d. The company does not anticipate any impact to shippers based on current level of nominations.

Alliance Pipeline said a routine inspection will require the Carson Creek Unit #1 compressor to be offline for 10 hours on March 4th. Station capacity will be lowered to 335.0 e3m3. The company also reported that a routine inspection will require Unit #1 at the Whitecourt Lateral meter/Compressor Station to be unavailable for 10 hours on March 3^d. Station capacity will be reduced to 627 e3m3 for tomorrow's gas day.

Tennessee Gas Pipeline said the emergent repair issue at Station 315 has been resolved. Repairs were necessary late Friday due to an unexpected plant controls system failure. The company also noted today that the Loreburn Compression Station is scheduled to be offline for eight hours March 3rd. System capacity (AOS) may be impacted.



ELECTRIC MARKET NEWS

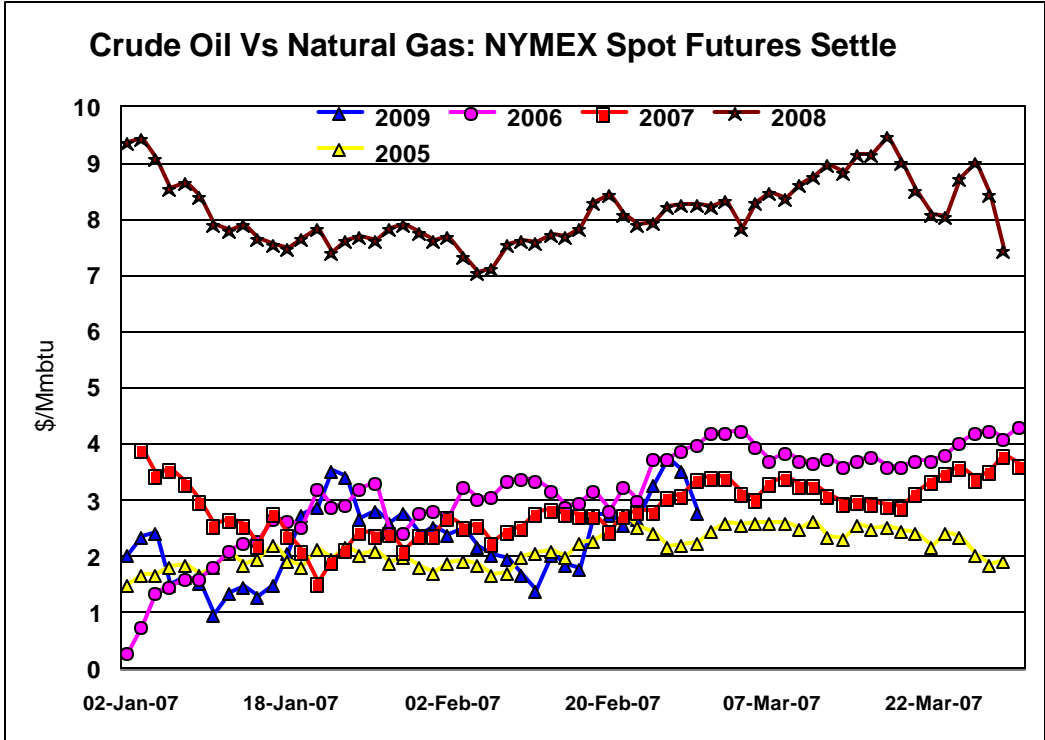
NRG Energy on Monday announced it had agreed to buy Reliant Energy's Texas retail business for 287.5 million. NRG Energy said the deal will give it a stronger presence in Texas, where it currently owns nearly 1100 Mw of power generation. Reliant was the second largest mass-market power provider in Texas with 1.8 million customers.

The CEO of Duke Energy said today the administration's plan to raise revenue from an emissions trading system would increase electricity bills by as much as 40% in some U.S. states. While Duke supports a cap on greenhouse gas emissions, the company takes issue with the administration's assumption of an auction on all trading permits bringing in \$645.7 billion by 2019. Duke and other industries favor giving away permits to some industries to offset the cost of the transition to a low carbon energy economy.

Duke Energy reported that more than 157,000 of its customers were without power as a result of the winter storm moving across its service territory in the Carolinas Sunday night and into Monday morning. This coupled with power outages in Virginia, brought estimates of over 314,000 customers were without power Monday afternoon in the Southeast.

Genscape reported today that U.S. power production for the week ending February 26th rose 4.06% from the prior week but was off 3.2% from the same week a year ago.

MARKET COMMENTARY

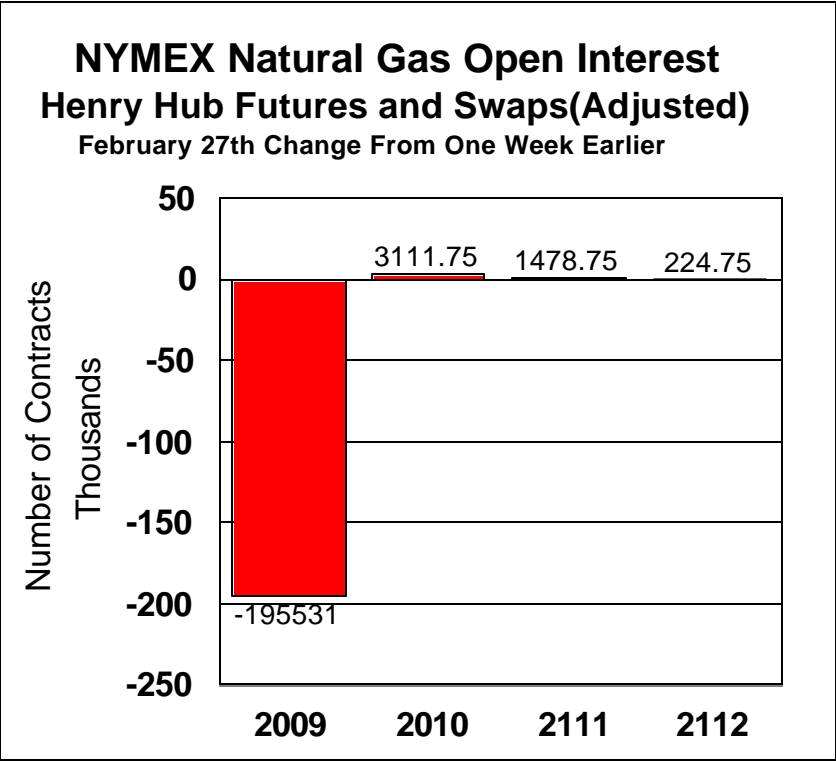


The natural gas market this morning feeling the pressure of lower oil and equity prices moved into negative territory only to quickly spike higher by 20 cents on the news reports that Chesapeake Energy was cutting natural gas production by 7% due to depressed natural gas prices. But with the continue erosion in the stock market and oil prices the natural gas price spike was short-lived and prices

reversed and fell by more than 30 cents by lunch time. While nearly half of this sell off was recovered by the close, the market still settled lower on the day for only the second time out of the last six trading sessions. The cash market though was basically stronger at most trading points following the weekend, as short term heating demand was stronger than normal.

We continue to feel that while natural gas appears to be trying to build a base of support at the \$3.90-\$4.00 level, if oil prices and the equity markets remain on the defensive, natural gas prices can not move higher and will once again test this recent base of support. In fact we continue to look for this market to remain locked in its weekly downward channel for the past eight months as the chart above demonstrates. Basis this chart it would point to a current trading range of \$3.50-\$5.00.

Open interest reported this afternoon showed that over the last week, while the March contract expiration was the lion share of the decline in 2009 open interest on the week, the combined April-December 2009 contracts still



saw a drop in 15,000 lots, while the following three calendar years saw little change in their totals, basically pointing to the rebound in values being tied to short covering.

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