



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 10, 2009

NATURAL GAS MARKET NEWS

The EIA reported in its latest Short Term Energy Outlook that total natural gas demand is expected to fall by 1.34% in 2009, slightly higher than its previous forecast of 1.3%. Demand from the industrial sector in 2009 is seen falling by 5.45% while demand from the power sector is seen increasing by 0.44%. The EIA also continued to lower its estimate for US marketed production of natural gas in 2009 from its previous estimate by 0.20% to 56.61 bcf/d, unchanged on the year. Production in 2010 is expected to fall by 0.82% on the year to 58.13 bcf/d. US imports of LNG are expected to increase slightly in 2009 to 380 bcf, up 2.98% from its previous estimate of 369 bcf. LNG imports in 2010 are estimated to increase to 460 bcf as global supply projects ramp up. In regards to natural gas prices, the EIA lowered its price estimate for 2009 from last month by \$1.11 basis Henry Hub to \$4.67/mcf and its 2010 estimate by 76 cents to \$5.87/mcf.

Generator Problems

SERC – Duane Arnold Energy Center’s nuclear power plant is at 93% capacity this morning, down marginally from the 96% level held on Monday.

FPL’s 839 Mw St. Lucie #2 nuclear unit was at 100% power on Tuesday, up 92% from Monday.

MAIN – No. States Power Co. is preparing its 613 Mw Monticello Nuclear Generating Plant to shut down for a regularly scheduled refueling a maintenance outage. The reactor is operating at 94% capacity.

The NRC reported this morning that 89,948 Mw of nuclear generation capacity was on line, up 1.29% from Monday and up 3.2% from the same time a year ago.

According to NOAA’s National Climatic Data Center temperatures in December 2008 to February 2009 across the contiguous US were near average based on records dating back to 1895. For February alone, the average temperature was above the long-term average. Based on NOAA’s Residential Energy Demand Temperature Index, the contiguous US temperature-related energy demand was 0.4% above average during winter.

Goldman Sachs Group Inc said North American coal producers are poised for a hit as the gas market rebalances on the back of fuel switching from coal to gas for power generation.

A New York official, joined by several environmental groups, is calling for a ban on natural gas drilling in the state’s section of the prolific Marcellus shale to protect its watershed from potential contamination.

China Shipping Development Co. said on Tuesday that it would set up a joint venture to ship liquefied natural gas with the parent of Petrochina.

After five weeks of routine maintenance at UAE Dolphin Energy in Qatar, imports of natural gasoline have recovered to two billion cubic feet per day. In a statement issued by Dolphin, the company said

that production was ramped up and has achieved its regular maximum throughput of 2 billion standard cubic feet of natural gas per day on March 1. The \$4.8 billion Dolphin project linking Qatar's giant North Field with the UAE and Oman was the first cross-border gas project in the Gulf Arab region.

The prime ministers of Hungary and Russia Tuesday discussed new ways to pump Russian gas to Central Europe following the winter gas crisis with Ukraine that cut off supplies of Russian gas. Prime Minister Vladimir Putin said Russian gas monopoly; OAO Gazprom was ready to sign a cooperation accord with Hungary's development bank on the South Stream pipeline. The planned gas pipeline aims to transport Russian gas to southern Europe via through the Black Sea and Central European states, notably avoiding Ukraine, which has been the main transit state for Russian gas.

Separately, Russia's Prime Minister Vladimir Putin said a project to supply Europe with new gas via the Nabucco pipeline is not feasible without Iran joining it.

Britain's National Grid will close its Dynevor Arms liquefied natural gas storage site next month after failing to find a buyer for the facility in south Wales. National Grid will not need Dynevor Arms once two new LNG import terminals open in South Wales this year and has not found a buyer since putting it up for sale in November. Dynevor Arms can store 26 million cubic meters of gas, equivalent to 0.6% of Britain's storage and less than 0.03% of annual gas demand.

PIPELINE RESTRICTIONS

Colorado Interstate Gas, a unit of El Paso, said it is concerned about the performance of several interconnects and will place underperformance caps on the following locations until further notice: Coyote Wash, Lost Cabin, and Golden Dame. The CIG system is connected to nearly every major supply basin in the Rocky Mountains as well as production areas in the Texas panhandle, western Oklahoma, western Kansas, and Wyoming.

Northern Natural Gas Company said that due to cold temperature forecasts, it has posted a SOL for all market area zones for tomorrow's gas day. Zero percent SMS is available. DDVC penalties are applicable to the bumped shipper's quantity.

Natural Gas Pipeline Co is at capacity for gas going northbound through Segment 13 located in Mills County, Iowa effective Tuesday and until further notice. ITS/AOR and Secondary out-of-path firm transports are at risk of not being fully scheduled. It also reported that Gulf South-Goodrich is at capacity for deliveries effective Tuesday and until further notice. ITS/AOR and Secondary firm transports are at risk of not being fully scheduled. It is at capacity for gas going southbound through Segment 16 located in Atoka County, Oklahoma effective Tuesday and until further notice. ITS/AOR and Secondary out-of-path firm transports are at risk of not being fully scheduled. NGPL also said that effective Tuesday and until further notice, Midwestern-Herscher Kankakee is at capacity for deliveries. ITS/AOR and Secondary out-of-path firm transports are at risk of not being fully scheduled. Texas Eastern Transmission-Cameron is at capacity for deliveries effective Tuesday and until further notice. ITS/AOR and Secondary firm transports are at risk of not being fully scheduled.

PIPELINE MAINTENANCE

Work to repair Nautilus Pipeline Co.'s Enbridge Offshore 600,000 Mcf/d natural gas pipeline continues and is taking much longer than expected. The process of depressurizing and preparing the pipeline for repair has taken much longer than expected.

Work at Colorado Interstate Gas Co.'s Houston, TX Laramie Compressor Station has been pushed back for the end of March to the end of April. During the work, the capacity through will be reduced from 770.0 to 680.0 MMcf/d.

Gulf South Pipeline Co LP will perform system maintenance at the Hall Summit Compressor Station on Unit#1 starting March 16 and continue for about five days. Capacity through the Hall Summit Compressor Station could be reduced by as much as 100,000 Dth during the maintenance.

ELECTRIC MARKET NEWS

The EIA reported in its latest Short Term Energy Outlook that US electricity demand is estimated to fall by 1.7% in 2009, up from its previous estimate of a decline of 0.8% amid an expected decline of 6.4% in industrial electricity sales. Total electricity demand is expected to increase by 1.2% in 2010 as the economy improves. Residential electricity prices are forecast to increase at annual rates of 1.1% in 2009 and 1.8% in 2010. US coal production is estimated to fall by 4.9% in 2009 amid lower total domestic coal consumption and declines in exports. US coal exports are expected to fall by 10 million short tons or 11.8% in 2009.

Securing America's Future Energy said that the transmission policies in Senate Energy and Natural Resources Committee Chairman Jeff Bingaman's draft energy legislation represent an important step forward in the energy debate. The bill is expected to be debated by the full committee later this month. The bill extends backup federal eminent domain for transmission lines to help expand the use of renewable power and to enhance reliability by moving power from surplus to deficit regions, requiring the Federal Energy Regulatory Commission to approve enhanced rates of return on investment to modernize electric grid system and directing states to implement time of day pricing for electricity and grant FERC backstop authority to implement time-of-day pricing if states will not.

Duke Energy's plan to build a 66 turbine wind power project near Casper, Wyoming remains on schedule to start construction this spring. On March 5, the Wyoming Industrial Siting Council voted in favor of Duke Energy's application for a permit to build the Campbell Hill Windpower Project. The Campbell Hill project will generate 99 Mw of clean, renewable energy when it begins operations at the end of the year.

Tampa Electric signed a petition on Monday, to purchase solar power supplied by Energy 5.0's Florida Solar I facility, a proposed 25-Mw solar PV electric generating station, for a 25-year period beginning 2011. Over its 25 year proposed contract term, the project is expected to avoid the emission of up to 1.45 million tons of carbon dioxide when compared to a natural gas-fired peaking combustion turbine.

PPL Maine's Orono Hydroelectric plant on the banks of the Penobscot River is once again producing environmentally friendly energy to benefit the region. The recommissioning of the Orono plant is expected to generate 20,000 megawatt-hours per year of clean, renewable electricity.

MARKET COMMENTARY

The natural gas market posted an inside trading day and once again settled lower on the day. Early in the session, the market saw some short covering following a 12% sell off in the last three days, pushing the market to a high of \$3.956. The market was supported amid the strength in the rest of the energy complex on the back of the stronger equities markets. The natural gas market however failed to test its previous high of \$3.965 and erased its earlier gains. It sold off to a low of \$3.81 in afternoon trading, still holding support at its previous low of \$3.809, and remained rangebound during the remainder of the session. It settled down 2.5 cents at \$3.84.

The natural gas market is still seen trending lower as the market's gains were limited during today's session despite the short term weather forecasts calling for below normal temperatures in the East and the strong rebound in the equities markets. The National Weather Service this afternoon revised its 8-14 day forecast to a less supportive one. It forecasts below normal temperatures in the eastern coast and normal to above normal temperatures in the rest of the country compared to its previous forecast showing below normal temperatures in the eastern third of the country. The natural gas market is

seen finding support at \$3.81, \$3.809, \$3.781, \$3.774, \$3.723 and \$3.635. Resistance is seen at \$3.927, \$3.956, \$4.015 and \$4.073.