



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 17, 2009

NATURAL GAS MARKET NEWS

The Commerce Department reported this morning that U.S. housing starts unexpectedly rebounded in February, jumping 22.2%. The jump in housing starts to a seasonally adjusted annual rate of 583,000 units was the biggest percentage rise since January 1990. This was also the first monthly increase since April of last year.

Reuters was reporting that according to ship tracking services, it appears that BG Group's Methane Heather Sally LNG tanker is set to arrive at Lake Charles LNG terminal. The ship is believed to be transporting Egyptian LNG.

Statistics Canada reported this morning that a record drop in Canadian auto sales in January resulted in Canadian factory sales tumbling by 5.4% in January from the previous month. New factory orders in the month fell 6.7%, while inventory levels grew by 1.2%.

Canadian regulators reportedly have granted a favorable environmental assessment for the Pacific Trail Pipeline, which would service the planned Kitimat LNG terminal planned for British Columbia.

Gassco AS, Norway's natural gas pipeline operator, said exports from its Kollsnes gas processing plant are restricted running at 100 million cubic meters down 30% from normal. Lower exports began on March 15th and were caused by a valve problem in the pressure safety system. Normal operations are expected to resume Wednesday at midday.

Ferlizer group Yara International said it would probably drop plans to buy up to 500 million cubic meters of gas per year from the proposed Skanled pipeline project which would bring Norwegian gas to Scandinavian industrial sites and possibly onto Poland. The company noted that it could buy spot LNG in Europe and ship it to its facilities in southern Norway

Generator Problems

NPCC – Sithe Global Power's 875 Mw natural gas fired Goreway power plant was shut early Tuesday.

OPG's 490 Mw Nanticoke coal fired Unit #5 returned to service early Tuesday. The unit had been shut yesterday.

PJM - Constellation Energy's 862 Mw Calvert Cliffs #2 nuclear unit has exited its recent refueling outage and was up to 20% power this morning. The unit had been off line since February 22nd.

Exelon's 1112 Mw Peach Bottom #3 nuclear unit dropped to 60% of capacity this morning down 34% from Monday.

MRO – Exelon's 855 Mw Quad Cities #1 nuclear unit ramped up to 97% of power this morning up 23% from yesterday.

SPP – Entergy's 995 Mw Arkansas Nuclear One #2 nuclear unit started to exit an outage and was at 10% power this morning. The unit shut on March 13th.

AEP's 675 Mw Pirkey coal fired power station was expected to be restarted this morning.

SERC –TVA's 1065 Mw Browns Ferry #1 nuclear unit returned to full power this morning, up 58% from yesterday.

ERCOT –Luminant was restarting this morning its 750 Mw Martin Lake coal fired Unit #3.

The NRC reported this morning that 87,146 Mw of nuclear generation capacity was on line, up 0.9% from yesterday and up 6.7% from the same time a year ago.

currently at cheaper values than proposed pipeline costs. A final investment decision by the pipeline consortium is expected in late 2009.

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	739,300	\$3.778	\$0.001	(\$0.031)	\$0.022	(\$0.340)
Chicago City Gate	968,400	\$2.978	(\$0.453)	(\$0.831)	(\$0.343)	(\$0.288)
NGPL- TX/OK	794,100	\$2.663	(\$0.230)	(\$1.146)	(\$0.121)	(\$0.825)
SoCal	300,000	\$2.995	(\$0.096)	(\$0.814)	\$0.013	(\$0.740)
PG&E Citygate	675,200	\$3.797	(\$0.013)	(\$0.012)	\$0.096	(\$0.001)
Dominion-South	342,300	\$3.899	(\$0.021)	\$0.090	\$0.088	\$0.215
UTrade Weighted	15,912,200	\$3.340	(\$0.087)	(\$0.469)	\$0.02	(\$0.340)

The United Nations emissions trading needs to be less "patchy" to win U.S. backing, a EU official said today at the Carbon Market

Insights conference. He noted that the UN clean development mechanism, the second-biggest emissions trading market "needs to be administratively less cumbersome" and "more ambitious". The UN is currently seeking to negotiate a new accord that will replace the Kyoto Protocol, whose provisions expire in 2012.

The Japanese Okinawa Electric Power Company said today that it hopes to start up operations of its gas-fired power station in Okinawa by late 2012. This is seen as increasing Japanese LNG imports at that time.

Algeria's Energy Minister today said that it has reached a preliminary deal on the price of gas supplied to the Spanish company, Gas Natural, but the parties have not reached agreement on the possibility of flexible volumes. The parties are currently locked in a dispute before the international court in Geneva on a dispute between Sonatrach and Gas natural on making their agreements more flexible.

Qatar's Tembek LNG gas tanker is expected to arrive at Britain's South Hook LNG terminal on Friday. This would be the first commissioning cargo to the terminal.

BG Group's Dragon LNG import terminal in Wales is scheduled to be commissioned by mid-2009, Malaysia's Petronas a shareholder in the project said today. The terminal was delayed due to problems with contractors.

India's Petronet LNG may restrict its spot LNG purchases when domestic supplies grow once Reliance's massive new gas field in the Bay of Bengal comes on line. The field is expected to star production this month and will eventually double India's supply of natural gas. While the government has approved a price of \$4.20 per mmbtu for Reliance's gas, the delivered price for customers of the new gas would be up to \$6.50 per mmbtu, making it competitive with Asian LNG spot price assessments of \$5-\$7.

The Ukrainian fuel and energy ministry said that Russian gas transit to Europe via Ukraine fell 43.4% in February to 6.4 billion cubic meters from 11.3 bcm recorded in February 2008 due to low demand.

Iran's oil minister said that his country plans to double its gas production to 400 billion cubic meters a year by 2025. The government said natural gas production has reached 500 million cubic meters per day this year.

PIPELINE RESTRICTIONS

NGPL said that effective today and until further notice it has limited capacity available for northbound flow through Segment 13 located in Mills County, Iowa. Limited ITS/AOR and Secondary out-of-path firm transports are available. The company also reported that it is at capacity at the Texas Eastern Transmission-Cameron as well as Midwestern-Herscher Kankakee, for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled. The company also reported that it has limited capacity for deliveries at Centerpoint-MRT Harrison.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing planned system maintenance on two units at the Jackson Compressor Station beginning on March 23rd and lasting through the week. Capacity through the station could be affected by as much as 100,000 Dth/d during the work. The company also reported that it had completed maintenance at the Destin Compressor Station as well as work at the Marksville Compressor Station.

Kern River Gas Transmission said it does not anticipate an operational capacity impact during maintenance work at the Muddy creek compressor station tomorrow.

ELECTRIC MARKET NEWS

The FERC announced Tuesday that it had reached a preliminary agreement with the Department of Interior, in which the FERC would have the "primary responsibility" for licensing hydrokinetic projects on the Outer Continental Shelf. The heads of the two agencies today requested staff to "prepare a short Memorandum of Understanding" describing the permitting and licensing process for offshore renewable energy, reflecting their agreement.

The European's Union's executive Commission said it does not support using government run auctions as a way to achieve a minimum price for carbon emissions permits nor does it support setting a formal, market wide price floor as a matter of policy. The price of EU allowances has fallen by about 60% since last July.

The coalition of 10 Northeastern states plan to auction 3.7 million carbon dioxide permits this week, the third such auction by the coalition. Expectations are that the permits will probably fetch about \$3.00 per permit, similar to past auctions. The auction on September 25th brought \$3.07 per ton of CO2 and the December 17th sale cleared \$3.38 a ton.

Genscape reported today that U.S> coal supplies at U.S. power plants rose 1.25% this week from last week and are 17.5% greater than the same week a year ago.

The Georgia Public Service Commission approved Tuesday, Georgia Powers updated integrated resource plan and its application for a certificate to build two new nuclear units at its Vogtle power station. The 2,234 mw nuclear project is expected to start construction in 2011 and begin service in 2016 and 2017.

MARKET COMMENTARY

The natural gas market ended in negative territory for the third consecutive session. Unlike the oil complex, which rallied higher amid the supportive economic news that new home starts increased 22% from January, the natural gas market remained on the defensive. The market posted a high of \$3.899 early in the morning on Globex before it erased its gains. In afternoon trading, the market breached its previous low and posted a low of \$3.761 amid the lack of any supportive fundamentals. The weather forecasts are calling for above normal temperatures across much of the country. The natural gas market retraced some of its losses ahead of the close and settled down 3.8 cents at \$3.812.

While the updated weather forecast is showing the eastern third of the country below normal in the next 8-14 days, the heating demand for natural gas will remain low as the winter is winding down and thus continue to limit the market's gains. The market is seen finding support at \$3.749, \$3.686 and \$3.611. More distant support is seen at \$3.513 and \$3.204. Resistance is seen at \$3.85, \$3.887, \$3.899, \$3.962, \$4.025 and \$4.04.

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