



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 26, 2009

NATURAL GAS MARKET NEWS

The U.S. Commerce Department reported this morning that the U.S. economy contracted slightly more than previously reported in the fourth quarter, due to falling consumer spending and exports, while corporate profits plunged by the biggest margin since 1994. GDP fell at an annual rate of 6.3% in the October-December 2008 period, the steepest decline since the first quarter of 1982. Despite the negative report, it was a smaller contraction than the 6.5% contraction the market had been expecting. The Department of Labor reported that the number of workers collecting state jobless benefits rose to a record 5.56 million earlier this month, while new claims climbed to 652,000 last week. The economic data appeared to prompt a group of market economist to theorize that the worst may be behind us and that the markets may be finally reaching a point of stabilization.

Generator Problems

NPCC – OPG’s 490 Mw Nanticoke coal fired Unit #5 was closed, while Unit #1 returned to service following a brief several day outage.

FRCC – FPL’s 864 Mw St Lucie #2 nuclear unit was at 90% capacity this morning down 10% from Wednesday.

WSCC – PG&E Corp’s 1122 Mw Diablo Canyon #1 nuclear unit was at 43% capacity this morning up from 28% power on Wednesday.

ERCOT – AEP’s 528 Mw Welsh #2 coal fired power plant has been shut for a four day maintenance eoutage.

The NRC reported this morning that 85,283 Mw of nuclear generation capacity was on line, up 0.1% from yesterday and up 3.3% from the same time a year ago.

Canadian Gas Association

Weekly Storage Report

	20-Mar-09	13-Mar-09	21-Mar-08
East	61.9	61.9	47.1
West	129.9	132.4	124.8
Total	191.8	194.3	171.9

storage figures are in Bcf

The Tennessee Valley Authority issued a request this week for a fixed price natural gas supply contract running for 57 years beginning June 1st. The TVA said it would be for on a firm basis for up to 30,000 Dth/d, with the price for the supply would be agreed by the parties along with any mutually agreed basis costs or other fees agreed to in the final confirmation. The supply will be delivered to points that can flow into Tennessee

Gas 500 or 800 Leg, Texas Gas SL or Zone 1 or Egan Storage in Louisiana, all facilities that TVA holds firm capacity.

The FERC announced it has given approval to Texas Gas Transmission to place into service the Fayetteville Lateral-Phase II Expansion Facilities from Bald Knob, Arkansas to the company’s mainline near Lula, Mississippi, when construction activities are complete. Gas is expected to start flowing on March 28th. The company also said it has added a new interstate pipeline delivery interconnect

EIA Weekly Report

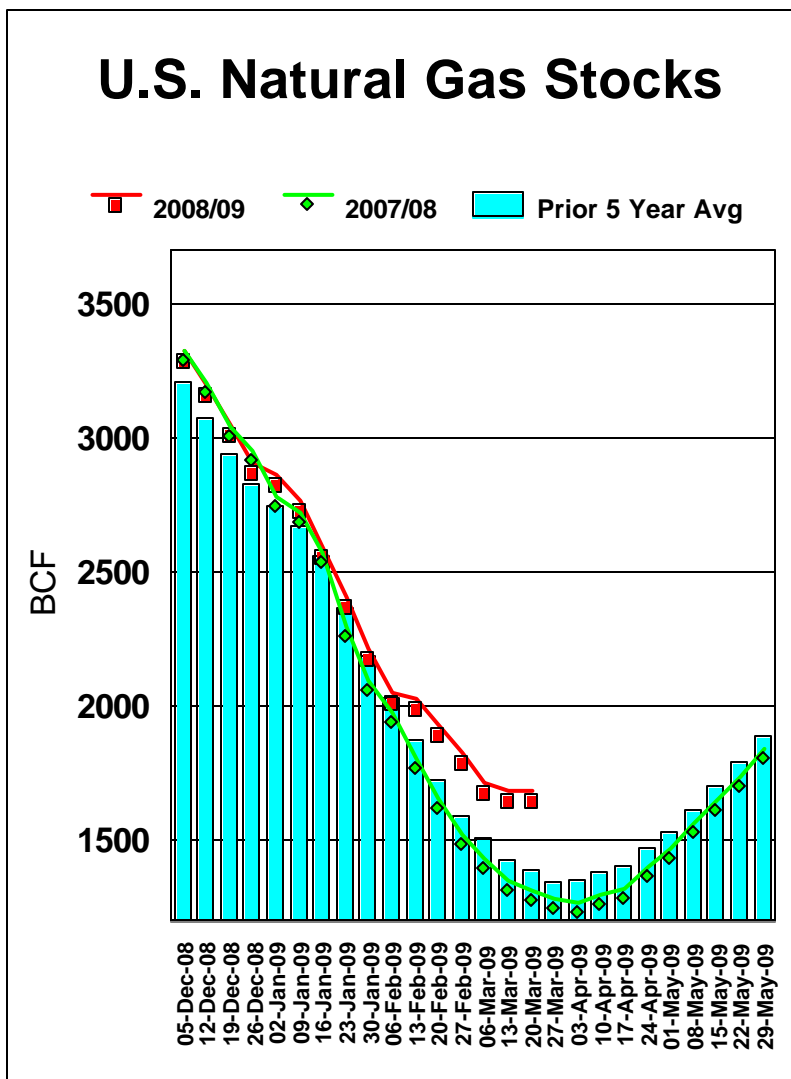
	03/20/2009	03/13/2009	Change	Year ago
Producing Region	709	698	11	493
Consuming East	664	677	-13	612
Consuming West	281	276	5	177
Total US	1654	1651	3	1282

*storage figures in Bcf

to its master location list. The new interconnect, TETCO-Kosciusko, is sequenced on the Greenville Lateral. The interconnect which began service today will have an initial start up capacity of 50,000 Dth/d.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,081,300	\$4.164	\$0.030	\$0.195	\$0.411	(\$0.539)
Chicago City Gate	582,200	\$3.393	\$0.036	(\$0.576)	\$0.379	(\$0.942)
NGPL- TX/OK	597,300	\$3.051	\$0.068	(\$0.918)	\$0.411	(\$1.289)
SoCal	143,200	\$3.158	(\$0.103)	(\$0.811)	\$0.240	(\$1.065)
PG&E Citygate	458,300	\$4.130	\$0.038	\$0.161	\$0.381	(\$0.179)
Dominion-South	525,600	\$4.418	\$0.045	\$0.449	\$0.388	\$0.128
UTrade Weighted	15,034,100	\$3.816	\$0.068	(\$0.153)	\$0.41	(\$0.539)

The Ukrainian government has proposed to raise compensation paid to Naftogaz to \$1 billion from prior commitment of just 209 million.



According to ship tracking services it appears that the Maran Gas Asclepius LNG tanker is expected to arrive at Britain's Isle of grain terminal on April 18th from Trinidad.

Treasury Secretary Geithner proposed today a major expansion of federal regulatory authority over large financial firms and markets that he said pose systemic risks to the economy, including OTC derivatives, credit default swaps and hedge funds. He called for comprehensive regulatory reform, as he noted we "need new rules of the game" that are "simpler and more effectively enforced and produce a more stable system." He called for more derivative trades to be funneled through clearinghouses and exchanges.

PIPELINE RESTRICTIONS

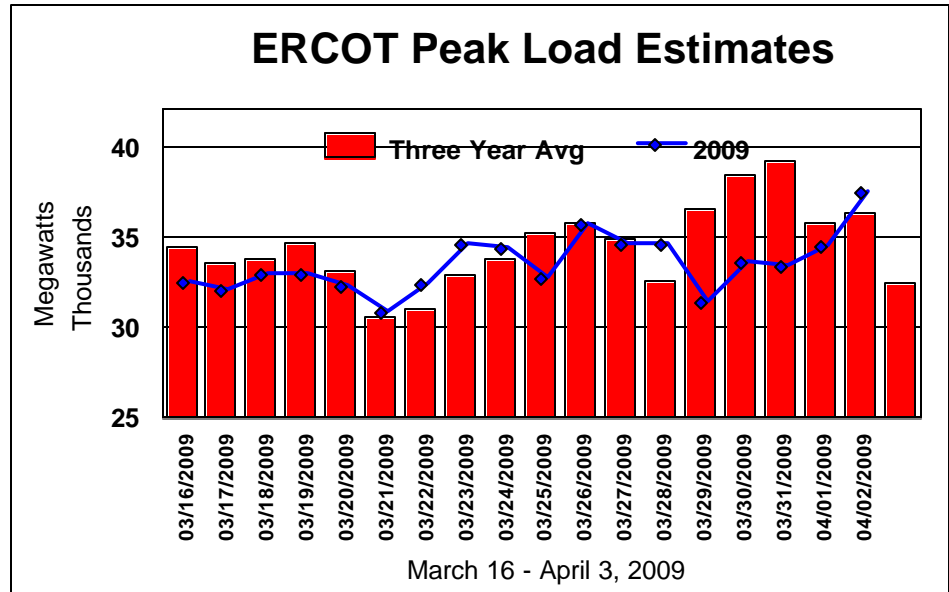
NGPL said effective for today and until further notice its Columbia Gulf Pecan Lake Is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled. The company also reported that it has limited capacity available for deliveries at Texas Eastern Transmission Cameron. Limited

ITS/AOR and Secondary Firm transports are available.

ELECTRIC MARKET NEWS

Exelon announced today that it has selected an alternative technology from GE Hitachi to develop two 1,350 Mw Advanced Boiling Water reactors in Victoria County, Texas.

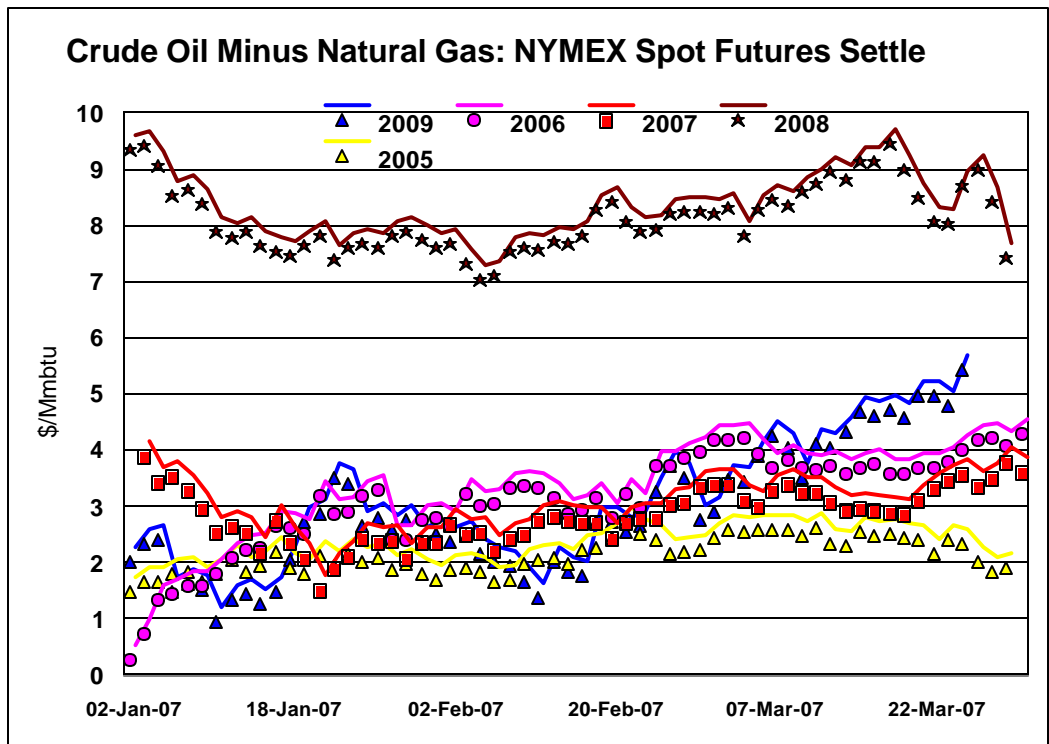
Southern Company's Mississippi Power utility is seeking state regulators to set a June hearing date to certify the need for a 582 Mw integrated gasification combined cycle power plant proposed for Kemper County. The utility is seeking to gain approval quickly so it can move ahead with engineering and buy needed equipment so it can meet its projected start up date of 2013, in order to qualify for federal tax credits. But two independent power producers in the state, Entegra Power and Magnolia Energy want regulators to suspend action on the request until regulators can properly assess if the state needs the new generating capacity.



MARKET COMMENTARY

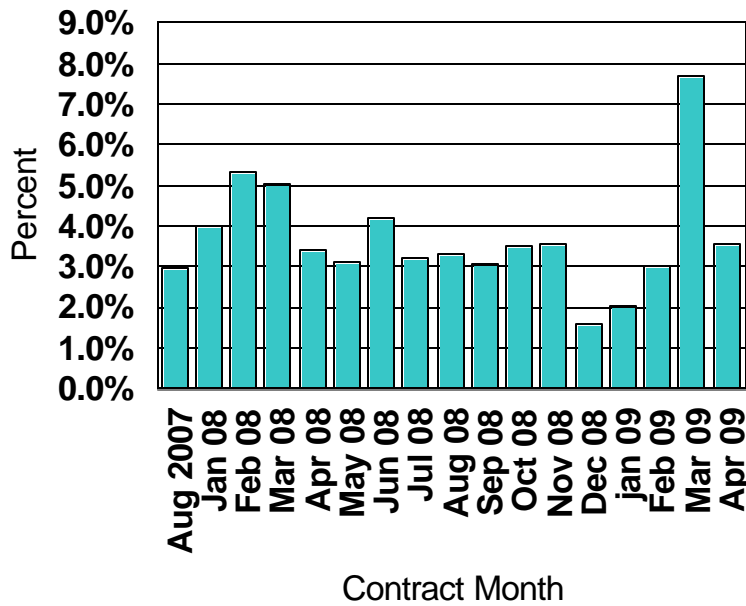
Well once again an inside trading session in the natural gas market is followed by a volatile trading session. Despite a very modest uptick in values in the futures this morning, following the release by the government of several economic reports, the market was unable to remain in the positive column

despite even slightly stronger cash market values as heating demand was expected to be a bit stronger over the next couple of days. Natural gas futures moved lower prior to the release of the storage report as the spot contract seemed to be attracted to the \$4.25 price level, possibly due to today being an expiration day. But the extent of the market reaction to the slightly bearish inventory report



caught us by surprise as prices not only headed toward the \$4.00 but shot past the 62% retracement level of the past week's rally at \$3.959 and fell all the way down to \$3.889 before stabilizing this

**Spot Open Interest as % of Total Open Interest
Two Days Prior to Expiration
NYMEX Natural Gas Spot Contract**



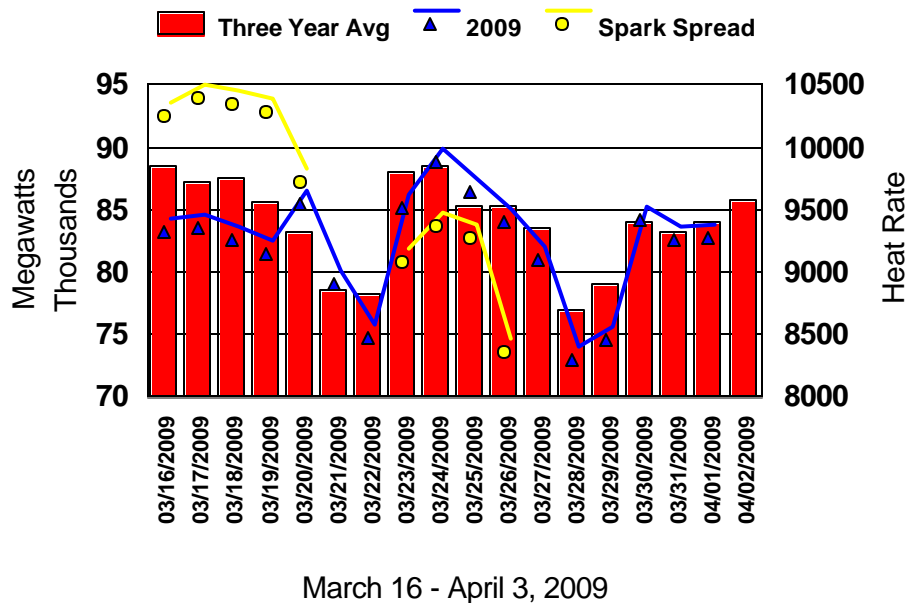
afternoon. The market settled down 38.2 cents, the largest single day decline since last November 25th. The expiring \$4.00 and \$3.90 puts were relatively active today trading nearly 6,400 and 2000 lots respectively.

We remain bearish on the natural gas supply/demand balance given that the current level of working gas in storage is typically not seen until well into the injection season, such as the middle of May. But we remain troubled by the price discount that natural gas currently is posting relative to heating oil and crude oil and as a result we continue to feel that natural gas will struggle to move significantly lower without oil prices coming under pressure as well. We feel that today's price action may have jettisoned many hedge funds that may have come into the markets over the past week looking to buy natural gas as a commodity play versus the

dollar, as well as other longs exiting a day prior to expiration of the futures. Therefore tomorrow may be a relatively more quiet expiration with many having already moved to the exits.

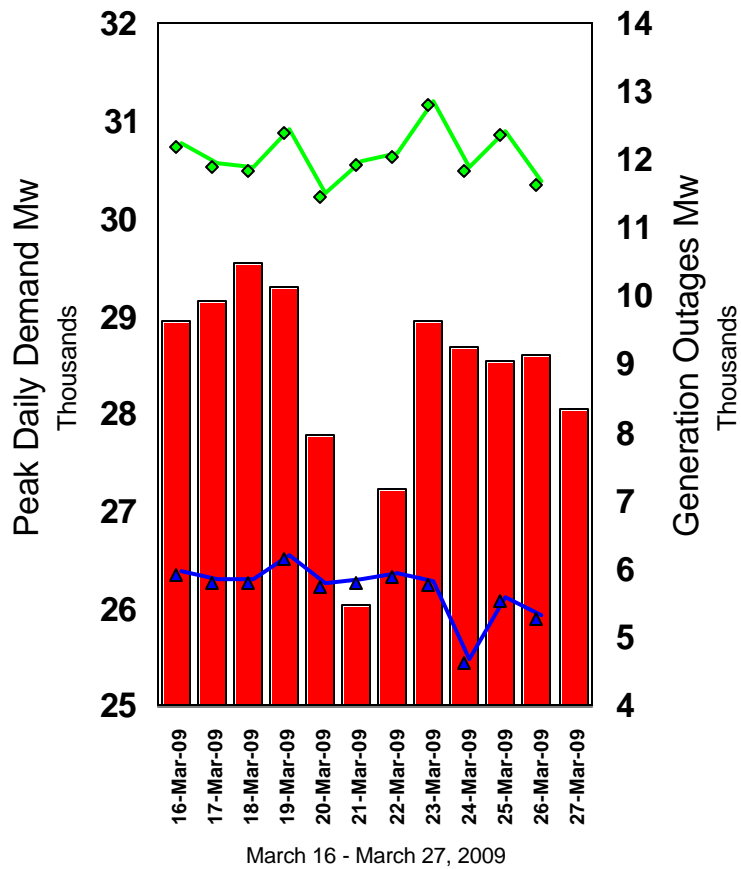
We would look for minor resistance tomorrow at \$4.093 and \$4.156, with more significant resistance at \$4.25 and \$4.38-\$4.42. Support we see at \$3.889 followed by \$3.765, \$3.67 and \$3.35.

PJM Peak Load Estimates Vs Spark Spread



Cal ISO Peak Daily Demand Versus Total Generation Outages & Non Gas Generation Outages

- Peak Demand
- ◆ Total Generation Outages
- ▲ Non Gas Generation Outages



Contract					TODAY'S	PREVIOUS	ESTIMATED		DAILY
--	---			Strike	SETTLE	SETTLE	VOLUME	HIGH	LOW
LN	5	9	C	4.5	0.1352	0.2874	8950	0.14	0.125
LN	3	10	P	4	0.1929	0.1662	7500	0	0
LN	12	9	P	4	0.1951	0.1772	6500	0	0
LN	4	9	P	4	0.053	0.0115	5757	0.1	0.009
LN	5	9	C	5	0.0508	0.1294	2755	0	0
LN	5	9	C	4.25	0.2099	0.4143	2750	0	0
LN	5	9	C	6	0.0067	0.0199	2450	0.01	0.01
LN	4	9	C	4.5	0	0.0373	2439	0	0
LN	6	9	C	5.5	0.0847	0.1504	2100	0	0
ON	6	9	C	9	0.001	0.002	1980	0.003	0.003
LN	4	9	P	3.9	0	0.0046	1978	0	0
LN	4	9	C	4	0	0.3405	1973	0	0
LN	5	9	P	3.5	0.1048	0.0538	1925	0	0
LN	5	9	P	3.25	0.0573	0.0259	1875	0	0
LN	6	9	P	3.5	0.1465	0.0899	1750	0	0
LN	4	9	C	4.3	0	0.1137	1550	0	0
LN	6	9	P	4.2	0.426	0.2922	1505	0	0
LN	6	9	C	4.2	0.3971	0.6315	1505	0	0
LN	5	9	P	4	0.2819	0.1589	1450	0	0
LN	5	9	C	5.5	0.0171	0.052	1260	0.02	0.02
LN	10	9	C	5	0.6189	0.8098	1250	0	0
LN	6	9	C	5	0.1573	0.2718	1200	0	0
LN	1	10	P	4	0.1579	0.1447	1200	0	0
LN	3	10	P	5.9	0.9859	0.8912	1175	0	0
LN	3	10	C	5.9	0.9653	1.1228	1175	0	0
LN	6	9	P	4	0.3265	0.2195	1100	0	0
LN	6	9	P	5	0.9846	0.7308	1100	0	0
LN	4	9	P	4.3	0.353	0.0847	1078	0	0
LN	7	9	P	3.25	0.124	0.0846	1000	0	0
LN	6	9	C	9	0.001	0.0016	1000	0.003	0.003
LN	6	9	C	4.5	0.2842	0.4658	1000	0	0
LN	4	9	C	4.25	0	0.1434	1000	0.008	0.003
LN	1	10	P	6	0.9278	0.8325	1000	0	0
LN	1	10	C	6	0.9051	1.0729	1000	0	0

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