



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 7, 2009

NATURAL GAS MARKET NEWS

The Russian-Ukrainian gas dispute continued into its seventh day today and given the Christmas holiday in both Russia and the Ukraine will last most likely into Thursday as well. All Russian gas exports to Europe via the Ukraine appear to have completely been stopped Wednesday morning. Gazprom accused the Ukraine today of siphoning off 86 million cubic meters of Russian gas destined for Europe, since January 1st and as a result Russian Prime Minister Putin ordered Gazprom to halt all shipments via the Ukraine. As a result many countries were tapping strategic reserves, while at the same time calling on power companies to switch to fuel oil where possible, while large industrial users have been told to prepare to limit or halt use. Many homes in the former Soviet bloc countries, which rely on a single centralized heating system in individual towns have thus been affected. The European Commission President accused the two countries of taking the EU's gas supply hostage and urged them to resume supplies immediately. The EU said it was ready to send monitors to the Russian – Ukrainian border and at Ukrainian exit points, to determine where the shortfalls originated. Talks between the two parties and with EU representatives are scheduled to resume on Thursday in Moscow. The Czech prime minister said today that the European Union would take a more forceful approach towards the dispute if gas supplies to Europe were not resumed by Thursday.

Turkey reportedly has booked six LNG tankers from overseas markets, in a reported effort to cover some of the supply shortfall from the recent loss of Russian gas supplies. News reports also said that the government has ordered natural gas power plants to switch to secondary fuel sources. Turkey's daily gas needs typically in the winter run around 150 million cubic meters per day, but currently has been a bit lower at 130 mcm/day due to slower economic activity.

Marathon Oil announced a natural gas discovery in the new area of Oklahoma's Woodford Shale resource play. The well flowed at a rate of 5.2 million cf/d and the company is currently drilling two additional wells. The company expects to eventually see the play yield an additional 200-300 wells.

The Department of the Interior has asked the FERC to withhold approval of AES Sparrows Point LNG import terminal proposed for a site near Baltimore, MD and the associated Mid-Atlantic Express Pipeline until issues involving endangered and threatened species have been resolved.

Generator Problems

NPCC –Bruce Power shut its 750 Mw #3 nuclear unit at the Bruce power station on Tuesday for short term maintenance.

WSCC – Energy Northwest's 1200 Columbia nuclear generating unit was at full capacity this morning up 8% from yesterday.

MAIN – Exelon's 1163 mw LaSalle #2 nuclear unit was at 89% capacity this morning down from 92% recorded yesterday

MAPP – Xcel Energy's Monticello nuclear plant ramped up 5% to 97% capacity on Wednesday morning.

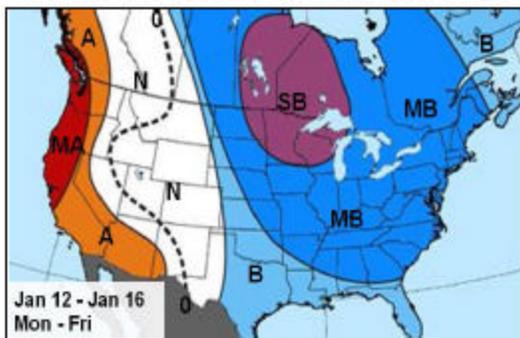
The NRC reported this morning that 96,227 Mw of nuclear generation capacity was on line, down 0.1% from Friday's level and 3.4% higher than the same time a year ago.

Shell's Indian operations have bought 80 million cubic meters of LNG from Australia's Northwest Shelf project at \$9.06 per Mmbtu.

Lyondell Chemical on Tuesday filed for bankruptcy protection citing waning demand for its products and asked for court approval of an \$8 billion loan to help fund operations while it reorganizes.

ADP reported this morning that it estimates that private employers cut 693,000 jobs in December, up sharply from the revised 476,000 jobs lost in November and far greater than economists had been expecting. Meanwhile the Congressional Budget Office said today that it was looking for U.S. real GDP will contract 2.2% in 2009 before posting a 1.5% growth rate in 2010. Meanwhile the U.S. Chamber of Commerce today said that it expects U.S. GDP to decline by at least 5% in 4q2008 and drop by another 3% in the 1q2009.

MDA EarthSat 6-10 Day Morning Outlook



PIPELINE MAINTENANCE

Gulf South said it would be performing scheduled maintenance at the Montpelier Compressor Station Unit #1 beginning January 12th for two days. Capacity through the station could be reduced by as much as 75,000 Dth.

ANR Pipeline said it will continue engine maintenance at several compressor stations along its Southeast Mainline located in the Southeast Southern Fuel Segment which result in the following capacity reductions: SEML off 90 MMcf/d from January 6-8; Total ANR Glen Karn off 40

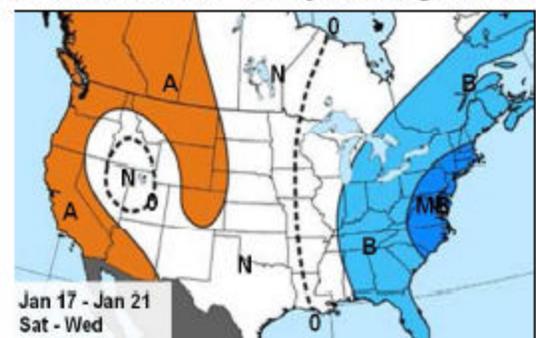
MMcf/d from January 6-8. Based on the current level of nominations, it is anticipated that the above reductions may impact Firm Secondary and Interruptible nominations.

Wyoming Interstate Company said the WIC Piceance Compressor station will be shut in on January 29th for tie-ins. Flow through Piceance South would go to zero. The company also said the new GE Unit #4 at the Douglas Compressor Station will be down for today's gas day to repair gas leaks. Capacity was reduced from 1520 MMcf/d to 1120 MMcf/d.

PIPELINE RESTRICTIONS

NGPL reported today that it remains at capacity for gas going northbound through Segment 27, located in the Gulf Coast Mainline Receipt Zone. The company also reported it is at capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. The company also reported that Texas Gas-Lowry and Columbia Gulf-Chalkley are at capacity for deliveries. As a result ITS/AOR and secondary firm transports at all these locations are at risk of not being fully scheduled.

MDA EarthSat 11-15 Day Morning Outlook



ELECTRIC MARKET NEWS

LS Power yesterday announced it was dropping plans to build a 750 Mw coal fired power plant in Waterloo, Iowa, due in part to the economic slowdown and weakening regional electricity demand.

TVA said its work crews were working around the clock to rebuild rail lines damaged by last month's coal ash spill at the Kingston 1,456 MW coal fired power plant. Debris from the spill covered more than

1,000 feet of rail track that carries coal-laden railcars to the plant. TVA reported that the plant had a 60 day supply of coal at the plant at the time of the spill. Since the spill only two of the nine coal units have been operating.

The Regional Greenhouse Gas Initiative's independent market monitor said yesterday that the RGGI's December 17th emission allowance auction was robust with 69 separate entities submitting bids for nearly 3.5 times the number of available allowances. The monitor said that power generators or their affiliates accounted for 76% of the bids submitted. Forty-six entities won allowances and bid prices ranged from a minimum bid of \$1.86 per allowance to \$7.20. The December auction saw a clearing price of \$3.38 per allowance, 31 cents higher than the September auction clearing price.

MARKET COMMENTARY

The natural gas market today saw follow through selling from yesterday as yet another round of new bearish economic news continued to emerge into the marketplace. This morning's bearish jobs report put natural gas under pressure right from the start, despite supportive weather forecasts for the near term. With the release of very bearish oil inventory stats from the EIA at mid morning, natural gas prices were dragged even lower, basically retracing 50% of the up move of the past two weeks. But natural gas prices found support down at the morning's lows and rebounded slightly then moving into sideways 10 cent trading range for the remainder of the trading session despite the continued price pressure on oil prices. It appears that traders were reluctant to totally abandon their length until tomorrow's inventory report and a clear sign that the upcoming cold snap will be limited in duration and not a prolonged cold period.

Expectations for tomorrow's EIA Storage Report appear to be running between a 50-115 bcf drawdown, with the consensus for a 80 bcf draw down. For the same week a year ago inventories dropped by 171 bcf with the five-year seasonal average showing a 78 bcf decline. Our expectations given the poor heating demand for last week couple with substantially restricted industrial demand should bring this inventory report in below market consensus and thus should have a bearish impact on prices. We would look for the market to remain under pressure tomorrow and work lower for the third consecutive trading session. We see initial support tomorrow at \$5.74 followed by \$5.625-\$5.61 and \$5.46. More distant support we see at \$5.24. Resistance we see at \$5.94, followed by \$6.03, \$6.195 \$6.24 and \$6.32.

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