



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 12, 2009

NATURAL GAS MARKET NEWS

The on again off again agreement between Gazprom and the Ukraine appeared to once again be back on this morning. Despite disputes over the signatures on the agreement over the weekend, The EU announced that their brokered agreement had finally been concluded this morning and that Russian gas should begin to flow to Europe once again via the Ukraine early Tuesday morning, with full flows returning within three days. The agreement calls for full monitoring of the transit route for Russian gas from Russia, through the Ukraine and into Europe. Turkish energy officials expected Russian gas will resume flowing again on Turkey's western pipeline on Thursday and supplies will reach normal levels by Friday. Turkey had shut down three of its state-owned power plants during the supply shortfall. During the Russian supply shortfall, Iran had boosted its natural gas exports to Turkey by 50% to 18 mcm.

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear power station was back to full power this morning, up 53% from Friday's operating levels.

OPG's Lambton #2 coal fired unit was shut while Unit #3 returned to service.

ERCOT – Luminant's Big Brown coal fired Unit #2 in Texas was expected to shut early Monday to fix a boiler tube leak.

The NRC reported this morning that 96,067 Mw of nuclear generation capacity was on line, down 0.27% from yesterday's level and 4.54% higher than the same time a year ago.

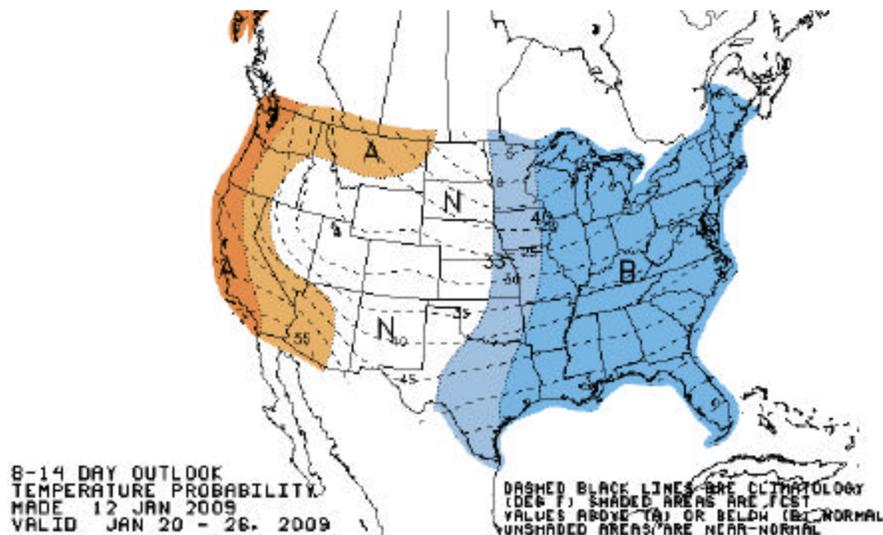
The National Weather Service reported this morning that they see U.S. heating demand for this current week a gas home heating customer weighted basis will to run some 7.5% higher than normal and some 21.5% higher than the same week a year ago.

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	545,400	\$5.587	(\$0.017)	(\$0.033)	(\$0.152)	(\$0.041)
Chicago City Gate	1,000,700	\$6.239	\$0.300	\$0.619	\$0.149	\$0.494
NGPL- TX/OK	525,700	\$5.035	(\$0.034)	(\$0.585)	(\$0.185)	(\$0.472)
SoCal	264,700	\$4.882	(\$0.051)	(\$0.739)	(\$0.202)	(\$0.568)
PG&E Citygate	495,200	\$5.550	(\$0.130)	(\$0.070)	(\$0.281)	\$0.261
Dominion-South	331,800	\$6.073	(\$0.225)	\$0.453	(\$0.376)	\$0.599
USTrade Weighted	17,063,900	\$5.522	(\$0.001)	(\$0.098)	(\$0.15)	(\$0.041)

Analysts at Tudor, Pickering, Holt & Company estimated that imports of LNG into the United States last week were at their highest levels since early September, averaging at 1.14

bcf/d, due to higher flows at Elba Island and Cove Point Maryland. This is the first week since September that imports have run above 1 bcf/d.

Australia's North West Shelf venture, operated by Woodside Petroleum, said it delivered a cargo of LNG to India at a landed cost of \$9.40 Mmbtu this month.



Gazprom reported that its gas output in December rose to 1.53 bcm, up 3.4% from November.

Morgan Stanley analysts said that they see futures trading will fall as much as 20% in financial and energy contracts this year as a result tighter credit lines being available for trading activities by institutions and hedge funds.

The Conference Board, a private research group, warned that the U.S. job market worsened in December and

could lose another two million jobs in 2009. The group estimated that total non-farm employment declined by more than 2.5 million in 2008.

PIPELINE MAINTENANCE

Rockies Express Pipeline said it would be performing various maintenance projects between the Turney Compressor Station and PEPL/REX Audrain delivery point beginning January 15th. Primary firm delivery quantities only will be scheduled at PEPL/REX Audrain during this period.

TransColorado Gas transmission said it would be performing maintenance at its Dolores Compressor Station on January 15th. Capacity through Segment 220 will be limited to 355,000 Dth and capacity through Segment 240 will be limited to 405000 Dth. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

Alliance Pipeline said that Unit #2 at the Windfall Compression station will be offline for eight hours on January 13th. This station is equipped with redundant compression and system throughout is not expected to be impacted.

PIPELINE RESTRICTIONS

Northern Natural Gas said that due to much colder temperatures it posted a SOL for all market area zones for gas days January 13-15th. Zero percent SMS is available.

Dominion Transmission kept in force its OFO for the PL-1 area of its service territory due to cold weather in its service territory.

NGPL said a gas quality problem was reported at the receipt from freedom/NGPL Gathered Gas Woodward in Oklahoma. Effective until further notice this point will be unavailable. The company said that until further notice Louisiana Line Segments 23, 24 and 25 are at capacity for eastbound transport volumes. ITS/AOR and Secondary out of path Firm transports are at risk

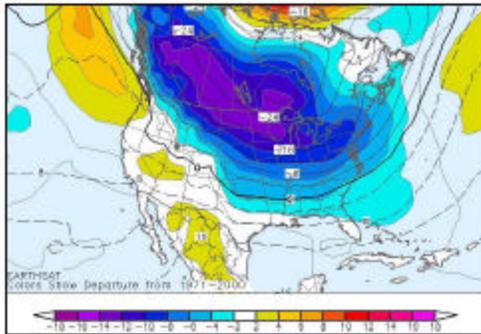
ELECTRIC MARKET NEWS

Goldman Sachs analysts today said that they see the global growth in electricity generation will slow dramatically as the world economy falters this year but should recover in 2010. Goldman estimates

that after peaking at a 4.8% growth rate in 2007, global electricity generation grew just 2.6% last year and will grow by only 0.7% this year. Its 2010 estimate is for a 2.2% growth rate. The company based these forecasts on a global economic expansion of 0.9% this year and a 3.1% economic growth rate in 2010. Goldman though maintained its forecast that U.S. crude oil futures will recover this year to around \$65 per barrel by the end of the year as the market rebalances in the wake of the global

recession. But short term its analysts are looking for crude oil prices to fall as low as \$30.00 per barrel this quarter as oil inventories in the IEA rise to ten-year highs.

12z GFS Model 850T Anomaly*



NGI reported today that the general counsel for two aggregators of Texas municipal electric consumers blames the natural gas futures market for high and volatile power prices in that state.

The Carbon Tax Center warned today the U.S. Congress is more likely to ultimately reject cap and trade schemes in favor of taxes aimed at curbing carbon emissions in the wake of the Wall Street meltdown and the public growing unease over esoteric and opaque markets.

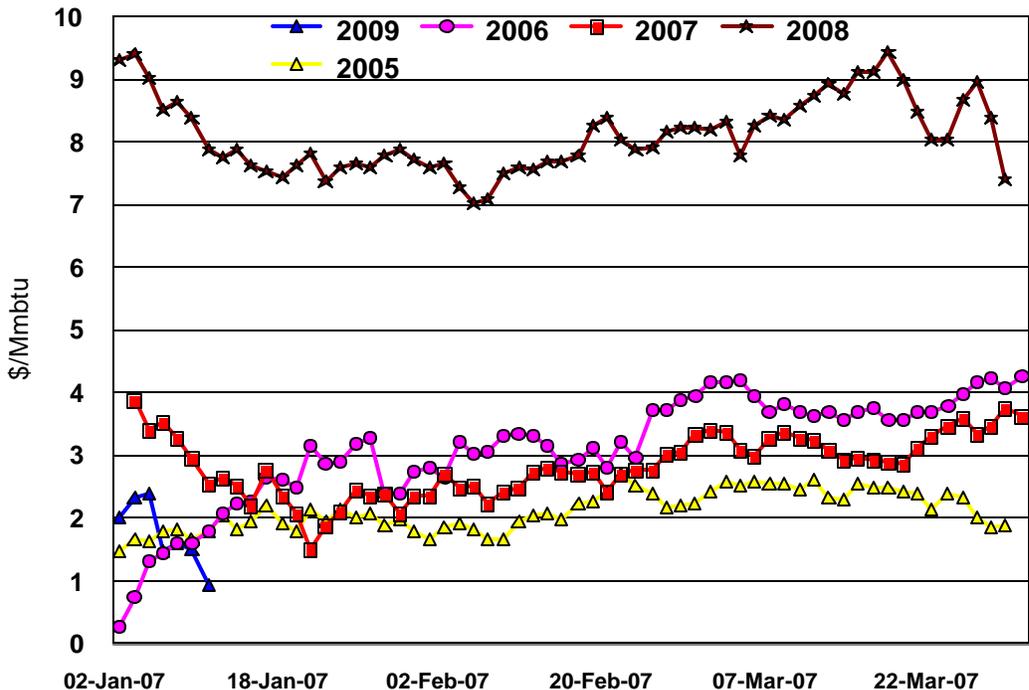
Genscape reported today that U.S. power output rose by 7.21% in the week ending January 8th from the previous week but was down 2.09% from the same week a year ago.

AMP-Ohio awarded Bechtel the contract to build a \$3.25 billion coal fired power plant which will have a generating capacity of 1000 Mw.

MARKET COMMENTARY

The natural gas market today posted an outside trading session for the first time since December 17th. The market posted its lows early this morning as traders feared the coming cold snap will be short lived and that a significant warming trend was going to take root especially in the western half of the United States over the 11-15 day

Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle



period. This coupled with continuing erosion in oil prices and news that Goldman Sachs was calling for oil prices to reach \$30.00 per barrels this quarter had natural gas prices falling to their lowest level since December 23rd. But by late morning the latest computer models appeared to point to the return of below normal temperatures especially over the eastern half of the nation. While prices were able to rally back into positive territory and finish higher for the first time in five trading sessions, we feel that this market is not ready to embark on a sustained bullish move, but rather will remain on the defensive throughout this month, given the lack of supportive economic news.

We see resistance \$5.625-\$5.635 followed by \$5.701, \$5.805 and \$5.91-\$5.925. More distant resistance we see at the 40-day moving average, which today was at \$6.018 and \$6.24 the high back on January 6th. Support we see at \$5.39-\$5.37 followed by \$5.25-\$5.24, \$5.21 and \$5.13.

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