



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 29, 2009

NATURAL GAS MARKET NEWS

The economic news continued to be bleak today. Earlier this morning The U.S. Labor Department reported that jobless benefits rose by 3,000 last week to a seasonally adjusted basis of 588,000 in the week ending January 24th, while so-called continued claims hit the highest level on record. Meanwhile the Commerce Department reported that new U.S. orders for long lasting durable goods dropped 2.6% in December, falling for the fifth straight month. The Commerce Department also revised downward its November estimate from a 1.5% decline to a 3.7% decline. Finally the Commerce Department reported that sales of newly built U.S. single family homes fell by 14.7% in December, the largest monthly decline since 1994. The Chicago Federal Reserve Bank reported that its Midwest manufacturing index plunged to its weakest level in over 12 years, due to declining steel production. The index fell 3.6% to a seasonally adjusted 92.2 from a downwardly revised 95.7 in November. Compared to a year ago, manufacturing output is down 14.8%, worse than the 10% national decline.

Generator Problems

NPCC – OPG’s Lennox #3 oil and gas fired unit returned to service early Thursday, after dropping offline yesterday.

OPG’s 490 Mw Nanticoke #2 coal fired unit was taken off line today for short-term maintenance.

FRCC – Progress Energy’s Crystal River #3 nuclear unit was back on line today and at 24% capacity.

PJM – Exelon’s 1112 Mw Peach Bottom #3 nuclear unit was at 91% up 36% from Wednesday.

The NRC reported this morning that 92,892 Mw of nuclear generation capacity was on line, down 0.4% from Tuesday and 1.7% higher than the same time a year ago.

The Chairman of the U.S. House Agriculture Committee, Collin Peterson has proposed the “Derivatives Transparency and Accountability Act of 2009” this week which would seek to expand the powers of the CFTC and increase the transparency in all commodity futures markets, including OTC markets. The bill would require international exchanges that host U.S. based commodities to share data with the CFTC and adopt position limits similar to those

EIA Weekly Report

	01/23/2009	01/16/2009	Net chg	Last Year
Producing Region	808	856	-48	745
Consuming East	1212	1343	-131	1298
Consuming West	354	361	-7	296
Total US	2374	2560	-186	2340

*storage figures in Bcf

imposed on U.S. exchanges. The draft legislation also calls for all OTC commodity transactions to be settled through a CFTC regulated clearing organization, it would grant authority to the CFTC to exempt some transactions from the requirement and it would allow certain exempt commodities, such as financial contracts to clear through an organization regulated by the SEC or the Federal Reserve. Additional provisions call for OTC commodity transactions would be subjected to reporting and recordkeeping requirements as determined by the CFTC and to

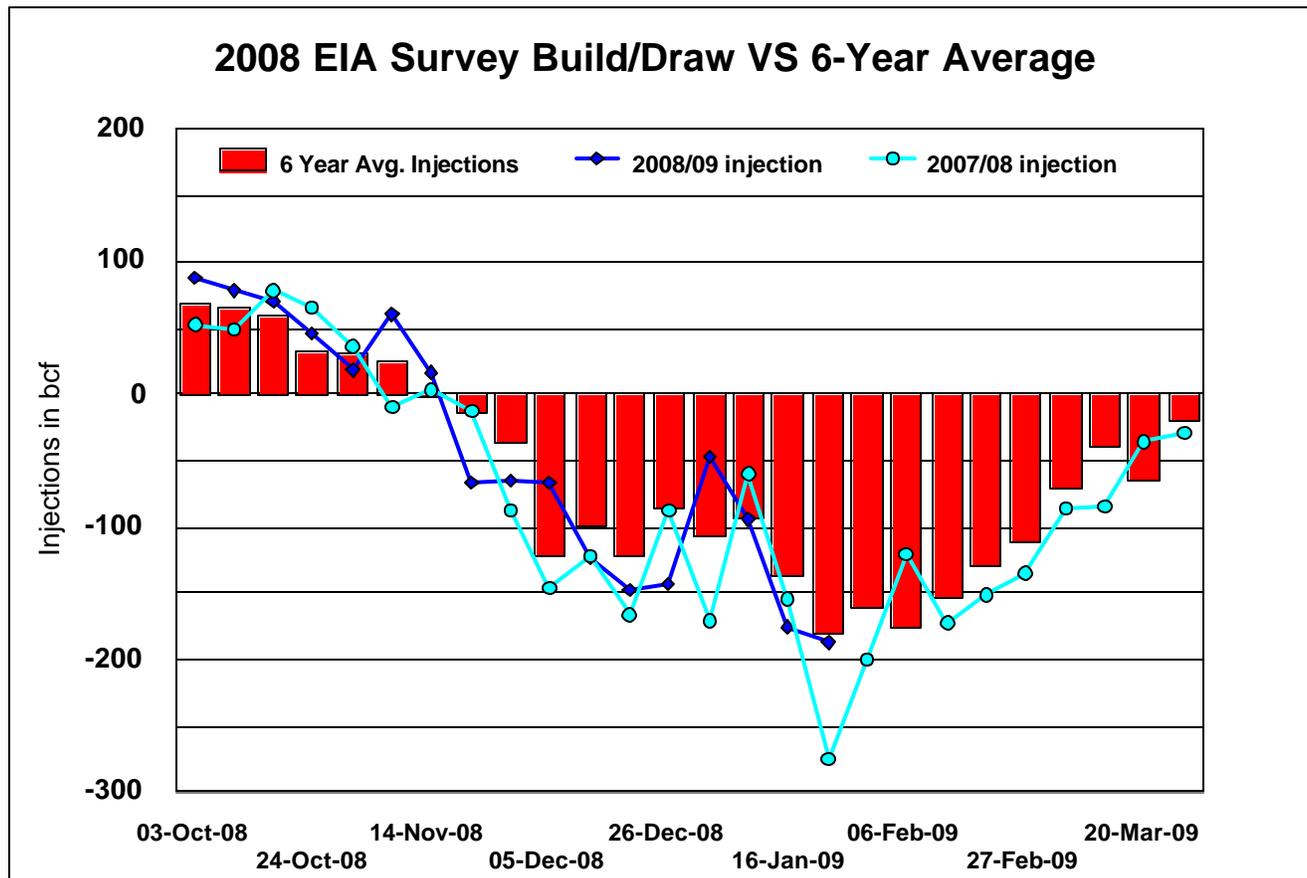
Canadian Gas Association

Weekly Storage Report

	23-Jan-09	16-Jan-09	25-Jan-08
East	121.1	133.3	154.4
West	226.2	241.3	218.8
Total	347.3	374.6	373.3

storage figures are in Bcf

its large trader reporting requirements. In addition the CFTC would have special call authority to obtain information on any OTC market position and would require the agency to review OTC markets to determine whether or not they should be subject to position limits.



Azeri President Aliyev at Davos, Switzerland said today that there should be more political will and more financial commitment for the Nabucco gas pipeline. He said that Azerbaijan was planning to at least double its gas production in the coming five years and that should allay fears that the project would not have enough gas to supply the project.

Platts reported that Japanese buyers of LNG are actively seeking to reduce the volumes taken under long-term contracts, due to the severe decline in local demand. As a result these buyers are looking at selling excess LNG supplies into Europe. Japan's Ministry of Finance released updated import figures for December today, which showed an average LNG import price of \$694.41 per mt or \$13.35 per Mmbtu. This price was some 10% less than November and January prices are expected to be even lower given the recent decline in oil prices. One market rumor was that some February cargoes from Australia's North West Shelf have already been sold into Europe. European prices today were up to \$9.23 per mmbtu before pull back slightly late in the day.

PIPELINE MAINTENANCE

Chandeleur Pipeline said it has lifted a force majeure issued at the Conden lateral back on January 26th.

FGT said that given cold forecasts for Friday and Saturday it was warning that there is the potential of an Overage Alert Day being issued.

PIPELINE RESTRICTIONS

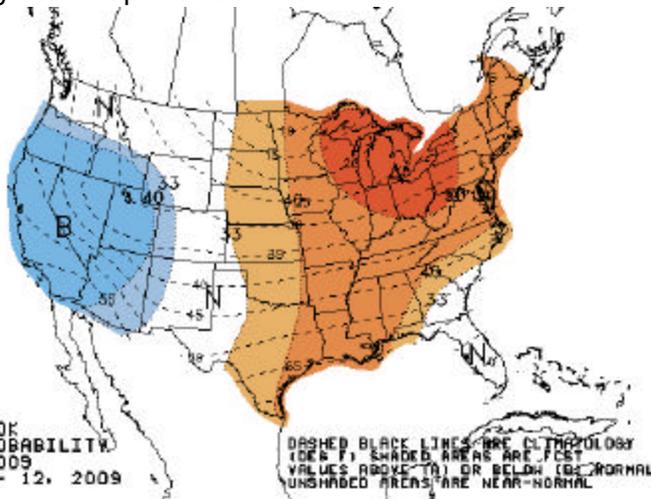
NGPL said that today effective for today's gas day and until further notice Florida Gas-Jefferson has limited capacity for deliveries. Limited ITS/AOR and Secondary Firm transports are available. The company also reported that due to the ivce storm that swept across Arkansas yesterday knocked out commercial electric power to Compressor Station 308 in Randolph County, Arkansas. Effective for today and until further notice ITS/AOR and Secondary Firm transports receipts at Ozark White/NGPL interconnect are at risk of not being fully scheduled.

ELECTRIC MARKET NEWS

AEP's 1030 Mw Cook nuclear unit which went off line back on September 20th due to vibrations from a hydrogen leak that lead to a fire in the main generator, may not be back in service until the late third quarter.

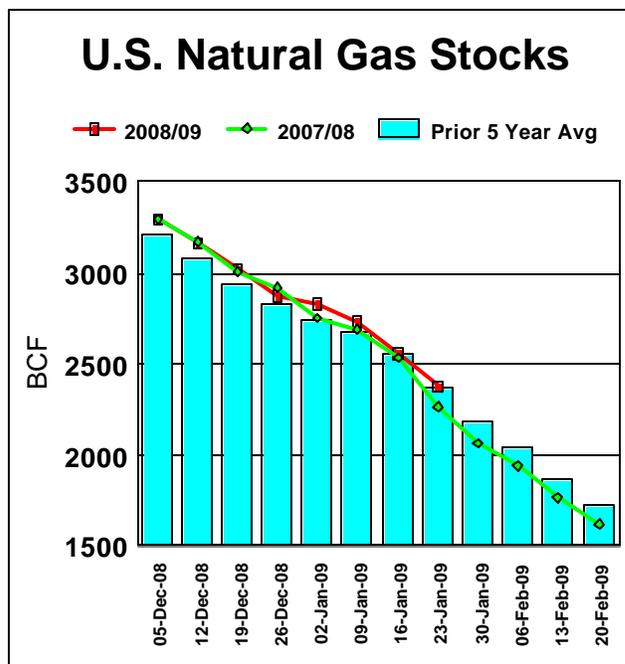
Texas regulators today assigned some \$5 billion in funds for six transmission projects to bring power from newly constructed wind generation in the western part of the state into the population areas in the eastern and central part of the state.

In the Midwest some 770,000 customers were reportedly still without power after this week's ice storm, which at its height knock power out to 1.3 million homes.



MARKET COMMENTARY

The natural gas market today received a supportive EIA Storage report that was some 10-15 bcf higher than most market expectations. While the report's initial bounce was quickly seen by the bears as a selling opportunity, the inability of the market to break below this week's support at \$4.35, appeared to provide a signal for some bulls to come back into the market and some of the bears to take profits on their position established over the past month. While much of the rebound in prices came during the afternoon after the cash markets had finished for the day, the technical significance of this move we feel can not be overlooked. The daily stochastics once again crossed to the upside and we feel if this can be confirmed by a second day higher close tomorrow that this market could at least post a minor short covering rally into early next week. But we continue to feel that the goomy



The U.S. Northwest River Forecast Center today predicted water runoff at the Dalles Dam on the Columbia River during the April-September period will be at 86% of normal, down 2% from its forecast a week ago. Last year water flows were at 99% of normal. Water flows at the Grand Coulee Dam are seen a bit better at 92% of normal down 1% from the prior forecast.

economic news has not run its course and coupled with temperatures that are expected to moderate after a week's time, and thus we would look for rallies back above the \$5.00 level as selling opportunities. We see short-term resistance tomorrow at \$4.65 followed by \$4.70, \$4.81 and \$4.985. More significant resistance we see at \$5.077 and \$5.30 the 38% and 50% retracements, followed by the 40 day moving average at \$5.421 and \$5.523 the 62% retracement of the sell off in January. Support we see at \$4.355 followed by \$4.24, \$4.11 and \$4.05.

While the March April 2009 spread posted an inside trading day, the March April 2010 spread jumped higher and out of this week's trading range. We feel that if this spread can rally back above the 40-cent level it could also be viewed as a scale up selling opportunity with a target to return to this week's lows.

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