



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR FEBRUARY 5, 2009

NATURAL GAS MARKET NEWS

President Obama's nominee to head the CFTC told Congress in written testimony yesterday that he believes the country's financial and regulatory systems failed the public and promised to guard against excess speculation in the commodity markets by increasing regulatory oversight for the OTC markets. He noted that he would support mandatory clearing of "standardized" derivatives sold over the counter. He also noted that chairman of the CFTC he would ask the agency staff to review all outstanding exemptions for hedgers from position limits.

Energy Transfer Partners reported that it has completed its 56-mile Katy expansion pipeline project, which will increase the capacity of the firms existing Katy natural gas line by more than 400 MMcf/d.

The CEO of EOG Resources said today that he sees U.S. natural gas production should begin to fall by mid-year and be down 2.5 Bcf/d by year's end or 4.3% less than 2008's output.

Generator Problems

NPCC – OPG's 535 oil and gas fired Lennox Unit #1 generating unit was shut for repair work early Thursday.

PJM- Exelon's 619 Mw Oyster Creek nuclear power plant was at 39% capacity this morning, up 36% from Wednesday.

ERCOT –AEP's 675 Mw Pikey coal fired power plant was expected to be taken off line from February 5th through the 8th to repair a tube leak.

TMPA's 462 Mw Gibbons creek power plant was expected to be restarted today. The unit dropped off line yesterday due to a tube leak.

Operators at Luminant's 750 Mw coal fired Martin Lake #3 generating unit was expected to be restarted Thursday evening. The unit has been off line since Tuesday.

MAPP Nebraska Public Power District's 760 Mw Cooper nuclear unit was running at 74% capacity off 16% from Wednesday.

SERC – TVA's 1155 Mw Browns Ferry #1 nuclear unit was cut to 85% of power on Thursday morning, down 15% from Wednesday.

FRCC – Progress Energy's 838 Mw Crystal River #3 nuclear unit ramped back to full power. The unit had been at 58% capacity on Wednesday.

The NRC reported this morning that 92,934 Mw of nuclear generation capacity was on line, up 0.3% from Wednesday and 5.3% higher than the same time a year ago.

EIA Weekly Report

	01/30/2009	01/23/2009	Net chg	Last Year
Producing Region	758	808	-50	678
Consuming East	1087	1212	-125	1205
Consuming West	334	354	-20	280
Total US	2179	2374	-195	2162

*storage figures in Bcf

Qatargas reported that its Qatargas I LNG plant has returned to normal operating levels. The plant was off line for 10 days starting on January 8th, forcing the company to declare a force majeure. The facility produces 25% of the company's total LNG. The company also said that its new production facility Qatargas II "was moving forward" and was due to start loading its first cargo of LNG soon. The facility originally had been planned to be operational by the start of 2008.

Gas Storage Europe reported that British and Belgian gas storage levels fell 7% to 45.7% of capacity in the week ending February 2nd. This was some 15% less than the same time a year ago. Stocks in Germany were estimated at 49.9% on the week down 4.1% from the previous week and 16.1% less than the same time a year ago.

**Canadian Gas Association
Weekly Storage Report**

	30-Jan-09	23-Jan-09	01-Feb-08
East	108.1	121.1	137.3
West	206.6	226.2	196.2
Total	314.7	347.3	333.5

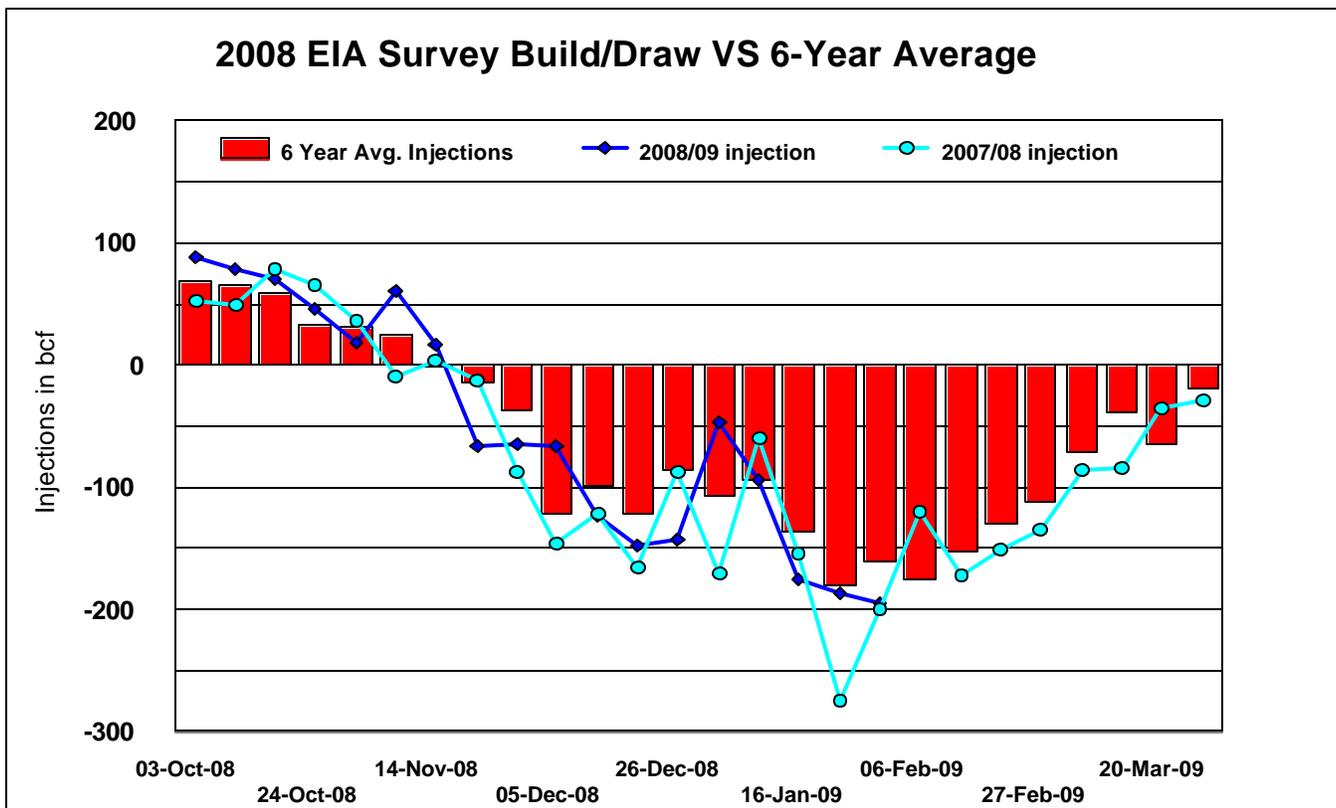
storage figures are in Bcf

Sonatrach's LNG tanker Berge Arzew docked today at the Isle of grain terminal, National Grid reported.

The Department of Energy reported today that U.S. imports of LNG in 2008 reached only 352 bcf, the lowest level since 2002. These imports were some 46% less than the volume imported the year earlier. The DOE noted that 47% of U.S. LNG imports passed through the Everett import terminal in Boston Harbor and

the Elba Island terminal accounted for 39% of total import flows. Over the past year U.S. LNG import capacity more than doubled

Russia's President Medvedev said Thursday that the Ukraine should bear all the responsibility for losses incurred during the gas supply crisis last month and should pay any compensation arising from the stoppage. Bulgaria has been pushing Gazprom to provide it with compensation for direct and indirect losses resulting from the interruption of gas supplies during the recent dispute. The Ukrainian Prime Minister though said today his nation would not pay damages to European countries for the disruption. Meanwhile Poland's gas monopoly said today that Gazprom has noted it may be willing to



negotiate an increase in natural gas supplies to Poland to make up for gas that was undelivered during the disruption last month. The CCO of the German utility RWE Supply & Trading said today that the company would not ask Gazprom for compensation for gas not delivered during the supply dispute.

Meanwhile the chief commercial officer of supply at RWE Supply & Trading warned that despite the recently signed agreement between Russia and the Ukraine, supply bottlenecks could hit Europe again, especially since the poor state of the Ukraine's transit grid could be a possible cause supply disruptions as well. Other analysts point to the recent transit agreement which Russia pledged volumes through the Ukraine coupled with its two proposed pipelines, the Nord and South Stream would require Russian natural gas output to reach one and a half times current levels, a level which is some 12% more than what Gazprom has projected its gas output could reach. As a result some analysts feel that long term Russian shipments may thus fall below current expectations and provide an opening for gas exports to Europe to make up for the shortfall.

The US Labor Department reported that the number of US workers filing new claims for unemployment benefits increased by 35,000 to 626,000 in the week ending January 31st. It increased to a 26 week high. The prior week's number was revised up to 591,000 from 588,000. The four-week average of new claims increased by 39,000 to 582,250. According to the report, continuing claims increased by 20,000 to 4,788,000, a new record high. The Labor Department is scheduled to issue its employment report for January. Analysts are expected a drop of 525,000 jobs. Separately, the Labor Department also

showed that US productivity accelerated last quarter despite the economic contraction, a sign of how quickly companies have responded to the recession by cutting labor. Non-farm business productivity increased 3.2% at an annual rate in the fourth quarter. It reported that unit labor costs increased by 1.8% at an annual rate.

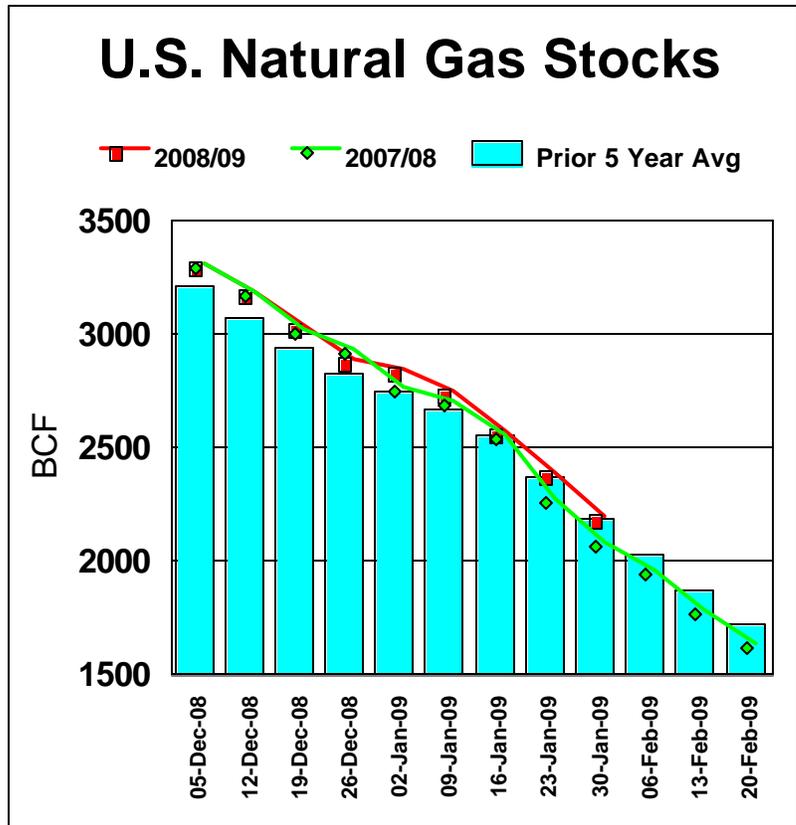
The Commerce Department reported that factory orders fell for the fifth consecutive month in December. Orders for manufactured goods fell by 3.9% following a downwardly revised 6.5% decline in November. It reported that for the entire year, factory orders increased by 0.4% after increasing by 1.9% in 2007. Demand for durable goods factory orders fell by 3% after falling by a revised 4% in November. Non-durable goods factory orders fell by 4.8% after falling by 8.7% in November.

Separately, the Institute for Supply Management's index of manufacturing activity showed US manufacturing contracted in January. Its index of manufacturing activity stood at 35.6%.

PIPELINE MAINTENANCE

TransColorado Gas Transmission said maintenance at the Whitewater Compressor Station (Segments 230 & 240) was completed ahead of schedule yesterday.

SoNat said that the Cypress Line was placed back in service in order to meet increased demand as a result of colder weather in the Florida market area. However the company plans to resume



maintenance activities on the line tomorrow. The company expects service on the line to return to normal by mid-February. As a result of the maintenance work Sonat will be unable to accept nominations as a result at several locations.

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	576,600	\$4.840	(\$0.172)	\$0.152	(\$0.327)	\$0.027
Chicago City Gate	870,100	\$4.794	(\$0.167)	\$0.106	(\$0.214)	\$0.352
NGPL- TX/OK	1,438,500	\$3.739	\$0.110	(\$0.950)	\$0.063	(\$0.694)
SoCal	584,400	\$3.939	(\$0.012)	(\$0.750)	(\$0.059)	(\$0.642)
PG&E Citygate	458,600	\$4.887	\$0.075	\$0.199	\$0.028	\$0.061
Dominion-South	239,800	\$5.494	(\$0.656)	\$0.806	(\$0.703)	\$1.097
UStTrade Weighted	17,362,700	\$4.476	(\$0.280)	(\$0.212)	(\$0.33)	\$0.027

Gulf Pipeline expansion that began Wednesday would limit some flows until work is completed on February 15th. The East Texas Expansion would

reduce capacity through February 9th to 500,000 Dth per day but returning to 1.1 million Dth once work is completed. The company also said it would perform scheduled work on its Midstream LLC East Texas plant on February 24th lasting for 24 hours. Two receipt locations are slated to be shut in for the duration of the maintenance work.

PIPELINE RESTRICTIONS

TransColorado Gas Transmission said it is at capacity for delivered quantities to El Paso Blanco. Based on the current level of nominations, IT/AOR and secondary in-path and out of path quantities are at risk of not being scheduled.

NGPL said that effective for today's gas day and until further notice, Segment 17, is at capacity and as a result ITS/AOR and secondary out of path Firm transports are at risk of not being fully scheduled. The company also reported that effective today and until further notice it has limited capacity for deliveries at Florida Gas Jefferson (Segment 25) and for gas going northbound through Segment 18, in the South Texas Zone. Limited ITS/AOR and Secondary out of path Firm transports are available.

FGT said that because near freezing temperatures have moved into a large part of its service territory, the company has issued an OFO for today at a 15% tolerance.

Tennessee Gas Pipeline said that due to colder temperatures and in order to maintain linepacks it issued an OFO for LMS-PA/MA Balancing Parties.

SonNat said the OFO for short imbalances that was issued on Tuesday will be cancelled effective for Timely cycle on Friday, February 6th.

WIC said it was extending the force majeure at its Douglas Compressor Station at the Medicine Bow Constraint Point issued on February 2nd. The company expects the compressor unit will remain out of service at least through Friday and capacity will remain reduced through that period to 1120 MMcf/d.

ELECTRIC MARKET NEWS

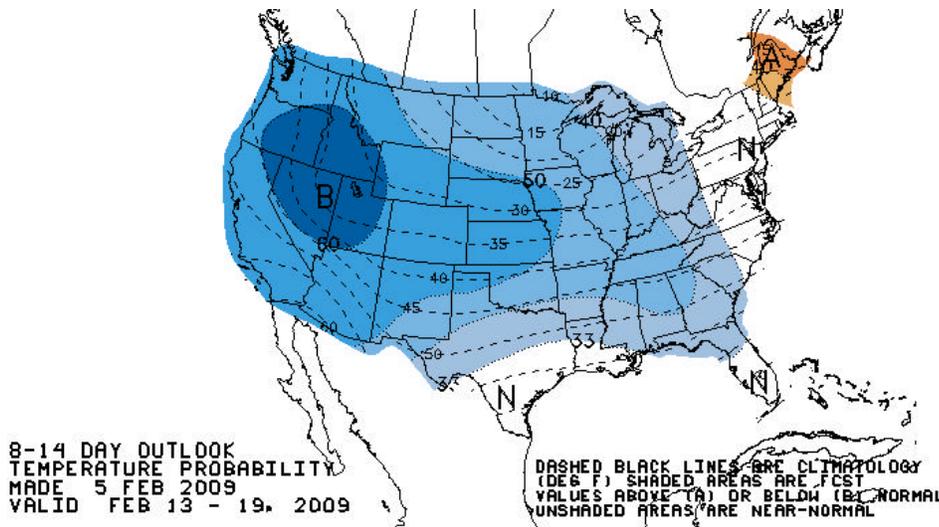
Entergy Arkansas has restored service to 85,000 of its customers that lost power as a result of last week's ice storm. Some 26,000 customers are still without power. The company expects to have full service restored by February 11th.

New Jersey state regulators are expected to report the results of the Basic Generation Services auction Friday afternoon.

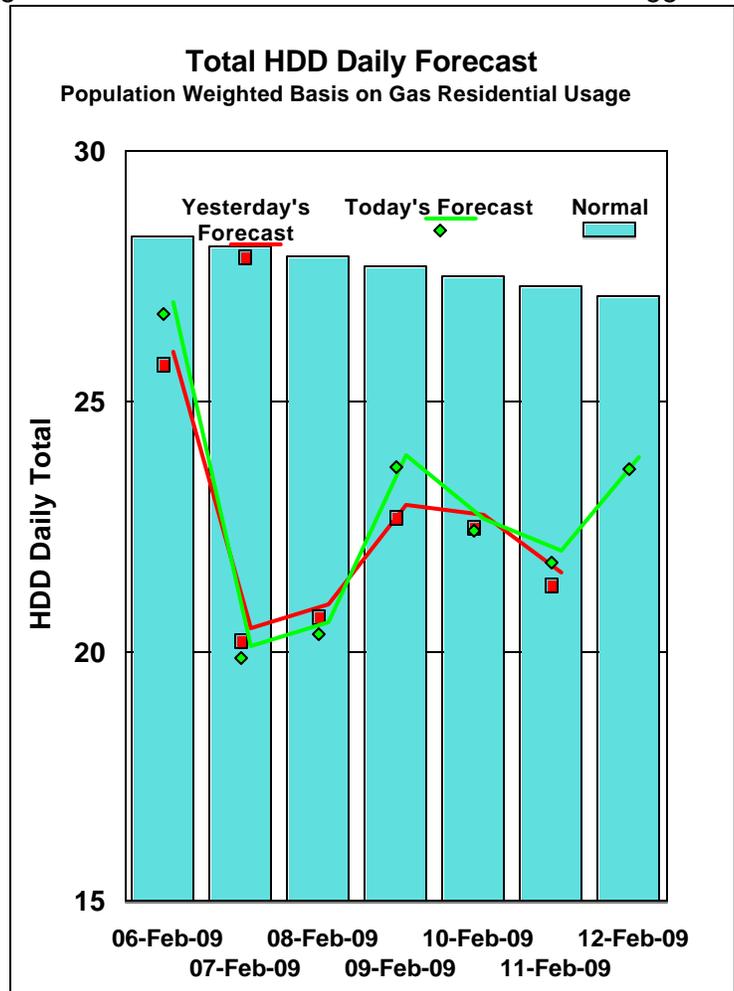
MARKET COMMENTARY

One would have thought that yesterday being an inside trading day, today could have had the potential of being an explosive trading session, especially given today was a storage report day. But in fact this market while receiving a modest dime gain immediately following the release of a supportive storage

report posted even a smaller trading range than yesterday. While the market was able to move above the highs of the previous two days it was not in a convincing manner and in fact prices continued to settle in a rather modest band of values for the past six trading session, a rather small band of values not seen since early December. This price action continues to support our view that this



market is not capable of a sustained rally higher. We continue to look for this market to struggle in building a base to move higher over the short term, but we feel that time is running out this winter to get any significant lift in values. In addition while many forecasters appear committed to the recent colder than normal forecast for most of the nation over the 11-15 day period, the GFS computer model run at midday began to cast significant doubt on the accuracy of this forecast, as it began leaning to the colder outbreak remaining confined just to the western U.S. Thus with the outlook for the next seven days to see heating demand running some 17% lower than normal, we feel that limited heating demand coupled with bleak economic news will continue to act as a significant weight around the neck of any bull move. We see resistance tomorrow at \$474-\$4.75 followed by \$4.863 and \$5.985. More significant resistance we see at \$5.03, \$5.22-\$5.26 and \$5.494. Support we see at \$4.52, \$4.40 and \$4.28 with more significant support at \$4.05.



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.