



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 8, 2009

NATURAL GAS MARKET NEWS

The Russian-Ukraine natural gas dispute continued to drag on. Despite some encouraging signs earlier in the day as meetings reportedly were making progress and that the EU would put in place a multi-lateral monitoring system for Russian gas flows across the Ukraine, the deal appeared dead in the water late in the day, despite the Ukraine agreeing to the plan. It appeared the Russian delegation balked at the proposal since it did not include Russian specialists or observers from European gas firms included in the monitoring team. As Gazprom officials were leaving from Brussels and flying back to Moscow late today they told reporters that they were unsure when talks will resume. But late in the day today Dow Jones was reporting that EU President announced a late night agreement with Russian Prime Minister Putin had been reached for deployment of EU monitors in Ukraine in a move to restore deliveries to Europe. Prime Minister Putin agreed on the conditions of deployment of the monitoring commission at all locations that are relevant for the flow of gas. The monitors were expected to be in place Friday. Ukrainian officials said that Russian gas exports through the nation could resume in 36 hours once the dispute is resolved. Several EU officials noted that the current situation highlights the need for Europe to further diversify its energy sources. In Bulgaria and Slovakia, where the gas disruptions have been particularly hard hit have seen calls for Soviet era nuclear plants to be restarted. EU energy ministers said they would hold emergency talks on the standoff on Monday. Meanwhile U.K. natural gas prices rose to their highest level

Generator Problems

NPCC –Entergy reduced operating levels at the Vermont Yankee reactor to fix a leak in the feed water system.

Bruce Power’s 750 Mw Unit #3 nuclear unit returned to service today.

ERCOT – Luminant said it looks to restart its 545 mw Sandow coal fired Unit #4 on Thursday. The unit has been offline since earlier in the day.

MAPP – Wxcel Energy’s Monticello nuclear unit returned to full power this morning, up 3% from yesterday.

The NRC reported this morning that 96,329 Mw of nuclear generation capacity was on line, up 0.01% from yesterday’s level and 5.35% higher than the same time a year ago.

EIA Weekly Report

	01/02/2009	12/26/2008	Net chg	Last Year
Producing Region	902	888	14	881
Consuming East	1540	1589	-49	1538
Consuming West	388	400	-12	381
Total US	2830	2877	-47	2799

*storage figures in Bcf

since March 2006 following forecasts that inventories in its pipeline network may fall off from their record levels today by 5.4% by tomorrow morning. Prices at midday were at an equivalent \$11.42 Mmbtu.

StatoilHydro reported it had temporarily shut production at its Kristin gas field in the Norwegian Sea pending tests on the platform’s lifeboat system. The field had been producing at 10

Canadian Gas Association

Weekly Storage Report

	02-Jan-09	26-Dec-08	04-Jan-08
East	158.8	163.6	188.4
West	276.1	290.8	263.2
Total	434.8	454.4	451.6

storage figures are in Bcf

million cubic meters of gas per day.

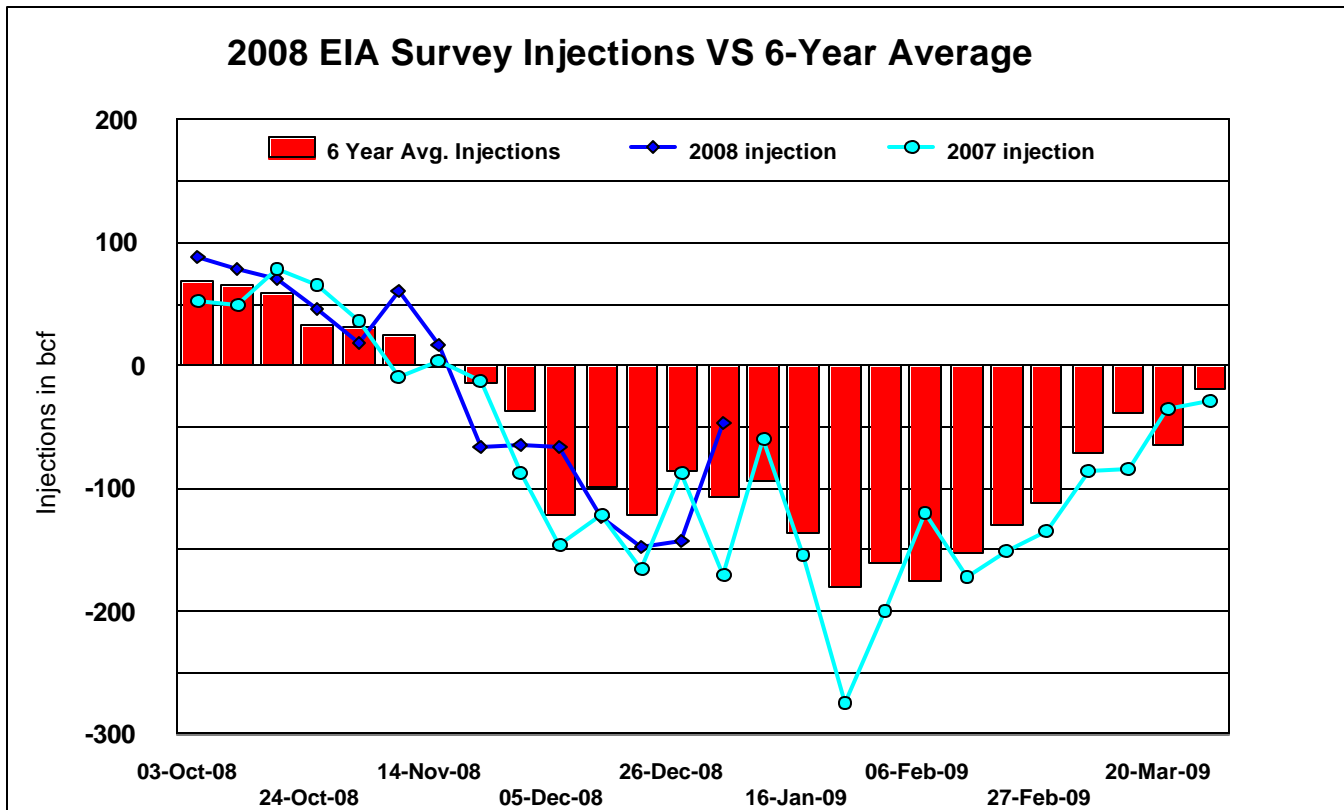
Indonesia agreed to a proposal by Japan's INPEX Holdings to build a floating LNG plant. The project is slated to cost \$19.6 billion. If the project is confirmed it would access some 10 tcf of natural gas reserves in the Abadi field, possibly Indonesia's second largest natural gas field. The LNG facility would have a proposed capacity of 4.5 million tonnes a year.

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	624,000	\$5.962	\$0.071	\$0.350	\$0.284	(\$0.278)
Chicago City Gate	905,600	\$6.192	(\$0.090)	\$0.580	\$0.137	\$0.220
NGPL- TX/OK	590,900	\$5.271	(\$0.061)	(\$0.341)	\$0.166	(\$0.638)
SoCal	245,900	\$5.228	\$0.001	(\$0.384)	\$0.228	(\$0.714)
PG&E Citygate	590,500	\$6.109	(\$0.013)	\$0.497	\$0.215	\$0.217
Dominion-South	262,900	\$6.451	\$0.166	\$0.839	\$0.393	\$0.345
USTrade Weighted	15,419,900	\$5.741	\$0.057	\$0.129	\$0.28	(\$0.278)

Italy said it had sufficient natural gas supplies to meet demand for the next two months. In fact Italy was supplying 200,000 cubic meters of natural gas a day to Slovenia.

The U.S. Climate Prediction Center said Thursday that it seems the cool water condition for the La Nina weather anomaly in the Pacific Ocean would likely continue into the spring and possibly through the first half of 2009. The CPC said that this weather condition should result in above normal rains in the Ohio and Tennessee Valleys and below average precipitation over the rest of the South. The condition if it lasts into the hurricane season typically is supportive to hurricane development across the Atlantic basin.

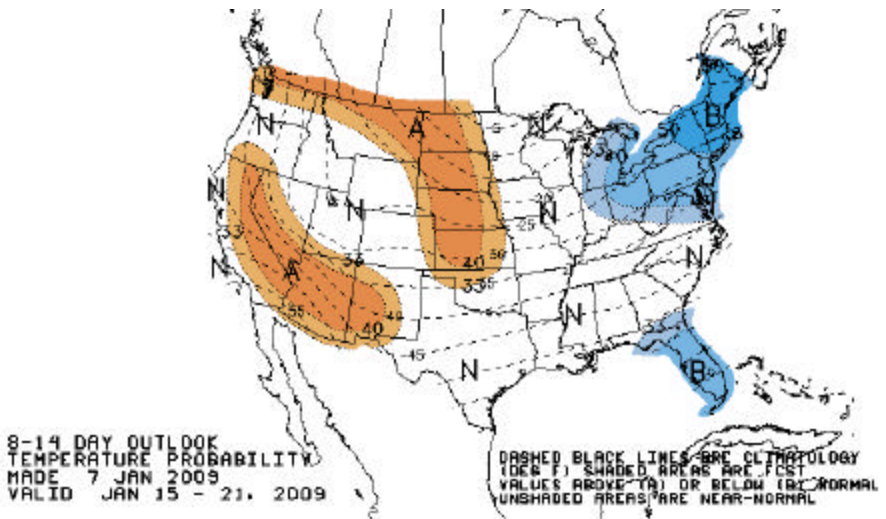
NGI reported today that Woodside Natural Gas is not deterred by the recent USGS assessment of earthquake risks for its proposed deepwater LNG facility and pipeline offshore of Los Angeles. The



company reportedly is still moving forward with the project.

PIPELINE MAINTENANCE

SoNat said it will likely be performing maintenance on its Cypress Line beginning February 1st. Based on best estimates the duration of the work is expected to last 7-10 days and as a result the company will be unable to accept nominations at the following points: AGL-Cypress Brunswick and Plant Brandy branch.



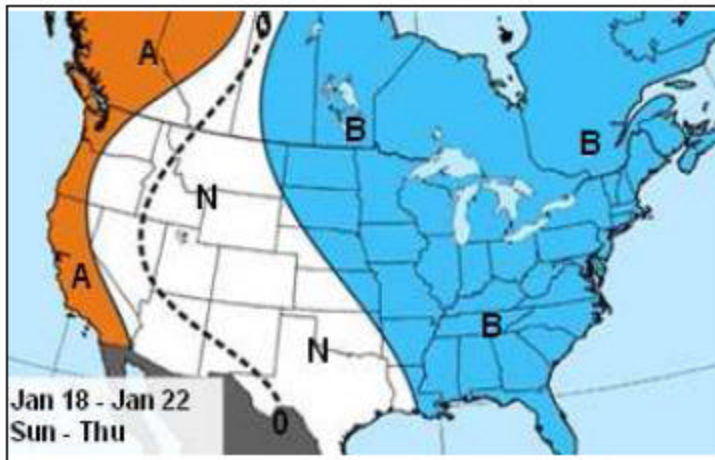
Questar Pipeline said it has experienced a mechanical failure at its Greasewood compressor station. As a result deliveries to TransColorado will be reduced to 30,000 Dth/d. Repairs are expected to be completed by the end of the week.

PIPELINE RESTRICTIONS

Dominion Transmission has issued an OFO for January 9th based on the forecasted cold weather forecasted for its northern territory.

CIG said it is lifting the underperformance warning on the following interconnects: Parachute, Cathedral and Roan Cliffs. The company though will continue the underperformance caps at: Saddle

MDA EarthSat 11-15 Day Morning Outlook



Draw, table Rock Residue, Sand Wash and Desert Springs. The company also reported that it had lifted its force majeure at the Niobrara Compressor Station effective for today's gas day. Normal capacity is 44.20 MMcf/d.

ELECTRIC MARKET NEWS

The governor of Rhode Island said today that construction of a wind farm offshore of the state was expected to begin in 2010 by Deepwater Wind. The \$1.5 billion project would eventually generate 1.3 million MWH a year. The first phase would begin operations by late 2012 capable of generating some 20 Mw of power. These

wind turbines would be position in state waters, with the remainder of generating capacity would come on line in three years following approval from federal regulators.

The U.S. Northwest River Forecast Center said it was delaying from Thursday to Friday its final water runoff forecast due to extreme flooding in Washington and Oregon. It said not only is it short staffed due to the flooding in the region, but that the staff was focusing on flood forecasting.

Horizon Wind Energy announced today that its three wind farms; Meridian Way Wind Farm 201 Mw in Kansas; Pioneer Prairie Wind Farm with 201.3 Mw in Iowa and the 102.9 Mw Rattlesnake Road Wind Farm in Oregon became all operational in December and were now fully operational.

President-elect Obama today in his economic speech advanced clean energy as a key component of his future economic recovery plan. The energy provisions he discussed revolved around renewable energy, building efficiency and new infrastructure, such as a smart grid for electricity.

Indiana regulators approved Duke Energy's cost estimate for the \$2.35 billion Edwardsport coal plant.

MARKET COMMENTARY

This morning's gas storage report was easily seen as bearish as the withdrawal levels were significantly less than most market watchers expectations. The limited drawdown highlighted the significant demand destruction that has taken place in the industrial and commercial sector of the economy, as these consumers extended holiday closures longer than normal. The report showed this morning that total working gas stocks levels last week climbed above year ago levels for the first time in over a year. Prices responded by erasing basically all of the gains from the start of the year and returning to the lows of the past two weeks.

While next week's temperatures are seen as being significantly colder across the eastern two thirds of the nation, midday forecasts today appeared to raise some doubt that the severity of the cold snap may not be as severe as had been forecasted over the past several days. In addition government forecasters late in the afternoon continue to offer a more moderate outlook for temperatures beyond one week from now than some private forecasters have been offering.

It appears to us with that while temperatures next week may boost cash prices momentarily the futures will have only a short term boost and most likely will be received by many in the market as a selling opportunity. Unless weather forecasters confidence level significantly increases and next week's cold spell is seen as the start on a longer term cold spell that can significantly boost demand and thus overcome a very anemic and poor industrial and commercial demand that seems to be recorded in the marketplace, the bears should remain in control of this market. Thus we see support initially at \$5.50-\$5.47 followed by \$5.421, \$5.30, \$5.258 and \$4.96. More distant support we see at \$4.845. Resistance we see at \$5.814, \$5.875-\$5.895, \$5.976, \$6.66 and \$6.24. We feel a close above \$6.07; the 40 day moving average is still critical for the bulls to regain control of this market.

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