



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 13, 2009

NATURAL GAS MARKET NEWS

Gazprom claimed Tuesday morning it had resumed pumping gas westward toward the Ukraine and Europe but that the Ukraine has blocked gas deliveries to Europe. Gazprom said it was thus forced to inform its European customers that it had declared a force majeure on its European gas exports through the Ukraine. The Ukraine claimed that it was having difficulty in handling the Russian gas deliveries since the Russians had deliberately shipped the gas along a technically arduous route that requires the Ukraine to cut domestic consumers out before it can deliver gas to the Balkans. In addition the Ukraine claimed that Russian supplied only 76 mcm of gas which does not produce enough pressure to kick start Ukraine's pipeline system EU monitors said that while the gas flow from the Russian side of the border had begun this morning, the amount of gas was "very limited". In addition the monitors claimed that while they were present at central dispatching centers in Kiev and Moscow, they have been denied access to the control rooms. The EU planned urgent high-level contacts with both Russia and Ukraine to resolve the problem. The EU claimed the denial of access is a clear violation of the terms of reference of Monday's agreement on monitoring. The EU later said access granted by Russia and Ukraine for international monitors deployed to assess gas flows has improved. Underscoring the political tensions behind the gas dispute, Russian President Medvedev accused Washington of orchestrating Ukraine's

Generator Problems

NPCC – Bruce Power's 822 Mw Unit #6 at the Bruce nuclear power system was shut Tuesday morning.

OPG's 490 Mw Nanticoke coal fired Units #3 and #7 returned to service Tuesday after being shut down last week.

ERCOT –Luminant's 575 Mw Big Brown #2 coal fired power was expected to be restarted over the next 24 hours.

SPP – Entergy's 988 Mw Arkansas Nuclear One #2 nuclear unit dropped to 60% of capacity this morning, down 40% from Monday.

WSCC – TransAlta restarted its 406 Mw coal fired Sundance #4 generating unit on Monday afternoon. The unit had been off line since January 4th.

The NRC reported this morning that 96,482 Mw of nuclear generation capacity was on line, up 0.2% from yesterday's level and 9.2% higher than the same time a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	601,000	\$5.704	\$0.117	\$0.429	\$0.579	\$0.082
Chicago City Gate	1,217,400	\$6.269	\$0.030	\$0.994	\$0.375	\$0.621
NGPL- TX/OK	752,700	\$5.013	(\$0.022)	(\$0.262)	\$0.323	(\$0.419)
SoCal	256,600	\$4.788	(\$0.094)	(\$0.487)	\$0.251	(\$0.551)
PG&E Citygate	565,400	\$5.506	(\$0.044)	\$0.231	\$0.301	\$0.230
Dominion-South	500,000	\$6.497	\$0.425	\$1.222	\$0.770	\$0.758
USTrade Weighted	18,869,600	\$5.756	\$0.234	\$0.481	\$0.58	\$0.082

defiance in the gas supply dispute. Meanwhile the Ukrainian president said today that Russia may have been induced to cut supplies of natural gas to the Ukraine as a way

to promote the Nord Stream gas pipeline project.

The EIA in their Short Term Energy Outlook released late this morning lowered their estimate for 2009 U.S. natural gas production growth due to declining drilling activity amid an economic downturn and lower prices. The agency saw U.S production in 2009 growing by just 0.7% over last year's levels at 58.88 bcf/d, some 0.2% less than last month's estimate. They also see production declining by 0.9% in 2010. On the import side the agency sees net imports in 2009 falling 5.9% to 7.53 bcf/d, despite LNG imports rebounding this new year by 18.7% over 2008 levels and once again exceeding 1 bcf/d at 1.14 bcf/d. LNG imports are seen growing again in 2010 by nearly 22%. The agency pegged demand in 2009 reaching 62.94 bcf/d, off 1% from 2008. This demand estimate was some 0.6% lower than last month's estimate, due in part to lower demand estimates from the residential, commercial and industrial sectors which are seen declining of 0.1-0.3%, but the principal decline will be in a significant drop off in power generation, which the agency sees declining by 1.6% on the year.

Dolphin Energy said today that it plans to cut gas imports by about 30% from Qatar to the UAE for a month from January 26th for scheduled maintenance. The company said supplies to the UAE should be sufficient to maintain current levels of gas fired power generation. Exports are expected to run at 1.6 bcf/d during the maintenance work.

BP's British Sapphire liquefied natural gas tanker was on track to arrive at the UK's Isle of Grain LNG terminal on Wednesday. The tanker can carry 155,000 cubic meters of gas from Trinidad & Tobago.

PIPELINE MAINTENANCE

Transco Pipeline said that it has completed the investigation of its 16-inch pipeline on the Southeast Louisiana Lateral between Eugene Island 129 and Ship Shoal 28 and the line has returned to normal operation.

Gulf South Pipeline said it has begun scheduled pipeline maintenance today that will last for 72 hours for a portion of Index 818, located east of the Harrisville Compressor Station.

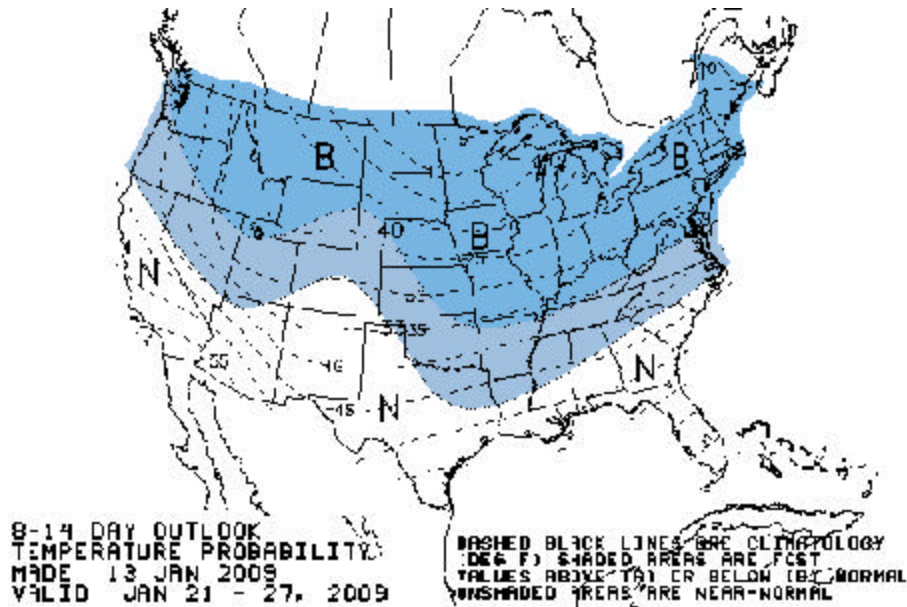
PIPELINE RESTRICTIONS

NGPL said that effective for today's gas day and until further notice due to operational conditions, it will only schedule Primary Firm transport at delivery to ANR Lake Arthur. ITS/AOR and Secondary Firm transports are unavailable. The company also reported that effective for today and until further it is at capacity for deliveries at Florida vermilion. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled. The company also announced it will not schedule any IBS "Takes" or "Bank Paybacks" or LPS "Loans" or "Park Withdrawals" in the Market Delivery Zone on both Amarillo and Gulf Coast Systems. The company noted it has limited capacity for storage withdrawals. The company also reported that it is at capacity for gas going northbound through Segment 27 on its Gulf Coast Mainline.

El Paso Natural Gas said it has completed its assessment of the extent of the damage on Leupp D Compressor Station on the North mainline and determined that the bearing failure will necessitate a turbine replacement. As a result the company has declared a force majeure event. The unit is expected to return to service on or before January 23rd.

TransColorado gas transmission said effective for today's gas day and until further notice, it is at capacity for delivered quantities through Segment 230. AOR/IT and Secondary out of path quantities are at risk of not being fully nominated.

NGPL said it has resolved the gas quality problem at the receipt point from Freedom/NGPL Gathered Gas Woodward.



FGT said that there is the potential it may have to issue an Overage Alert Day on one of the upcoming gas days due to forecasts of colder temperatures.

ELECTRIC MARKET NEWS

The EIA projected U.S. electricity demand to drop 0.5% this year as a result of weak economic conditions, but still sees residential electricity prices increasing by 2.3%. The EIA sees

demand for power in 2010 rebounding and growing by 1.5%. The agency in its Short term Energy Outlook expects coal production will face demand declines as well with output expected to drop 4% this year, as a result in part to the drop in export demand for coal.

The Board of Directors of NYISO has approved the 2009 Reliability Needs Assessment. The plan looked at the resource adequacy of the New York bulk power system over a 10 year planning horizon. The report found that New York State's electric power resources, (generation, transmission and demand side programs) are expected to meet the state's electricity reliability needs for the next ten years. While last year's review had found that the projected resources would only meet the needs for three years forward, this year's report saw that 1700 MW of new generation has been proposed for development coupled with the outlook for fewer generating resource retirements. In addition the state has taken steps over the last year to initiate implementation of energy efficiency,

MARKET COMMENTARY

Despite the arrival of arctic like temperatures into the Northern Plains and into the upper Midwest, natural gas prices headed southward today as expectations were for these temperatures to moderate within a few days. As a result without the prospects for a prolonged cold snap, the gloom of economic news continued to weigh on the market. This economic gloom was re-enforced by the EIA Short Term Energy outlook released today. This showed that while demand in 2009 is expected to be down across all for major consuming sectors, domestic natural gas production will continue to increase thus placing an even greater supply overhang on this market. The market remained under pressure throughout the day finishing down 35.8 cents at \$5.184, the lowest settlement in the February contract since July 28, 2004.

While weather forecasts are showing below normal temperatures for most the country in the next 8-14 days, the market is still seen continuing its downward trend. The natural gas market, is seen finding resistance at \$5.448, \$5.567, its high, \$5.634, followed by \$5.712 and \$5.857. Meanwhile support is seen at \$5.158, \$5.039, \$4.894 and \$4.63.