



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 16, 2009

NATURAL GAS MARKET NEWS

Bloomberg News reported that Qatargas has declared a “force majeure” after production of LNG at the Qatargas 1 plant was halted for the ninth day in a row. One of the facility’s main customers, Chuba Electric Power said that they are not facing any shortages immediately as they have enough inventories to cover the short term needs.

Bulgaria’s president today urged the European Union to work with countries in the Black Sea and Caspian region to speed up the Nabucco natural gas pipeline project. The project would move gas from the Caspian region to Europe while avoiding both passing through Russia and the Ukraine.

The IEA again today said that the conduct of both Russia and the Ukraine in the current gas supply dispute is “unacceptable” and Russia’s reputation as a reliable supplier has been damaged. It noted these actions have left consuming countries no other option than to speed up moves to find alternative suppliers, fuels and transit routes in the future. German officials though said that its gas storage is “currently relaxed, despite a recent report in the Financial Times that gas storage levels will soon be less than half full unless deliveries from Russia are restored.

Reuters reported that Exceleerate Energy was having operational issues and no timeline was available for when it would begin offloading its first full LNG cargo at its Northeast Gateway terminal near Boston.

Baker Hughes reported that for the week ending January 16th the

Generator Problems

NPCC – Entergy’s 852 Mw FitzPatrick nuclear power station returned to full power by early Friday. The unit has at 55% power on Thursday.

Bruce Power’s Bruce 6 nuclear unit returned to service today.

WSCC – The Columbia nuclear power station slipped to 65% capacity this morning but was expected to be back to full power by the middle of next week.

APS 1270 Mw Palo Verde #2 nuclear unit was reduced to 90% power overnight Thursday.

SPP – Entergy reported that its 988 Mw Unit #2 at the Arkansas Nuclear One power station has exited its outage and ramped up to 10% power this morning.

The NRC reported this morning that 94,918 Mw of nuclear generation capacity was on line, down 0.5% from yesterday and 6.1% higher than the same time a year ago.

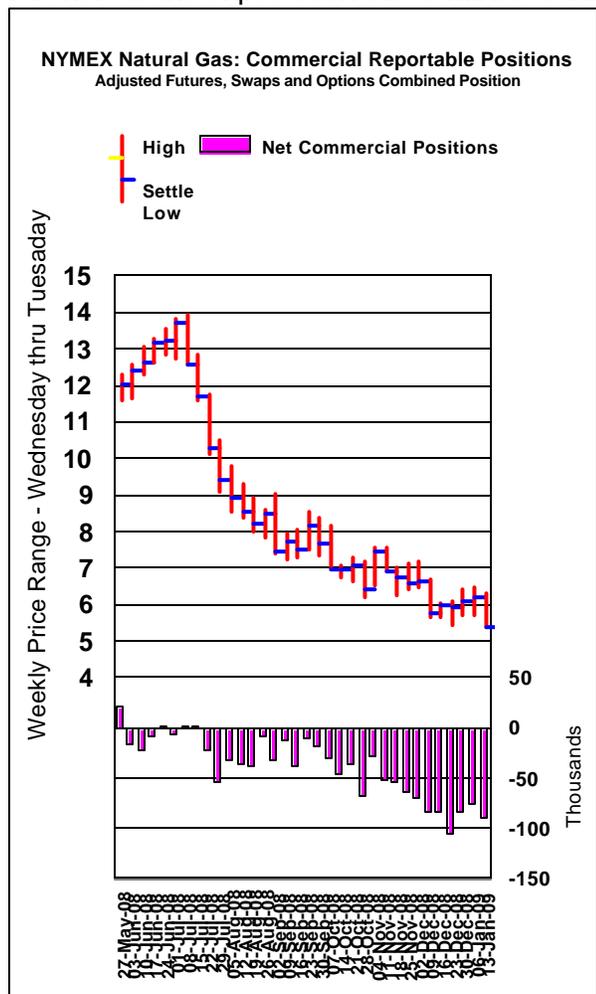
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	691,200	\$5.088	(\$0.178)	\$0.285	(\$0.619)	\$0.344
Chicago City Gate	810,400	\$5.152	(\$0.704)	\$0.349	(\$0.734)	\$0.868
NGPL- TX/OK	792,100	\$4.346	(\$0.187)	(\$0.457)	(\$0.217)	(\$0.362)
SoCal	206,200	\$3.999	(\$0.428)	(\$0.804)	(\$0.458)	(\$0.565)
PG&E Citygate	665,000	\$5.120	(\$0.093)	\$0.317	(\$0.123)	\$0.222
Dominion-South	376,600	\$5.927	(\$1.723)	\$1.124	(\$1.753)	\$1.665
USTRade Weighted	15,428,400	\$4.846	(\$0.589)	\$0.043	(\$0.62)	\$0.344

Baker Hughes reported that for the week ending January 16th the

number of drilling rigs search for natural gas in the United States stood at 1,235 down 4 from the previous week.

Barclays Capital confirmed today that it was taking over the UBS book for base metals, oil and U.S. natural gas and power trading. This acquisition along with the Lehman acquisition will place Barclays in the top 10 North American natural gas marketers.

Citicorp said today that despite its organizational restructuring, it would retain its U.S. natural gas and power trading operation in Houston. The 175-person team is to be part of Citigroup, one of two new units created in the restructuring. The bank's smaller oil trading team, Phibro, will also be part of that group. The bank's spokesman said that the energy trading operations would focus on the bank's "client business", and thus offering trading services to their clients. Citicorp will not halt its proprietary trading, but there is the expectation that it will be reduced.



FERC Commissioner Moeller said today that the global financial crisis is affecting FERC-related projects and programs, but the full impact on the sector in 2009 is still unknown. He noted that the impact on renewable energy projects has been particularly pronounced.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline said it continues to work diligently to bring supply back to its system that has been offline due to hurricane related damage from this past summer. The company today said it is hoping to complete repairs by the end of January that will allow it to begin to flow gas received into the Blue Water Header which typically flowed eastward through the Blue Water East leg to shore and through its 500 line. In the interim, the company has modified its operations to physically route such production westward into the Blue Water West Leg to shore and into Tennessee's 800 line.

Trunkline said its repairs to the underwater segment around its T-27 platform, which toppled during Hurricane Ike, are continuing. The first phase of the work will include capping the segment in Ship Shoal 274 to allow for flow to begin from receipt points downstream of Ship Shoal 274 and upstream of T-25. It is hope to be completed by January 22, 2009. The second phase will include reconnection of location

80261 in Ship Shoal 274 as well as the installation of a tie in valve for a future reconnection to Tarpon Transmission Company. This work is hoped to be completed by the end of the 2Q2009.

PIPELINE RESTRICTIONS

Gulf South Pipeline Company said that below normal temperatures are expected across its service area for the next 48-72 hours. As a result the company was requesting all shippers balance their transportation and storage contracts by conforming receipts into the system with deliveries being taken out. If shippers do not voluntarily comply, the company may be forced to declare a critical Period or OFO.

Questar Pipeline said that Southwest Gas Corporation has upgraded its Stage 3 operational flow order to a Stage 2 OFO due to improvements in line pack on upstream pipelines and a reduction in banking occurring on Southwest's system.

REX said that effective for today and until further notice, it has limited capacity for delivered quantities through Segment 130. AOR/IT & Secondary out-of-path quantities are at risk of not being scheduled.

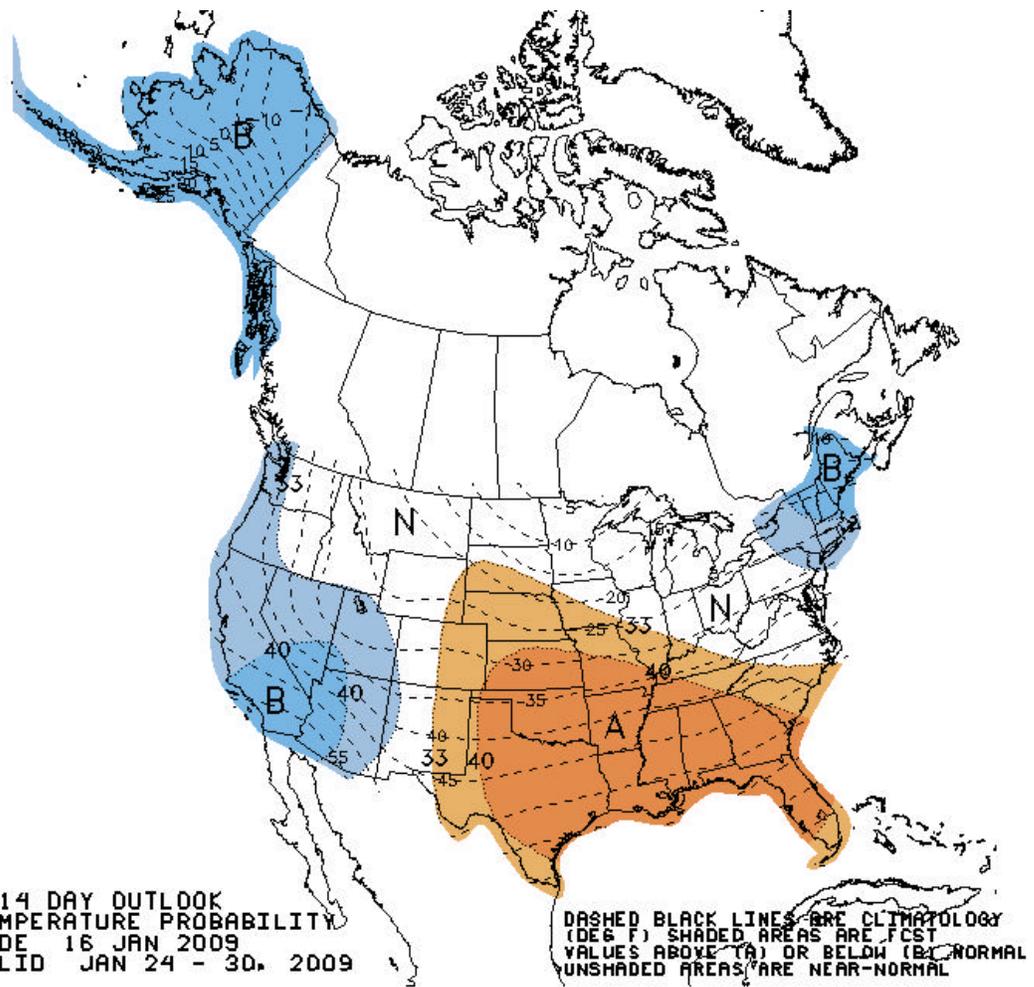
KMIGT said it is expecting a moderation in temperatures in its service territory and as a result it was lifting its Advisory Action that was originally posted on January 12 for Big Springs East. In addition the company noted that effective today and until further notice it has capacity available for gas delivered quantities through Segment 190.

Kern River Gas Transmission said that Southwest gas has upgraded its Stage 3 OFO to a Stage 2 OFO due to improvements in line pack on upstream pipelines and a reduction in the banking occurring on Southwest's system.

NGPL said that effective for today's gas day and until further notice Florida Gas-Jefferson has limited capacity for deliveries, as well as at Trunkline-Lakeside and Texas Gas- Lowry. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled.

FGT said that due to continued cold weather in its service territory it has issued an Overage Alert Day for today at a 25% tolerance.

NNG said that due to cold temperatures it was posting a SOL for all market area zones and new market #1 TBS for today. Zero percent SMS is available.



ELECTRIC MARKET NEWS

The \$1 billion offshore Cape Wind project received a

favorable environmental review by the Department of Interior today. While final approval by the federal government must still be received, the developer of the project noted the project is still on target to begin construction by early 2010 and begin producing electricity by 2011 or 2012.

Hydro-Quebec for a second day in a row urged its customers to cut power consumption to conserve electricity for heating as an extreme cold snap gripped the province. The company forecasted a record-breaking demand level would be reached at 38,000 Mw.

Mississippi Power today filed an application with the Mississippi Public Service to build a 582 Mw IGCC power plant in Kemper County, MS. The plant would have carbon capture capabilities, making it one of first such facilities in the country.

Genscape estimated that U.S. coal burn index rose 6% during the week ending January 15th, up 1% from the same week a year ago.

MARKET COMMENTARY

The natural gas market posted a typical inside trading session for a Friday. But the market still posted yet another lower settlement, for the fourth consecutive day and the eighth time out of the last nine trading sessions. Temperatures are expected to moderate across much of the nation by the middle of next week, and continue into the following week and as a result it appears traders are comfortable in remaining in their short positions, since there is little or no reason for them to take profits as each day seems to bring yet another wave of bearish economic news and industrial demand continues to contract. The loss of this demand coupled with strong domestic productions appears to be far outweighing some strong residential heating loads currently. This afternoon's Commitment of Traders report appears to show this bearish traders perspective, as commercials once again rebuilt their net short position by over 13,500 lots for the week ending January 13th.

We continue to look for this market to eventually test the \$4.50-\$4.00 level, with minor resistance we see at \$4.70, \$4.68 and \$4.638. Resistance we see initially at \$4.93, \$5.06 and \$5.14. More significant resistance we see at \$5.314, \$5.49 and \$5.668/ More distant resistance we see at the 40 day moving average at \$5.845 and the upper end of the trading channel at \$6.03.

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