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POWER MARKET REPORT FOR JANUARY 21, 2009

NATURAL GAS MARKET NEWS

A liquefied natural gas cargo was offloading into Excelerate Energy's Northeast Gateway facility off the coast of Massachusetts. It is the first full LNG cargo to arrive at the Massachusetts terminal, which has been idle for eight months as higher prices and demand diverted cargoes away from the US to Asian markets.

Italian imports of Russian gas resumed and returned to normal. Also, Balkan countries began receiving gas shipments from Russia via Ukraine on Wednesday, almost two weeks after a price dispute led to a halt in deliveries. Serbia's Srbijagas started receiving full supplies of Russian gas on Wednesday morning. Russian gas started flowing into the southeastern European gas network on Tuesday after Ukraine and Russia settled a price dispute. Bosnia's BH Gas said that Russian gas supplies was restored on Wednesday morning. Meanwhile, the flow of Russian natural gas to Turkey via Ukraine resumed and the volume of gas is expected to return to normal levels later on Wednesday. Botas will start selling gas again to power plants that had switched to other fuels and were operating at low capacity.

Separately, Iran resumed gas exports to Turkey on Wednesday after a temporary halt to supplies. Iran temporarily halted natural gas deliveries on Tuesday morning to repair the pressurization unit. Iran delivers about 12-15 million cubic meters/day of gas to Turkey.

Kazakhstan's Energy Minister Sauat Mynbayev said the country increased the fee for the transit of Uzbek and Turkmen gas to Russia by 21% at start of 2009. It signed a deal on December 31 raising the fee to \$1.7 per 1,000 cubic meters per 100 kilometers from \$1.4.

The Britannia gas field in the UK North Sea returned to service on Wednesday from an unplanned outage a day earlier. Inflows via St. Fergus Mobil terminal returned to more than 30 mmcf/d after falling back below 20 mmcf/d on Tuesday.

Generator Problems

WSCC – Energy Northwest's 1,150 Mw Columbia Generating nuclear unit returned to full capacity, up from 65% on Tuesday.

Arizona Public Service's 1,270 Mw Palo Verde nuclear unit 2 returned to full power overnight, up from the 90% capacity level held since late last week.

SERC – The NRC has dispatched a Special Inspection Team to the Brunswick nuclear power plant. It will inspect and assess circumstances associated with a January 1 malfunction of a component on one of the plant's four emergency diesel generators and the discovery of a similar condition on another.

NPCC- Exelon Corp's 1,112 Mw Peach Bottom 3 nuclear unit was cut to 10% on Wednesday from 75% on Tuesday.

Ontario Power Generation's 490 Mw Nanticoke coal fired power station 3 was shut early Wednesday while unit 1 exited an outage.

The NRC reported this morning that 94,381 Mw of nuclear generation capacity was on line, down 0.71% from Tuesday and 1.25% higher than the same time a year ago.

Spain's Industry Minister Miguel Sebastian said an increase in Algerian gas exports to Spain when the Medgaz pipeline opens later this year could increase supplies to Europe as a whole. The pipeline will carry up to 8 bcm of gas. Medgaz finished laying the undersea stretch of the planned pipeline in December. It plans to conduct tests until March and start transporting gas to Spain in the second half of 2009 from the Beni Saf field in Algeria.

PIPELINE MAINTENANCE

Alliance Pipeline said minor maintenance will require the Alameda Compressor Station to be offline for four hours on Thursday. System throughput will not be impacted.

Sabine Pipe Line LLC will shut a compressor at the Henry Hub North Booster Station on Wednesday to perform needed repairs that should be completed within 24 hours. It will declare a force majeure due to the loss of compression and resulting loss of capacity.

TransColorado Gas Transmission Co LLC said it has cancelled previously scheduled maintenance at its Whitewater Compressor Station for Wednesday.

Williston Basin Interstate Pipeline Co will start the second compressor associated with the Bakken Expansion project on Wednesday. Williston Basin will have about an additional 10,000 equivalent dkt/d of firm capacity available for redelivery into Northern Border at the Charbonneau delivery point depending upon receipt point location.

Tennessee Gas Pipeline completed post hurricane Ike repairs on the 36-inch Bluewater East Leg.

Cheyenne Plains Gas Pipeline Co will take one unit at a time out of service at the Cheyenne Compressor Station starting February 3-6 for inspections. Capacity will be reduced from 895 mmcf/d to 750 mmcf/d.

Colorado Interstate Gas said the Neff Lake Meter Station will be out of service on February 11 to install an over pressure protection valve. Volumes at the station will go to zero during the outage.

Williams Partners LP announced the mainline of the Discovery offshore gathering system has been repaired and is back in service following damage sustained from Hurricane Ike. The mainline is delivering 150 mmcf/d of production, which was its approximate volume prior to the hurricane. An 18-inch lateral that was damaged in September remains offline while repairs are being made, shutting in about 30 mmcf/d of production. The lateral is expected to be repaired and placed back into service by mid-February.

Kern River Gas Transmission Co said that on February 24-26, it will complete the required annual test of the emergency shutdown system, unit#2 engine exchange and annual maintenance of unit #1 at the Fillmore compressor station. The estimated operational capacity at Veyo will be 1,877,000 Dth/d on February 24-25 and on February 26, the estimated operational capacity at Veyo will be 1,972,000 Dth/d.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Co said Columbia Gulf Chalkley has limited capacity available for deliveries starting Wednesday until further notice. Limited ITS/AOR and Secondary out-of-path Firm transport are available. It said Texas Gas Lowry has limited capacity for deliveries starting Wednesday until further notice. Natural Gas Pipeline Co also said it is at capacity for deliveries to Trunkline-Lakeside until further notice. ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled.

TransColorado Gas Transmission Co LLC has limited capacity available for delivered quantities through Segment 230 effective immediately and until further notice. Depending on level of nominations AOR/IT and Secondary out-of-path quantities may be at risk of not being scheduled.

Florida Gas Transmission said it is issuing an Overage Alert Day on Wednesday at a 15% tolerance as cold temperatures have moved into a large portion of Florida and its line pack is lower.

ELECTRIC MARKET NEWS

NACEL Energy Corp confirmed it has entered into two long term wind development rights agreements covering an aggregate of 1,573 acres located in Swisher County, Texas. It anticipates 20 Mw or more of power generating capacity from Swisher.

MARKET COMMENTARY

The natural gas market retraced some of its recent losses following five consecutive losing sessions. The market, supported by some short covering, ended the session in positive territory. It posted a low of \$4.621 in early morning trading on Globex before it rallied to a high of \$4.859. The market was also buoyed by some short term weather forecasts calling for below normal temperatures to stretch from the Midwest to the Northeast next week. The market also turned its attention to the EIA's natural gas storage report due out on Friday, which is expected to show a large weather related draw. The market later retraced some its gains only to see prices bounce back towards its highs in afternoon trading amid the rally in the oil complex. The natural gas market settled up 13.8 cents at \$4.78.

While the natural gas market will remain supported ahead of the EIA's natural gas storage report due out on Friday, its gains will be limited. The short term weather forecast may provide the market some support, however forecasts are calling for moderating temperatures in early February, which will keep buyers cautious. The National Weather Service's 8-14 day forecast is still calling for above normal temperatures for the eastern half of the country with seasonal or below seasonal temperatures expected for the rest of the US. The natural gas market is seen finding support at \$4.68, \$4.648, \$4.515 and \$4.41. Resistance is seen at \$4.859, \$4.886, \$4.991 and \$5.124.