



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR JANUARY 27, 2009

NATURAL GAS MARKET NEWS

S&P/Case-Shiller index reported this morning showed that home prices in 20 cities in the United States declined by a record 18.2% in November from a year earlier.

Oregon officials Tuesday filed with a federal appeals court seeking to reverse FERC's recent conditional approval of the NorthernStar Natural Gas Bradwood Landing LNG receiving terminal project slated for the Columbia River.

MarkWest Energy Partners and NGP Midstream & Resource LP announced the formation of a joint venture to construct and operate natural gas midstream services in the Marcellus Shale area. By the end of the year the company hopes to be processing up to 240 million cubic feet per day

Standard & Poors analysts warned today that given the poor economic outlook for at least the first half of 2009, oil and gas producers, particularly those with speculative grade credit rating, may be facing a difficult financial period over the near term as their commodity hedges expire, and they start to feel the full effect of lower oil and gas prices. The analysts warned that some of these companies need to realize \$6 to \$7 per Mmbtu NYMEX prices to be profitable. The analysts did note though that energy prices would begin to rise once again as the general economy improves. S&P noted that the default rate of S&P rated companies has risen 13% in the first three weeks of 2009, with 13 companies defaulting, six times the normal average. Ultimately the analysts predict that 200 or more rated companies will default on their debt.

WSI Corporation said it sees the February-April period to average colder than normal across most of the United States, with the exception of the southeastern quarter of the country. The forecaster sees that given inventories of gas being 6% below both the five year average and last year's levels in the Consuming East, basis pressure can be expected in the Northeast. These higher basis prices should also help to keep power prices firm in New York, New England and the Mid-Atlantic states.

Nigeria LNG said Tuesday that the force majeure on exports from the Bonny plant in southern Nigeria remains in place while Shell Oil completes repairs on one of the feeder plants. The company declared the force majeure back on November 28th,

Generator Problems

NPCC – OPG's 494 Mw Lambton coal fired unit 1 was shut for short-term work by early Tuesday.

Exelon's 1,112 Mw Peach Bottom 3 nuclear unit is offline at 10% after it was restarted late Monday. The unit was shut on January 21st for planned work to replace a main power transformer.

SERC – TVA's 1155 Mw Browns Ferry #3 nuclear unit returned to full power after it was cut to 79% capacity on Monday to adjust the reactor's control rods.

The NRC reported this morning that 93,252 Mw of nuclear generation capacity was on line, up 0.33% from Monday and 1.52% higher than the same time a year ago.

Norway's StatoilHydro ASA said it restarted gas production at its Kvitebjørn and Visund fields in Norway after successfully repairing an associated export pipeline. The fields were closed on August 20 after the export pipeline leaked as a result of damage by a ship's anchor.

European Commission President Jose Manuel Barroso said the EU would seek to strengthen its energy ties with Ukraine to avoid future disruptions of Russian gas supplies through the country after meeting with Ukraine's President Viktor Yushchenko. He said Brussels will host a conference on March 23 on how to improve and finance the development of Ukraine's transit gas network and its connections with Europe's. Ukraine's President said the agreements signed with Russia by his political rival, Prime Minister Yulia Tymoshenko were not easy but gave no indication he would challenge them. They voiced confidence the EU and Ukraine would sign this year as planned an associated agreement, which would provide for easier trade and travel, some aid and strong economic cooperation.

Czech Prime Minister Mirek Topolánek said Russia's plan to build the North and South Stream pipelines threaten the viability of the European Nabucco project. He said it was time for the European bloc to proceed with its Nabucco project to reduce the continent's dependence on Russian gas and diversify its supply. He said Russia's plan to build the North Stream and South Stream pipelines which bypass Ukraine and the Baltics will maintain the EU's dependency on Russia, threatening the Nabucco project. Top officials from Brussels to Iraq and from Turkey to Azerbaijan gathered in Budapest in hopes that the recent Russian-Ukrainian gas dispute can provide an impetus to proceed with the Nabucco project. Hungary's Prime Minister Ferenc Gyurcsány said the EU should help finance Nabucco. Azerbaijan, a potential supplier confirmed it remains committed to the project and called on participants to move forward. Georgia also stated that it is committed to the pipeline project.

Energy Transfer Partners, LP entered into an agreement with Chesapeake Energy Marketing Inc to construct a 178-mile interstate natural gas pipeline known as Tiger Pipeline. The pipeline will connect to ETP's dual pipeline system near Carthage, Texas, extend through Haynesville Shale and end near Delhi, Louisiana with interconnects to at least seven interstate pipelines at various points in Louisiana. The pipeline is expected to have an initial throughput capacity of at least 1.25 bcf/d, which can be increased up to 2 bcf/d.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said it would be performing pigging operations on Line 1100 from Eunice to Pecos River for February 4-5.

Gulf South Pipeline said it will be performing scheduled maintenance at the Bistineau Compressor Station Unit #2 beginning February 2nd and last for four days. Capacity at the station will be reduced during the work by as much as 100,000 Dth.

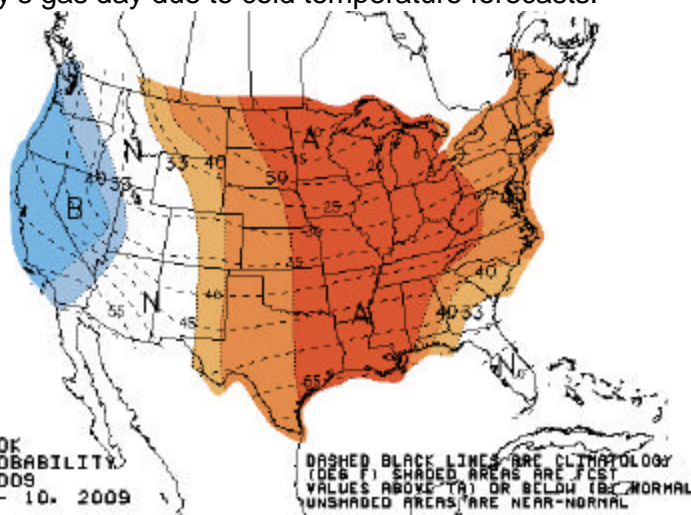
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline declared a force majeure affecting meters at Eugene Island 251A, Eugene Island 273B, Eugene Island 273A(D), Eugene Island 308A, Eugene Island 309G and Eugene Island 292B.

The Rockies Express Pipeline said that effective for today and until further notice the pipeline was at capacity for delivered quantities to NNG Gage. Based on the current level of nominations, IT/AOR and secondary quantities are at risk of not being scheduled.

PG&E California Gas Transmission said it has issued a customer specific OFO for today due to low inventory.

Northern Natural Gas Co issued a SOL for all market area zones and for new market, Minnesota #1 TBS for Tuesday's gas day due to cold temperature forecasts.



Chandeleur Pipe Line Co issued a force majeure at the Coden Lateral due to an unanticipated situation. It is evaluating the situation to determine its cause and estimated repair time.

Transco Pipeline lifted an imbalance operational flow order issued on Sunday for much of the Transco market area due to cold weather.

Rockies Express Pipeline said the pipeline is at capacity for delivered quantities to NNG Gage starting today and until further notice. IT/AOR and secondary quantities are at risk of not being scheduled.

Colorado Interstate Gas has lifted the underperformance cap at Black Forks. It will keep the underperformance warning on the Blue Forest, Arikaree interconnects and will maintain the underperformance cap at Saddle Draw, Table Rock Residue and Desert Springs until further notice.

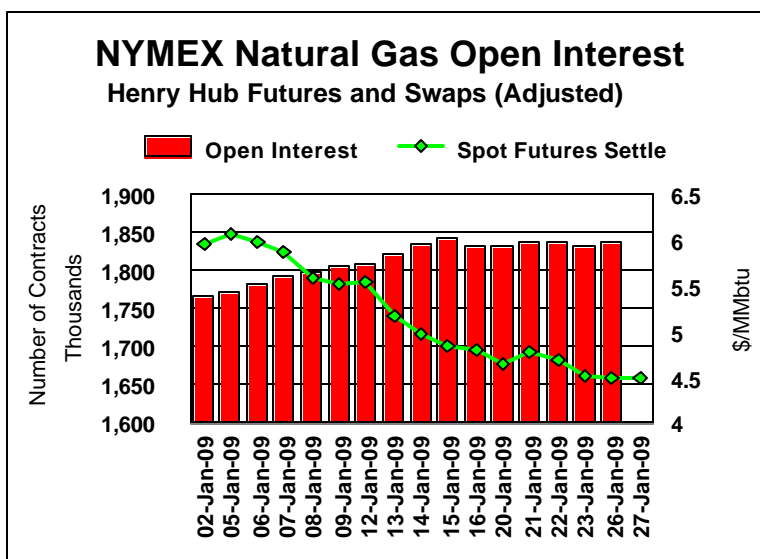
ELECTRIC MARKET NEWS

Sithe Global Power has started to test its 875 Mw Goreway natural gas fired power plant in Ontario and operators hope to have the unit in commercial service by the second quarter. The plant had originally been slated to begin operations in 2007.

Genscape reported that coal supplies at U.S. power plants fell 1.2% this week from last week but were 7.8% greater than the same week in 2008. Nationally there was some 54 days of forward supply of coal at power plants.

National Grid said that it plans to spend up to \$1.7 billion over the next five years to improve its electric system in new York and new England.

Platts reported that according to a draft EU strategy paper, the EU may seek to create a joint carbon market with the United States, if the U.S. moves forward and creates a cap and trade system. The EU may also look to set up "bilateral processes" with other national or regional cap and trade programs with a focus on tie-ups with OECD nations. Meanwhile a new scientific study led by NOAA released today said changes in surface temperature, rainfall and sea levels are largely irreversible for more than 1000 years after carbon dioxide emissions are completely stopped. The study noted that if current day concentrations of



CO2 of 385 parts per million were to grow to 450-600 parts per million, the results would include persistent decreases in dry season rainfall that would be comparable to the 1930's North American Dust Bowl in zones including southern Europe, northern Africa, southwestern North America, southern Africa and western Australia. These decreases in rainfall would not last for decades but possibly centuries.

The Electric Power research Institute said today that five electric utilities in the U.S. and Canada will host studies of post-combustion CO2 capture systems at existing coal fired power plants. The studies are hoped to be completed within the year.

The winter storm that was sweeping across the midsection of the nation today headed for the U.S. northeast has already knocked power out to over 250,000 customers as of this afternoon, with more disruptions expected due to the widespread ice storm.

The American Wind Energy Association reported today that U.S. wind power capacity grew last year at its fastest rate ever, but development was impacted late in 2008 due to the economic downturn. New wind generation installed last year reached 8,358 Mw, a nearly 50% jump over 2007 levels. This brings U.S. wind generation capacity up to 25,000 Mw.

MARKET COMMENTARY

The natural gas market today appeared to take a pause in its nearly month long sell off, despite it being the expiration for the penultimate contract and natural gas options. The market posted an inside trading session today. While the market set its trading range between 7-9 AM EST, it spent much of the day in a much smaller trading range of just seven cents as the market appeared unable to find any traction despite the much more volatile oil trading session. The market basically settled around the \$4.50 strike, but never made a serious attempt to run for the \$4.00 price level where nearly 12,000 open positions were in the February put options. Volume on the day between the Henry Hub futures and swaps contracts on an adjusted basis was some 17,000 lots higher than yesterday but some 20,000 lots less than were posted on Thursday and Friday of last week.

We would look for tomorrow to potentially be a much more volatile trading session. The natural gas market typically can be substantially more volatile following an inside trading session, and coupled with the fact that as of the close on Monday there was still some 20,000 contracts still open in the spot contract, substantial more than the spot contract has seen over the same point prior to expiration, as recorded over the prior two expirations. We would therefore look for prices to make a run at Monday's lows of \$4.377, with additional support at \$4.32 and \$4.05, the spot low from September 2006. Initial resistance we see at \$4.58, \$4.65 and \$4.705. More significant resistance we see at \$5.089 and \$5.309 the 38% and 50% retracements of this month's sell off as well as \$5.494 the 40 day moving average. The bulls could take some comfort in the fact that despite the relatively unrelenting sell off in the spot contract the March-April 09 spread has been relatively stable for the past two weeks and is on the verge of breaking above the 40 day moving average, which tomorrow appears to be at -0.052. If the market was able to breach this level and settle above this moving average it would be a feat that has not been accomplished since July of last year and could be a signal for at least a short term bounce in natural gas values.