



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 8, 2008

NATURAL GAS MARKET NEWS

Chesapeake Energy announced today that the company has decided to cut its drilling capital expenditure plans for 2009 and 2010 by \$2.9 billion or 31% from levels it had announced just back on November 3rd and it has slashed its leasehold and production properties acquisition budget for the two years by \$2.2 billion or by 78%. The company also plans to build up to \$4 billion in additional cash in 2009 and 2010 through further asset monetizations. The company thus expects production growth of 5-10% in 2009 and 10-15% in 2010, with proved reserves standing at 13.5-14 tcf by the end of 2009.

Russia's energy minister said Monday that he looks for Russian gas output will increase to 701 bcm/year in 2010, 800 bcm/year in 2015; 880 bcm/year in 2020; 910 bcm/year in 2025 and 935 bcm/year in 2030. He sees exports outside of the CIS to reach 181 bcm/year in 2010, 279 bcm/year in 2020 and 310 bcm/year in 2025 and 2030.

The Climate Prediction Center reported this morning that for the week ending December 6th it saw

Generator Problems

NPCC – OPG's 881 Mw Darlington #4 nuclear power plant returned to service Monday after being off line since this past Friday.

OPG's 535 Mw Lennox #4 oil and gas fired power plant returned to service Monday. The unit had been off line since October 23rd for maintenance.

OPG reported that its 490 Mw Units #4, 7 and 8 at the Nanticoke coal fired power plant returned to service this morning. Units #4 and #7 were shut on December 1st and Unit #8 had been off line since November 23rd.

PJM – Exelon's 619 Mw Oyster creek nuclear power station has exited its maintenance outage and was back to full power this morning.

MRO – Exelon's 855 Mw Quad Cities #2 nuclear unit which had been shut down over the weekend, was back online this morning and at 72% capacity.

Exelon's 1120 Mw Braidwood #2 nuclear unit was at 88% capacity this morning. The unit had been at full power on Saturday.

SERC – TVA's 1155 mw Browns Ferry #1 nuclear unit was back to full power this morning. The unit had been at 42% of capacity as operators were ramping it back up following a refueling outage that began on October 25th.

FRCC – Progress Energy's 838 Mw Crystal River #3 nuclear unit returned to full power this morning. Operations had been reduced to 50% recently for operators to fix a feed water pump.

WSCC – EPCOR/TransAlta 450 Mw coal fired Unit #3 at the Genesee power plant was shut over the weekend.

ERCOT – Luminant's 750 Mw Martin Lake coal fired Unit #1 was expected to be taken off line today to fix a boiler tube leak.

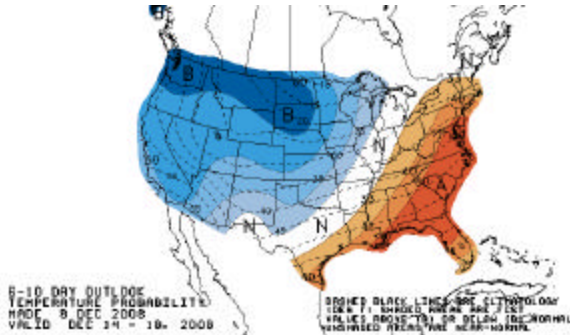
Luminant expects to restart its 575 Mw Big Brown coal fired Unit #1 over the next couple of days. The unit was taken off line on November 8th for turbine work.

NRG Energy is planning to restart its 864 Mw Limestone #2 coal fired power plant today. The unit was off line this past weekend.

The NRC reported this morning that 92,062 Mw of nuclear generation capacity was on line, up 0.5% from Friday and 1.13% lower than the same time a year ago.

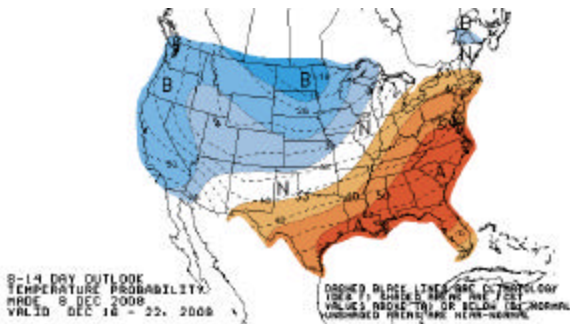
the nation on a population weighted basis had 192 Heating degree

days for the week, some 9.7% larger than normal but nearly identical to last year. The agency sees the current week ending December 12 will be nearly identical at 194 HDD some 1.5% above normal and 4.3% colder than the same week a year ago. The current heating season while some 10% colder than last year is still running 6% warmer than normal.



would lift U.S. crude production by 2 million barrels per day by 2030, with natural gas production increasing by 5.34 bcf/d.

Alaskan officials on Friday officially signed the license agreement that gives TransCanada Alaska LLC and affiliate Foothills Pipelines the concession to construct a pipeline to tap the state's North Slope gas reserves. The state's legislature approved the project some four months ago. The license authorizes TransCanada to receive up to \$500



Alberta for less than \$3 per Mmbtu.

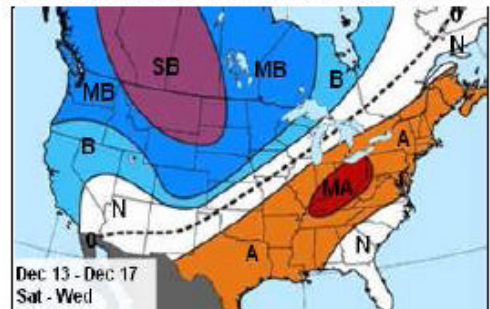
Raymond James & Associates in a note to clients said today, that as a result of today's announcement of Chesapeake Energy cutting its exploration budget, they have lowered once again their estimated U.S. rig count predicting a reduction of 41% or 850 for the industry in 2009.

PIPELINE RESTRICTIONS

Transco Pipeline said Monday that it would terminate an OFO on its natural gas pipelines as of Tuesday, as more moderate temperatures were expected to return to the Northeast U.S. market area. Transco had issued the OFO on December 5th. The company though noted that a return to below normal temperatures again on Thursday would force the company to implement another system wide Imbalance OFO.

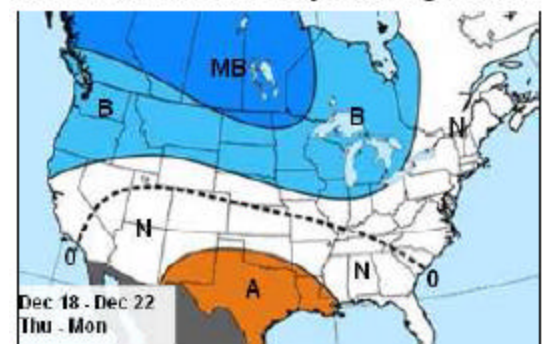
API released a study Monday that estimated the development of America's oil and gas resources that have been kept off-limits by Congress could generate more than \$1.7 trillion in government revenue and create thousands of jobs. The study estimates that developing the offshore areas that have been subject to Congressional moratorium until recently, as well as the resources in Alaska's Arctic National Wildlife Refuge and a small portion of currently unavailable federal lands in the Rockies,

MDA EarthSat 6-10 Day Morning Outlook



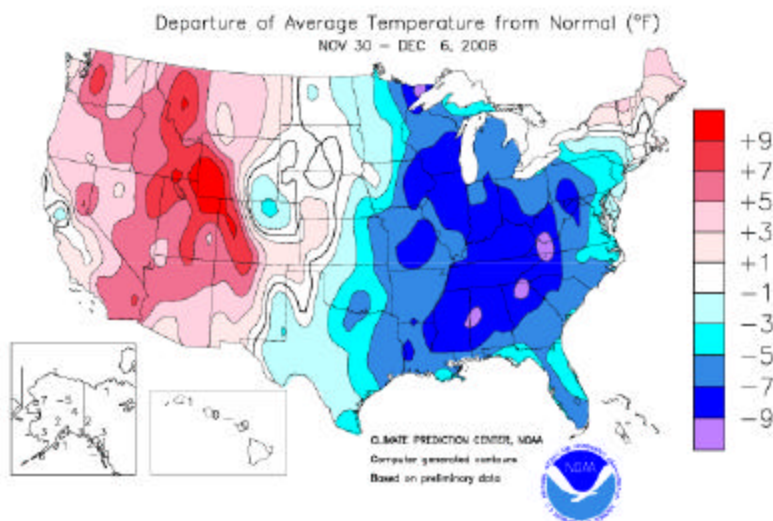
million in matching state funds for pipeline-preparation expenditures. The license also bars the state from negotiating separately with any other potential gas pipeline sponsor. But it does not preclude alternative gas pipeline proposals, such as the Denali project. TransCanada said it was important for the project to be able to move the gas from the North Slope to

MDA EarthSat 11-15 Day Morning Outlook



PIPELINE MAINTENANCE

Alliance Pipeline said inspections and maintenance needs require the Tampico Compression Station to be offline for 12 hours on December 9th and again on December 10th. System throughput will be impacted but will be determined closer to the outage date. The company also said it will perform routine inspections that will require Unit #1 at the Whitecourt Lateral Meter/Compression Station to be unavailable for 10 hours on December 10th. Station capacity will be reduced by 627e3m3. The company also reported that scheduled maintenance at the Wimbledon Compression Station will be offline for 10 hours Tuesday, December 9th.



WIC said that GE unit at the Douglas Compressor Station was taken out of service over the weekend for repairs to its controls. The unit will be down through December 12th. Through this period capacity through (MBC) will be reduced from 1520 MMcf/d to 1120 MMcf/d.

ELECTRIC MARKET NEWS

Constellation Energy today announced its Board of Directors has authorized the company to begin immediate merger talks with EFP, related to EFP's unsolicited proposal received on December 2nd. The company though has not withdrawn its definitive merger.

T. Boone Pickens said Monday that he was "anxious" for his company's multibillion dollar plans to build a giant wind farm in Texas, given the difficulty in securing project financing given the currently fiscal crisis and drop in energy prices. He noted that there currently is no project financing available in the marketplace and is looking to see what the new incoming administration will do in this area. Mesa Energy began the first stage of the project earlier this year when it purchased 600 wind turbines. He went onto say that he did not see oil prices falling below \$40 per barrel and could see oil prices moving back to \$100 per barrel in a year if the economy improves.

MARKET COMMENTARY

The natural gas market started out this week falling for the fifth consecutive trading session as a result of weather forecasts for the next two weeks turning dramatically warmer over the eastern half of the nation. The market overlooked the positive bounce in the equity and oil markets today and rather focused on the disappearance of the arctic temperatures that had been promised by forecasters just a week ago. The latest GFS run showed that the reservoir of arctic air over Canada has been eroded away and replaced by milder Pacific air. With the supply of cold air gone the GFS model now suggests the central and eastern United States will warm up, and possibly see several days of above to much above normal temperatures. While the overall confidence in these forecasts especially out 11-15 days, is extremely low for many private forecasters, energy traders were taking no chances and looked to sell this market. AccuWeather seems to be the lone voice in the forecasting community as they continue to look for colder temperatures to push further south next week than the other models appear to point to and in fact they are calling for the potential of snow by the end of this week up the eastern seaboard and again next week. Volume in the futures was basically in line with the prior two sessions with just over 149,000 futures booked on the day.

It is obvious that weather continues to be the driving force for this market and will be until at least Thursday's natural gas storage report. We would look for this market to test minor support tomorrow at \$5.48-\$5.45, followed by \$5.342 and \$5.20. Key support though in our mind will be the bottom of a three-month plus channel which tomorrow will be found at \$5.196. Resistance we see initially at \$5.70, \$5.85 and \$5.962. More significant resistance we see at the Fibonacci points of \$6.055, \$6.231 and \$6.40. The 40-day moving average will also be a key distant resistance point, which tonight was at \$6.74.

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