



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 12, 2008

NATURAL GAS MARKET NEWS

FBR Capital Markets told customers today that they had revised lower by more than a dollar their 2009 natural gas price outlook, seeing that natural gas prices next year could fall to \$5 mcf due to a saturated natural gas market.

Barclay's analyst Tom Driscoll warned Friday that U.S. natural gas would need to fall below \$4 per Mcf for at least 90 days in 2009 to rebalance an oversupplied market. He viewed this price level was needed to drastically force drilling activity downward. He estimates a gas rig count decrease of roughly one third could be required to balance the gas market by the fourth quarter of 2009. His near term call was for gas to average \$5.50 per mcf.

Excelerate Energy reportedly is in talks with South Africa's Petro SA about building a LNG import facility in South Africa. Petro SA is looking at bringing a Gasport-type facility that would allow specially designed tankers to regasify the LNG on board before pumping the gas into the onshore network.

Elizabeth Spomer of the BG Group told a gas conference today that the world is facing a severe LNG supply crunch when demand rebounds after this current economic crisis if more production plants are

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	813,400	\$5.558	(\$0.307)	\$0.066	(\$0.356)	(\$0.173)
Chicago City Gate	735,300	\$5.626	(\$0.293)	\$0.134	(\$0.118)	\$0.166
NGPL- TX/OK	498,100	\$5.017	(\$0.306)	(\$0.475)	(\$0.131)	(\$0.480)
SoCal	294,400	\$5.241	(\$0.232)	(\$0.251)	(\$0.057)	(\$0.330)
PG&E Citygate	459,600	\$5.913	(\$0.109)	\$0.421	\$0.066	\$0.289
Dominion-South	202,900	\$5.882	(\$0.419)	\$0.390	(\$0.244)	\$0.444
USTRade Weighted	14,234,500	\$5.136	(\$0.531)	(\$0.356)	(\$0.36)	(\$0.173)

not built soon. While short term the market should be well supplied as several new large projects come on stream, after 2012 the supply crunch would most likely hit.

Generator Problems

NPCC – Entergy announced it had reduced output of its 620 Mw Vermont Yankee nuclear power station due to reduced demand as more than 300,000 customers lost power from overnight ice storms in the region.

MRO- Ameren's 1190 Mw Callaway nuclear power station was shut overnight due to feed water transient. The unit had been at full power on Thursday.

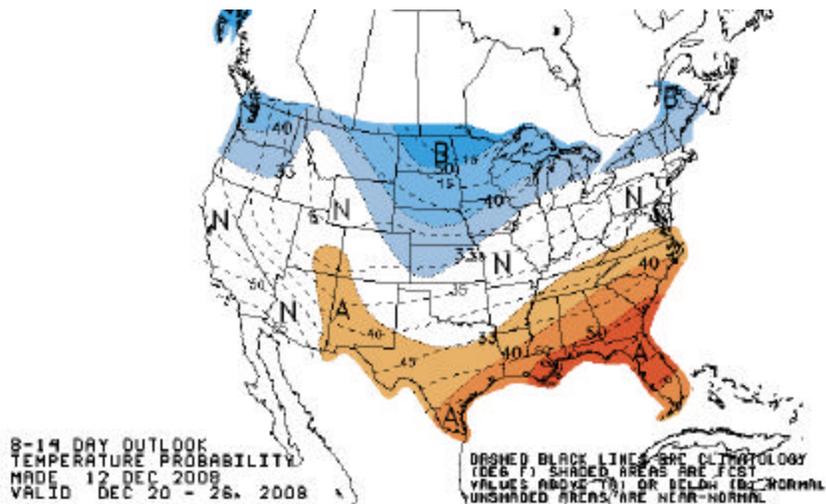
SPP - Entergy's 836 Mw Arkansas Nuclear One power unit started to exit a refueling outage and ramped up to 11%.

SERC – Duke Energy's 846 Mw Oconee #2 nuclear power plant started to exit its refueling outage and was at 19% power this morning.

The NRC reported this morning that 91,852 Mw of nuclear generation capacity was on line, down 1.5% from Thursday's level and 2.04% lower than the same time a year ago.

The gas pipeline connecting the British and Belgian gas networks is being switched to UK import mode, the link's operators said today. In fact the link has been import mode since Thursday. Meanwhile the link operator reported that the gas pipeline connecting the two countries will be closed for annual maintenance for 15 days on September 8, 2009.

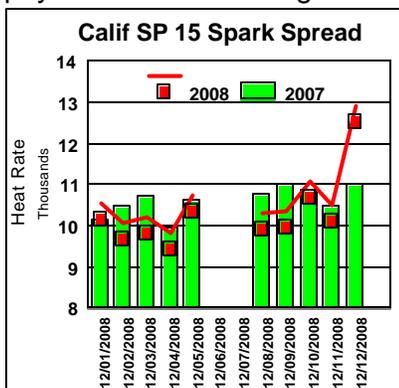
Baker Hughes reported today that the number of gas rigs working in the United States stood at 1,379, down 49 on the week. This is some 225 less than were working just at the start of September of this year.



The acting head of the CFTC said Friday that the next U.S. government has a better chance than its predecessor to regulate markets according to risk. He called on the Obama administration to lead the regulatory changes rather than defer to Congressional action alone. He again called for a three-risk based regulatory authorities that will separately oversee systemic risks in the financial system, market integrity and customer protection. He again

voiced his opposition to the idea of the CFTC and the SEC being merged together.

Gazprom officials today noted that they are hopeful of a resolution in its dispute with the Ukraine over payments for natural gas. Gazprom claims that the Ukraine owes it \$2.4 billion for September –

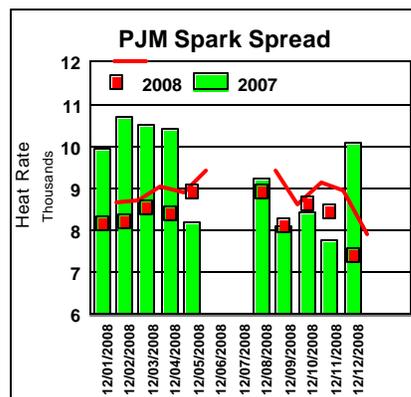


November gas supplies plus interest for late payments. The Ukrainian prime minister though claimed the talks over the 2009 contract with Gazprom is being derailed by disputes on keeping intermediaries in gas supplies, such as Rosukrenergo in place are hindering efforts in finalizing a deal.

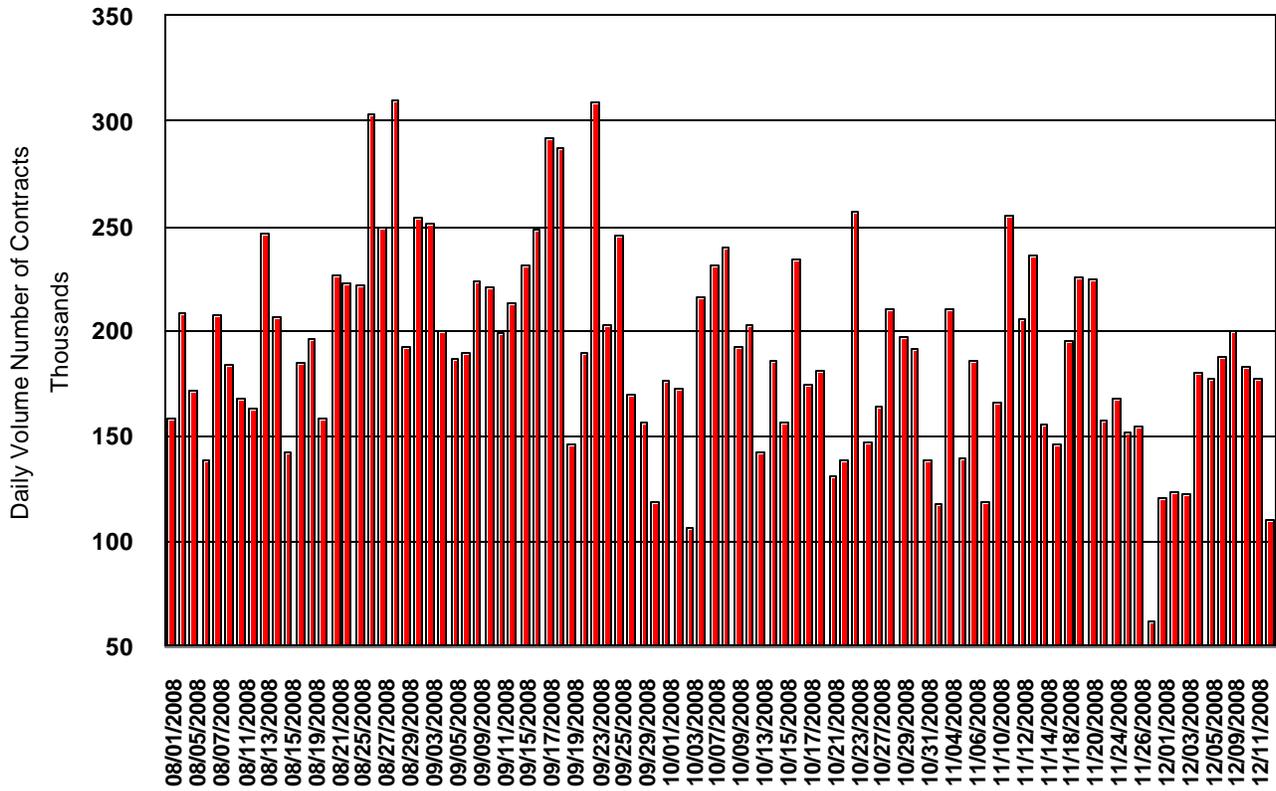
Palomar Gas Transmission a joint venture between TransCanada and Northwest natural Gas earlier this week filed an application with the FERC to build a natural gas transmission pipeline to move Rocky Mountain gas into markets in the Willamette Valley and the I-5 corridor.

PIPELINE RESTRICTIONS

Rockies Express Pipeline said that it continues to assess its progress in constructing REX East and the associated projected in-service dates but is affirming the dates and levels of service initially projected back on November 6th. Initial REX East service is projected to commence deliveries to NGPL(Moultrie County, IL) Trunkline (Douglas County, IL), Midwestern (Edgar County, IL) and PEPL (Putnam County, IN). The company also expects to have the Ameren (Moultrie County, IL) in service as well. Service to Lebanon is projected to commence June 15th with a capacity of 1600 Mtdh/d. In service of the fully powered REX East pipeline to Clarington, Ohio is projected to start on November 1, 2009 with a capacity of 1800 Mtdh/d.

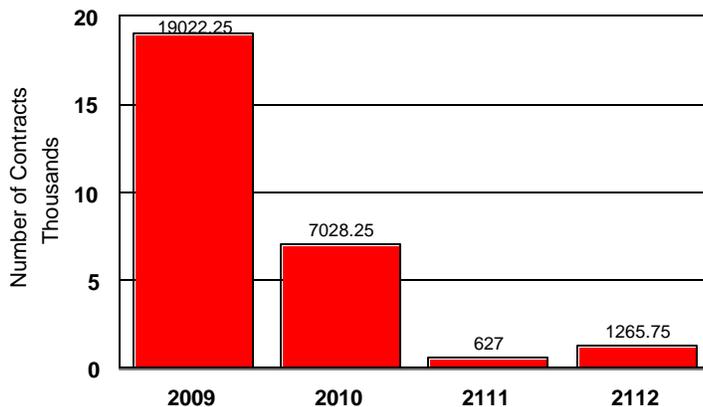


NYMEX Natural Gas Futures and Swaps: Henry Hub Combined Adjusted Volume



Northwest Pipeline said that according to weather forecasts for the Pacific Northwest, it is expecting colder temps to force it to declare a Stage II Overrun Entitlement for all receiving parties north of the Plymouth compressor station. The company said the OFO remains in effect at the Kemmerer compressor station.

NYMEX Natural Gas Open Interest Henry Hub Futures and Swaps(Adjusted) 12/11/08 Change From One week Earlier



Williston Basin Interstate Pipeline said that due to forecasted cold temperatures for its entire service area, it may be necessary for the company to declare an OFO.

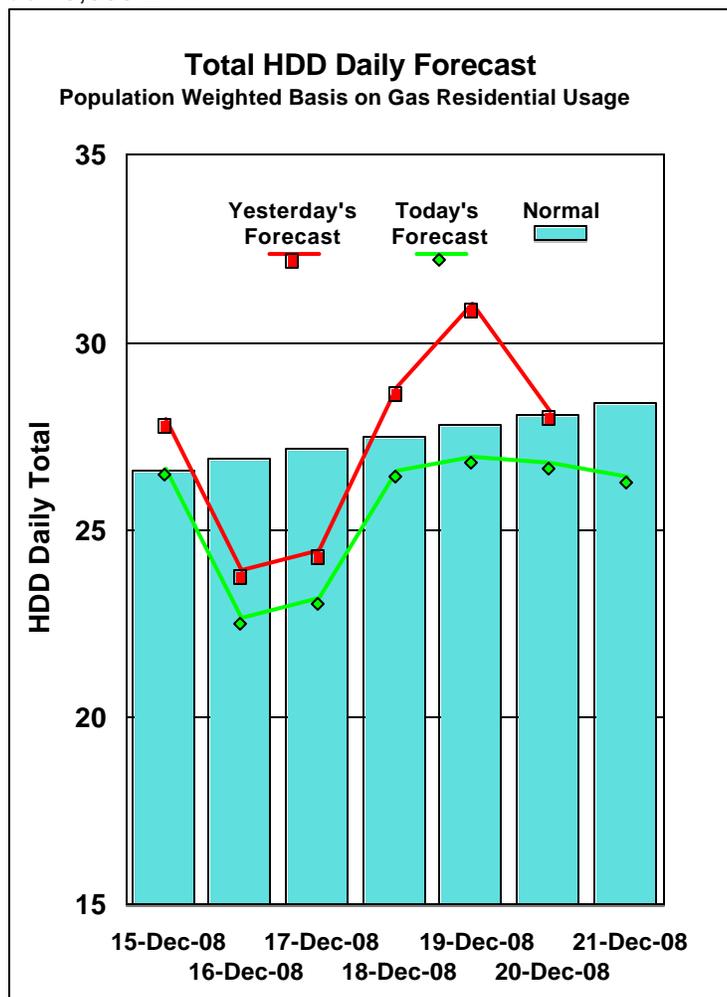
Northern Natural Gas said the effective December 13th and until further notice Carlton Resolution will be at 50% capacity with an OFO in effect.

PIPELINE MAINTENANCE

SoNat said that one of its pipelines remain isolated between its Olga Platform and Toca Compressor Station for maintenance, impacting receipt points Bayou Gentilly, Delacroix and Cox Bay.

Plans are to place a section of the 20-inch line back in service today from gate 6 platform to the Toca Compressor Station. Once this section is placed in service, nominations will be accepted on the first available scheduling cycle for Bayou Gentilly and Delacroix. The company does not expect Cox Bay/Point Code 014800 to return to service before December 20th. The force majeure will remain in place for this receipt point until the work has been completed and service restored.

Gulf South Pipeline said the scheduled maintenance at the Goodrich Compressor Station is now complete. The work, which began back on December 9th, had at times reduced capacity by as much as 75,000 Dth.



CIG said that due to unplanned plant maintenance, it will be placing an underperformance cap at the following locations until further notice. Table Rock Residue, Saddle Saw and Lost creek.

TransColorado Gas Transmission said that maintenance at the Marcos Compressor Station has been completed.

ELECTRIC MARKET NEWS

An ice storm overnight cut off power to more than a million customers from new York State into New England today.

Genscape reported that its U.S. coal burn index was up 6% during the week ending December 11th, but Texas wind power and other factors held it 2% below the same week a year ago.

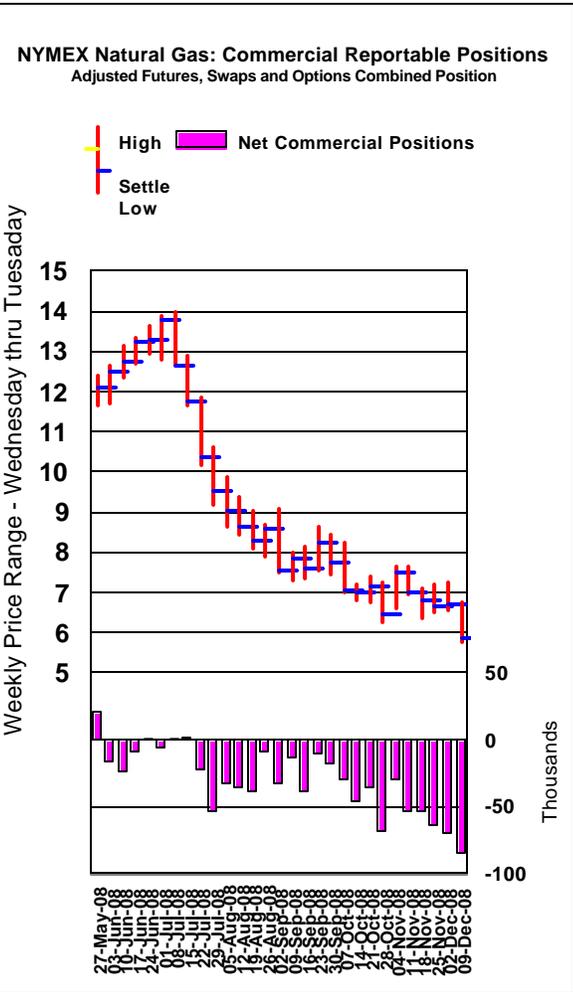
MARKET COMMENTARY

The natural gas market saw very little trading interest today posting its lightest trading session since the Friday after Thanksgiving and prior to that holiday shortened July 3^d trading session. The loss of significant generation and heating demand from the northeast coupled with normal to slightly

warmer near term weather forecasts kept the market on the defensive. While the lows from this week held, the market still lost 10-15 cents in value and posted its lowest spot settlement since August 2007. Open interest overall continues to grow and over the last week has been focused in 2009 contract months in what appears to be producer selling. This seems to be supported by this week's Commitment of Traders Report, which showed that on a combined and adjusted basis this sector increased their net short position for the fifth consecutive week.

We feel that this selling will continue as strong production, coupled with ever spiraling lower industrial demand will more than offset any short term spikes in heating demand from any prolonged cold periods. As a result we would expect that these cold period would only be seen as selling opportunities. As a result we are forced to throw in the towel on our March April long position and take our lumps with a 5-6 cent loss.

We would look for further price pressure on the natural gas contract next week as the weather outlook for the next two weeks appears normal to warmer than normal at best for the nation. As a result we would look for disappointing storage reports will continue to pressure prices lower and eventually challenge the lower end of the price channel of the past four months, which currently sits at \$5.00. We see initial resistance at \$5.45 followed by \$5.395, \$5.328 and \$5.00. Resistance we see at \$5.55-\$5.57 followed by \$5.623, \$5.67 and \$5.79. More distant resistance we see at \$6.04, \$6.218 and \$6.40.



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