



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 15, 2008

NATURAL GAS MARKET NEWS

The NWS this afternoon released their 6-10 and 8-14 day forecasts and they see basically colder than normal temperatures across much of the northern half of the nation as a result of a strong trough covering much of the United States for the two forecast periods. Bitter cold air mass is seen descending southward out of Canada at the start of the 6-10 day period, with this cold air working its way to the East Coast eventually. While some private weather forecasting services were issuing less bullish temperature outlooks, the NWS was saying this afternoon that the usual forecasting tools based on mean upper air patterns seem to be understating the cold, so it was taking a much more aggressive colder forecast than some others. The NWS though felt so confident in their 6-10 day forecast that they assigned its highest confidence level on its forecast and its second highest level of confidence on its 8-14 day forecast, especially for the west and the Plains.

The EIA said Monday that it would restore to 10:30 AM EST its release of weekly petroleum and natural gas data starting January 8th.

Enterprise Product Partners reported today that it had shut its Independence Trail natural gas pipeline for maintenance. The outage was expected to last for less than 24 hours. The line transports natural gas from the Independence Hub in the Gulf of Mexico

Pemex said Monday that it started operations at the first of two gas processing plants in northeastern Mexico, which will recover liquids from natural gas, produced in the Burgos basin. The two plants each with capacity of 200 million cubic feet per day, will be used to recover propane,

Generator Problems

NPCC – The NRC said Monday that it has initiated a special inspection at Dominion’s 1155 Mw Millstone #3 nuclear unit in response to the recent discovery of gas trapped in piping for a reactor safety system

Entergy’s 535 Mw Vermont Yankee nuclear unit ramped back up to full power following a reduction on Friday to 82% as a result of a request from ISO-New England, citing effects on the power grid on Friday due to the ice storm.

OPG’s 515 Mw Pickering #4 nuclear unit started to exit from its recent outage, which began back on December 10th.

MRO- Ameren’s 1190 Mw Callaway nuclear unit was off line once again due to an electrical fault on a condensate pump. The unit had been at 98% capacity on Sunday before the shut down,

Exelon’s 867 Mw Quad Cities nuclear unit was shut down on December 12th to complete the installation and testing of a new circuit breaker.

SPP – Entergy’s 858 Mw Arkansas nuclear one unit #1 was at 93% capacity this morning, up from 11% on Friday.

SERC – Duke Power’s 846 Mw Oconee #2 nuclear unit was at 98% power this morning, up from 19% operating levels on Friday.

WSCC – APS 1314 Mw Palo Verde #2 nuclear unit was expected to reconnect to the grid later Monday. The unit was at 11% capacity this morning. The unit has been off line since November 22nd.

CalISO reported this evening that some 10563 Mw of generating capacity was offline, of which 48.5% was non-gas fired generation.

The NRC reported this morning that 94,017 Mw of nuclear generation capacity was on line, down 0.6% from Sunday’s level and 0.16% higher than the same time a year ago.

butane and natural gasoline from natural gas produced at Burgos. The second of the two plants is expected to begin operations in the second half of January. When this plant comes on line the gas processing capacity of the region will reach 1.2 bcf/d.

BP's British Trader LNG tanker which is carrying LNG from Trinidad and Tobago, is expected to arrive at the Isle of Grain LNG terminal in the UK on or around December 17th.

CNX Gas Corporation, the leading E&P company in the Appalachian Basin reported that its first horizontal Marcellus Shale well is now producing at a rate of 6.5 MMcf/d, a record daily production rate for any well in the company's history and is believed to be among the highest reported by any Marcellus Shale producer.

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	661,600	\$5.749	\$0.191	\$0.101	\$0.623	(\$0.095)
Chicago City Gate	663,100	\$6.179	\$0.552	\$0.531	\$0.396	\$0.223
NGPL- TX/OK	1,199,000	\$5.515	\$0.498	(\$0.133)	\$0.342	(\$0.409)
SoCal	188,200	\$5.822	\$0.581	\$0.174	\$0.425	(\$0.197)
PG&E Citygate	931,200	\$7.238	\$1.325	\$1.590	\$1.169	\$0.571
Dominion-South	238,100	\$6.167	\$0.285	\$0.519	\$0.129	\$0.440
UTrade Weighted	17,651,400	\$5.915	\$0.779	\$0.267	\$0.62	(\$0.095)

A report from IGS Group, an advisor to hedge funds, estimated today that almost a third of hedge funds will shut or merge after this industry posted its worst ever performance this

year. At the end of June of this year, there were over 10,200 hedge funds estimated to be in existence. As a group the value in funds had dropped 18% through November of this year.

The Federal Reserve reported that U.S. industrial production slipped by a slightly less than expected 0.6% in November, and was a bit stronger in October than previously reported, being revised upward by 0.2% to an increase of 1.5%. But the New York Federal Reserve this morning reported that manufacturing in New York State in December hit a record low, falling to minus 25.76 versus a minus 25.43 in November. Market expectations though had been for the December number to be even more grim, looking for a minus 27.25.

PIPELINE RESTRICTIONS

TransCanada on Saturday issued a force majeure on the eastern end of its Canadian mainline near the New Hampshire and Maine borders because of an unplanned failure of compressor unit A1 and A2 at the TQM Station #650.

PG&E California Gas Transmission said it has issued a system wide OFO with a 5% tolerance for Tuesday, December 16th due to expected low inventory.

Williston Basin Interstate Pipeline said that it is extending through Wednesday a warning that it may issue an OFO due to the expected extremely cold temperatures expected through its service territory.

Transco said it lifted its system wide OFO on Sunday December 14th as cold weather in the east abated.

Northern Natural Gas said that due to cold temperature forecasts it was posting a SOL for all market area zones for December 16th with zero percent SMS available

NGPL said that effective until further notice, it has limited capacity available for gas going eastbound through the end of Segment 17. Limited ITS/AOR and Secondary out of path transports are available.

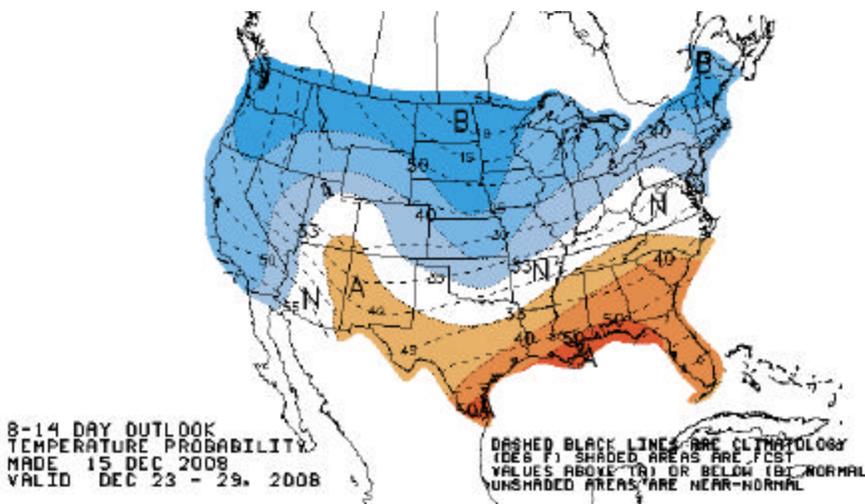
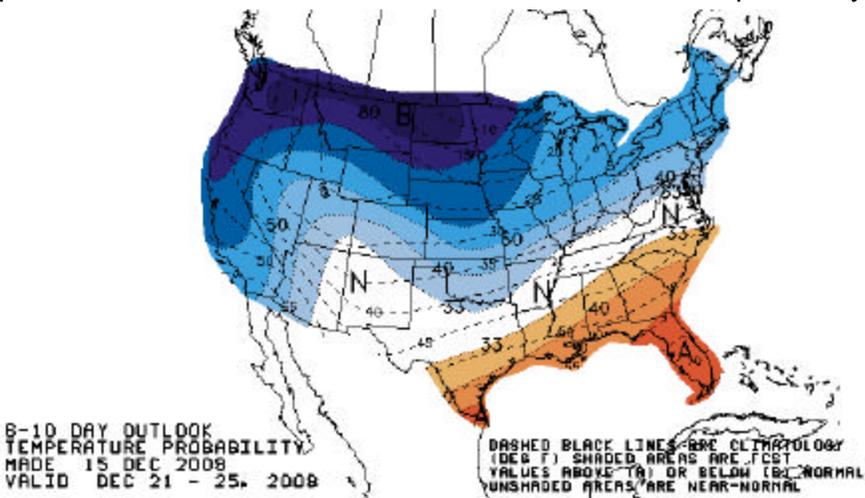
The location of the constraint is at the intersection of Segment 17 and the Gulf Coast System in Cass County, Texas.

PIPELINE MAINTENANCE

NGPL said some of the maintenance work scheduled near Station 342 in Jefferson Parish, Louisiana Segment 23 has been completed ahead of schedule, allowing an increase in the capacity that was scheduled for December 14th. The company said it would be scheduling primary firm and secondary in path firm transports through Compressor Station 342 to a minimum of 89% versus a previously expected 63% through December 17th.

Alliance Pipeline said it would perform inspections and maintenance that will require the Loreburn Compression Station to be offline for six hours starting December 17th. System throughput (AOS) should not be impacted but will be determined at a later date. The company also reported that it has scheduled maintenance and inspections that will require the

Alameda Compression Station to be offline for three hours December 18th. System throughput (AOS) should not be impacted. The company also reported that Unit #1 at the Windfall Compression station will be offline for four hours on December 16th and for 10 hours on December 17th. System throughput is not expected to be impacted since the station has redundant compression capabilities. The company reported that scheduled maintenance will require AB 30 Gold Creek Lateral Meter/Compression Station to be unavailable for 6 hours today. Capacity was expected to be reduced to 900 e3m3/day.



ELECTRIC MARKET NEWS

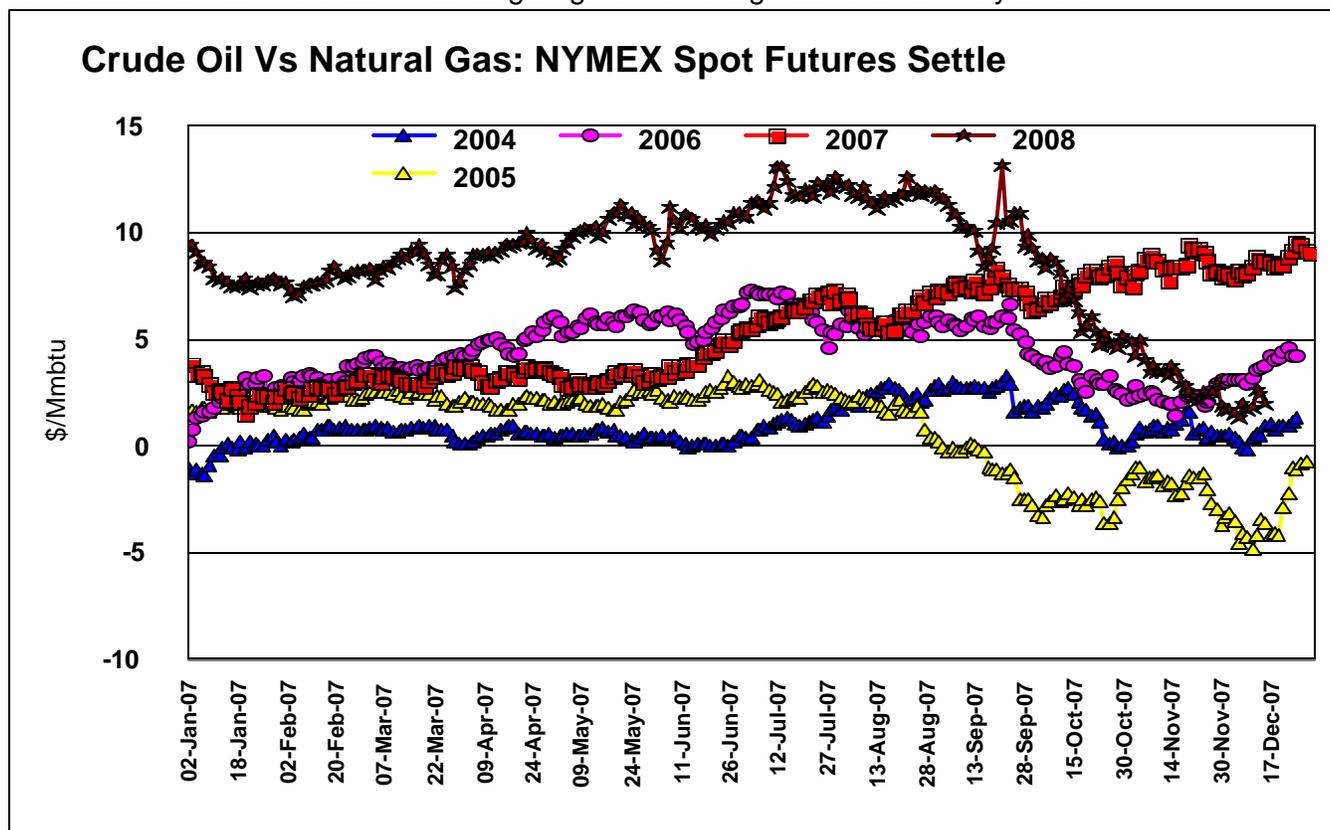
Genscape reported that power output was up 11.9% in the week ending December 11th and was up 0.17% over the same week a year ago.

A report from ERCOT noted that nine wind farms, totaling 1,678 Mw, began producing power in November. Two new coastal wind projects, located in Kenedy County, south of Corpus Christi, the Iberdrola Renewable's 202 Mw Penascal Wind and

Babcock and Brown's 283 Mw Gulf Wind I project came on line during the past month. These two wind projects were seen as improving the state's reliability from wind generation since it will provide the grid to tap coastal wind patterns, which more closely match daily electric use, which peaks in the afternoon.

More than 330,000 homes and businesses in New York State and New England remained without power Monday morning, four days after a crippling snow and ice storm swept across the region. Power companies warned it could take several days to restore power to all.

Carbon dioxide emissions from power generators in 10 northeastern states are on track to fall steeply in 2008 due to lower natural gas prices and declining electric demand, the research and advocacy group, Environmental Northeast reported today. The group estimates that emissions will fall 16% below the group's cap of 188 million tons of emissions. If utilities in the state continue to burn natural gas, rather than comparatively dirtier coal and oil and power demand keeps slipping, it could mean that RGGI will have an easier time achieving its goals of cutting emissions 10% by 2018.



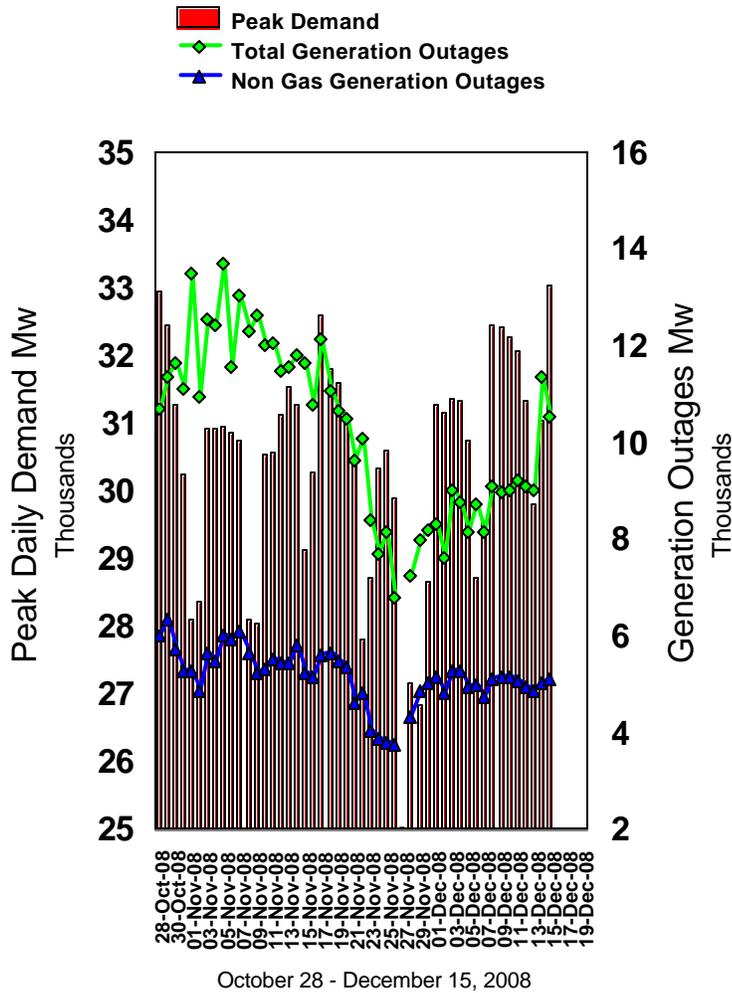
MARKET COMMENTARY

The arrival of bitter cold temperatures into the western two thirds of the nation, despite spring like temperatures along the eastern seaboard, allowed cash prices to jump strongly at most delivery points across the nation today and helped boost futures prices on the day. The natural gas market was even able to finish the day higher, despite a strong afternoon sell off in oil prices. The 12-month natural gas strip settled higher, finishing the day back over the \$6.00 price level after falling Friday to its lowest level since March of 2005. Volume today despite the strongest net price gain since November 24th was rather disappointing with just over 100,000 futures traded and a combined adjusted total of 126,093 between the futures and Henry Hub swaps.

Open interest reported this afternoon showed that Friday's light trading activity saw one of its biggest contractions in open interest since November 21st, as 7879 futures were closed primarily in the January contract.

We look for this market to have a hard time gaining significant traction to the upside without the market seeing tangible proof that the storage levels can be quickly worked off. As a result we would look for

**Cal ISO Peak Daily Demand Versus
Total Generation Outages & Non Gas Generation Outages**



any rallies to be selling opportunities. We see resistance tomorrow starting at \$5.78, followed by \$5.82, \$5.93 and \$6.03. Additional resistance we see at \$6.22, and \$6.40. Support we see \$5.53, \$5.45, \$5.42 and \$5.29. More significant support we see at \$5.00-\$4.98.

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