



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR DECEMBER 16, 2008

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported today that it estimates that 14.1% of the crude oil production and 19.7% of the natural gas production from the Gulf of Mexico remain shut in as a result of Hurricanes Gustav and Ike. Since December 3rd only 10,049 b/d of crude oil production and 83 MMcf/d of natural gas production had been returned to service.

Ship tracking data appears to point to BP sending its British Emerald LNG tanker to South Korea from Trinidad and Tobago for mid-January delivery. The vessel reportedly loaded on December 2nd.

The California Public Employee Retirement System (CalPERS) said on Tuesday that it would consider looking outside of the S&P GSCI Index to increase returns on its commodities exposure. The pension fund noted it had a pilot plan in place currently but declined to give further details.

The Pennsylvania Department of Environmental Protection's Environmental Quality Board Tuesday voted to impose increased permit fees for Marcellus Shale drilling operators that would raise the base permit cost to \$900 from \$100 and require additional fees for deeper wells.

National Fuel Gas Company's Empire Pipeline has placed in service Empire Connector, one of five projects that make up the Northeast Project, or the reconfigured Millennium Pipeline project.

ConocoPhillips and Peabody Energy said today that they have filed permit requests to build a \$3 billion synthetic natural gas facility near Central City, near the western coalfields of Kentucky.

PIPELINE RESTRICTIONS

Northern Natural Gas said due to very cold temperature forecasts, it is posting a SOL for all market area zones for December 17th with zero SMS available.

Generator Problems

NPCC – OPG's Pickering #5 nuclear reactor returned to service.

MRO- Exelon's 855 Mw Quad Cities #1 nuclear unit was back to full capacity after a brief curtailment down to 80% of power on Monday.

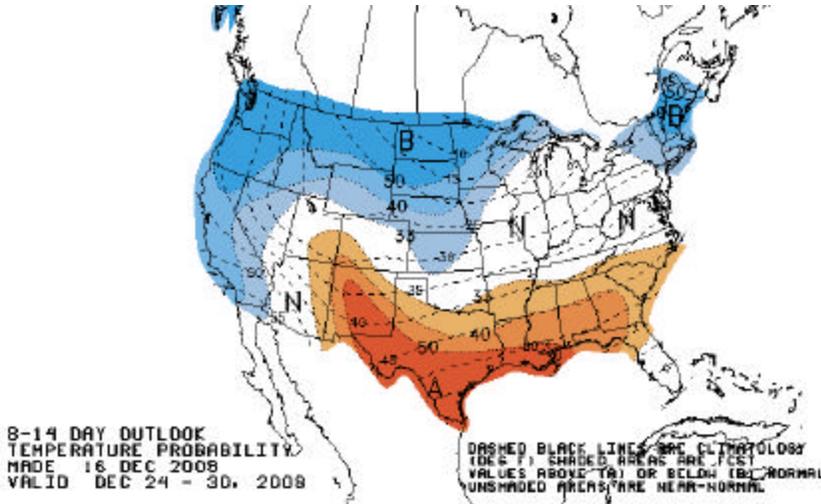
PJM – PSEG Nuclear has reduced production at each of its 1100 Mw Salem#1 and #2 nuclear units, operating the units at 89% and 88% capacity respectively. Each were running at full power on Monday.

SPP – Entergy Nuclear continues to ramp production at its 858 Mw Arkansas nuclear one Unit #1 and was at 98% power this morning, up 5% from Monday.

WSCC – APS' 1314 Mw Palo Verde #2 nuclear unit exited an outage and ramped up to 68% capacity by early Tuesday. The unit was at only 9% of capacity on Monday.

CalISO reported this evening that some 10,541 Mw of generating capacity was offline, of which 44.5% was non-gas fired generation.

The NRC reported this morning that 94,726 Mw of nuclear generation capacity was on line, up 0.75% from yesterday's level and 0.29% higher than the same time a year ago.



January 31, 2009.

Questar Pipeline said that beginning with today's gas day, it will begin accepting imbalance payback nominations to the pipeline.

Transco Pipeline said that for December 16th it would consider requests for firm backhaul transportation service under its Rate Schedule FT for up to 180,000 Dth/d on the company's mainline with a primary path from Transco's Station 210 in Zone 6 to Station 65 in Zone 3 for the period January 1-

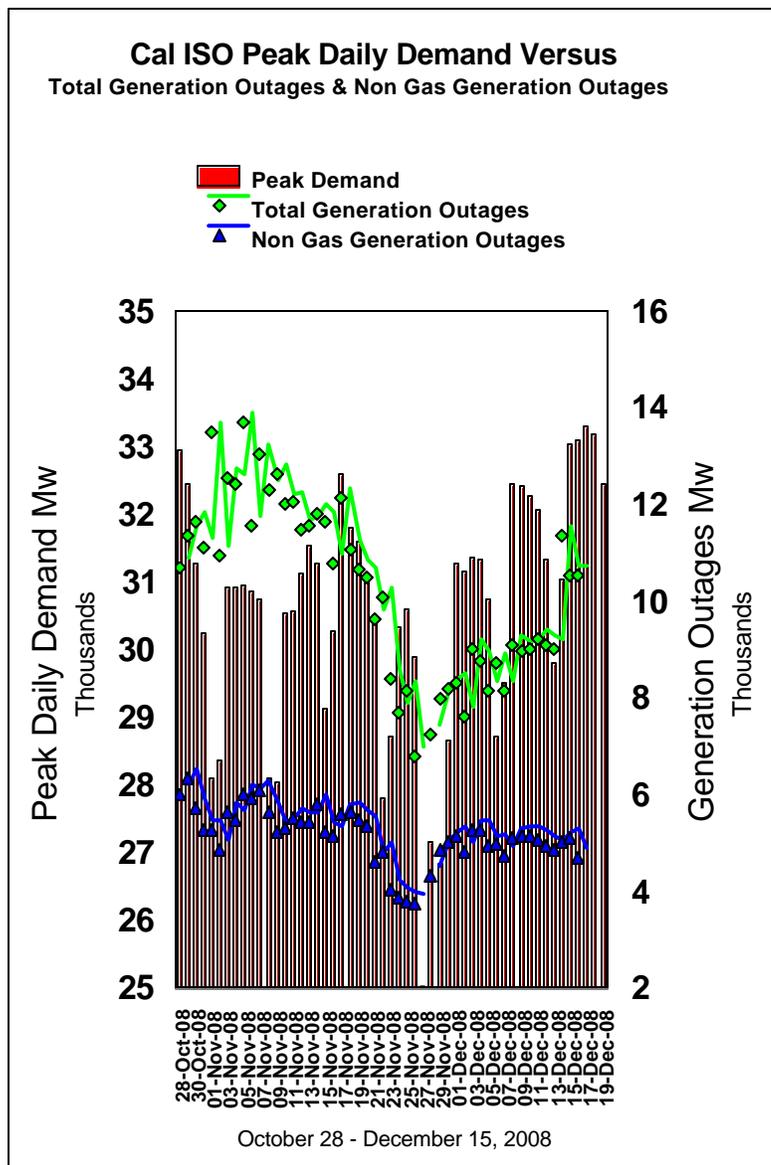
KMIGT said it is experiencing very strong load due to significantly colder temperatures across its entire system and has identified an insufficient level of nominated system supply. This advisory is effective immediately and until further notice. Also effective for today's gas day and until further notice, nominated withdrawals for the Interruptible Storage and No-Notice services are at risk of not being fully scheduled.

PG&E California Gas Transmission said it has issued a system wide OFO with a 5% tolerance for today's gas day due to low inventories.

Williston Basin Interstate Pipeline declared a force majeure event Monday effective for the interruption of scheduled volumes for receipts out of the Baker Gathering System.

PIPELINE MAINTENANCE

Gulf South said it will be performing scheduled maintenance at the Montpelier Compressor Station on all units beginning Friday December 19th and last for up to three hours. Based on anticipated operating conditions Gulf South expects no effect no affect to capacity through Montpelier Compressor Station. The company also reported that it has completed unscheduled pipeline maintenance on



Index 228 that began on December 10th.

Tennessee Gas Pipeline posted a notice of emergent repair between MLV 328 and MLV 329. Tennessee is currently investigating a pipeline anomaly and immediate repairs may become necessary. The company noted that there is a possibility that restrictions may become necessary through a pro-rata portion of Secondary in the Path volumes in order to accommodate unexpected emergent repairs.

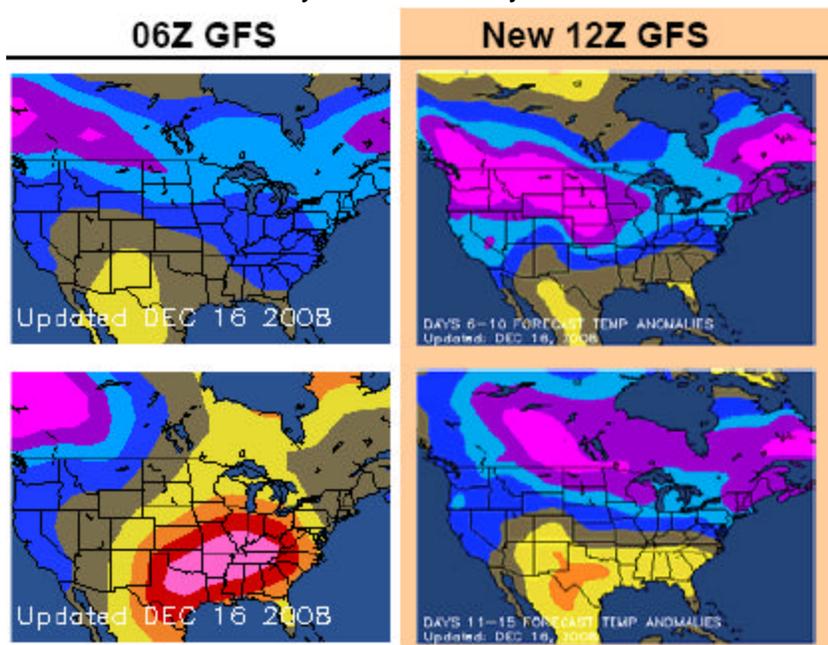
Alliance Pipeline said that it has cancelled previously planned work at Unit #1 at the Windfall Compression station that was scheduled for today for four hours.

ELECTRIC MARKET NEWS

Power companies reported this morning that more than 210,000 customers remained without power throughout New England and New York, down from the 1.4 million customers that lost power as a result of last week's ice storm.

Constellation Energy said it is leaning towards an agreement to sell one-half of its nuclear business to EFP, but still needs to obtain waivers of its bank covenants to finalize the deal.

The NRC said it has accepted for review the combined license application for an Evolutionary Power Reactor at the Callaway site. The facility would have a 1600 Mw capacity.



Coal supplies at U.S. power plants rose 0.6% this week from last week and are some 7.9% greater than the same time a year ago. U.S. generators had 59 days of average coal burn on hand.

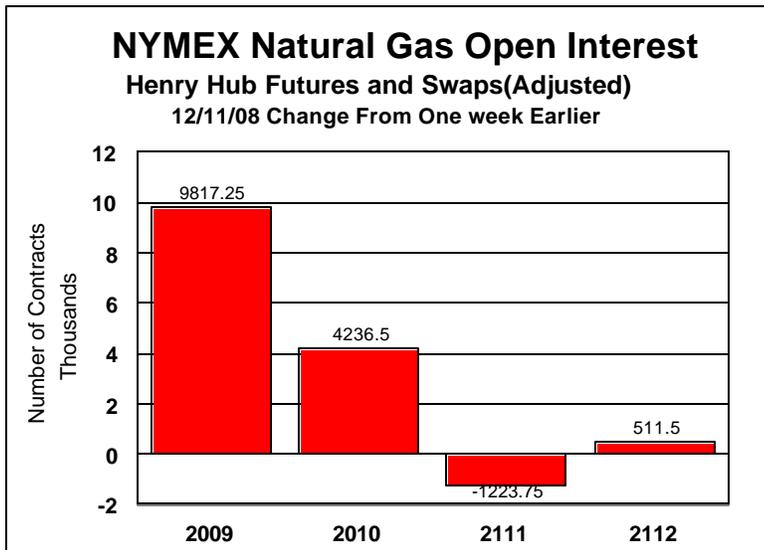
ERCOT raised its estimate for available surplus power in coming summers, its peak demand season. ERCOT reported that plant developers have committed to add 3100 Mw of new generation over a five year period through 2014 since the last time the grid operator measured supply margins this past May. If built as scheduled, the new plants will keep the state's reserve margin above 12.5% minimum

requirement through 2014, two years longer than the previous estimate. ERCOT reduced its estimate for summer demand by 1000 Mw to reflect the slowing Texas economy, and as a result now estimate 2009 summer reserve margin will be 15.8% and the 2010 reserve margin will climb to 21.2%, versus a 13.8% reserve margin this past summer.

MARKET COMMENTARY

The natural gas market while finishing stronger today in part due to supportive weather forecast this morning and reaffirmed again this afternoon, the market has failed to convincingly break out the sideways trading range since December 8th. Part of the problem that this market may had in gaining traction despite the supportive weather forecasts is the fact that the crude oil market for the third consecutive trading session settled lower despite the prospects of a so called "united" OPEC decision

to cut production by another 2 million barrels. Volume today while a just a bit better than yesterday, in the futures market, saw nearly 108,000 futures traded on the day. The Henry Hub swaps market though saw more interest today especially in the Calendar 2010 months which posted volume in these contracts nearly double the recent rate of trading.



Open interest reported at midday showed open interest in the futures market increased by 3,063 lots with the combined adjusted Henry Hub futures and swaps increasing by nearly a similar amount. This could be seen as potentially new longs coming into the market, but feel that given the erratic price behavior yesterday we would look for further confirmation of a new trend basis tomorrow's open interest report.

We continue to feel that this market is awaiting Thursday's storage report before committing to a sustained

direction on prices. While the new supportive weather forecasts may finally allow this market to break towards the \$6.00 level we would be a scale up seller from there up to \$6.50 (the 40 day moving average). We see initial resistance tomorrow at \$5.825 followed by \$5.91; we see more significant resistance at \$6.04, \$6.22, \$6.30 and \$6.40. Support we see at \$5.623, \$5.496, \$5.46 and \$5.41. Significant key support we see at \$4.94.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.