



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 19, 2008

NATURAL GAS MARKET NEWS

Energy Consultants, Waterborne Energy, said it looks for global LNG production to increase by 30% in 2009.

Chevron announced it has chosen a production site in Australia for its proposed Wheatstone LNG project. The company expects next year to carry out the front-end engineering and design work while it seeks governmental approval to operate a 25 million ton per year LNG and domestic gas complex. The initial development consists of two LNG processing facilities with a nominal capacity of 5 million tones per year each. A separate domestic gas plant would have a 250 million cf/d capacity. If expanded to 25 million tones, the Wheatstone plant would be larger than the NorthWest Shelf LNG project.

The Wall Street Journal reported that recently discovered damage to ExxonMobil's \$1 billion Golden Pass LNG import terminal under construction in southeast Texas, would delay the start up of the terminal. The terminal had been expected to be restarted in mid-2009. It appears that facility was inundated by seawater from Hurricane Ike delaying the progress of work. When the facility does open it will become the third largest U.S. LNG import facility, capable of adding 2 bcf/d.

Generator Problems

NPCC – OPG's 535 Mw Lennox #2 oil and gas fired power station was shut early Friday.

OPG's 494 Mw Lambton #2 coal fired power plant exited its outage on Friday. The unit had been off line since August 29th.

WSCC – SCE's 1080 Mw San Onofre #3 nuclear unit was only at 20% capacity Friday.

The NRC reported this morning that 95,793 Mw of nuclear generation capacity was on line, basically unchanged from yesterday's level and 1.6% higher than the same time a year ago.

National Grid on Friday added a new data stream to its website to show the amount of gas flowing through a soon to be completed pipeline link from the Isle of Grain LNG terminal to the national gas network.

Natural Gas Cash Market						
ICE Next Day Cash Market						
<u>Location</u>	<u>Volume Traded</u>	<u>Avg Price</u>	<u>Change</u>	<u>Basis</u>	<u>Change</u>	<u>Basis 5-Day Moving Avg</u>
				(As of 12:30 PM)		
Henry Hub	892,700	\$5.664	\$0.029	\$0.013	\$0.220	\$0.189
Chicago City Gate	777,200	\$6.179	\$0.323	\$0.529	\$0.283	\$0.455
NGPL- TX/OK	859,900	\$5.379	\$0.145	(\$0.271)	\$0.105	(\$0.191)
SoCal	177,800	\$5.570	\$0.196	(\$0.080)	\$0.156	\$0.089
PG&E Citygate	817,200	\$6.265	(\$0.171)	\$0.615	(\$0.211)	\$0.917
Dominion-South	472,000	\$6.357	\$0.194	\$0.707	\$0.154	\$0.566
USTRade Weighted	17,088,000	\$5.885	\$0.260	\$0.235	\$0.22	\$0.189

Baker Hughes reported today that for the week ending December 19th the number of rigs search for natural gas in the U.S. continued to decline, dropping by 13 from last week standing at 1366. This was the lowest level since 2006.

PIPELINE RESTRICTIONS

Dominion Transmission said it was issuing an OFO based on forecasted weather calling for snow in the northern portion of its service territory at systems north Lindley Gate Station and Stateline facilities.

Tennessee Gas Pipeline said the force majeure issued at Compressor Station 32 (Jasper, TX) back on December 8th, remains in place. The company now expects to complete the work by January 31, 2009. The company though did lift its OFO for Station 317 & 319 as a result of maintenance work being completed.

NGPL said a gas quality problem has been reported at the receipt from SSC GPL/NGPL Ford in Ford County, KS. Until further notice the point will be unavailable.

PG&E California Gas Transmission said it has issued an OFO with a 5% tolerance for December 19th due to low inventory.

CIG said that due to cold temperatures expected for its service territory combined with high firm transportation load factors, it warned of strained operating conditions for this weekend.

El Paso Natural Gas said it was declaring a strained operating condition for a pack condition for December 19th at DSWG 878; DSWG PHW; DSWG PHX, DAPS PHX and IGILARVR.

Transco Pipeline said it was issuing an OFO for December 21st as a result of forecasted below normal temperatures for much of its market area.

PIPELINE MAINTENANCE

SoNat said that one of the pipelines between Olga Platform and the Toca Compressor Station, which has been down for maintenance is expected to return to service by December 30th. The company had originally expected to return it to service by November 14th.

ELECTRIC MARKET NEWS

EPA administrator Stephen Johnson said yesterday that he sees no room for regulators to force mandatory limits on carbon-dioxide emissions on power plants or other emitters when granting construction permits because the agency has not determined that the gas should be regulated.

Permits for the right to emit carbon dioxide from power plants in the 10 states in the Northeast U.S. sold for \$3.38 per ton during the second GHG auction. This was 31 cents more than the first quarterly auction held last September and raised nearly \$107 million for the 10 states. The next auction is scheduled for March.

The overnight snow and ice storm that moved across the U.S. Midwest, knocked power out to over 220,000 customers in Illinois, Indiana and Ohio.

The U.S. Northwest River Forecast Center on Thursday predicted water runoff at the Dalles Dam from January-July will be 87% of normal. Water flow at the Grand Coulee Dam is seen at 92% of normal, while the Lower Granite Dam on the Snake River running at 79%.

The EIA reported that for the week ending December 13, 2008 U.S. coal production totaled 23.305 million tons down 0.5% from the previous week but 6.5% higher than the same week a year ago. Year to date coal production has averaged 2% higher than the same time a year ago.

BPA reported Friday that the federal power system was keeping up with a record demand for power in recent days. According to the Northwest Power Pool, the highest regional demand for power ever was recorded on December 15th at 63,252 Mw. This was substantially higher than the previous record of 60,103 Mw that was set last winter.

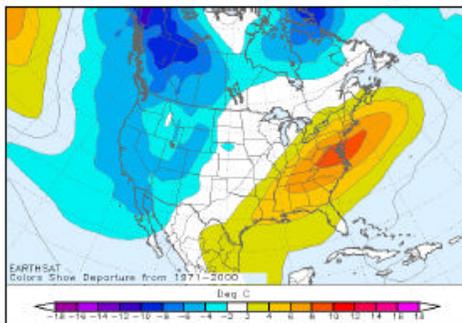
PSE&G today announced that residential gas bills would decrease by 5% on January 1, 2009, as a result of decreases in wholesale costs of natural gas.

MARKET COMMENTARY

The natural gas market this afternoon collapsed, as revised weather forecasts at midday appeared to show significantly warmer temperatures over the eastern third to half of the nation. This news appeared to provided the shove to the downside that was amplified when technical support of the past two weeks at \$5.45-\$5.46 was finally breached. Prices tumbled to a low of \$5.267 just before the close

6 to 10 Day

12z GFS Model 850T Anomaly*



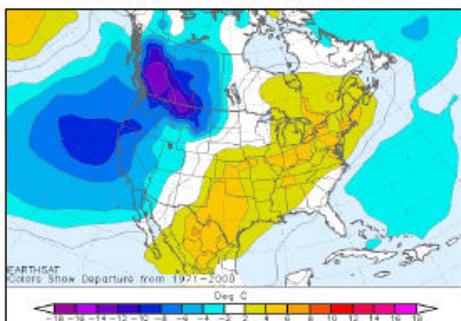
MDA EarthSat 6-10 Day Morning Outlook



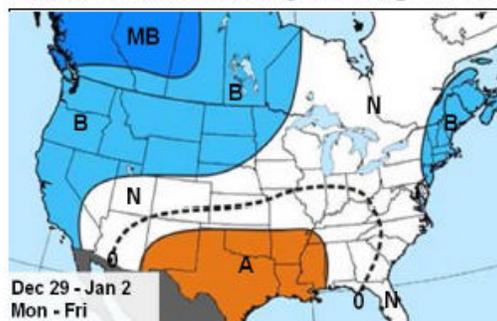
before values stabilized. This was the lowest price the spot contract has achieved since September 2007. We feel that if these weather forecasts are confirmed again on Monday, we fell that the pressure will resume on natural gas as traders look at not only weaker heating demand but focus also on the larger than normal contraction of industrial demand as poor economic conditions result in extended seasonal plant closings. We see initial support at today's lows with major down side targets of \$5.192 and \$4.806. Resistance we see at \$5.46, followed by \$5.92,

11 to 15 Day

12z GFS Model 850T Anomaly*

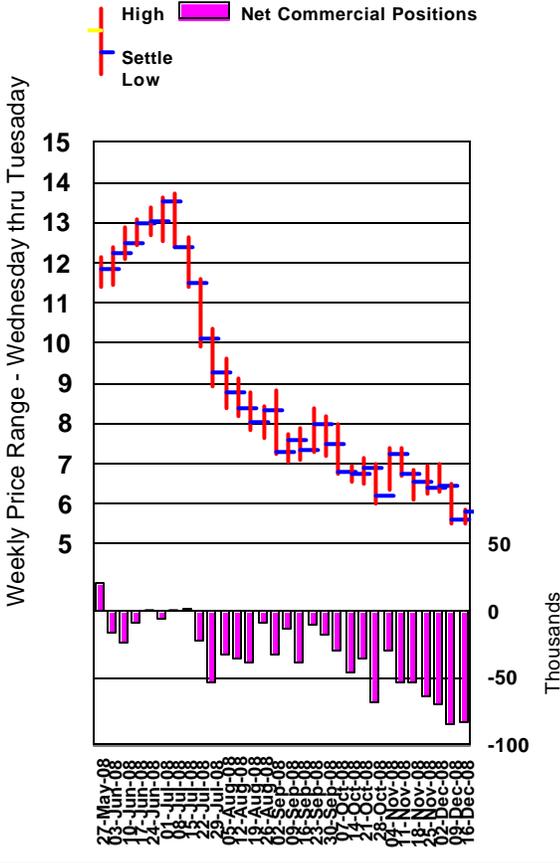


MDA EarthSat 11-15 Day Morning Outlook



\$6.123, and \$6.188. Additional resistance we see at \$6.324 and \$6.404.

NYMEX Natural Gas: Commercial Reportable Positions
Adjusted Futures, Swaps and Options Combined Position



This afternoon's Commitment of Traders Report this afternoon showed one of the smallest net changes in over a month as non-commercials basically kept their combined and adjusted net short open interest position unchanged.

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