



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 30, 2008

NATURAL GAS MARKET NEWS

According to Reuters, US spot natural gas prices at Henry Hub increased nearly 30% in 2008 to a record high annual average of \$8.93mmbtu. It is up from the \$6.95 annual average in 2007 and the previous record of \$8.81/mmbtu set in 2005.

Enterprise Products Partners L.P. announced that repairs have been completed on its High Island Offshore System pipeline that was damaged as a result of Hurricane Ike. After approving inspection and start-up procedures, Federal regulators authorized the partnership to resume full service on HIOS. The pipeline has the capacity to transport up to 1.8 bcf/d of natural gas.

Ukraine state energy firm, Naftogaz has denied that it agreed to a debt-for-fees compromise deal with Russia's Gazprom to resolve their dispute of unpaid gas bills. Gazprom has offered to count Ukraine's gas debt of over \$2 billion against future fees that Gazprom pays for gas transport to Europe via Ukraine. Russian news Agency, Interfax, reported on Tuesday that the Ukrainian government had agreed to this option. Meanwhile Gazprom confirmed it plans to halt gas supplies to Ukraine starting January 1 if no contract for gas exports in 2009 is signed.

Britain's Isle of Grain expanded terminal is now open for commercial use terminal operator, National Grid reported. The terminal near London, has been exclusively used by BP and Sonatrach since it opened in 2005 but Britain's Centrica and France's GDF Suez has bought rights to the new capacity, while Sonatrach has bought some of the extra rights. This expansion boosts throughput to 9.8 million tons, or about 12% of UK gas demand.

Sonatrach, Algeria's oil and gas giant, hopes to boost its liquified natural gas production by 30% over the next three years. This will be made possible by bringing into service two new plants. The first at Skikda, in the east, will have a capacity of 4.5 million metric tons a year and will come on stream in November 2011. The second, at Arzew near Oran in western Algeria, will have a capacity of 4.7 million tons and start production in November 2012.

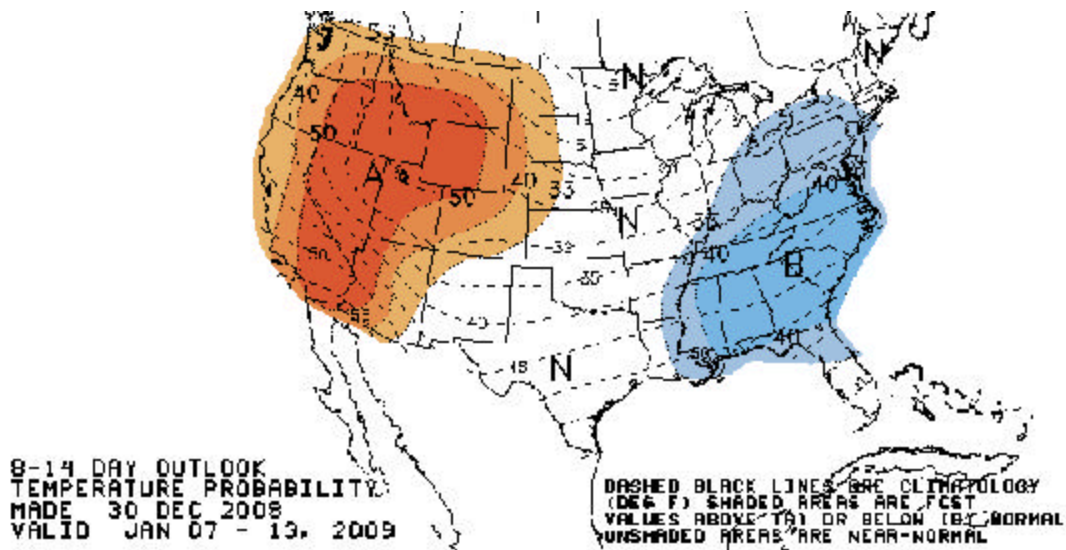
Generator Problems

MAIN - Exelon Corp's 1,178 Mw Unit 2 at the Braidwood nuclear power station in IL tripped offline on Saturday afternoon. It is now operating at 63% capacity. A heater drain pump tripped and some damage was noted on the pump motor terminal box, but no fire or smoke was observed.

ECAR - First Energy Corp's 889 Mw Davis Besse nuclear power station in OH ramped up to 98% of capacity. The unit was operating at 88% of capacity on Monday.

NPCC - Ontario Power Generation returned its 494 Mw Lambton unit 4 coal-fired power station to service early Tuesday after it was shut early Monday. Ontario Power Generation's 490 Mw Nanticoke unit 2 coal-fired power station returned to service on Tuesday after it was shut on December 26. Currently units 4,5 and 8 are shut for maintenance.

The NRC reported this morning that 95,726 Mw of nuclear generation capacity was on line, up 0.77% from Monday's level and 5.23% higher than the same time a year ago.



According to a report by the US Geological Survey, pipeline facilities associated with a liquefied natural gas deepwater port facility off the California coast in Santa Monica Bay face a medium-to-high probability of damage from

earthquakes or other hazards in the next three decades.

PIPELINE RESTRICTIONS

Force majeure at TransColorado Gas Transmission Company’s Redvale Compressor Station has been declared. The exact time of repair is still not known. Until further notice, TransColorado will be scheduling down volumes through Segments 220 and 240 to 362,00 and 412,00 Dth/d. At this level of scheduled quantities, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

Northern Natural Gas Company has issued a Point SOL for New Market MN #1 until Wednesday. Zero percent SMS is available.

NGPL, a unit of Kinder Morgan Pipeline Company, said a gas quality problem has been reported at the receipt from Freedom/NGPL Gathered Gas Woodward in Woodward County, OK. Separately, NGPL has announced that effective for today’s gas day and until further notice, limited capacity is available for gas going eastbound through the end of Segment 17. Limited ITS/AOR and Secondary out-of-path transports are available. NGPL also announced that effective today and until further notice, it has limited capacity for gas going northbound through Segment 27, which is located in the Gulf Coast Mainline Receipt Zone. ITS/AOR and secondary out-of-path Firm transports are at risk of not being fully scheduled.

Restrictions have been lifted on Colorado Interstate Gas’ system due to predictions of warmer temperatures for the next several days. It is lifting the cold weather critical notice #7506 posted on December 22.

Dominion Transmission has issued an operational flow order for tomorrow’s gas day based upon forecasted weather calling in the northern portion of its service territory at systems north of Lindley Gate Station and Stateline facilities.

PIPELINE MAINTENANCE

The unexpected outage at Cheyenne Plains Gas Pipeline Company’s Niobrara Compressor Station, a unit of El Paso, has been extended through January 2. The outage began on December 24; originally, repairs were expected to be complete by December 31.

A unit at the Elk Basin Compressor Station will be out of service January 13 through January 15 to repair water leaks. No impact is anticipated during this outage.

Colorado interstate Gas Company, a division of El Paso Corp. said the Greasewood Compressor Station will be out of service for gas day January 27 for repairs.

Repair work at Sea Robin Pipeline Company's EC 194 to EC 334 (West Leg) and EI 206 to SMI 12 (J Leg) has been suspended due to difficult weather conditions and expectations for these conditions to continue. Repairs are expected to pick up again during the second quarter of 2009, when weather conditions will be more favorable.

MARKET COMMENTARY

The natural gas market posted an outside trading day as the market continued to trade higher in overnight trading and settled near its low. It breached its 50% retracement level and posted a high of \$6.18. The market traded mostly sideways before the market erased its overnight gains and sold off to its low of \$5.789 amid the selling in the oil market. While the market traded higher on Monday as traders focused on weather forecasts calling for below normal temperatures, doubts about whether the cold weather will last added to today's pressure. The natural gas market settled down 22.5 cents at \$5.859.

Market expectations for the EIA natural gas storage report, due to be released on Wednesday at noon EST, range from a draw of 100 bcf to a draw of 189 bcf, with the average draw seen at 151 bcf. For the same week last year, stocks fell an adjusted 109 bcf, while the five year average draw was 100 bcf.

The natural gas market is seen trading mostly sideways ahead of the release of the EIA storage report. The market's gains will be limited as long the economic news continues to dent demand. The market is seen finding resistance at \$6.00, \$6.096, \$6.18, \$6.327, its 62% retracement level followed by \$6.334 and \$6.487. Support is seen at \$5.789, \$5.705, \$5.552 and \$5.314.

Please note the NYMEX floor will be closed Thursday for the New Year's holiday. Normal trading hours will be observed on Friday. Electronic trading on Globex will close at 5:15 pm EST on Wednesday and reopen at 6pm EST on Thursday for the Friday session.