



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 26, 2009

NATURAL GAS MARKET NEWS

The Polish gas company today said that Poland is receiving only 76% of contracted natural gas supplies from Russia, down from last week's level when it was receiving all of its contracted volumes. Meanwhile Hungary's Prime Minister said that European Union members impacted by the Russian-Ukrainian gas dispute should jointly seek compensation for the damage caused by the disruption of gas supplies.

Repsol said today that it has found three new gas fields in Algeria that could produce 1 million cubic meters a day. The discovery would have the potential of meeting 1% of Spain's daily natural gas needs.

Dolphin Energy said maintenance that started Monday will halve gas exports from Qatar to the UAE for three to four weeks. Normal exports run 2 bcf/d.

The National Weather Service reported this morning that they estimate U.S. heating demand for natural gas this week will run some 7.2% higher than normal and 8.2% higher than the same week a year ago.

The American Gas Association last week supported Senator Ben Nelson of Nebraska's legislation that seeks to provide a tax incentive to turn noxious wastes into useable natural gas. The sources of this renewable gas would include animal waste, landfills and renewable biomass.

The economy received two supportive stories today as the National Association of Realtors reported that home purchases rose 6.5% in December while the Conference Board's gauge of economic health advanced 0.3%.

PIPELINE MAINTENANCE

Questar Pipeline said repair south of the Beaumont Compressor Station has been completed.

FGT said it will be performing maintenance on one of three units at Station 7 starting February 9th. The work is scheduled to last into March. During the work capacity through the station will be limited to 375,000 Mmbtu/d down 20% from normal levels.

Generator Problems

NPCC – OPG's 490 Mw coal fired Nanticoke Unit #7 returned to service this morning. The unit had been off line since January 23rd.

WSCC – PG&E's 1122 Mw Diablo Canyon #1 nuclear unit was shut this weekend for a two month refueling outage. The unit had been at full power on Friday.

SERC – TVA's 1155 Mw Browns Ferry #3 nuclear unit was at 79% capacity Monday morning. The unit had been at full power on Friday.

The NRC reported this morning that 92,945 Mw of nuclear generation capacity was on line, down 1.41% from Friday and 0.69% higher than the same time a year ago.

Alliance Pipeline said scheduled maintenance will require AB 30 Gold Creek Lateral and Compressor Station to be unavailable for 8 hours today. Station capacity was being reduced to 800 e3m3/day.

Rockies Express Pipeline said a force majeure event occurred at REX's interconnect WFS Echo Springs. Exact repair time is unknown at this time. Until further notice the company will be scheduling at a lower capacity of 75,000 Dth/d. AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

PIPELINE RESTRICTIONS

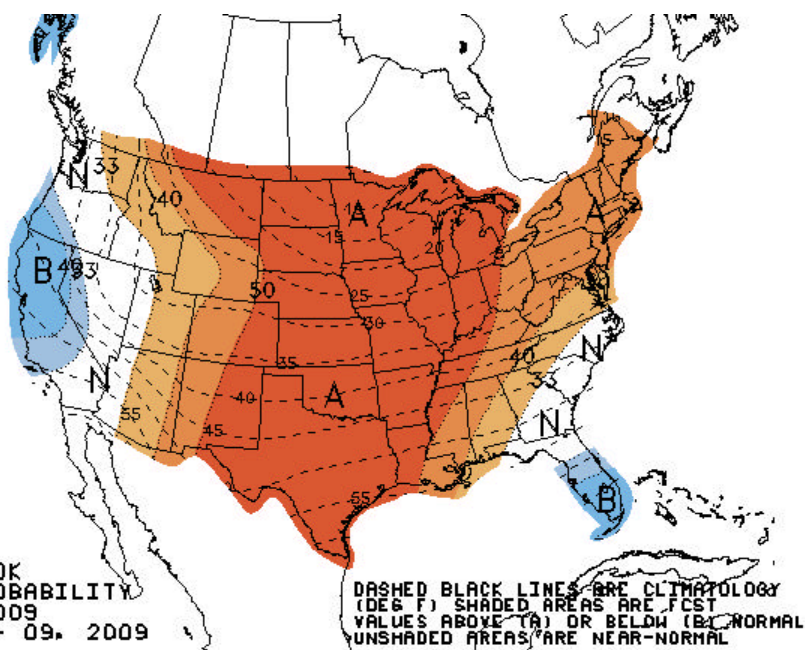
Kern River Gas Transmission reported that SoCal Gas has declared an OFO on Evening Cycle for today.

NNG said that due to continued cold weather forecasts, a SOL has been posted for all market area zones for tomorrow's gas day.

ELECTRIC MARKET NEWS

Large industrial users of electricity and consumer advocates on Monday urged Congress to reject utility rate "decoupling" provisions, which guarantee a certain revenue for

8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 26 JAN 2009
VALID FEB 03 - 09, 2009



utilities independent of volumes sold. The provisions are part of the \$825 billion economic stimulus package. The proposal in the House allows for \$3.4 billion in federal grants for states that pursue policies that decouple the rate structure for electric and gas utilities and for states or local authorities to adopt building codes that reduce power use. Proponents argue that decoupling allows utilities cost recovery and earnings opportunities that invest in energy efficiency programs and methods.

MARKET COMMENTARY

The natural gas market once again settled in negative territory after it posted a lower high and lower low for the third consecutive session. The market, which posted a low of \$4.377 in overnight trading, erased its losses early in the session amid the strength in the rest of the energy complex. The oil complex traded higher along with the equities on supportive economic news that the Conference Board index of leading indicators increased by 0.3% to 99.5 in December. The natural gas market rallied to a high of \$4.61. However the market's gains remained limited amid the mild weather forecasts for the next 8-14 days while a sharp sell off in the oil complex in afternoon trading also pressured the market. The market erased most of its earlier gains as it traded back towards the \$4.40 level before it bounced off that level and settled down 2.8 cents at \$4.49. It is the lowest settlement since September 27, 2006, when the market settled at \$4.201.

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