



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 3, 2008

NATURAL GAS MARKET NEWS

The US National Hurricane Center said the energy market was watching a low pressure system in the northwestern Caribbean Sea which had less than a 20% chance of developing over the next 48 hours. It said environmental conditions were marginally favorable for any further development as the system moves slightly over the next few days.

According to Waterborne LNG's weekly report, liquefied natural gas imports into the US this year are expected to reach a five year low due to strong demand Asia. US LNG imports are estimated to total 348 bcf this year, the lowest level since 2002. It said the volume of Atlantic basin LNG flowing to the Far East has averaged 64 bcf/month for the first nine months of the year, more than triple the amount of LNG flowing to the Far East last year.

The U.S. Minerals Management Service reported that crude oil and natural gas production shut in the Gulf of Mexico continued to return to the market. It reported that the amount of crude production shut in fell by 88,456 bpd to 626,045 bpd as of Friday. Meanwhile, natural gas still shut in fell by 110 mmcf/d to 3.303 bcf/d.

Baker Hughes reported that the total rig count in the US was down 16 to 1,979 in the week ending October 3. It reported that 1,544 rigs were searching for natural gas, down 15 on the week and 422 were drilling for oil, down 1 on the week.

Generator Problems

ERCOT – AEP's 528 MW coal fired unit#3 at the Welsh power station is expected to shutdown today, October 3, until October 7 for maintenance.

NPCC – Ontario Power Generation's 494 Mw coal fired unit#4 at the Lambton power station was shut for work. Its Unit#2 was shut by August 29 and will likely resume operations in mid November.

Ontario Power Generation's 490 Mw coal fired unit#7 at the Nanticoke power station returned to service by early Friday. The unit was shut on September 26.

MRO – Exelon's 1225 Mw Byron #2 nuclear unit returned to full power today, up 1% from Thursday.

Exelon's 1163 Mw LaSalle #1 nuclear unit, which restarted on Thursday, increased its power to 23%, up 20% from yesterday.

Exelon's 912 Mw Dresden #2 nuclear unit, increased its power to 98%, up 1% on the day after it reconnected to the grid on Wednesday.

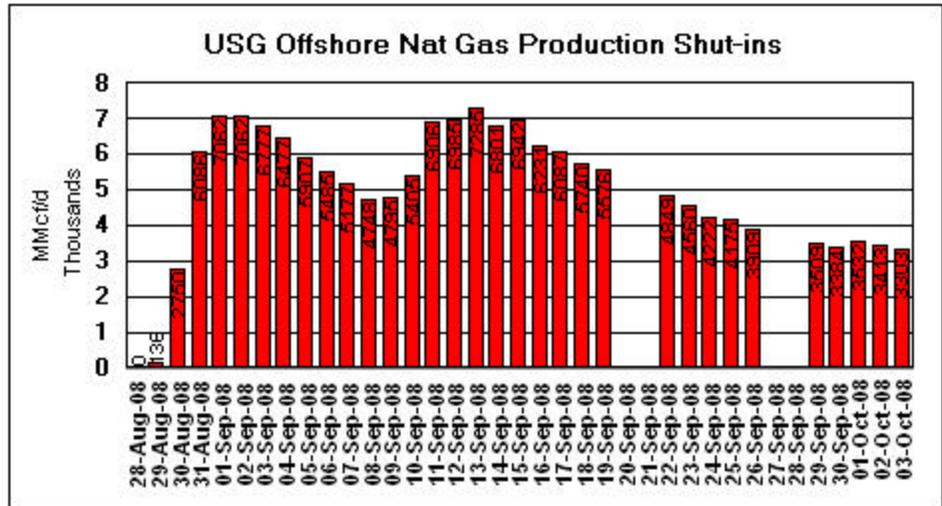
Exelon's 855 Mw Quad Cities #2 nuclear unit increased its operations to 97%, up 46% yesterday.

WECC – APS 1270 Mw Palo Verde #3 nuclear unit returned to full power on Friday, up 24% from Thursday

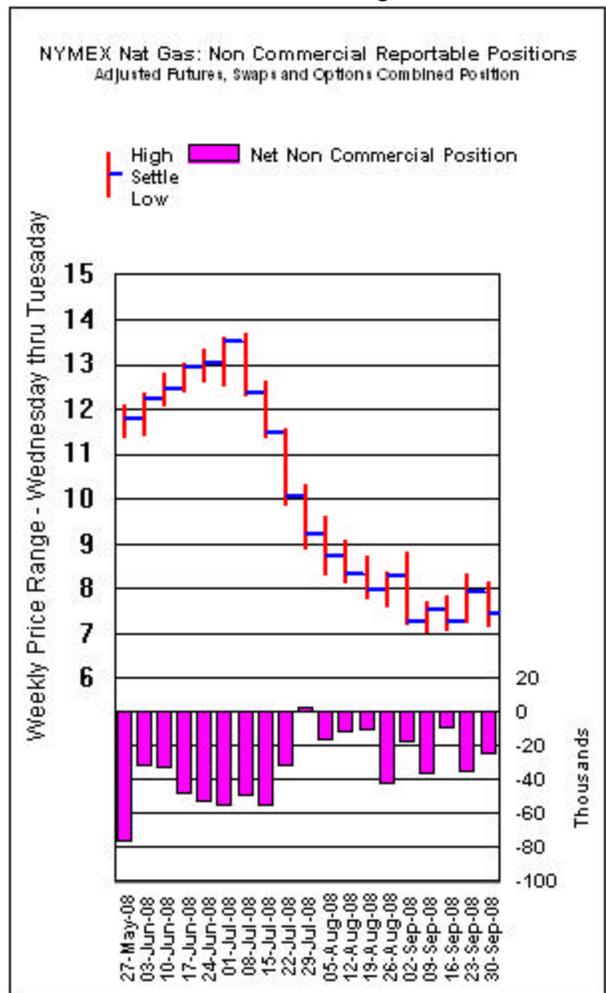
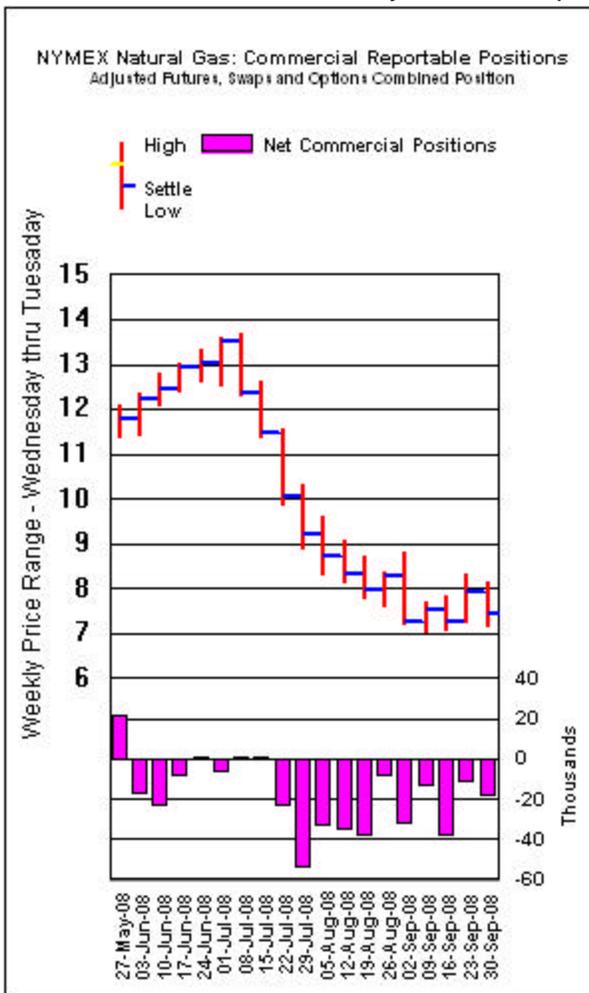
SCE's 1080 Mw San Onofre #3 nuclear unit continued to ramp up its operations to 75%, up 10% on the day.

According to the NRC some 87,356 Mw of generating capacity was in operation in the U.S. this morning, up 1.15% from Thursday and 5.54% higher than same time a year ago.

Canada's National Energy Board estimated that a pullback in drilling in this year's budgets has led to a drop in output of about 6% on the year or 1 bcf/d to an annual average of 15.8 bcf/d. Meanwhile, FirstEnergy Capital Corp predicted that Canadian production could fall another 4% in 2009 as the price remains low on a combination of mild weather and increasing inventory levels in Canada and the US. In contrast, US natural gas production is up about 8% this year and is expected to increase 4% in 2009, mostly due to development of areas such as the Barnett shale in Texas and Haynesville shale in Louisiana.



EnCana Corp said it is working to contain a leak of sweet natural gas at a well in southeastern Alberta. The leak occurred on Thursday at the nonoperating well while crews were working on the wellhead.



Blast Energy Services Inc announced that it successfully completed initial drilling of a new well operated by Reliance Oil and Natural Gas, outside of Abilene, Texas. The initial natural gas production of the well increased five fold to about 65 mcf/d.

ELECTRIC MARKET NEWS

Genscape estimated that for the week ending October 2, coal consumption nationally was the unchanged on the week but down 6% on the year. It also reported that US electricity consumption in the third quarter fell by 2.8% on the year, following six quarter of consecutive increases. This was mainly due to the mild summer. It said there was also evidence of lower industrial power use in some areas.

The New Jersey Board of Public Utilities announced it has chosen Garden State Offshore Energy, a joint venture of PSEG Renewable Generation and Deepwater Wind, as the preferred developer of a 350 Mw wind farm off the coast of New Jersey. Its proposal calls for 96 wind turbines 16-20 miles off the coast of Cape May and Atlantic counties. The project could power about 125,000 homes and generate electricity at a cost of about 4.3 cents/kwh. Construction could start in 2010, with the wind farm starting to generate energy in 2012 and the entire project operational in 2013.

MARKET COMMENTARY

The natural gas market continued lower during today's session in follow through selling seen on Thursday and ended in negative territory for the second consecutive session. The market was also pressured by soft weekend cash prices. The market posted a high of \$7.50 in overnight trading and sold off to a low of \$7.29 early in the day amid the weakness in the oil markets. The market later bounced off its low and retraced most of its early losses as it attempted to test its high. However the market was once again pressured late in the session and settled down 12.3 cents at \$7.358.

The market will continue to be driven by the rest of the energy complex until there is some heating demand seen in forecasts. The natural gas market is seen finding support at \$7.29 followed by \$7.265, \$7.173, \$7.14 and \$7.055. More distant support is seen at \$6.932 and \$6.832. Resistance is seen at \$7.38, \$7.435, \$7.475, \$7.50, \$7.58-\$7.62 and \$7.685.

The latest Commitment of Traders report showed that commercials in the natural gas market increased their net short position by 7,479 contracts to 18,124 contracts in the combined adjusted futures, options and swaps contracts basis Henry Hub in the week ending September 30th. Meanwhile, the non-commercials in the natural gas market cut their net short position by 10,865 contracts to 24,110 on the week.