



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 13, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning reported that the tropical disturbance that is located a couple hundred miles east of the Lesser Antilles had not become better organized overnight and the possibilities of this system developing into a tropical depression in the next 48 hours had diminished.. In fact the system appears to being hindered by continued wind shear and by a dry air mass just south of the system. As a result the hurricane hunter aircraft mission scheduled for today has been canceled. Late in the day though forecasters had switched back to looking for the system to become a tropical depression by either Thursday or Friday. The second system out in the middle of the Atlantic continues to show little signs of further development and computer model track guidance does not show that even if it did develop it would not be a threat to U.S. interests.

Generator Problems

SERC – TVA' Browns Ferry #3 nuclear unit was at full power this morning up 25% from yesterday.

MRO – Exelon's 855 Mw Quad Cities #2 nuclear unit was up to 98% of capacity this morning, up 31% from yesterday.

NPPD's 764 Mw Cooper nuclear unit reconnected to the grid and was at 72% capacity up from just 20% yesterday.

The NRC reported that 95,022 Mw of nuclear capacity is online, down 0.2% from yesterday and down 2.3% from the same day a year ago.

WECC reported that it was looking for peak demand today to reach 140,746 Mw, basically unchanged from Tuesday. Generation outages today were expected to be 12,581 Mw down 9.2% from yesterday's levels.

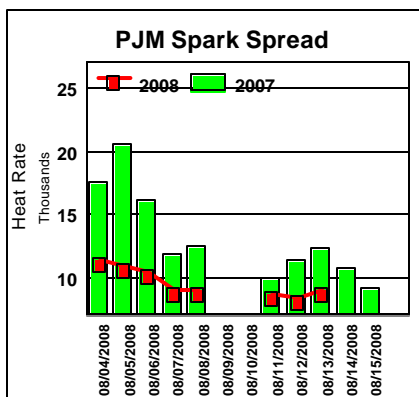
PJM reported that generating outages in the region were estimated at 11,846 Mw up 10.9% from yesterday, while peak demand was seen running at 102,100 Mw today some 3.4% more than yesterday and some 1.5% more than forecast on Tuesday. Thursday's peak demand was also revised higher today by 1.4%, now seen at 102,500 Mw.

MISO reported that 5,820 Mw of outages in the region today 1.1% less than yesterday. Peak demand today was seen at 80,430 Mw some 0.8% higher than yesterday and 0.8% less than forecasted on Tuesday. Thursday's peak demand is seen at 80,230 Mw.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	983,800	\$8.107	(\$0.124)	(\$0.322)	(\$0.141)	(\$0.472)
Chicago City Gate	581,900	\$8.068	(\$0.121)	(\$0.361)	(\$0.148)	(\$0.257)
NGPL- TX/OK	615,300	\$7.801	(\$0.117)	(\$0.628)	(\$0.145)	(\$0.492)
SoCal	586,100	\$7.632	(\$0.126)	(\$0.797)	(\$0.153)	(\$0.626)
PG&E Citygate	949,500	\$7.993	(\$0.109)	(\$0.436)	(\$0.136)	(\$0.316)
Dominion-South	364,800	\$8.488	(\$0.121)	\$0.059	(\$0.148)	\$0.229
UStTrade Weighted	17,343,900	\$7.780	(\$0.114)	(\$0.649)	(\$0.14)	(\$0.472)

Dominion East Ohio announced it had successfully completed a natural gas auction for its Standard Service Offer on the World Energy Exchange. The auction was

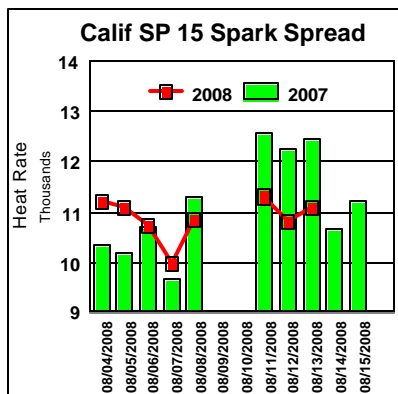
conducted in an effort to expand retail choice options for its customers and maximize the pool of customers receiving commodity service from a competitive natural gas supplier. The Ohio Public Utilities Commission approved Dominion's new SSO rate which will go in effect September 1st and continue through March 31, 2009.



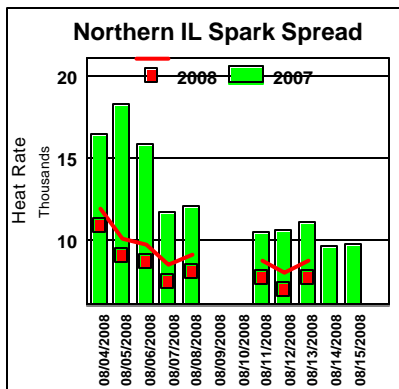
Columbia Gas Transmission and MarkWest Energy Partners announced today that they plan to jointly develop several natural gas gathering and processing projects in the Appalachian Basin. Several existing Columbia Gas Pipelines in Washington and Greene counties in Pennsylvania and Marshall and Wetzel counties in West Virginia would serve as the backbone of the gathering system connecting with a proposed MarkWest processing plant at Majorsville.

The Canadian Environmental Assessment Agency on Monday gave its approval of the proposed LNG terminal to be built at Placentia Bay, Newfoundland. The LNG storage and transshipment terminal could be built as soon as 2010.

The Federal Trade Commission today proposed new market rules to combat market manipulation in the energy markets. The agency said in a statement that "Fraudulent or deceptive acts, including false reporting to private reporting services or misleading announcements by refineries, pipelines or investment banks, may be covered by the proposed rule. Similarly, trading practices in physical or futures markets may also be covered." The agency noted that those who violate the rules will be subject to civil



penalties of up to \$1 million per violation per day. The final proposed rules will be published in the Federal Register of new government regulations on August 19th and will be open to public comment until September 18th.



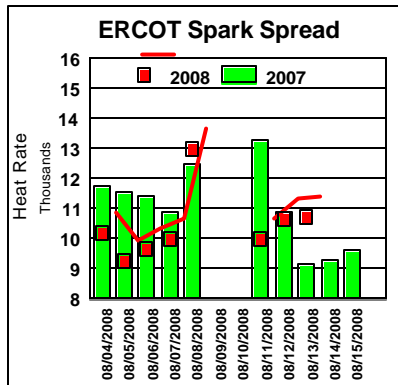
through the duration of the outage, capacity through Dana will be 1359 MMcf/d.

PIPELINE MAINTENANCE

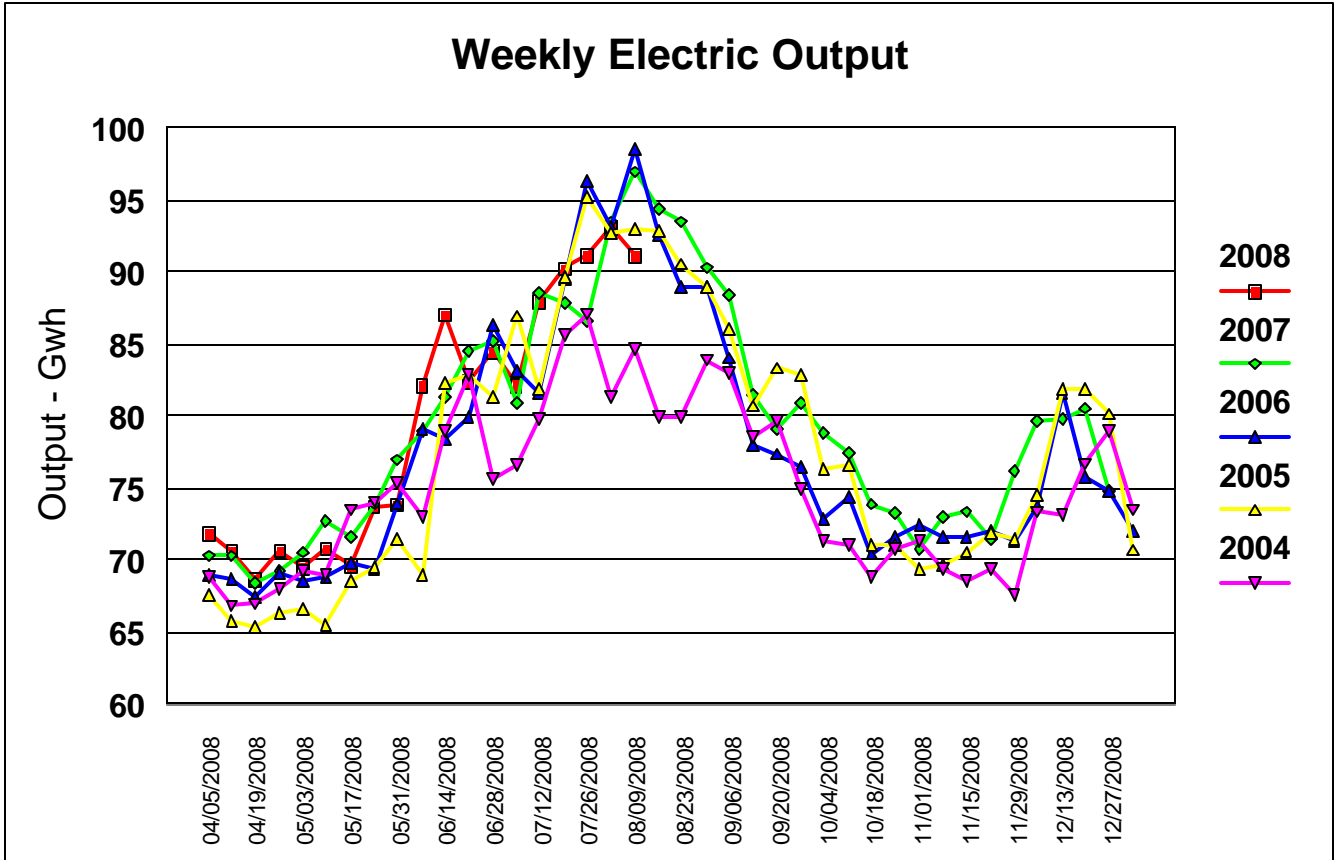
Panhandle Eastern Pipeline said that there would be an outage on the Montezuma 200 Line between Montezuma and Zionsville Stations beginning August 29th for maintenance. From August 29th until September 15, capacity through Dana will be limited to 1270 MMcf/d. From September 16

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that the United States produced 91,266 Gwh of power for the week ending August 9th. This was some 2% less than the prior week and 6.3% less than the same week a year ago.



Southern Company announced it is looking to buy up to 1.8 million tons of coal between 2009 and 2012 for four power plants. Southern said it would consider coal delivered by rail or vessel for



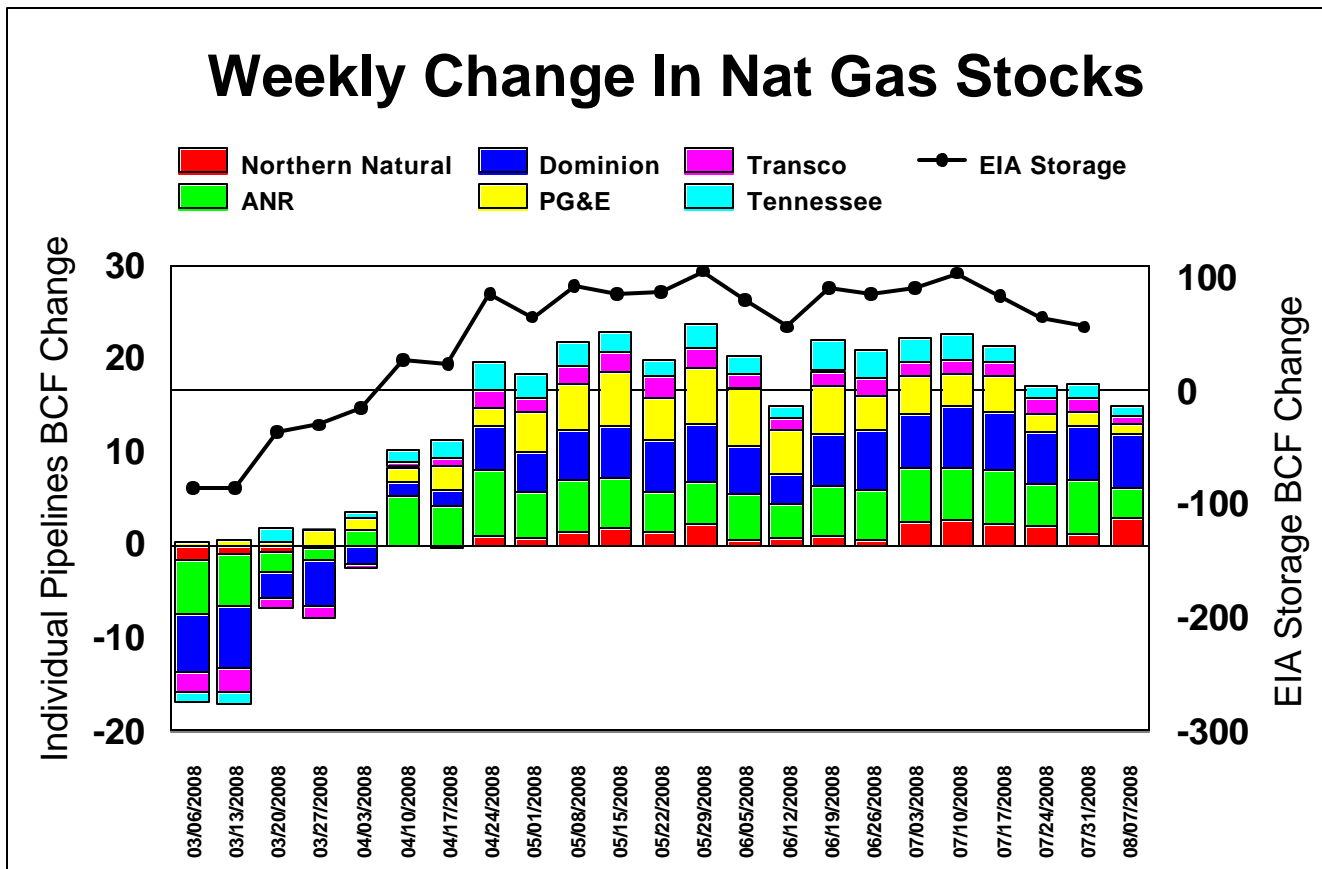
consumption at the bowen, Branch, McDonough and Mitchell plants run by its Georgia Power subsidiary.

Operators at FPL Group's 693 Mw Turkey Point 4 nuclear power plant may make a decision later this week on how they will proceed with repairing a small leak in the reactor's coolant system. The unit continues to operate at 100%.

MARKET COMMENTARY

The natural gas market which had been lightly trading a few pennies better this morning received a downward shove this morning as the National Hurricane Center released two negative updates on the tropical disturbance near the Lesser Antilles. While the NHC forecasters noting that the system had become a little more disorganized, some private forecasters felt that this system would not show any real intensification until later in the week. While this system is expected to remain on a west-northwest course over the next couple of days some of the computer models have this then moving more in a westward path and thus it could be a risk to the Gulf of Mexico. The Euro model in particular has this system entering the Gulf of Mexico and intensifying significantly next Tuesday and Wednesday as it then turns northward and comes ashore on the Florida Panhandle next Thursday. The release of the bullish oil inventory report though helped to reverse the downward erosions in price and dragged natural gas higher and helped to trigger stops as prices breached the highs of the past several days. As a result by mid day the natural gas market had posted an outside trading session for the day, setting a new low as well as breaching the highs of the prior three trading sessions. But as the afternoon update from the National Hurricane Center again was perceived as disappointing by the bulls, the bearish forecast appeared to prompt some profit taking which allowed prices to retrace just

less than 50% of the up move from the morning. The market though did settle higher at its highest level in the last four trading sessions.



Volume was excellent today with 246,614 futures contracts changing hands as another 166,241 lots were booked in the Henry Hub Swaps and Penultimate contracts. Open interest reported at midday showed that futures declined by 8,857 lots with declines in the spot month and most of the calendar 2009 months as well.

Market expectations for tomorrow's EIA Storage Report appear to be centered around an expectation of 53 bcf build in stocks. For the same week a year ago stocks increased by 27 bcf while the five-year average is for a 50 bcf build. Our estimate is on the lower end of expectations, as we are looking for a 48 bcf build which we think would initially be seen as supportive.

We would look for this market to tread water as traders await the release of the EIA Storage Report at mid morning. While we think we could see a supportive storage report, we would not be surprised to see sellers to re-emerge after the report and use it as a selling opportunity, especially if the weather forecasts continue to be disappointing for the tropical disturbance approaching the Leeward Islands to eventually threaten the Gulf of Mexico.

We would look for resistance tomorrow at \$8.736, followed by \$8.778, \$9.09-\$9.10, \$9.464 and \$9.60. Support we see at \$8.393, \$8.312, \$8.092, \$8.05, \$7.728 and \$7.40.

The March April spread while settling higher today as well did not break out of the trading range of the prior several sessions. We would look for this spread early tomorrow to be contained in the 43-53

trading range. If this is broken though later in the morning we could see a significant move in this spread once again.