



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 2, 2008

NATURAL GAS MARKET NEWS

The Department of Commerce reported today that new orders at U.S. factories in March rose by 1.4% and durable goods orders rose a revised 0.1% all much stronger than expected.

Chevron reported this morning that in the first quarter its domestic production of natural gas averaged 1.666 bcf/d down 3.7% from the first quarter of last year.

BENTEK Energy released a study on Southeast/Gulf region natural gas storage development projects that reveals that of the 31 projects scheduled for operation in 2008-2010, including new fields and expansions, it could add more withdrawal capacity that there is available pipeline capacity to move gas out of the region. If all 31 projects are completed, it would add 305 bcf of working gas capacity and 17.5 bcf/d of high deliverability withdrawal capacity from these facilities. To compound this development new pipelines will bring new incremental domestic production in to the region from Texas as well as new LNG terminals, which will also add to the rapid build up of inbound capacity into the region. The analysts see that during high withdrawal period in the winter heating month's storage gas will compete head to head with increased pipeline deliveries in the region. They noted that until new pipeline capacity is built, they see unprecedented imbalances in regional storage, flows and pricing over the next few years. The analysts also noted that in the first quarter of 2009 will see the impact of the REX East pipeline completion to Clarington, Ohio and the resultant affect on flows and pricing in the Southeast/Gulf market. The report concludes supply into the

Generator Problems

ECAR – AEP's 1060 Mw Cook #1 nuclear unit was at 84% up 18% from Thursday.

ERCOT – Luminant's 575 Mw Unit #2 at the Big Brown coal fired powerplant was expected to be restarted today and Saturday.

NPCC – The 580 Mw Brighton Beach natural gas fired power plant in Ontario was shut early Friday.

WECC – Mirant's 682 Mw Unit #7 at the Pittsburg natural gas fired power plant was returned to service Thursday afternoon. The unit had been shut since march 15th.

SERC – Progress Energy's 938 Mw Brunswick #1 nuclear unit was at 94% up 33% from last year.

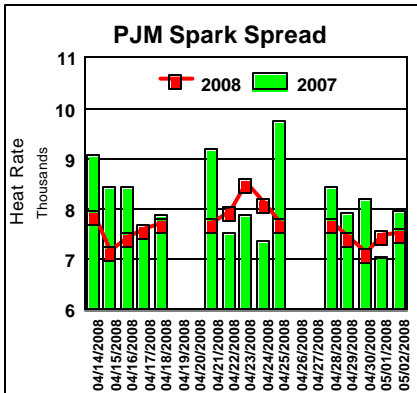
The NRC reported that 81,301 Mw of nuclear

Ohio Valley will displace 0.7 to 1.0 bcf/d of Southeast/Gulf regional supply.

The American Gas Foundation in a report released today noted that increased direct use of natural gas in residential and commercial

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,262,400	\$10.369	(\$0.291)	(\$0.361)	(\$0.575)	(\$0.437)
Chicago City Gate	444,900	\$10.394	(\$0.242)	(\$0.337)	(\$0.437)	(\$0.095)
NGPL- TX/OK	1,107,500	\$10.016	(\$0.270)	(\$0.714)	(\$0.465)	(\$0.474)
SoCal	744,500	\$9.271	(\$0.819)	(\$1.459)	(\$1.014)	(\$0.724)
PG&E Citygate	893,400	\$10.257	(\$0.393)	(\$0.473)	(\$0.588)	(\$0.121)
Dominion-South	351,800	\$10.910	(\$0.266)	\$0.180	(\$0.461)	\$0.477
Transco Zone 6	143,700	\$11.057	(\$0.398)	\$0.327	(\$0.593)	\$0.726

applications can improve the productivity of available energy supplies, reduce overall energy cost and reduce related greenhouse gas emissions. The foundation noted that as the role of natural gas expands, the nation's policymakers need to make certain the nation has adequate access to our nation's natural gas supplies to meet this growing demand.



The U.S District Court on Friday upheld a decision by Connecticut regulators in December 2006 deny Islander East Pipeline a water quality certification for its proposed pipeline under Long Island Sound. The company has been seeking to build a 45 mile natural gas pipeline from North Haven, CT to Brookhaven, NY

PIPELINE RESTRICTIONS

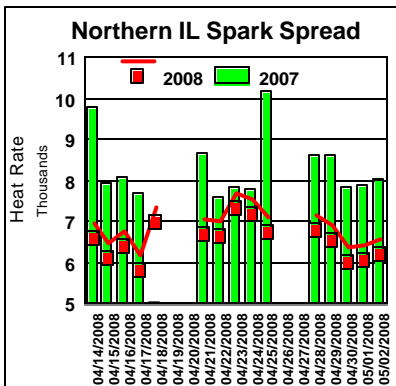
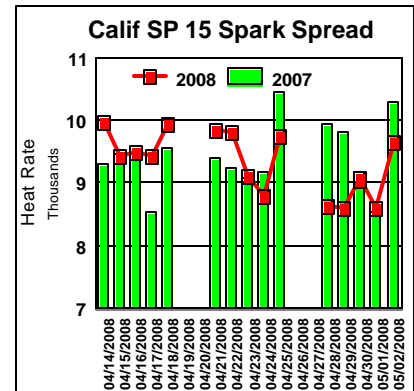
FGT said today its line pack is lower and warmer weather is forecasted for its market area and as a result it may issue an Overage Alert Day.

PG&E California Gas Transmission announced that a system-wide operational flow order for May 3rd due to high inventory.

PIPELINE MAINTENANCE

KMIGT said it would perform maintenance at its Laton Compressor Station beginning May 5th through May 9th. Capacity through Segment 775 will be limited to 235,000 Dth. Based on the current level of nominations AOR/IT, secondary & primary FT quantities are at risk of not being fully scheduled. The company also said it will be performing maintenance at the Casper Compression Station on May 6th that will impact receipt points on Segments 30, 35, 40, 43 710 and 720 pathed through Segments 45 and 730.

Gulf South Pipeline said it would perform scheduled maintenance on Hall Summit Compressor Station Unit #2 beginning May 5th and lasting for five days. Capacity through the station could be reduced by as much as 125,000 Dth.



SONAT said that due to inclement weather, the leak investigation on Southern's 14-inch Main Pass 107 pipeline located offshore Louisiana upstream of Toca Compressor facilities has been delayed. Work is now scheduled for May 4th or 5th.

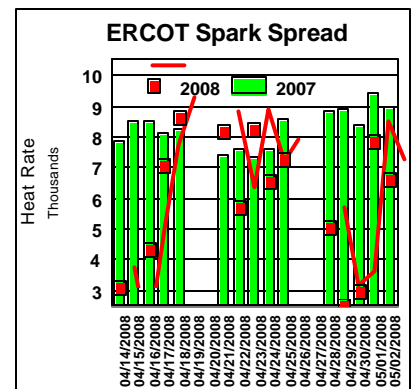
East Tennessee Natural Gas filed an application for the Greenway/Nora Expansion Project with the FERC to transport up to 50 million cubic feet per day of Appalachian natural gas. The project pending approval could be operational by December 1st.

ELECTRIC MARKET NEWS

The chairman of the FERC yesterday defended his agency's utility merger review process. He outlined that the agency has been using a "cooperative

approach" by deferring to such conditions imposed by state regulators, but it is there as a backstop if states lack the authority or will to impose adequate protections. He noted that the FERC's most powerful regulatory tool in preventing this practice is to disallow rate recovery of costs related to improper cross-subsidies. A recent GAO study had concluded that the FERC process does not provide a basis to guard against harmful cross-subsidization between utility companies and their affiliates. Congressional Republicans supporting the FERC actions said the GAO "has not found any instances of cross-subsidization" that have occurred since Congress repealed the Public Utility Holding Act of 1935 as part of the Energy Policy Act of 2005.

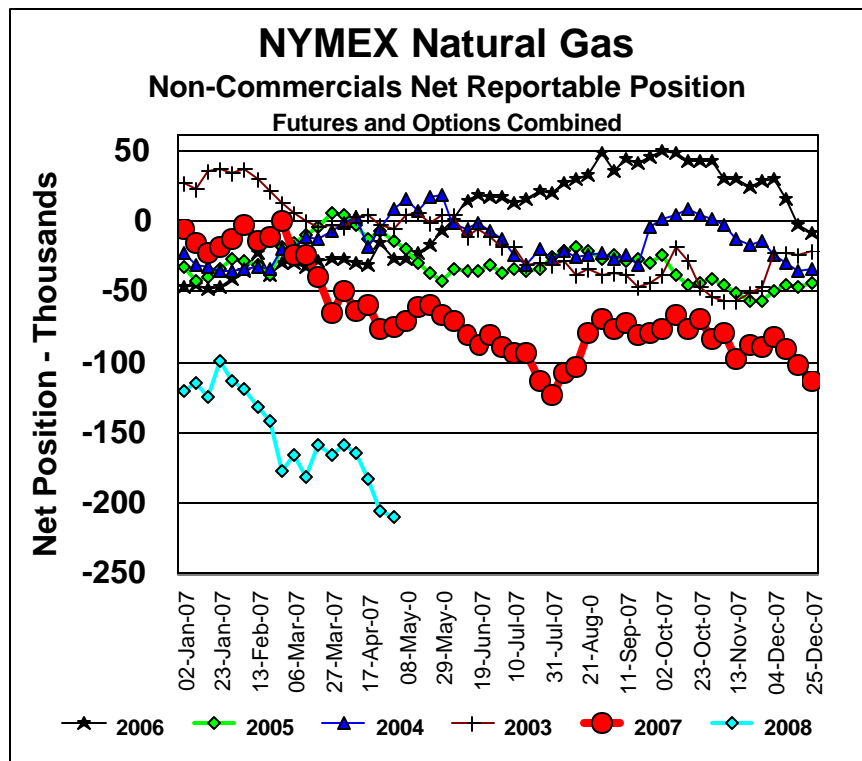
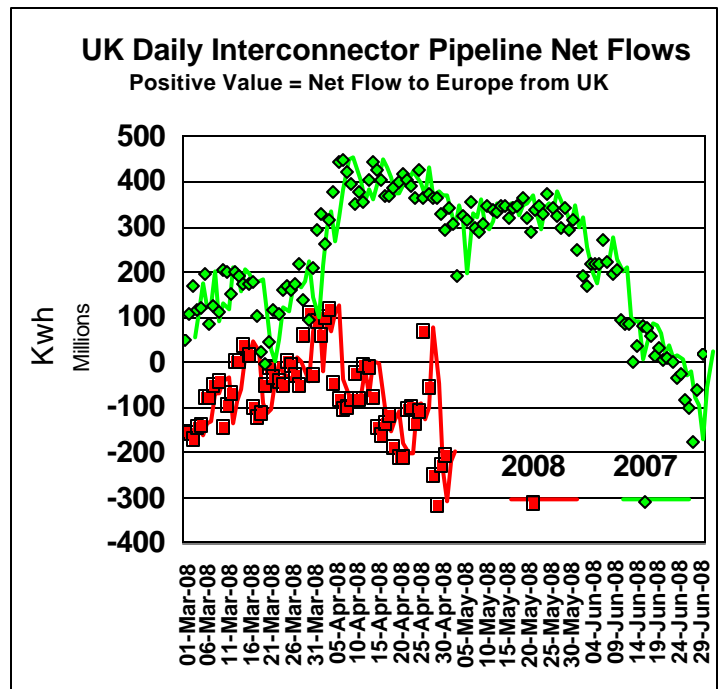
Reliant Energy officials said this week that they feel that PJM Interconnection's reliability pricing model, which is scheduled to be auctioned



on May 5-9 for capacity coming on line in June 2011 will support new plant construction in the eastern portion of PJM, but not in the western portion.

Reliant Energy reported that it is hedging more of its coal supplies than has done in the past given the recent increase in overall prices. The company said it was largely hedged for 2008 and partially hedged for 2009. They also noted that the company is trying to blend more coal from the Powder River basin at some of its coal-fired plants.

Duke Energy raised the cost estimate for its proposed 630 Mw Edwardsport clean-coal gasification plant by \$365 million, to \$2.35 billion. As a result of the cost increases the company warned that electric rates would be pushed higher by 2%. In November the Indiana Utility Regulatory Commission granted Duke permission to build the plant and noted that Commission approval would be necessary for additional costs to complete the plant. Duke blamed rising costs on international competition for materials and higher labor costs. The plant is scheduled to be completed in 2012. The company said that if the plant is built it will produce 10 times as much power as the existing units at the site but will emit less sulfur dioxide, nitrogen oxide and mercury and less carbon dioxide per megawatt hour than the 50 year old units at the site, which would be retired. The IGCC technology that would be used at the proposed facility also makes it possible to store and/or sequester the carbon dioxide underground. The company yesterday asked regulators for approval to study the costs and the site's availability for capturing and storing some of the carbon dioxide.



Midwest ISO announced Thursday the region will have sufficient generation capacity to meet the expected summer peak power demand. The summer of 2008 is estimated to see a peak net demand of 100,000 Mw, some 3% less than last year.

The Northwest River Forecast Center reported on Thursday that water runoff at the Dalles dam in Oregon was forecast to be at 99% of Normal for the period of April to August, unchanged from the previous forecast two weeks ago.

A federal court Friday ruled that the FERC acted properly when it approved the administrative feed of the CalISO and allowed PG&E to pass those charges on to customers.

MARKET COMMENTARY

While the cash market was weaker

going into the weekend, the futures market went in the other direction. The natural gas market today attempted to follow oil prices but failed to keep pace and as a result finished the session up just over 20 cents as it posted an inside trading session for the first time since March 18th. With weather forecasts near term appearing moderate traders appear to have less to drive their trading decisions outside of the weekly storage reports. As a result the market becomes susceptible to external factors such as the oil markets and economic reports as taking a larger role on trading direction.

We see that this market could still see additional price erosion early next week. We would look for initial support on Monday at \$10.586, with more significant support at a two-month trend line at \$10.45. Additional support we see at \$10.396, \$10.291, \$10.186 and \$9.889. Resistance we see at \$10.795, \$10.856-\$10.88, \$10.98, \$11.089 and \$11.17.

This afternoon's Commitment of Traders Report showed that non-commercials continued to build their reportable net short position. The futures only report showed a net increase in short positions by 15,369 lots and in the futures and options combined position increased their net shorts by 3,885 to a record short position of 209,344 contracts.

NYMEX Nat Gas Options Most Active Strikes for May 2, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	7	8	C	12	06/25/2008	0.2951	4,630	37.88
LN	6	8	P	10	05/27/2008	0.1113	3,175	36.60
LN	12	8	P	10	11/21/2008	0.6727	2,600	47.96
LN	9	8	P	8	08/26/2008	0.1101	2,025	47.08
LN	8	8	C	15	07/28/2008	0.1613	2,000	48.74
LN	6	8	C	12	05/27/2008	0.0952	1,950	38.82
LN	6	8	C	11	05/27/2008	0.3213	1,810	35.07
LN	7	8	C	13	06/25/2008	0.1371	1,605	40.11
LN	12	8	P	9	11/21/2008	0.3377	1,500	45.53
LN	1	9	C	15	12/24/2008	0.9689	1,192	45.96
LN	6	8	P	9.5	05/27/2008	0.0341	1,165	35.76
ON	8	8	C	13.5	07/28/2008	0.29	1,158	47.74
LN	1	9	C	20	12/24/2008	0.4264	1,100	52.53
LN	12	8	C	15	11/21/2008	0.7589	987	46.33
LN	9	8	C	20	08/26/2008	0.0628	954	55.70
LN	7	8	P	9.5	06/25/2008	0.1261	915	39.17
LN	1	9	P	7.5	12/24/2008	0.1333	900	46.66
LN	10	8	P	9.5	09/25/2008	0.5897	815	52.16
LN	7	8	P	10.25	06/25/2008	0.34	800	41.02
LN	4	10	C	15	03/26/2010	0.31	800	24.80
LN	8	8	P	10.25	07/28/2008	0.5819	800	48.07
LN	11	8	C	12	10/28/2008	1.2663	700	42.66
LN	11	8	C	13	10/28/2008	1.0005	695	45.45
LN	8	8	C	16	07/28/2008	0.121	650	51.95