



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 7, 2008

NATURAL GAS MARKET NEWS

The NYMEX said today that it plans to introduce the first exchange-traded contract that complies with a government program for trading emissions in the U.S. The contract will create a market for futures based on permits to emit carbon dioxide in states that are members of the Regional Greenhouse Gas Initiative. The program is designed to cap emissions from power plants and create a market for trading emissions allowances. Ten states including Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Delaware and Maryland are part of the initiative. The contract is expected to be launched sometime this summer pending regulatory approval. It will be listed on the Globex system and Clearport.

France's environmental minister said today that French consumers would not pay more for gas supplied under state-fixed tariffs as a result of a 5.6% rise for gas companies to access the grid owned by Gaz de France. The French regulator CRE warned yesterday the hike in rates to access the grid could lead to a 1.5% increase in state fixed gas tariffs for household consumers in a knock-on effect. The government has until July 1st to make a decision.

Generator Problems

NPCC – OPG's Portlands Energy Center saw the first 340 Mw phase of the natural gas fired power plant starting operations this week. The plant is expected to reach 340 Mw by June 2008. The company will take the unit off line after the summer so construction can proceed with the second phase of the project which is scheduled to be operational by the 2Q2009.

OPG's 490 Mw Unit #1 at the Nanticoke coal fired power plant was taken off line for a short-term maintenance outage.

OPG's 515 Mw Unit #1 at the Pickering nuclear power plant was shut yesterday for scheduled maintenance.

PJM – PSEG Nuclear's 1100 Mw Salem #2 nuclear unit has been restarted but was still off line.

SERC – Entergy's Nuclear One 836 Mw Unit #1 was back at full capacity, up 17% from levels recorded since the weekend.

Southern has restarted its 862 Mw Hatch #2 nuclear unit was warming and at 1% capacity. The unit had been off line since May 5th.

The NRC reported that 78,187 Mw of nuclear capacity is online, up 0.3% from Tuesday but down 7% from a year ago.

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	1,469,200	\$11.081	(\$0.006)	(\$0.182)	(\$0.077)	(\$0.640)
Chicago City Gate	651,900	\$11.127	\$0.040	(\$0.136)	\$0.038	(\$0.178)
NGPL- TX/OK	981,600	\$10.681	\$0.036	(\$0.582)	\$0.034	(\$0.586)
SoCal	710,900	\$9.515	(\$0.776)	(\$1.748)	(\$0.778)	(\$1.116)
PG&E Citygate	792,000	\$10.831	(\$0.073)	(\$0.432)	(\$0.075)	(\$0.319)
Dominion-South	224,200	\$11.614	(\$0.035)	\$0.351	(\$0.037)	\$0.359
Transco Zone 6	354,900	\$12.005	\$0.034	\$0.742	\$0.032	\$0.633

The Industrial Energy Consumers of America said today that they strongly oppose legislation in Congress that seeks to withdraw 1.2 million acres of land in Wyoming that could contain 8.8 tcf of natural gas. The lobby group said that at a time with escalating

energy prices it is the wrong time to “withdraw access to large amounts of natural gas.”

Goldman Sachs in a report released today warned that if U.S. imports of LNG remain at their current record low levels, the country’s natural gas storage inventories are unlikely to be full by the end of the summer. The company noted that while domestic production has been better than expected, demand for natural gas has been equally as strong. The bank noted that LNG imports into the U.S. need to increase and incentives must be created to encourage fuel switching away from natural gas towards residual fuel during the injection season in order to bring inventories to full levels by the end of October. In order to do so NYMEX natural gas values need to rise further and close the gap with international gas prices and the oil complex in the coming months. The bank though felt that given the stronger demand for LNG globally it would be difficult to attract sufficient imports to the U.S. In addition the bank noted Mexican demand for natural gas continues to be strong and that prompted them to raise their estimates for U.S. natural gas exports to Mexico to increase on the year by 200,000 Mcf/d.

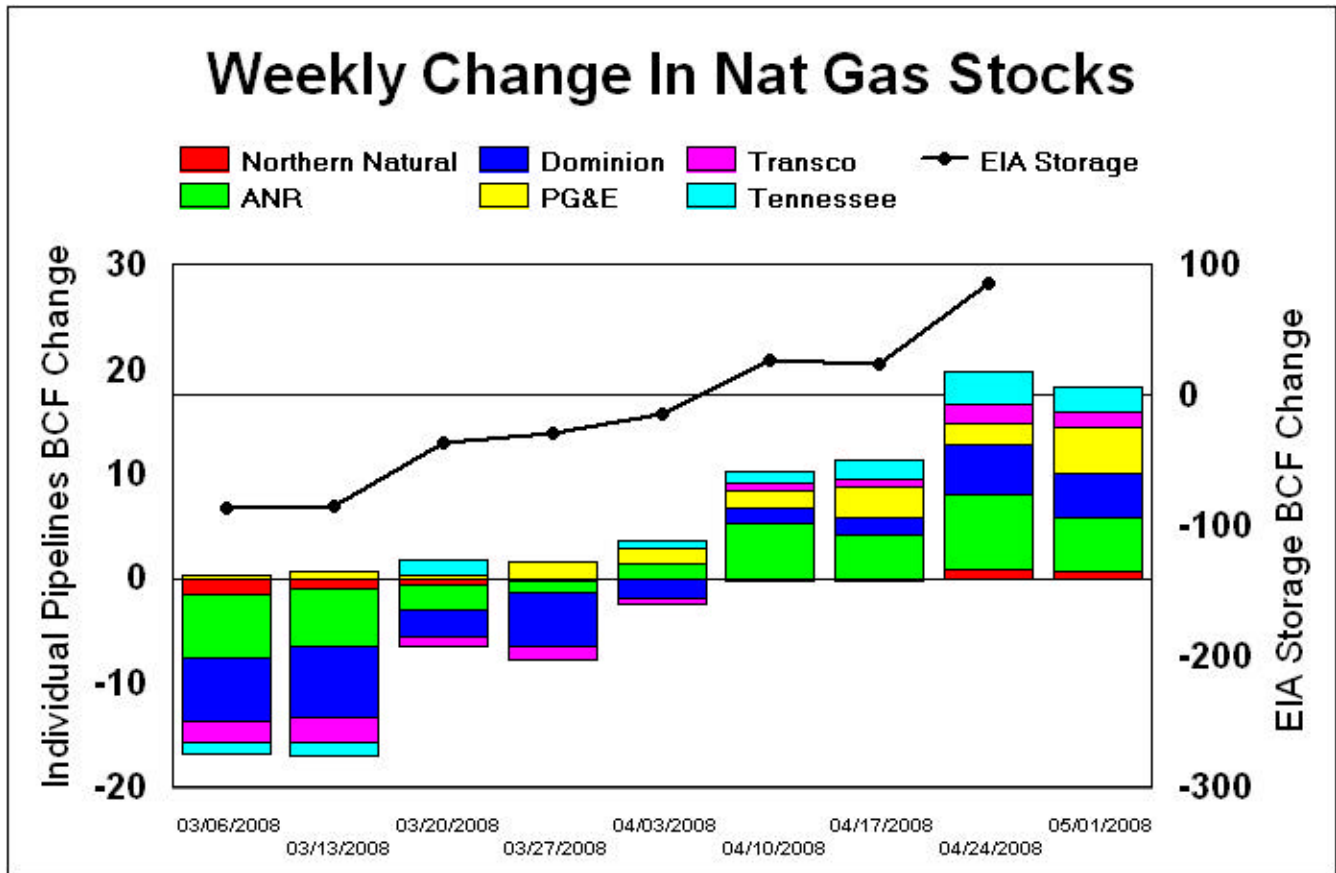
PIPELINE RESTRICTIONS

FGT announced today that due to low line pack and expected warm temperatures in its market area, it was extending its Overage Alert Day at 25% tolerance today.

PIPELINE MAINTENANCE

Texas Eastern Transmission said that due yto unforeseen delays, the DOT pipe replacement between Angleton and Mt Belvieu that was scheduled to start May 9th has now been indefinitely delayed.

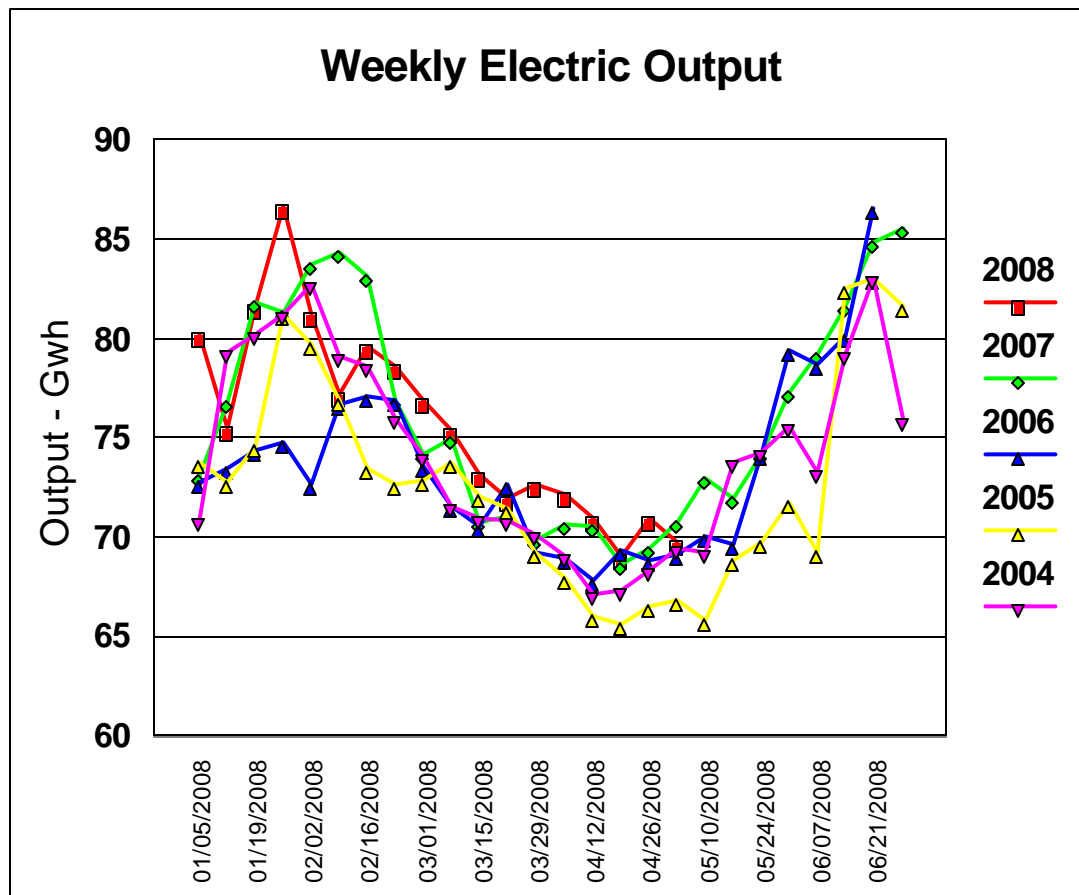
Gulf South Pipeline said that scheduled maintenance on Marksville Unit #4 has been extended through May 25th. Capacity through the Marksville Compressor Station could be reduced by as much as 150,000 Dth during the



maintenance. The company also reported that scheduled maintenance on Montpelier Compressor Station Unit #4 has been extended through today. Capacity through Montpelier Compressor Station could be reduced by as much as 75,000 Mcf/d.

SONAT reported that it has identified a leak at its facilities along the Main Pass 107 pipeline upstream of Toca. The line is not expected to return to service no sooner than this weekend.

Northern Natural Gas said that it has determined that the repair process will extend into today's gas day. Capacity will remain at zero at several points on the 'A' Mainline near Spearman, Texas.



ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending May 3rd U.S. electric production reached 69,554 Gwh. This was some 1.5% less than a year ago and down 1.7% from the previous week.

The U.S. Department of Energy announced awards of more than \$126.6 million for large-scale CO2 sequestration projects. The new projects will demonstrate the entire CO2 injection process, pre-injection

characterization, injection process monitoring and post-injection monitoring, for large-scale injections of one million tons or more to test the ability of different geologic settings to permanently store CO2. Each project will inject more than 1 million tons or more of CO2 into a regionally significant storage formation.

MARKET COMMENTARY

The natural gas market finished higher today as the march of oil prices higher helped to push natural gas prices back up towards their recent highs. Traders though appeared unwilling to push this market significantly outside of yesterday's trading range until they have seen the release of the EIA Storage Report.

Market expectations for tomorrow's EIA Storage Report range between 50-80 bcf increase with the average rate coming in at 64 BCF build in working gas stocks. Our estimate is just a bit higher looking for a 70-bcf build. For the same week a year ago saw a 94 bcf build with a five-year average gain of 73 bcf.

We had felt that the natural gas market's failure to hold onto the gains yesterday had been an early signal that this market was ready to push back down once again. But the running of the bulls in the oil market coupled with yet another bullish energy price report from Goldman Sachs for the second straight day, this time in natural gas seems to make the \$11.06 price level is becoming a significant support level. A lesser support level we see at \$11.13, with more distant support at \$10.932 and \$10.804. Resistance we see at \$11.387, \$11.456-\$11.465, followed by \$11.584 and \$11.781. We feel if we get a bearish inventory report tomorrow that this market can

challenge the \$11.06 area as long as oil prices are not trying to reach \$125 level. Thus we are willing to wait for a better entry point.