



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 29, 2008

NATURAL GAS MARKET NEWS

A new tropical depression formed in the eastern Pacific off the coast of Central America, which quickly became the season's first tropical storm, Alma. The formation of this storm basically erased the chances of one forming near term in the Caribbean. The current forecast track has Tropical Storm Alma becoming a hurricane before it moves inland along the coasts of Nicaragua and Honduras over the next 24 hours. It is possible that the remnants of this storm could emerge into the Caribbean or Bay of Campeche and regenerate into a tropical depression but currently wind shear throughout the area is highly unfavorable for such development at this time.

The forecasting network, WeatherBug said today that it is looking for an above normal hurricane season this year with 10-12 named storms.

The Commerce Department reported this morning that the U.S. economy grew at a revised 0.9% annual rate in the first quarter, slightly stronger than previously reported, due in part to lower demand for foreign goods and

a pick up in non-residential building. Meanwhile the Labor Department reported that claims for new jobless benefits rose slightly more than expected on the week. In addition the number still drawing benefits reached its highest level in more than four years.

EIA Weekly Report

	05/23/2008	05/16/2008	Net chg	Last Year
Producing Region	622	595	27	760
Consuming East	845	797	48	951
Consuming West	234	222	12	311
Total US	1701	1614	87	2022

*storage figures in Bcf

Generator Problems

NPCC – Dominion Resources 882 Mw Millstone 2 nuclear plant was at 81% power today up just 1% from Wednesday.

OPG's 535 Mw Units #3 and #4 at the Lennox oil and gas fired power plant were taken off line for short-term maintenance.

Entergy's 535 Mw Vermont Yankee was at full power today, up 3% from Wednesday.

PJM – Exelon's Peach Bottom3 nuclear unit was at 89% of capacity this morning off 11% from Wednesday.

FirstEnergy's 864 Mw Beaver Valley Unit #2 was at 96% power up 2% from Wednesday.

SERC – TVA's 1121 Mw Watts Bar nuclear station was at 92% power this morning up 7% from Wednesday.

ERCOT – Luminant's 545 Mw Unit #4 at the Sandow coal fired power plant was expected to be restarted this afternoon. The unit had been off line since this past Monday.

WSCC- APS stopped the restart of its 1314 Mw Unit #2 at the Palo Verde nuclear power station yesterday due to problems with some control element assemblies. The unit has been off line since March 29th.

Energy Northwest's 1200 Mw Columbia Generating nuclear facility was at 85% capacity down from full power yesterday.

The NRC reported that 90,750 Mw of nuclear capacity is online, up 1.3% from yesterday and up 3.9% on the year.

NorthernStar Natural Gas late Tuesday asked the FERC to reject state officials call for reissuing a draft environmental impact report on its proposed Bradwood Landing LNG project along the Columbia River in Oregon.

PECO said it will increase its gas commodity charge because, just like other heating fuels such as heating oil and propane, the cost of natural gas has risen on the wholesale market since the company's last adjustment in march 2008. Retail customers should see an average increase of 20%.

Ozark Gas Transmission announced it would propose building a new pipeline to transport natural gas from the expanding Fayetteville Shale production in Arkansas.

Canadian Gas Association

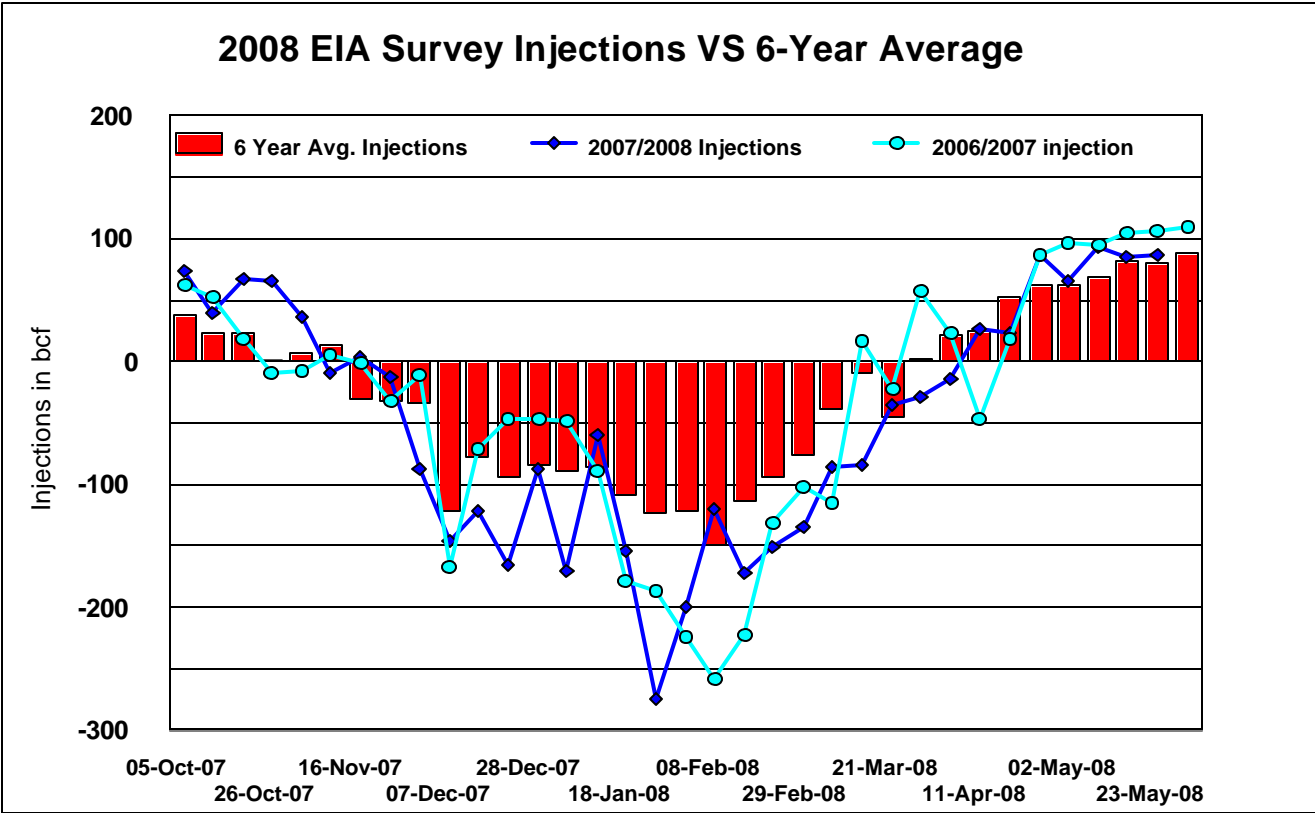
Weekly Storage Report

	23-May-08	16-May-08	25-May-07
East	77.9	68.9	96.8
West	171.6	157.9	254.2
Total	249.6	226.8	351.0

storage figures are in Bcf

The CFTC announced today a number of initiatives to increase transparency of the energy futures markets. The agency said it was taking these measures to ensure that the energy markets "function properly and operate free from manipulation and abuse." First the CFTC announced it had reached an agreement with the Financial Services Authority in the United Kingdom, for expanded information sharing for surveillance of energy futures commodity contracts with

U.S. delivery points, including the WTI contract. This agreement includes the immediate implementation of expanded information sharing to provide the CFTC with daily large trader positions in the UK WTI crude oil market. It will also extend trader information sharing to provide crude oil large trader position data for all contract months in the WTI contract, not just the nearby months. The two regulatory agencies agreed to enhance trader information over the near term to permit more detailed identification of market end users. The FSA will also notify the CFTC when traders exceed position accountability levels, as established by U.S. designated contract markets. Since 2006 the FSA has provided the CFTC with weekly trader information and daily information in the final trading week. In regards to the U.S. markets the CFTC said it will improve the transparency of energy

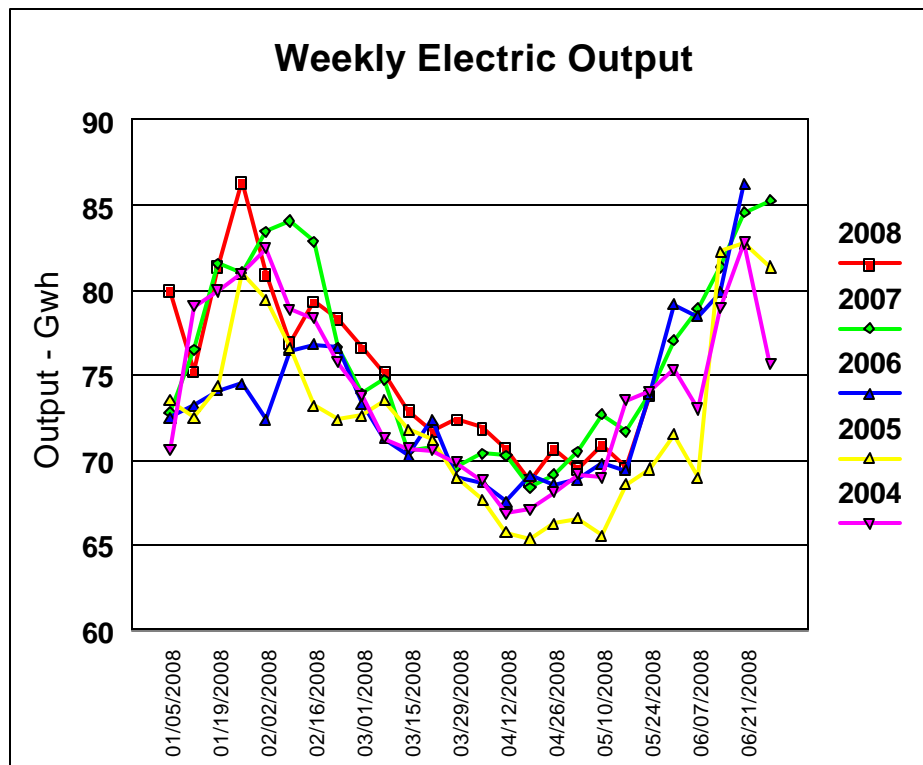


markets Index trading activity. The CFTC will use its Special Call authorities to immediately begin to require traders in the energy markets to provide the agency with monthly reports of their index trading to help the CFTC to further identify the amount and impact of this type of trading in the markets. The CFTC said it will also develop a proposal to routinely require more detailed information from index traders and swap dealers in the futures markets. Final proposal calls for the CFTC to review the trading practices for index traders in the futures markets to ensure that this type of trading activity is not adversely impacting the price discovery process and to

determine whether different practices should be employed. Finally the CFTC said its Division of Enforcement, which in December 2007 had launched an investigation into practices surrounding the purchase, transportation, and storage and trading of crude oil and related derivative contracts would continue. The agency said it was taking the extraordinary step of disclosing this investigation because of today's unprecedented market conditions.

Canada's National Energy Board released its summer outlook for Canada's energy markets today. While crude oil prices are expected average around \$130 over the summer, natural gas prices are also expected to remain firm as well, ranging between \$11.00-\$13.00 per Mmbtu. This is due in part to record crude oil prices, lower LNG imports, declines in Canadian production, a greater volume of gas needed to refill storage and the usual uncertainty of a potentially hot summer. The NEB also sees an adequate supply of electricity to meet summer loads but if natural gas prices continue to escalate then these prices increases will be transferred to the power markets as well.

The American Exploration & Production Council said today that a new Wood Mackenzie study shows climate policy legislation currently being considered by the U.S. Senate could force the reduction in natural gas supplies and a significant price increase for consumers. The study noted that the pending legislation would require natural gas processors to purchase "cap and trade" program allowances for ultimate end-users of natural gas. The consultants noted that as much as 32% of expected natural gas supply in the year 2012, rising to more than 45% in 2017 could be put at risk if natural gas exploration and production companies are forced to bear the emission allowance costs of those ultimately burning the gas.



FERC Commissioner Kelly said today that FERC would probably only play a minor role in regulating an eventual carbon trading market. The official said the CFTC would probably be the more likely regulator other than the EPA.

Monroe Gas Storage said it would be launching a binding open season for up to 3.3 bcf of firm, high deliverability storage capacity at its proposed facility in Amory, NS.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission has announced that a system-wide operational low order would be in effect for May 30th due to high inventory. Tolerance is set at 5% with a

Stage 2 non-compliance charge at \$1.00 Dth.

FGT today notified its customers in its Market Area that an Overage Alert Day at 25% tolerance had been issued.

PIPELINE MAINTENANCE

Gulf South Pipeline said that unscheduled maintenance on the Montpelier Compressor Station Unit #2 has been extended through June 3rd. Capacity could be reduced by as much as 75,000 Dtm/day.

Gulf South Pipeline said it will perform scheduled pigging maintenance on Index 8 and the Overton Field Pipelines 11 and 22 on June 5-6 for approximately eight hours each day. Temporary shut-ins at the locations will occur during maintenance.

ANR Pipeline said it would begin engine maintenance at its St. John Compressor Station on June 3rd. Based on current nominations, it is anticipated that capacity reductions may result in the curtailment of IT and Firm Secondary nominations.

Alliance Pipeline said that routine maintenance would require the Irma Compression to be offline for four hours today. System throughput (AOS) is not likely to be impacted.

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	1,068,900	\$11.806	\$0.205	\$0.067	(\$0.014)	(\$0.963)
Chicago City Gate	758,000	\$11.788	\$0.078	\$0.049	\$0.209	(\$0.092)
NGPL- TX/OK	1,013,800	\$11.399	\$0.201	(\$0.340)	\$0.331	(\$0.535)
SoCal	538,600	\$8.665	(\$1.146)	(\$3.074)	(\$1.015)	(\$2.364)
PG&E Citygate	774,400	\$11.094	(\$0.067)	(\$0.645)	\$0.064	(\$0.642)
Dominion-South	352,400	\$12.229	\$0.087	\$0.490	\$0.218	\$0.387
Transco Zone 6	161,800	\$12.385	\$0.181	\$0.646	\$0.312	\$0.482

Northern Natural Gas said it would now install a regulator on the pipeline between Jal and Hobbs, New Mexico on June 2nd. As a result the pipeline was calling a Force Majeure for the section under repairs.

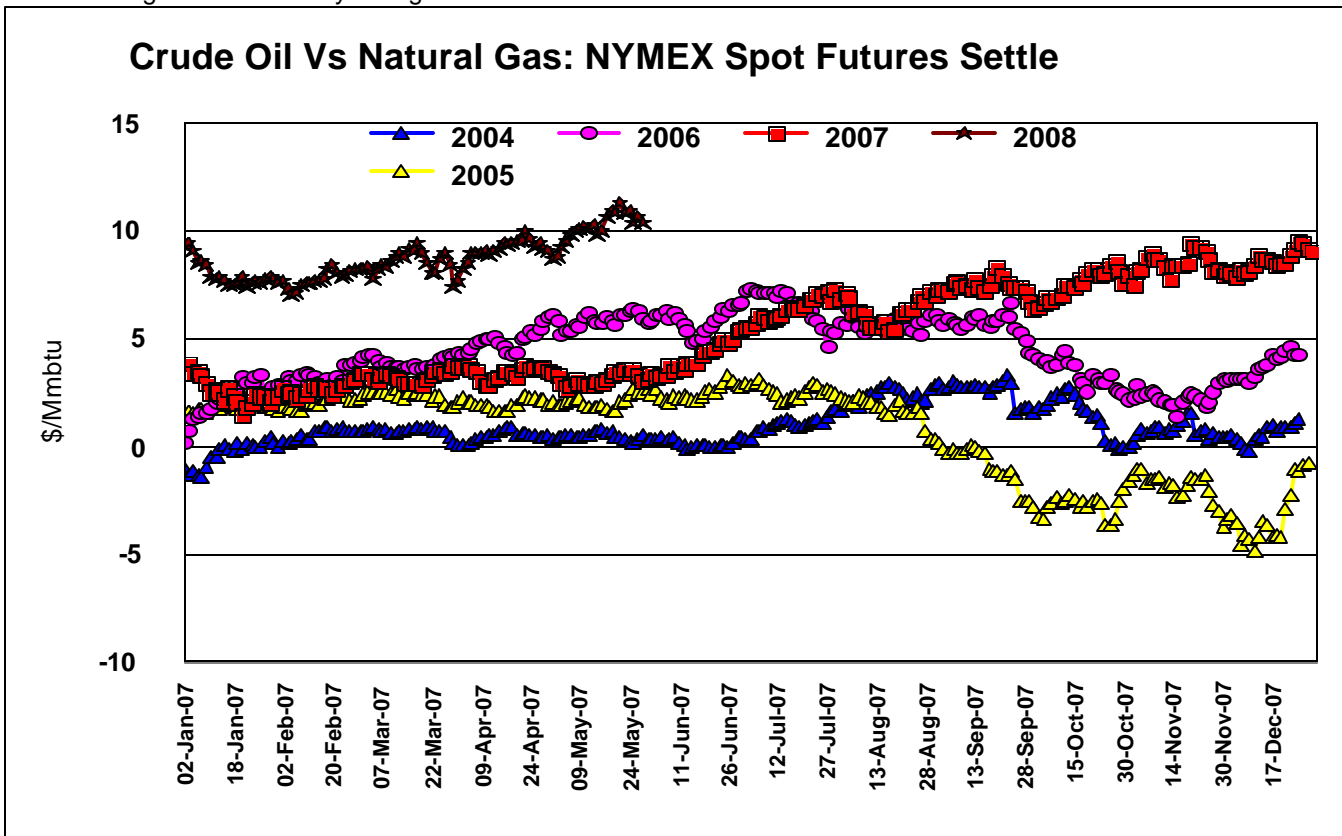
ELECTRIC MARKET NEWS

Staff members at the Texas Public Utility Commission’s wholesale market section met with ERCOT officials yesterday, as officials had growing concerns over the “current pattern of sharply higher prices”. In the past month the grid operator has been forced to switch more than 23,000 customers, mostly residential, from two small power retailers after the companies were unable to post collateral as power prices jumped. ERCOT power prices have been on an upward ride since early April, mostly climbing with natural gas prices the dominant power plant fuel in the state. In addition while seasonal demand peaks were recorded during this time on several dates coupled with large price differentials between ERCOT zones have been exacerbated by increased wind generation in West Texas which has led to extreme volatility in the real time power market. On Thursday ERCOT said the recent market volatility requires a closer look at the cost and effectiveness of the market’s zonal congestion rules.



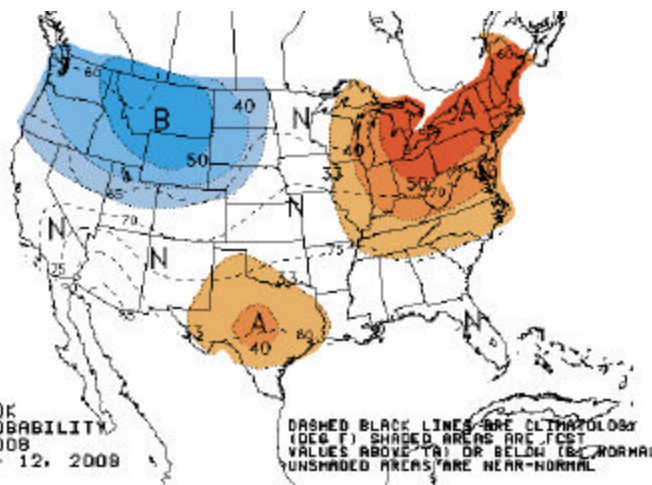
The Edison Electric Institute reported today that for the week ending May 24th, electric generation in the United States stood at 73,798 Gwh, up 6% from the previous week but down 0.2% from the same week a year ago. For the first 21 weeks of this year electric generation has been running up 0.5% over the same period in 2007.

The EIA reported today that U.S. coal production for the week ending May 24th reached 21.951 million tons, down 1.4% from the prior week and 0.6% less than the same week a year ago. Year to date coal production has been running 3.2% above a year ago.



MARKET COMMENTARY

The natural gas market today posted its largest daily decline in over two months driven lower by a slightly larger than expected storage build, the reduced tropical threat to the Gulf of Mexico and strong nuclear generation levels at a time of moderate power demand. But the most over riding factor was the steep drop in oil prices on the day.



We continue to look for a further pull back in prices before entering this market on the buy side. We see support initially tomorrow at \$11.447, followed by \$11.244 and \$11.174. Additional support we see at \$11.015, \$10.855, \$10.60 and \$10.535. Resistance we see at \$11.889, \$12.209, \$12.305 and \$12.534.