



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 2, 2008

NATURAL GAS MARKET NEWS

Tropical Depression Arthur over the weekend formed in the Caribbean and quickly moved back ashore over Belize. While this storm had dissipated by Sunday evening, the remnants of the storm was moving very slowly southwestward over the next couple of days. Forecasters though continue to watch the area closely. They note that while environmental conditions in the Caribbean and the Gulf of Mexico remain unfavorable through mid week, conditions could begin to change late in the week. The GFS model continues to look for the western Caribbean to remain stormy and should allow pulses of low pressure to form throughout the week.

Private weather forecasting services all started the week with warmer than normal forecasts for the United States through June 11th, These forecasts were warmer than the expectations that were forecast back on Friday.

The EIA announced this afternoon that until further notice the agency will release its weekly natural gas storage report on Thursdays at 10:35 EDT. This added time is to accommodate the temporary process changes designed to assure that the data remain physically inaccessible until the release process begins. As soon as permanent system changes to the release process can be fully implemented and tested, EIA will resume the 10:30 a.m EDT release time. The EIA said it will block robots that are accessing the website in any way that the EIA considers excessive or malicious, including robots that attempt to access or download survey information multiple times per second with resulting degradation of service to others.

Enterprise Product Partners again denied rumors that the Independence Hub natural gas production platform in the Gulf of Mexico had returned to service. The company said the repairs to the associated Independence Trail Pipeline continued. The company again said the platform should return to service some time in the first half of June.

Generator Problems

NPCC – OPG's 494 Mw Lambton #3 coal fired power plant was shut today as operators brought back on line Unit #4 which had been off line since May 23rd.

OPG's 515 Mw Pickering #5 nuclear unit returned to service this morning. The unit had been off line since may 26th for testing work.

SERC – TVA's 1120 Mw Browns Ferry #2 nuclear unit was reduced to 75% capacity.

Duke Power's 846 Mw Oconee #1 nuclear unit was restarted this weekend and it was at 19% power this morning.

ERCOT – Luminant's 750 Mw Unit #3 Monticello coal fired power plant returned to service this weekend. The unit had been off line since April 18th.

Luminant's 545 Mw Unit #4 at the Sandow coal fired power station returned to service over the week end. The unit had been taken off line on may 29th.

SPP – Entergy's 1091 Mw Waterford nuclear unit was restarted this weekend and was at 38% capacity this morning.

WSCC- SCE's 1070 Mw San Onofre #2 nuclear unit was taken off line. The unit had been at 99% power on Friday,

Energy Northwest's 1200 Mw Columbia Generating unit was at 65% capacity this morning off 20% from operating levels late last week.

The NRC reported that 90,359 Mw of nuclear capacity is online, down 1.06% from Friday and down 3.58% on the year.

The White House said today that it had serious concerns with the Senate climate legislation due to begin debate on this week. It warned that such legislation could cut U.S. economic growth by as much as 7% in 2050 and raise gasoline prices by as much as 53 cents per gallon.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	859,800	\$11.805	\$0.371	(\$0.289)	\$0.403	(\$0.976)
Chicago City Gate	724,600	\$11.824	\$0.452	(\$0.271)	\$0.011	(\$0.131)
NGPL- TX/OK	760,400	\$11.395	\$0.342	(\$0.699)	(\$0.099)	(\$0.560)
SoCal	1,092,700	\$10.774	\$2.192	(\$1.320)	\$1.751	(\$2.230)
PG&E Citygate	703,800	\$11.343	\$0.416	(\$0.752)	(\$0.025)	(\$0.662)
Dominion-South	304,600	\$12.290	\$0.399	\$0.196	(\$0.042)	\$0.327
Transco Zone 6	137,200	\$12.739	\$0.698	\$0.645	\$0.257	\$0.514

The Institute for Supply management today reported its monthly manufacturing index for May stood at 49.6 versus an April index of 48.6. While the index pointed to contraction, it was not as low as had been forecasted by the market which was

seen at 48.5.

Origin Energy which rejected BG's \$13 billion buyout last month is expected to join LNG ventures run by either Santos or BG Group. Origin Energy is Australia's biggest coal seam gas producer and last week the company noted its reserves of coal seam gas have doubled to 9.5 tcf. The company is looking at entering into a joint LNG project as a way to bring to market these gas reserves.

Monroe Gas Storage announced today a binding open season for up to 3.3 bcf of firm, high deliverability storage capacity at its proposed Monroe Gas Storage facility. The facility is expected to be in service by April 1, 2009. The binding season is to run from June 2 through June 13.

Brazil's Petrobras said it would receive the first shipment of LNG for its Pecem terminal in July coming from BG Group. The Pecem regasification terminal has a capacity of 7 million cubic meters per day, is expected to be completed by the end of June.

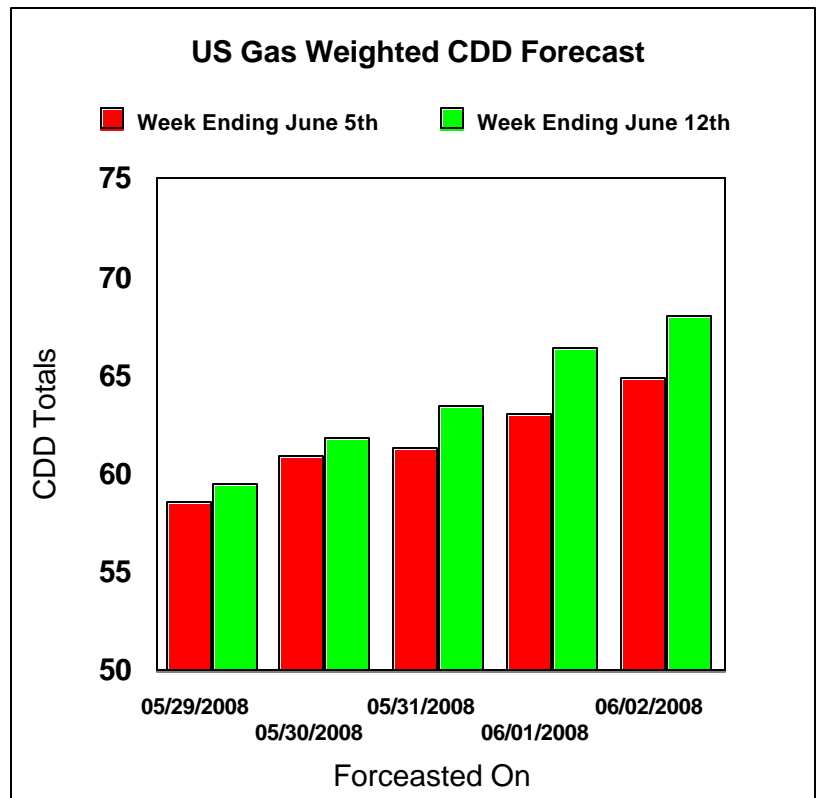
Raymond James and Associates analysts today raised their 2008 natural gas price forecast by \$2.00 to \$10 per Mcf as they expect stronger summer prices due to recent weather that has been colder than average, low imports of LNG and ongoing repairs at the Independence Hub in the Gulf of Mexico. The company though did warn of the potential of a price collapse.

EurAsian Enterprises estimated that U.S. imports of LNG for May were 29.7 bcf versus 91.5 bcf imported for the same month a year ago.

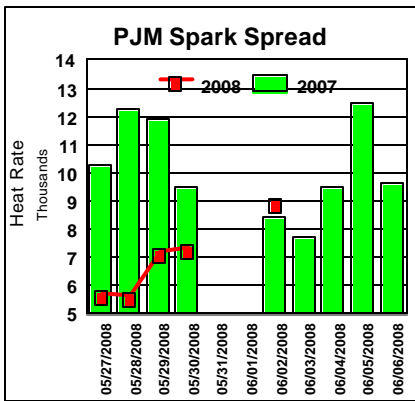
PIPELINE RESTRICTIONS

FGT said that due to warm temperatures in its Market Area it was continue to call for an Overage Alert Day with a 25% tolerance

PIPELINE MAINTENANCE



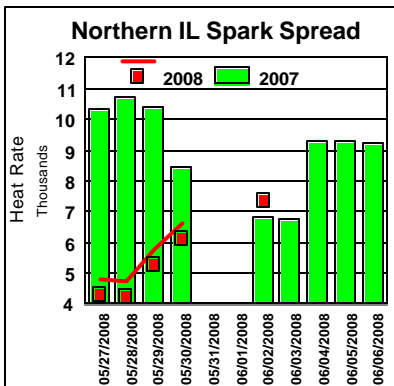
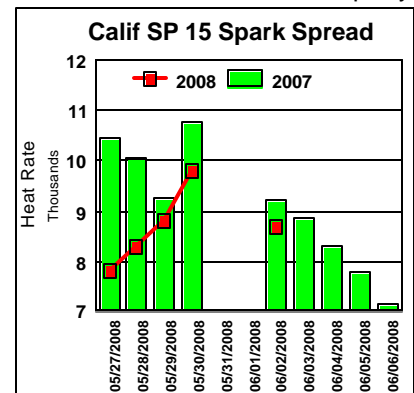
Alliance Pipeline said that they have scheduled 10 maintenance projects this week. Inspections and maintenance at the Kerrobert Compression Station is expected to go off line for 100 hours starting June 3rd. System throughput (AOS) will be impacted but have yet to be determined. The AB32 Smokey River Meter Station will be unavailable for four hours on June 4th due to maintenance and station capacity will be lowered to 1645 e3m3 for this gas day. Work at the Albert Lea Compression Station and the Wimbledon Compressor Station are also scheduled to be off line for four hours on Wednesday. System throughput (AOS) will be affected but specific levels will be determined later. Short-term maintenance work is also scheduled for the Manchester Compressor Station for June 5th. System throughput will be affected but will be determined closer to the outage date.



completed by June 5th.

Northern Natural Gas said that it will conduct required maintenance on the #5 unit at the Beaver County #2 Compressor Station beginning today and running for two weeks. Station capacity will be reduced to 6500 Dth/day during the period.

Gulf South Pipeline said that it has extended the scheduled pipeline maintenance on the Mobile Bay lateral Index 880 for another two days. The company expects that service at all locations to be available by June 5th.



ELECTRIC MARKET NEWS

Genscape reported today that for the week ending May 29th, U.S. power generation was down 0.94% from the previous week and was down 4.23% from the same week a year ago.

MARKET COMMENTARY

Traders began the week in a buying frame of mind as cooling demand for the next two weeks was expected to be higher than the expectations that were held on Friday. The natural gas market received an additional technical boost this morning as prices breached the downward trend line from last week's price action that this morning stood at \$11.941. This coupled with today being the day following an inside trading session (recorded on Friday) seemed to

stoke the market to be a volatile trading session, as prices moved back above \$12.00 once again.

If oil prices return to the defensive tomorrow it should help to pull natural gas back down below \$12.00. But if the bulls return to the oil market we fear that this could spill over to natural gas and finally push natural gas through its basic triple top at \$12.203-\$12.209 set over the past week. Additional resistance we see at \$12.237 and \$12.397. More distant resistance we see at \$12.505 and \$12.807. Support we see at \$11.94, followed by \$11.908, \$11.817, \$11.725, and \$11.667. More distant support we see at \$11.365 and \$11.097.

