



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 11, 2008

NATURAL GAS MARKET NEWS

The consulting company, Energy Solutions said today that natural gas customers should prepare for a sustained period of higher prices as "speculative greed" has overridden basic supply/demand fundamentals as a primary market driver. The group noted that natural gas supply and demand is not out of balance, but has taken a back seat to new money flowing into commodities through index funds.

BP said today in its latest worldwide energy report noted that in 2007 worldwide natural gas production increased by 2.4%, driven in part by the 4.3% gain in the United States.

Generator Problems

NPCC – OPG's 490 Mw coal fired Unit #3 at the Nanticoke power station was shut down early Wednesday to fix a tube leak.

PPL's 1115 Mw Susquehanna #1 nuclear unit was at 94% capacity up 69% from yesterday.

ERCOT Luminant's 750 Mw coal fired Unit #1 at the Martin Lake coal fired power station was expected to be restarted Wednesday evening and continue into Thursday morning

WSCC – SCE's 1070 Mw San Onofre #2 nuclear unit ramped up to 90% of capacity, up 71% from Tuesday.

The NRC reported that 94,104 Mw of nuclear capacity is online, up 1.6% from Tuesday and up 0.1% on the year.

The tropics remain very quiet in the Atlantic basin as strong upper level winds in the Caribbean and the Atlantic continue to produce too much wind shear to allow any possible development. But this morning the GFS, UKMET and Canadian computer models all are forecasting the possibility of a low pressure system moving off the west coast of Africa late next week and track to the area near 40 West longitude in 10 days.

The president of the German natural gas industry association said today that operators in Germany are aggressively moving to expand storage capacity there, and that he expected storage capacity, in the biggest gas market in mainland Europe to grow by 24% of national annual gas sales over the next six to seven years. Currently Germany can store 20% of annual gas sales in some 46 facilities, which hold 19.1 billion cubic meters

of gas. This is one third of Western Europe's storage capacity.

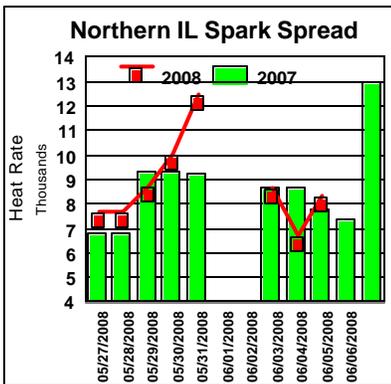
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	895,400	\$12.487	(\$0.230)	(\$0.171)	(\$0.322)	(\$0.678)
Chicago City Gate	465,500	\$12.444	(\$0.126)	(\$0.214)	(\$0.248)	(\$0.104)
NGPL- TX/OK	851,900	\$11.958	(\$0.157)	(\$0.700)	(\$0.279)	(\$0.566)
SoCal	827,700	\$11.416	(\$0.249)	(\$1.242)	(\$0.371)	(\$1.720)
PG&E Citygate	762,700	\$11.879	(\$0.153)	(\$0.779)	(\$0.275)	(\$0.800)
Dominion-South	244,000	\$13.123	(\$0.264)	\$0.465	(\$0.386)	\$0.727
USTrade Weighted	20,292,200	\$11.921	(\$0.200)	(\$0.737)	(\$0.32)	(\$0.678)

Flex LNG and Rift Oil signed an agreement today to seek to develop a floating LNG production project for offshore Papua New Guinea. The

project would seek to take gas produced by Rift Oil in western Papua New Guinea and pipe it to a floating facility anchored offshore for liquefaction. The partners envisage annual production of 1.5 million mt of LNG with a start up date of the first half of 2012.

Gazprom said today that ExxonMobil has offered it a role in its proposed \$1 billion LNG terminal proposed for off the New Jersey coast to receive and regasify LNG. The BlueOcean Energy terminal would have a 1.2 bcf/d capacity.

Inergy LP announced that it is conducting a nonbinding open season on its Marc I Hub Line for shippers seeking to move gas bi-directionally between the Stagecoach South Lateral pipeline, Tennessee's 300 Line and Transco's Leidy line.

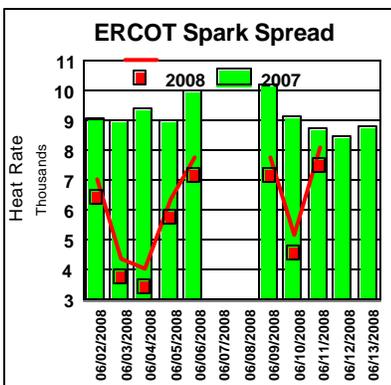


PIPELINE MAINTENANCE

Gulf South Pipeline said today that it began unscheduled maintenance on the Marksville Compressor Station Unit #2 and will continue the work for approximately three days. Capacity will be reduced by as much as 100,000 Dth during the period. Meanwhile the company noted that scheduled maintenance on Unit #4 at the facility has been extended through August 1st. It had originally been slated for completion in mid-April.

Kern River Gas Transmission said there is an operational issue at the Elberta compressor station. The company said it was working to determine the cause of the problem and will return the unit to service as soon as possible, Based on current receipt and delivery pattern, impact to primary firm nominations is not anticipated at this time.

Westcoast Energy said that it has completed repairs at the Kwoen K-100 Compressor at the Kwoen Gas Plant. The 90% RGT Constraint has been removed. Producers and shippers can resume full production on the Grizzly Valley gathering system.

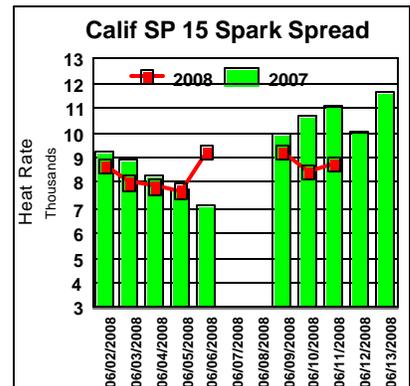
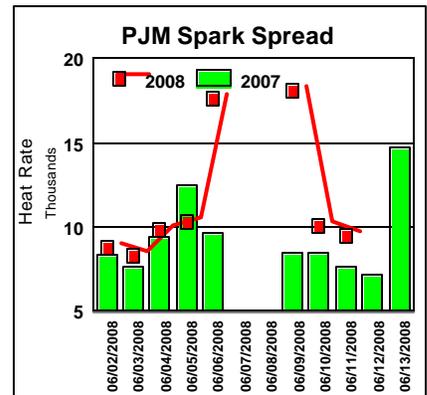


ELECTRIC MARKET NEWS

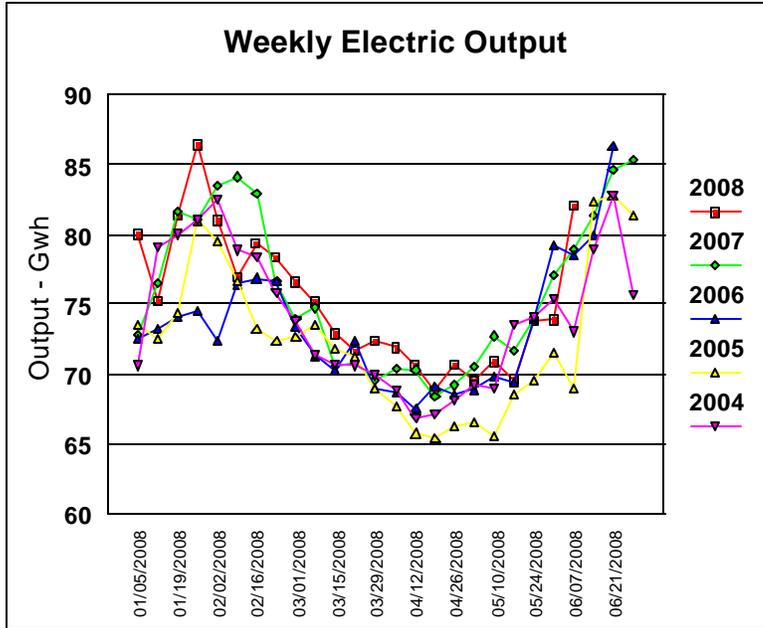
Some 150,000 power customers in Michigan remained without power Wednesday following a series of severe thunderstorms from June 6th through June 10th. Meanwhile PECO reported that 152,000 of its customers had lost power overnight due to the line of thunderstorms that swept through the region. As of this morning some 69,000 customers remained without power.

PG&E on Tuesday warned California regulators that higher natural gas prices combined with lower water flows at hydroelectric plants will result in higher residential and business power bills. PG&E said that starting in October, retail power prices would rise by about 4.5% over a 15-month period ending December 2009. This should result in a \$482 million total increase. PG&E said that in a typical year its main sources of power generation are natural gas generation, which accounts for 40% of generation, hydro for 22% and nuclear at 20%. But due to low water flow levels this year, hydropower should only account for 18% of total generation. Since the utility is prohibited from importing additional power that has been generated from out of state coal plants, the utility must turn to additional natural gas generation.

The EIA released today its Electric Power Monthly for April 2008 today. It noted that in January 2008 net generation was 3.3% or 11.7 million Mwh higher than January 2007. The increased generation was largely met

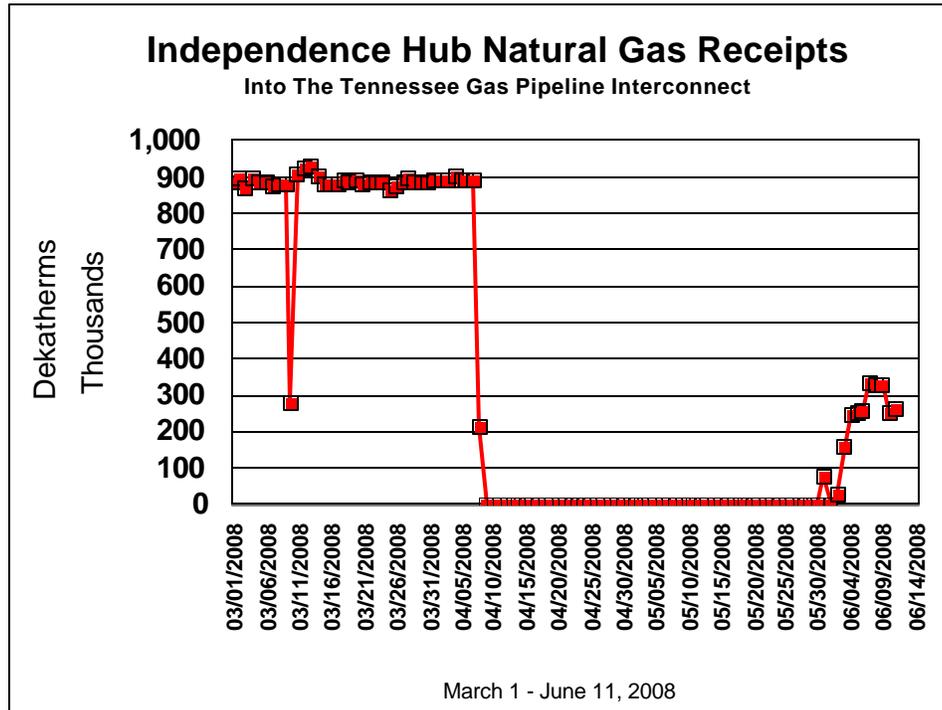


with natural gas fired capacity, which jumped by 20.8% over a year ago and resulted in demand for natural gas being 82.2 bcf higher than January 2007. Coal fired generation also was higher in January up 3.8% as renewables led by wind powered generation was up 13.3% and 52% respectively. Hydro generation though was off 15.3% and nuclear generation was 4.5% lower than the same period a year ago. Thus for January 2008, 50.1% of the nation's power was generated from coal fired power plants. Nuclear generation contributed 19.4%, natural gas accounted for 19.8% from natural gas fired power plants. Oil fired generation accounted for only 1.5% of total generation. Hydro generation accounted for 6.1% of the total.



New York Governor Paterson announced state support for an advanced coal power plant in Jamestown, New York. The plant will serve as a demonstration plant that will capture carbon dioxide and will sequester it underground for permanent storage. The research on advanced coal will be conducted by Oxy-Coal Alliance, which is made up of: Praxair, Dresser-Rand, E&E, Ecology and Environment, Foster Wheeler, Battelle Labs, SUNY Buffalo and

AES Corporation. Following Oxy-Coal Alliance's research, the group will apply for a federal grant to continue research and development of the proposed Jamestown power plant. Grant notification is expected by the middle of 2009.



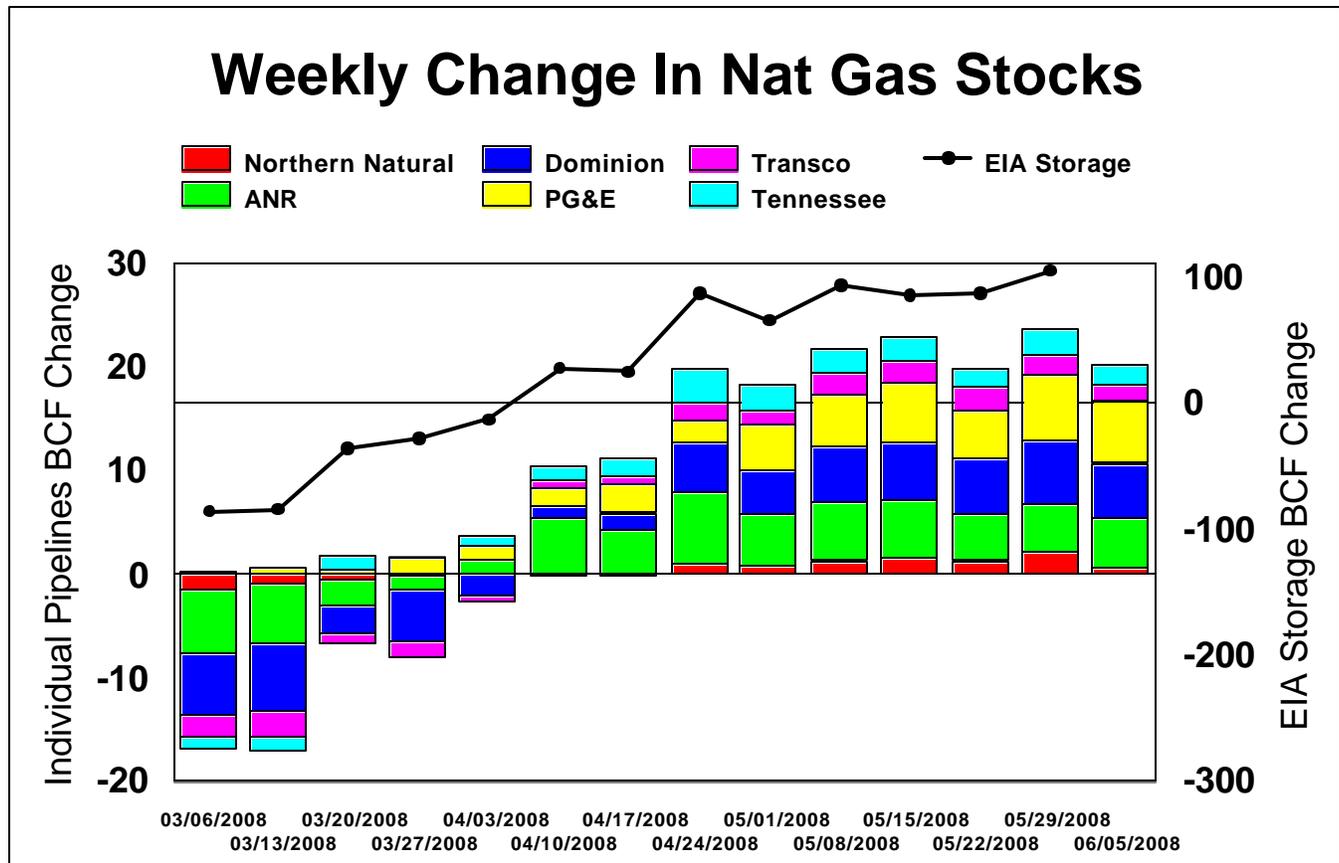
The Edison Electric Institute reported today that for the week ending June 7th, power production in the United States reached 82,141 Gwh, up 3.9% from the prior week and some 11.06% higher than the same week a year ago.

The Orlando Utilities Commission said yesterday that its staff has recommended the board approve a significant retail rate hike to reflect the sharply higher prices for coal and natural gas. If approved the rate hike would equate to an increase of 13% for residential customers.

MARKET COMMENTARY

The natural gas market started out this morning about a dime better pushed higher by a reversal in oil prices overnight, due to the drop in the value of the dollar and further concerns of insatiable demand growth on the news of continued strong growth in the Chinese imports of oil in May. While oil prices moved higher throughout the day it was able to drag gas prices higher only through mid morning, then natural gas prices moved in a sideways pattern as the poor strength in the cash market seemed to put the brakes on the futures market. As a result while the natural gas futures market was able to barely move above yesterday's high it was unable to breach the highs from Monday and Friday. This left us with the impression that this market was not seeing new buyers come into it, rather the liquidation of weak shorts that had just established positions during yesterday's sell off. Open interest reported at mid day showed that during yesterday's sell off open interest grew by over 6,000 contracts.

Market expectations for tomorrow's EIA storage Report are running between a 85-110 bcf build with the median estimate coming in at 94 bcf build. Our estimate is a bit lower looking for an 82 bcf build in stocks. Stocks last year for this week posted an 97 bcf build with the five year seasonal average posting a 98 bcf increase. With temperatures moderating for the near term and little or no tropical threats, this market will continue to look to



the oil market for price direction along with any significant deviation from market expectations for tomorrow's storage report. While we would like to see a significant price retracement before establishing a new long position we feel that technically if this market can finally breach the basic quadruple top that the July contract has set here over the past four trading sessions then this market may have a quick burst to the upside and challenge the \$13.30 level. Near term resistance we see at \$12.823 followed by \$12.979, \$13.178 and \$13.19.

Support we see \$12.46, \$12.367. \$12.29\$12.26 and \$12.12 and \$11.962.

