



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 17, 2008

NATURAL GAS MARKET NEWS

U.S. Energy and Natural Resources Committee Chairman Bingaman said late yesterday that the CFTC's responses to concerns about excessive speculation in the energy futures markets raised more questions than answers. He called on the agency to "dig deeper" into trading by speculators in the energy markets and provide more transparency into their activities. He noted that the CFTC does not collect data on or analyze the fastest growing segment of energy commodity trading, lumps speculators together with more traditional energy market participants in its analyses and has much lower transparency requirements for energy compared to agricultural commodities. Bingaman noted that speculators account for 70% of the open interest in WTI crude futures market when swaps dealers are counted alongside other noncommercial players such as hedge funds. He also noted that the CFTC was not able to provide equivalent data for the WTI futures contract traded on the ICE Futures Europe platform. He noted that since 2006, the CFTC has granted nearly twice as many hedge exemptions from NYMEX crude oil position limits to swaps dealers than to bona fide hedgers. The CFTC today announced that its staff has amended the "no-action relief letter" under which ICE Futures Europe is permitted direct access to U.S. customers. The change requires the adoption of equivalent U.S. position limits and accountability levels on the WTI crude contract. ICE reported that the rules would take effect in 120 days.

Generator Problems

SERC – SCE&G's 1000 Mw Summer nuclear plant has ramped up to 90% of capacity, up 23^ from Monday.

NPCC – OPG's 490 MW Unit #4 at the Nanticoke coal fired power station returned to service Tuesday morning. The unit had ben shu down on June 13th.

MAPP – OPPD's 478 Mw Fort Calhoun nuclea rpower station started to exit a refueling outage and ramped up to 7% of power this morning. The unit has been off line since April 21st.

ERCOT – Luminant shut down its 545 Mw Unit #4 at the Sandow coal fired power plant this morning to repair a tube leak. The unit is expected to return to service Wednesday.

The NRC reported that 96,691 Mw of nuclear capacity is online, up 0.3% from Monday and some 3.1% higher than the same date in 2007..

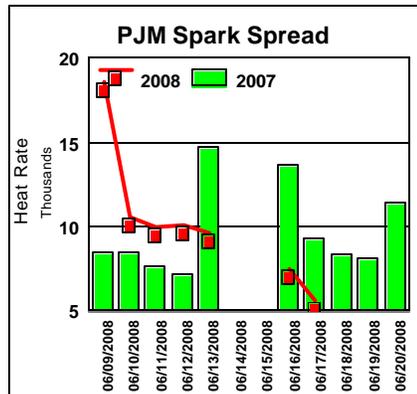
The Chairman of the CFTC said today that the agency has uncovered no evidence of excessive speculation in the crude oil market, but he could not rule out the possibility of manipulation.

U.S. industrial production In May fell 0.2% from April levels. The market had been looking for a 0.1% increase after output had fallen 0.7% in April. Manufacturing output was unchanged in

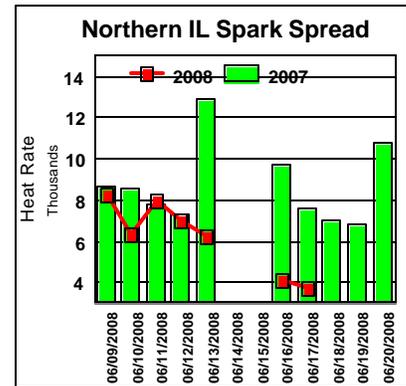
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	557,000	\$12.866	\$0.134	(\$0.039)	\$0.142	(\$0.737)
Chicago City Gate	480,700	\$12.790	\$0.094	(\$0.115)	\$0.119	(\$0.247)
NGPL- TX/OK	985,300	\$12.310	\$0.105	(\$0.595)	\$0.130	(\$0.708)
SoCal	1,173,500	\$12.209	\$0.154	(\$0.696)	\$0.179	(\$1.217)
PG&E Citygate	1,218,800	\$12.414	\$0.032	(\$0.491)	\$0.057	(\$0.667)
Dominion-South	318,000	\$13.404	\$0.017	\$0.499	\$0.042	\$0.420
UTrade Weighted	19,567,700	\$12.363	\$0.117	(\$0.542)	\$0.14	(\$0.737)

May after a 0.9% decrease in April. Total industrial capacity use fell to 79.4%, the lowest since September 2005, from 79.6%.

TransCanada has applied to the National Energy Board to establish federal jurisdiction over the Alberta pipeline system and thus would fall under regulation by the NEB. Currently, the provincial regulation of the Alberta system precludes TransCanada from acquiring, constructing or operating facilities that transport gas across Alberta provincial borders. Federal regulation would enable the Alberta System to extend across provincial borders, thereby providing integrated service to customers who want to transport gas from locations outside of Alberta and allowing for attractive service offerings to Alberta, British Columbia and Northern gas producers.



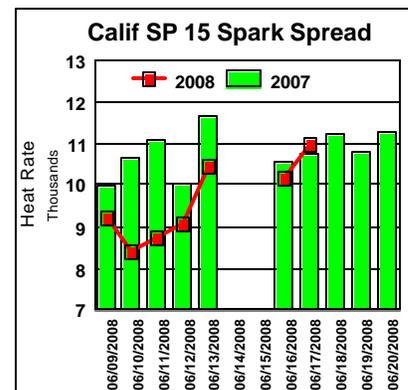
The Alberta government said it supports the switch as it looks to bring more gas into Alberta hub for use by the province's petrochemical and processing industries.



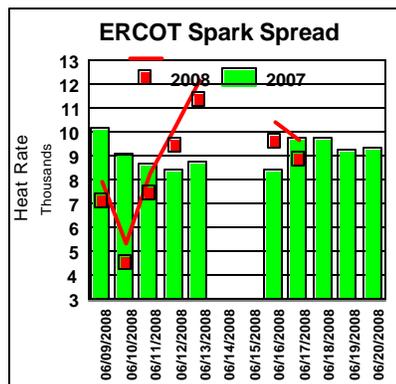
Sunstone Pipeline announced today that Sempra Pipelines and Storage has signed a MOU to acquire a 25% stake in the pipeline and for Sempra Energy affiliate to contract for a significant amount of capacity in the proposed natural gas pipeline. The 1.2 bcf pipeline would move gas from the Opal Hub in Wyoming to Stanfield, Oregon. The pipeline is expected to be in service by 2011.

BP said today that it has started to commission its Thunder Horse platform in the Gulf of Mexico on June 14th and that the platform would be in continuous production by year-end. The field will have an eventual production capacity of 250,000 b/d and 200 million cf/d of natural gas production.

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Petronet LNG in India has partially reduced the supply of natural gas from its LNG regasification terminal on the west coast. The company is doing some repairs and reducing supply by about 34 million standard cubic meters per day. They expect to complete the repair work as soon as possible possibly 34 days. LNG imports to the Dahej terminal with an annual capacity of 6.5 million metric tons are not likely to be affected.



Meanwhile India's state run Oil & Natural Gas Corp said it may resume production from the Panna-Mukta field which has been shut since June 3rd. They noted that while oil production may reach 15,000 b/d out of a normal 40,000 b/d production level, its gas dispatch system is not ready yet and as a result what ever gas is produced will continued to be flared.

Foster Wheeler said today that its subsidiary has been awarded a contract for engineering design of a new LNG regasification terminal in Swinoujscie, Poland. The initial regasification capacity of the facility will be 5 billion normal cubic meters per year of natural gas and is anticipated to include two LNG tanks, each of 160,000 cubic meters capacity. The design work is expected to be completed by the end of this year.

Dynegy Holdings said today it has closed a \$300 million, unsecured bilateral letter of credit facility that becomes available if natural gas prices rise above \$13 per Mmbtu. For every dollar increase in 2009 gas prices above \$13, \$40 million in capacity will be made available, up to a total of \$300 million. Morgan Stanley Capital Group arranged the new letter of credit facility and is serving as the lender and the letter of credit issuer and collateral agent under the new facility.

PIPELINE RESTRICTIONS

FGT warned today that given the warm temperatures forecasted for its Market Area over the next several days, there is the potential for the company calling an Overage Alert Day.

PIPELINE MAINTENANCE

Gulf South Pipeline said it would perform scheduled maintenance on the Goodrich Compressor Station Uni#3 beginning June 23rd and will last for two weeks. Capacity through the station could be reduced by as much as 50,000 Dth.

ANR Pipeline said that it will be performing inline inspections on its 16-inch Greenbay to Kewaskum line starting June 19th. Based on current nominations at Viking-Marshfield, it is anticipated that the work could result in the curtailment of IT and Firm Secondary nominations.

Questar Pipeline said it would be performing maintenance work at their Greasewood #2 Unit starting June 18th for engine replacement.

ELECTRIC MARKET NEWS

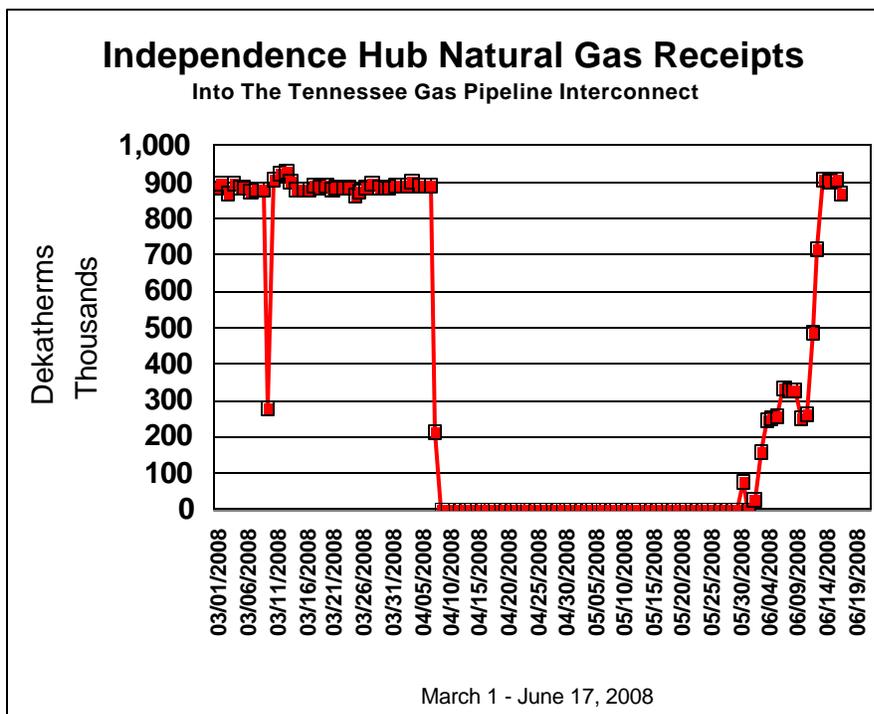
The NYISO said at its working group meeting, told members that while the state's power market does not face any specific default threat, there is an overall risk in credit risk given recent defaults in other ISO's, the global credit squeeze and changes in the creditworthiness within the banking system. The ISO has hired an independent consultant to study the risks associated with virtual transactions, that typically help to narrow the gap between day-ahead and real-time prices.

The FERC today approved market rule changes that will allow NYISO to integrate more wind power into day-ahead and real time energy markets. Under the change 3000 Mw of wind and other renewable power will be eligible for special market rules. Previously only 1000 MW were eligible. As part of the changes, the NYISO will launch wind-forecasting system for facilities larger than 12 Mw to improve scheduling. Large wind farm operators will have to report to the ISO every 15 minutes the speed and direction of the wind at their facility. Operators that do not comply will can be fined \$500 or \$20 per Mw of power per day, whichever is greater.

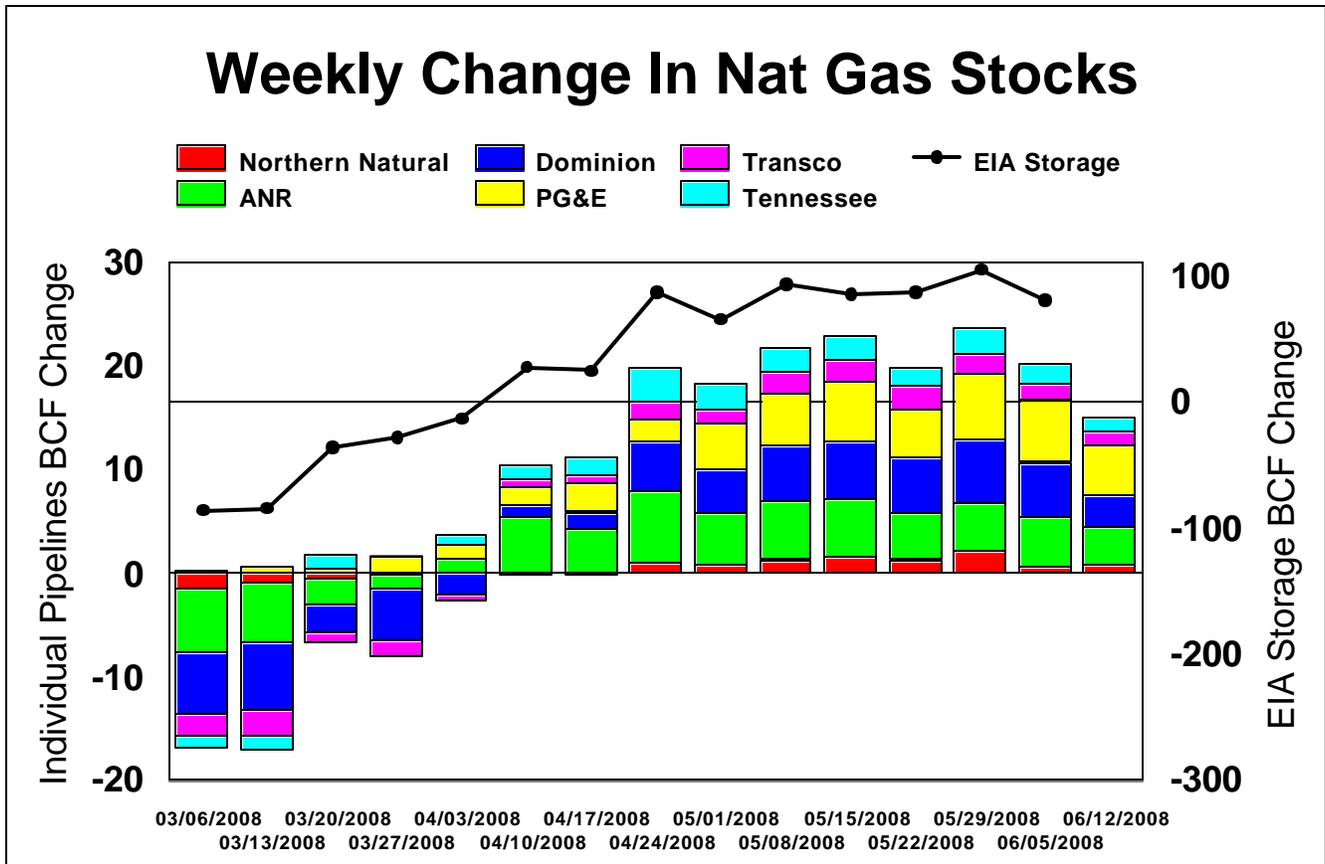
The Public Utility Commission of Texas reported that Texas set a new June peak-hour records for electric consumption Monday afternoon. Power demand reportedly reached 60,300 Mw at 5 pm yesterday afternoon. The prior record was June 3rd of this year when demand reached 58722 Mw.

MARKET COMMENTARY

The natural gas market today started out firmer supported by cash markets that remained strong for the second day in a row. The futures market moved over the \$13.00 barrier this morning and set a new contract high at \$13.049 as well as reaching the highest level on the spot continuation chart in the past 30 months. While prices began to erode in the late morning and early afternoon as oil prices gave back some of their gains from the mid morning rally. But after lunch the natural gas market posted a strong rebound and as a result was able to finish the day back in positive territory.



Open interest reported at midday by the NYMEX showed that total open interest declined by 8,670 lots, only the second time out of the last twelve trading sessions that the natural gas market had posted a decline. This was the largest decline since the expiration period last month. The spot contract drove the decline as 16,507 lots were closed out yesterday.



The market expectations for Thursday's EIA storage report appear to be running between a 55-85 bcf build in stocks, with the majority of analysts looking for an injection rate somewhere in the mid 60's. Our estimate is once again coming in lower than most market analysts. Our pipeline model is calling for a 48-55 bcf increase and as a result we feel this should prevent much back sliding in prices near term. A year ago stocks rose by 90 bcf while the five year seasonal average was a 90 bcf increase as well.

As a result any significant sell off tomorrow we feel should be a buying opportunity to establish a short term long position going into Thursday's storage report. We see initial support tomorrow at \$12.95, \$12.843, and \$12.734. Additional support we see at \$12.63, \$12.54 and \$12.43. Distant major support we see at the two-month trend line at \$12.08. Resistance we see at \$13.05 followed by \$13.158, \$13.267 and \$13.383.