



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR JUNE 18, 2008

NATURAL GAS MARKET NEWS

The natural gas market seemed to be abuzz over the National Hurricane Center this morning noting that a tropical wave some 800 miles east of the Windward Islands had shown some signs of organization overnight. While none of the forecast guidance models are currently pointing to this system developing into a tropical depression any time soon, the bulls did not seem deterred. Even later in the afternoon when the National Hurricane center released its mid day update, were the bulls deterred. The NHC said this afternoon, that while the system continued to march westward, it noted that conditions are not conducive for development of this system.

Also stirring the weather bulls today was the announcement from the UK's Met Office on its forecast for the tropical Atlantic season. Britain's official weather forecaster said there is a 70% chance of the number of tropical storms in this area reaching 10 to 20 storms, with 15 most likely. The average number is 12.4 storms per year. Last year the office predicted 10 storms.

Generator Problems

SERC – SCE&G's 1000 Mw Summer nuclear plant was at 99% capacity this morning up 9% from yesterday.

MAPP – OPPD's 492 Mw Fort Calhoun nuclear unit continued to warm up and was at 10% of capacity, up 3% from yesterday.

ERCOT – Luminant's 545 Mw Sandow #4 coal fired unit remained shut Wednesday despite reports from operators saying the unit would return to service.

The NRC reported that 96,696 Mw of nuclear capacity is online, basically unchanged from yesterday and some 3% higher than the same date in 2007.

Gazprom and Sonatrach announced today that they are moving forward to intensify their cooperation and prepare contracts on gas swaps, both for pipeline gas and LNG. The cooperation between the two companies will begin in marketing, including swap operations, as well as participation in upstream projects in Algeria, Russia and in third countries. The companies have agreed to prepare contracts for two types of swaps, pipeline gas for LNG and LNG for LNG.

U.S. Senator Lieberman unveiled three "draft proposals" he said would help limit excessive speculation in energy and agricultural markets. The first would close the so-called "swaps loophole" by requiring the CFTC to set individual

speculative position limits, rather than leaving the determination of position limits to exchanges. It would also eliminate the exemptions from position limits that currently apply to swaps and other financial institutions and extend

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	614,400	\$12.933	\$0.067	(\$0.163)	(\$0.082)	(\$0.714)
Chicago City Gate	580,700	\$12.852	\$0.062	(\$0.244)	(\$0.129)	(\$0.253)
NGPL- TX/OK	847,300	\$12.387	\$0.077	(\$0.709)	(\$0.114)	(\$0.710)
SoCal	1,047,300	\$12.425	\$0.216	(\$0.671)	\$0.025	(\$1.103)
PG&E Citygate	1,040,400	\$12.540	\$0.126	(\$0.556)	(\$0.065)	(\$0.622)
Dominion-South	236,400	\$13.465	\$0.061	\$0.369	(\$0.130)	\$0.401
USTrade Weighted	19,206,300	\$12.472	\$0.109	(\$0.624)	(\$0.08)	(\$0.714)

speculative position limits to commodities held by financial investors regardless of whether they are held on U.S. exchanges, foreign exchanges or over the counter positions. The second proposal would order the CFTC to redefine what constitutes “excess speculation” and establish aggregate limits on the share of the commodity markets that financial investors can hold. The third proposal would restrict large pension funds and government entities from investing in commodity markets and would restrict institutional investors from investing in commodities through index funds.

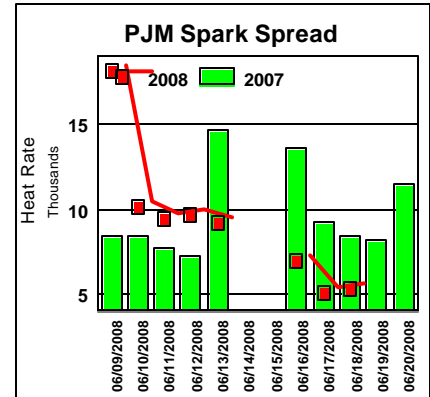
PIPELINE RESTRICTIONS

FGT said that due to the continued heat in Florida, it was extending its Overage Alert Day at 20% tolerance.

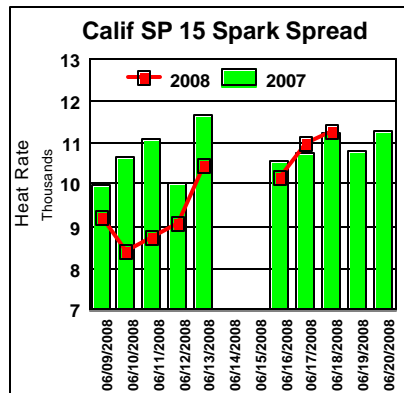
PIPELINE MAINTENANCE

Gulf South Pipeline reported that it will perform scheduled maintenance on Kiln Compressor Station Unit #2 beginning June 25th and continuing for eight hours. Capacity through the station will be reduce by as much as 75,000 Dth.

Northwest Pipeline said that beginning June 19th and until further notice, it was invoking the realignment OFO provisions as a result of net scheduled



quantities northbound through Meacham are above the operational capacity of 440,000.

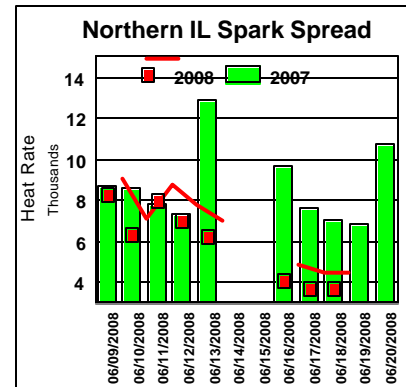


Trunkline Gas Company said that unplanned maintenance at the Longville Compressor Station that began June 16th will continue until further notice. Capacity for deliveries to ELA and WLA with receipts in texas and Zone 1A will be reviewed daily.

ELECTRIC MARKET NEWS

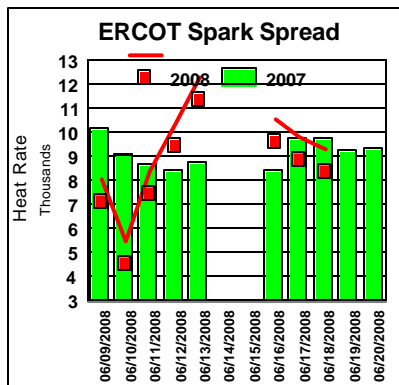
The NYMEX announced today that effective of the close June 19th it would be increasing the margins once again on its NYISO electric contracts. Margins for the first month for customers will increase to \$5400 from \$4050 in the NYISO Zone A, \$10,800 from \$5,400 in the NYISO G contract and

\$12,150 from \$5,400 for NYISO Zone J. Margins on the second through sixth months will increase to \$4,400 from \$3,850 in the NYISO Zone A peak electric contract, \$7,425 from \$6,075 for customers in the NYISO G and \$6,750 from \$6,075 in the NYISO Zone J peak contract. All other contract month margins will remain unchanged.



Tenaska Trailblazer Partners announced today a non-binding open season for the sale of carbon dioxide that may be produced by the proposed Tenaska Trailblazer Energy Center under development near Sweetwater, Texas. The proposed power facility would be a supercritical pulverized coal electric generating plant with post combustion capture of CO2.

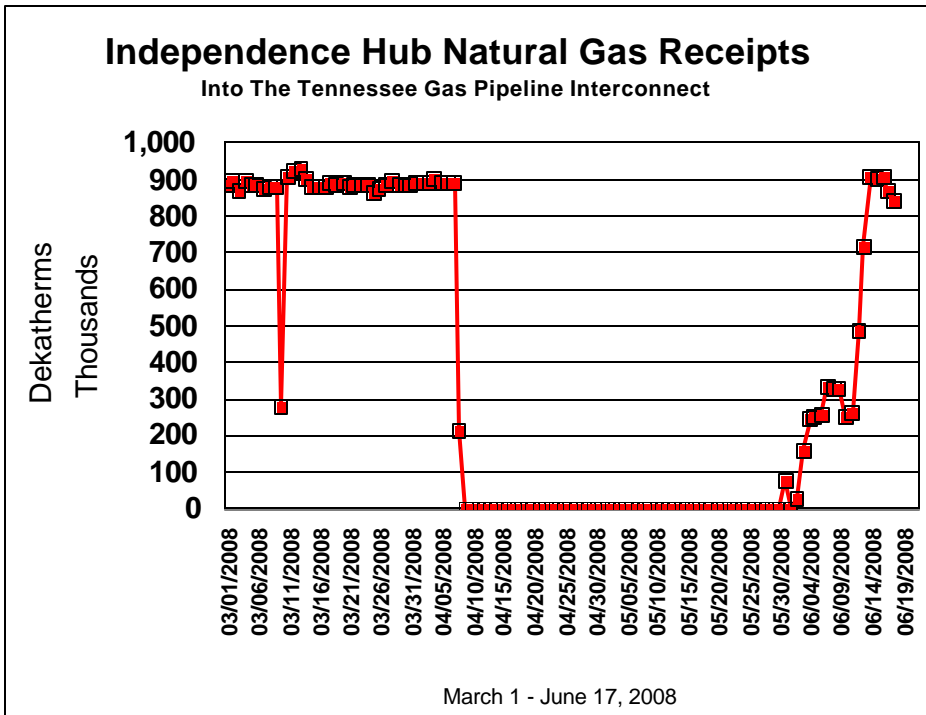
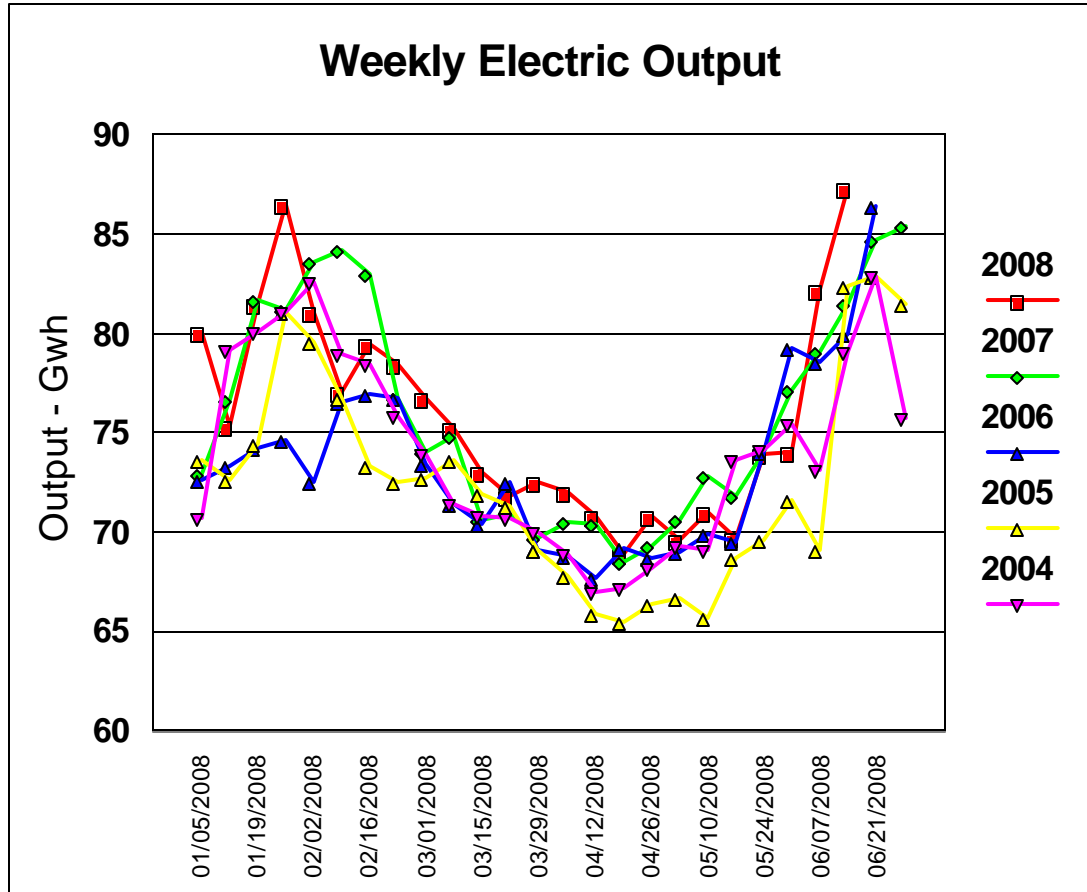
The plant would be designed to capture 85-90% of the CO2 produced by combustion and deliver it via pipeline to Permian Basin oil fields for use in enhanced oil recovery and ultimately geologic storage. The project would have a start up date of June 2014.. The company estimated the capture would involve 300 million cubic feet per day. A bidder can propose to purchase any amount up to and including 300 million cubic feet.



ERCOT reported today that West to North zone congestion was recorded on 26 days in April, compared to only 5 days in April 2007. South to North congestion occurred on 11 days versus none last year. North to Houston

congestion totaled 15 days versus 12 last year and North to South congestion totaled 16 days and North to West 4 days.

The ERCOT Board of Directors yesterday unanimously approved to implement a system change to prevent the market-clearing price for energy from rising above the current offer cap of \$2250 per Mwh. The changes were put in place effective Wednesday, June 18th at 5 PM. This is the second market rule change this month as ERCOT seeks ways to decrease recent price volatility.



ERCOT canceled its emergency order Wednesday evening after power demand began to back off as temperatures cooled and available power reserves began to improve. Earlier in the day the grid operator called the first stage of its emergency plan, but no curtailments were needed. While Wednesday's temperatures across the state were a bit cooler than earlier in the week, they still were in the 90's and wind generation available during most of the day was less than 100 Mw, thus increasing the call for other generating sources.

Edison Electric Institute reported that for the week ending June 14th, some 87,195

Gwh of power was generated, up 6.15% from the prior week and some 6.63% higher than the same week a year ago.

MARKET COMMENTARY

Most cash market locations were higher today in the natural gas markets, as power generating needs in the west, Texas and Florida were supporting these cash markets. Also production levels at the Independence Hub back slid for the second straight day. But the futures market were even stronger helped by traders bullish perceptions of the UK Met tropical Atlantic hurricane forecast for the upcoming season along with the National Hurricane Center this morning noting that a tropical wave heading toward the Caribbean was showing some

NYMEX Natural Gas Options Most Active Strikes for June 18, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	7	8	P	13	06/25/2008	0.1766	3,783	38.22
LN	8	8	P	11.5	07/28/2008	0.1023	3,220	40.70
LN	5	10	C	15	04/27/2010	0.4136	2,650	21.95
LN	10	8	P	6.5	09/25/2008	0.0028	2,600	53.22
LN	8	8	C	14.5	07/28/2008	0.2873	2,570	37.84
LN	12	8	C	15	11/21/2008	1.3947	2,515	44.44
LN	7	8	C	14	06/25/2008	0.0534	2,375	38.43
LN	8	8	P	12	07/28/2008	0.1953	2,245	41.11
LN	8	8	C	13	07/28/2008	0.8483	1,900	35.26
LN	8	8	C	15	07/28/2008	0.1918	1,865	38.52
LN	7	9	C	14	06/25/2009	0.8052	1,752	28.09
LN	9	8	C	20	08/26/2008	0.0702	1,700	53.07
LN	10	8	C	15	09/25/2008	0.8635	1,665	48.31
LN	8	8	C	20	07/28/2008	0.0051	1,600	47.99
LN	9	8	C	17	08/26/2008	0.2407	1,600	49.51
LN	12	8	C	14	11/21/2008	1.6976	1,600	41.01
LN	3	9	C	15	02/24/2009	1.8919	1,590	45.03
LN	10	8	P	13	09/25/2008	1.1546	1,540	54.56
LN	12	8	C	17	11/21/2008	0.8907	1,500	47.41
LN	7	8	P	12.75	06/25/2008	0.0948	1,467	37.59
LN	7	8	P	12.5	06/25/2008	0.0447	1,464	37.09
LN	7	8	C	13.5	06/25/2008	0.1592	1,450	37.03
LN	10	8	P	12.25	09/25/2008	0.7915	1,400	52.92
LN	10	8	C	20	09/25/2008	0.2191	1,350	56.21
LN	1	9	P	12	12/24/2008	0.8555	1,350	51.82
LN	12	10	P	10	11/23/2010	0.9871	1,325	36.64
LN	7	8	P	12.25	06/25/2008	0.018	1,280	36.57
LN	1	9	C	15	12/24/2008	1.7201	1,265	44.92
LN	10	8	P	11.25	09/25/2008	0.4345	1,250	51.49
LN	9	8	P	10.5	08/26/2008	0.121	1,200	46.93
LN	7	9	C	11	06/25/2009	1.7017	1,150	18.51
LN	7	8	C	13.25	06/25/2008	0.2546	1,110	36.19
LN	9	8	C	14	08/26/2008	0.8122	1,100	43.36
LN	11	8	C	20	10/28/2008	0.3304	1,075	52.27
LN	4	10	C	15	03/26/2010	0.3943	1,050	21.45
LN	8	8	C	14	07/28/2008	0.4229	1,037	37.14
LN	9	8	C	15	08/26/2008	0.5332	1,015	45.36
LN	7	8	C	13.75	06/25/2008	0.0945	1,005	37.76
LN	8	8	C	18.5	07/28/2008	0.0134	1,000	45.14
LN	3	9	P	9	02/24/2009	0.2721	1,000	50.34

signs of development. While later in the day the NHC downplayed the potential of this weather system, the bullish impact had been made and futures finished the day above the \$13.00 price level and allow the market to set another new contract high in the July contract as well as setting a new record high for the 12-month strip. But one troubling note of today's bullish price action was the fact that volume was very poor with only 93,656 lots traded. This was the lightest volume day since March 28th, a day after a contract expiration, and as a result one that is typically a light volume day.

Given the blistering early season heat wave recorded last week, this market appears to be looking for a bullish storage report tomorrow. While our estimate is a bit below market expectations, it would not surprise us that a bullish inventory report is met later in the morning with a round of profit taking that could push values lower by mid day. We see support initially at \$13.20 tomorrow followed by \$13.05 and \$12.837. More distant support we see at \$12.579 and \$12.36. Resistance we see at \$13.33, \$13.451 and \$13.632.