



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 2, 2008

NATURAL GAS MARKET NEWS

The US National Hurricane Center reported that a broad area of low pressure associated with a tropical wave over the extreme eastern Atlantic Ocean still has the potential to become a tropical depression over the next couple of days. The system has not become any better organized today as it moves westward at 10-15 mph. Weather models forecast the system to move northwest about 1,500 miles to the middle of the Atlantic Ocean over the next five days. Meanwhile Accuweather also said the wave could become a tropical depression or storm over the next 24 to 48 hours.

WSI Corp. has recently reported a forecast of an active Atlantic hurricane season for 2008. Its forecast calls for 14 named storms and 8 hurricanes, 4 of which are expected to be intense.

According to Douglas-Westwood Ltd. and Energyfiles, the search to find and develop new oil and natural gas supplies has greatly increased as prices have escalated. This will cause a boom in capital and operational spending in offshore regions in the world.

On Tuesday, the Federal Energy Regulatory Commission allowed Freeport LNG Development LP to start service at its liquefied natural gas terminal. The terminal will come on-line in four years now that the FERC approved the project.

Royal Dutch Shell Plc has decided to increase gas production capacity to meet worldwide demand as it continues to drastically increase.

Petrobras' oil and gas director said that the state-run Brazilian company will be able to import liquefied natural gas from Venezuela in 2013. Imports will consist of 4 million cubic meters per day. PdVSA will operate two LNG export terminals on the Venezuelan coast in 2012 or 2013.

The head of Iran's natural gas company has reported that the country has \$28 billion in liquefied natural gas projects in the pipeline. Even though domestic output capacity was 123 billion cubic meters the country still expects an annual production of 274 billion cubic meters in 2012. The country also forecasts natural gas sales to be 277 bcm in 2012 when they were only 155 bcm in 2007.

Pressure testing was successfully conducted on Heartland Oil and Gas Corp's new four-mile pipeline in Kansas, signaling the completion of that pipeline. Work as begun to install the flow lines to each of the 12 new wells to be connected in order to begin the sale of the coalbed methane being generated by those wells. Heartland expects

Generator Problems

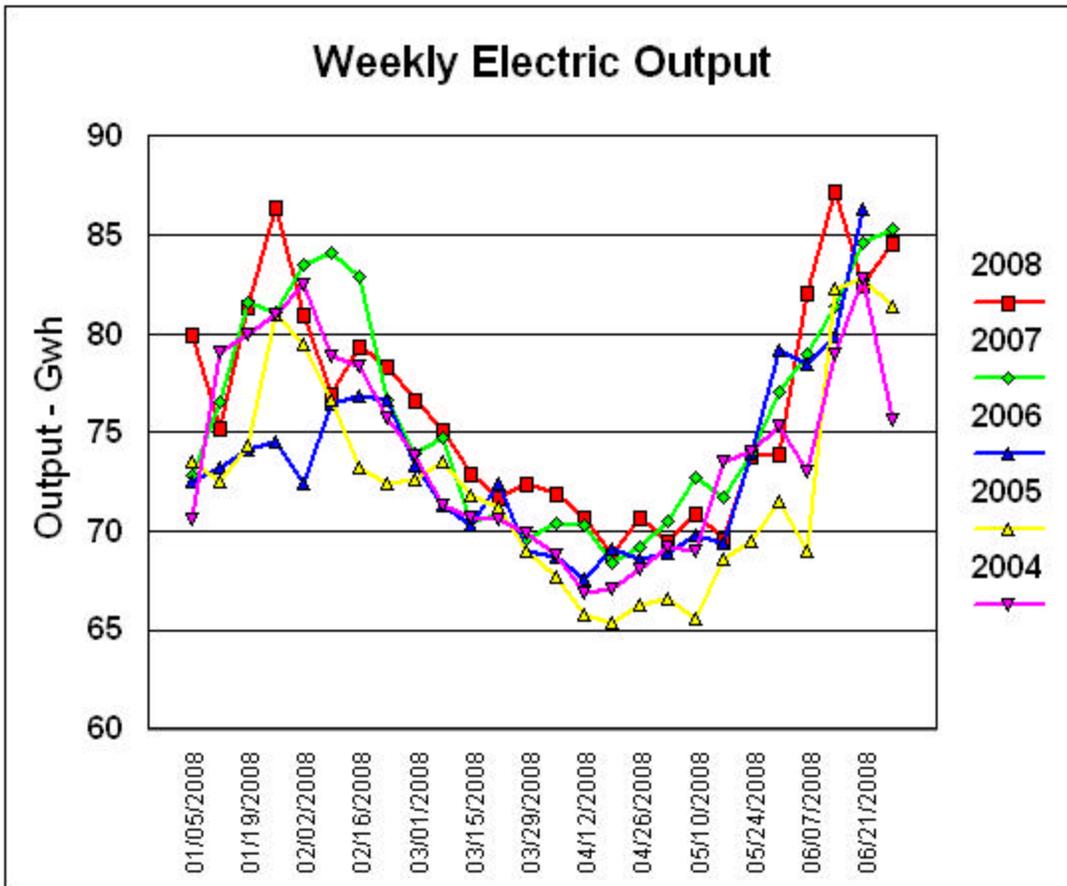
SERC – Duke Energy Corp's 1,100 MW Unit 1 at the McGuire nuclear station returned to full power by early Wednesday, the U.S. Nuclear Regulatory Commission said. The unit was operating at 74% capacity after exiting an outage early in the week.

ERCOT – American Electric Power Co, Inc planned to restart the 675 MW Pirkey coal-fired station in TX July 2-6 after fixing a boiler tube leak. The unit was shut around June 30.

NPCC – Dominion Resources Inc's 882 MW Unit 2 at the Millstone nuclear power station exited an outage and ramped up to 70% power by early Wednesday, the U.S. Nuclear Regulatory Commission said in a report. The unit was shut on June 25 due to oscillations in the feedwater heater system during valve testing.

The NRC reported that 97,280 Mw of nuclear capacity is online, up 0.21% from Tuesday and up 2.76% on the year.

to double the coalbed methane production from this field in Southeast Kansas. In addition, vast additional acreage will be open for further development and drilling along the 4 miles to be accessed by the pipeline.



ELECTRIC MARKET NEWS

Edison Electric Institute reported that for the week ending June 28, about 84,580 Gwh of power was generated, up 2.56% on the week and down 0.87% on the year.

A request by Nebraska Public Power District to increase Cooper Nuclear Station's generating capacity by 1.62% was approved on June 30 by the Nuclear Regulatory Commission. An evaluation of the plant's design showed that the plant could handle the increased

power level.

FirstEnergy Corp's request to increase its capacity of its Davis-Besse nuclear plant was approved by the U.S. Nuclear Regulatory Commission. It will be allowed to increase the generating capacity of the Davis-Besse Nuclear power plant by approximately 1.6% from 893 to 905-Mw.

Market Commentary

The natural gas market posted an outside trading session after the market continued to trade higher in overnight trading on Globex and posted a high of \$13.694. The market remained supported amid strong cash prices and concerns over the tropical disturbance in the Atlantic. However the market erased some of its sharp gains as traders took profits early in the session and pushed the market to a low of \$13.207. The market sold off amid reports that the tropical wave in the extreme eastern Atlantic Ocean, which is forecast to strengthen into a tropical depression over the next couple of days, is not tracking towards the Gulf. The market later settled in a mostly sideways trading range as a rally in the oil market limited the natural gas market's losses. The natural gas market settled down 11.6 cents at \$13.389. The oil market's premium over the natural gas continued to increase. The premium now stands at \$11.36, a level not seen since late May.

The market expectations for Thursday's EIA storage report range from a 73 bcf to a 103 bcf injection, with the median estimate of an 89 bcf injection. Natural gas inventories for the same week last year built an adjusted 84 bcf while the five year average build for the week was 86 bcf.

The natural gas market, which is seen trading sideways early in the session ahead of the release of the storage report on Thursday, will remain supported amid the weather forecasts now calling for normal to above normal

temperatures for much of the country. Also, if the crude market continues on its uptrend, the natural gas market is likely to follow as it seeks to lessen its discount to the oil market. The market is seen finding support at \$13.295, \$13.207, \$13.166 followed by \$12.943 and \$12.679. Resistance is seen at \$13.57, \$13.653, \$13.694, \$13.917 and \$14.14.