



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 9, 2008

NATURAL GAS MARKET NEWS

The some long range computer forecasting models seemed to continue for some form of tropical development in the far eastern Atlantic this weekend into early next week. The infrared satellite imagery from the region was not that impressive this morning. The GFS model which has been fairly accurate so far this season in identifying potential areas for tropical development continue to point to this area for development. The UKMET model also supports the idea of tropical development in this area over the weekend and into next week.

Shell's Bacton natural gas terminal in the UK which receives North Sea natural gas was closed for "routine maintenance" today Gas flows into the terminal were halted this morning. Inflow rates had been running at 5 million cubic meters per day. The terminal was expected to return to service late in the day today.

StatoilHydro said it was postponing its scheduled repair work for the Kviteboern natural gas pipeline for one year. The work had been scheduled to begin next week; but had been postponed given the near record prices for

Generator Problems

SERC – Southern's 876 Mw hatch #1 nuclear unit ramped up to 75% of capacity this morning, up 36% from yesterday.

SPP – AEP's 528 Mw coal fired Unit #1 at the Welsh power plant reportedly will be operated at reduced levels for the next several days as operators bring the unit back on line.

The NRC reported that 98,223 Mw of nuclear capacity is online, up 0.3% from Tuesday and up 2.8% from the same day a year ago.

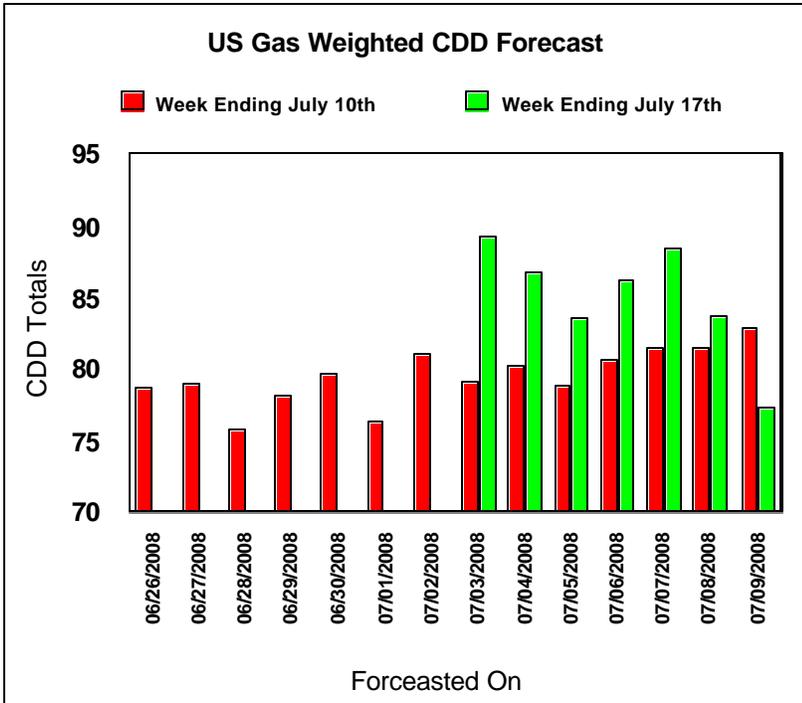
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	812,700	\$12.095	(\$0.371)	(\$0.044)	(\$0.020)	(\$0.662)
Chicago City Gate	936,400	\$11.982	(\$0.353)	(\$0.157)	(\$0.021)	(\$0.334)
NGPL- TX/OK	730,300	\$11.507	(\$0.330)	(\$0.632)	\$0.002	(\$0.799)
SoCal	767,400	\$11.424	(\$0.432)	(\$0.715)	(\$0.100)	(\$0.964)
PG&E Citygate	910,800	\$11.461	(\$0.344)	(\$0.678)	(\$0.012)	(\$0.784)
Dominion-South	490,600	\$12.838	(\$0.341)	\$0.699	(\$0.009)	\$0.583
UStTrade Weighted	19,586,000	\$11.617	(\$0.352)	(\$0.522)	(\$0.02)	(\$0.662)

natural gas currently. The Kviteboern field produces 51,000 b/d of oil and 17 million cubic meters of gas per day.

Wood Mackenzie Consultants said that new LNG proposed projects by Shell, Chevron

and others which had originally expected to add some 95 million metric tons of new capacity construction this year have been delayed as a result of renegotiations with governments, rising construction costs and disputes between project partners. As a result of delays in these supply projects combined with rising demand, could result in the LNG market remaining tight until 2015 or possible even beyond. Projects typically take 4-5 years to bring on line once construction begins.

Libyan energy officials reported today that Gazprom has expressed a willingness to buy Libyan oil and any available quantities of gas. Their had been reports earlier in the day that Gazprom had said it had met with Libyan leader Muammar Gaddafi and was looking to buying all of Libya's oil and gas exports.



Chesapeake Energy Corporation said today that it expects a net loss for the second quarter of this year due to its hedging strategy.

The National Oceanic and Atmospheric Administration said today that unusually warm temperatures in June pushed up temperature related residential energy demand by 7.5% above normal for the month.

The FERC today granted the Rockies Express Pipeline its request to begin construction of facilities associated with the eastern leg of the pipeline.

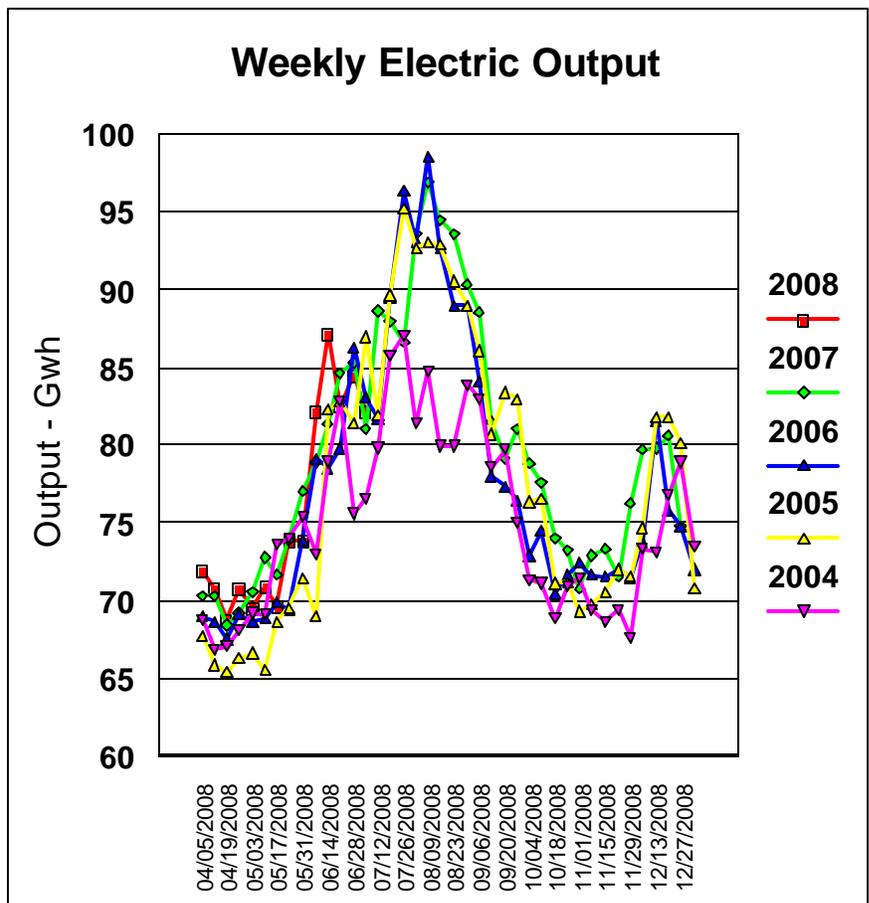
The CFTC announced that its enforcement director, Gregory Mocek was leaving the agency and returning to private practice as a lawyer starting in September.

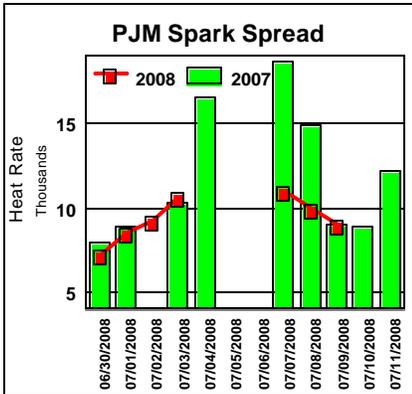
ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending July 5th saw electric generation in the U.S. totaled 82,135 Gwh down 2.89% from the prior week but some 1.31% higher than the same week a year ago. For the first 27 weeks of this year power production has been averaging 0.6% higher than the same time a year ago.

Cal Iso restricted maintenance at generating and transmission facilities Wednesday as fires threatened transmission lines in several portions of the state, as well as a heat wave in the central valley cause a spike in air conditioning demand. The grid operator was estimating demand to peak this afternoon at 48,607 Mw slightly below the record peak usage of 50,270 Mw.

TransCanada's planned 132 Mw Kirby Wind Power Project in Franklin County, Maine has won state approval for the project and federal approval is expected to follow shortly. The project is projected to begin operations in late 2009 or early 2010.





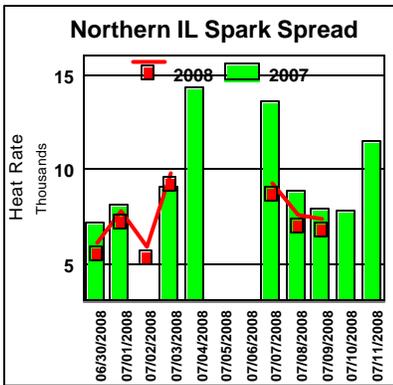
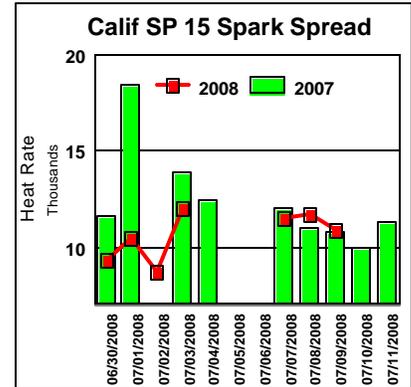
GE Energy Financial Services reported that it was investing \$100 million in three of Nobel Environmental power's wind farms under construction in upstate New York. The projects are expected to be operational by the fourth quarter of this year.

El Paso Electric said today that due to higher natural gas prices it was filing for a fuel factor increase and a fuel surcharge that combined would result in an increase in average Texas ratepayers bills by about \$9.80 for those using 500 kWh.

MARKET COMMENTARY

The natural gas market started the day on the defensive and spent most of the day in negative territory. The market finished the day basically at its lowest levels since late May, falling down to support on a six month trend line on the spot continuation chart. Prices were pressured in part by lower oil prices, but also by moderating temperature outlooks and weaker cash and spot power prices.

As a result the recent gains that natural gas had made in reducing its discount to crude oil, over the past couple of trading sessions was basically erased by today's price action. Also the pace of the sell off in natural gas values has been breathtaking. Over the past three trading sessions \$1.57 in value has been erased in the spot contract or 12% loss in value of the contract. We have not seen this kind of price contraction since December 2006 when the spot contract recorded this percentage of contraction over a three-day period.



We remain comfortable in holding and being a scale down buyer of the October \$13.50-\$16.00 call spread which tonight settled at 41.8 cents. We

see support flat price in the August contract tomorrow at \$11.972, \$11.92, and \$11.788. Additional support we see at \$11.571, \$11.53, \$11.358 and \$11.221. Resistance we see at \$12.206, \$12.355, \$12.59 and \$12.705. Additional resistance we see at \$12.801, \$12.922 and \$13.01.

Market expectations for tomorrow's EIA storage report appear to be looking for a 90-105 bcf build in inventories, with the industry consensus falling around a 95 bcf build. For the same week a year ago stocks built by 98 bcf with the five-year seasonal average seeing a 103 bcf build.

