



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 10, 2008

NATURAL GAS MARKET NEWS

The head of the CFTC told Congress today that there is no evidence that market traders are working together to systematically push up crude oil prices or that oil supplies are being hoarded. He said that the CFTC and other members of an interagency task force plan to give Congress an interim report "in the coming weeks" on the role speculators have played in the crude oil market. The CFTC head said that speculators are needed to provide liquidity to futures markets, making it easier for commercial companies to offset their price risk. He warned that speculators might go to overseas markets if U.S. regulations become too burdensome

Generator Problems

ERCOT – Luminant's 575 Mw Big Brown coal fired Unit #1 was shut today to repair an electrical malfunction.

The NRC reported that 98,275 Mw of nuclear capacity is online, basically unchanged from yesterday and up 2.8% from the same day a year ago.

Sempra LNG has joined Mitsubishi and the Alaska Gasline Port Authority in an effort to move forward the Alaskan LNG project. The partners are looking to build a LNG facility at Valdez and looking to ship the gas to Asia and Sempra's new regasification plant in Baja, California.

Various computer model forecasts appear to be reaching agreement that there is a possibility for a tropical depression forming out in the eastern Atlantic early next week. The latest GFS model run continues to call for a tropical depression to form near 35 West Longitude on or about Tuesday and would see this system moving west-northwestward impacting the Leeward Islands in 810 days. The European model is in basic agreement with the GFS model but would form the system slightly further west but have it reaching the Leeward Islands a day or so later.

EIA Weekly Report

	07/04/2008	06/27/2008	Net chg	Last Year
Producing Region	717	703	14	888
Consuming East	1177	1116	61	1328
Consuming West	314	299	15	381
Total US	2208	2118	90	2597

*storage figures in Bcf

The U.S. Climate Prediction Center reported today that the La Nina condition in the Pacific Ocean has mostly dissipated and normal weather should prevail into the fall. La Nina conditions usually result in cooler than normal water in the Pacific that helps hurricanes in the Atlantic basin to form as a result of suppressing wind shear conditions in the Atlantic. While the CPC said La Nina "continues to linger in the atmospheric circulation, but with diminishing strength." It noted that normal weather may persist into the northern hemisphere winter of 2008/09.

Canadian Gas Association

Weekly Storage Report

	04-Jul-08	27-Jun-08	06-Jul-07
East	133.8	125.3	159.2
West	234.2	222.3	293.4
Total	368.0	347.7	452.6

storage figures are in Bcf

Chevron said its expanding drilling operations at its Iago gas field offshore of northwestern Australia, adjacent to its proposed Wheatstone LNG project. Chevron in 2004 discovered the wholly owned Wheatstone field, which together with Iago field holds an estimated 5 trillion cubic feet of gas.

ICE and Natural Gas Exchange said today that they would provide deal entry capability to energy brokers for physically cleared OTC natural gas contracts. The companies are also seeking to add three additional hubs for physical clearing on August 5th. Currently the group offers clearing for

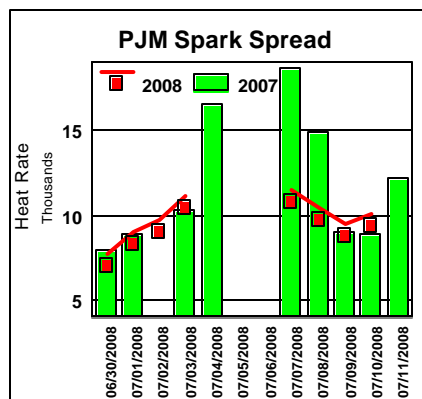
GTN Malin, PG&E Citygate and Henry Hub. The new hubs added will be Panhandle Eastern Pool, NGPL TXOK East and Northern Natural's Demarc.

AGL warned investors today that 2Q2008 earnings would be hurt by pre-tax hedging losses of \$53-\$57 million.

Wood Mackenzie noted yesterday that while it has not gained much

media attention recently, the Rocky Mountain region may contain up to seven multi Tcf shale gas plays in the region. The seven plays include the Mancos and Cane Creek Shales in Utah; The Lewis and Baxter Shales in southern Wyoming into northwest Colorado; the Gothic Shale in Colorado; the Pierre and Lewis Shales in Colorado and New Mexico, and the Cody Shale in Montana.

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	909,500	\$11.832	(\$0.264)	(\$0.386)	(\$0.322)	(\$0.685)
Chicago City Gate	945,500	\$11.745	(\$0.238)	(\$0.472)	(\$0.316)	(\$0.346)
NGPL- TX/OK	562,400	\$11.289	(\$0.218)	(\$0.928)	(\$0.296)	(\$0.798)
SoCal	874,400	\$10.948	(\$0.477)	(\$1.270)	(\$0.555)	(\$0.998)
PG&E Citygate	409,300	\$11.145	(\$0.316)	(\$1.072)	(\$0.394)	(\$0.801)
Dominion-South	452,300	\$12.584	(\$0.254)	\$0.367	(\$0.332)	\$0.543
UStTrade Weighted	18,977,300	\$11.373	(\$0.244)	(\$0.844)	(\$0.32)	(\$0.685)



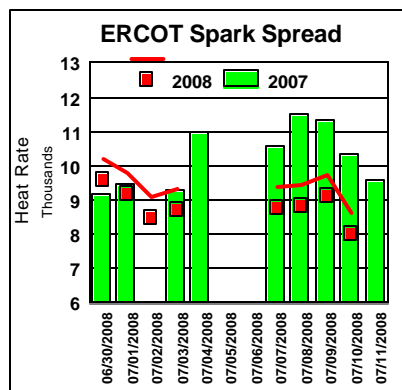
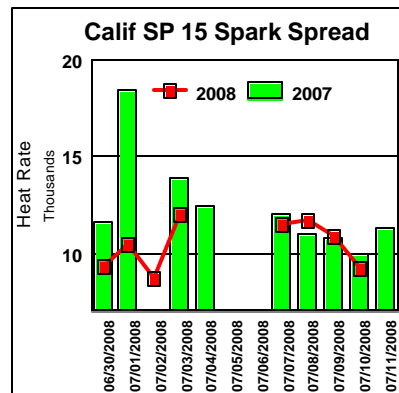
PIPELINE RESTRICTIONS

FGT continued its Overage Alert Day at 25% tolerance.

Gulf South Pipeline said that capacity through the Airport Compressor Station continues to be limited as Gulf South increases the flow rates to prevent problems at the station. The company will continue to increase available capacity daily this week as it monitors system liquids. The company anticipates available capacity of up to 225,000 Dth/d. The company said it will continue the Force Majeure for Capacity Area 11 for as long as the Primary Firm capacity is reduced.

PIPELINE MAINTENANCE

Transcontinental Gas Pipeline said it will be performing maintenance at its Station 14 in Falfurrias, Texas today. This work was seen requiring all the flow upstream of the plant on the North Padre Island system be shut in. The company also noted that beginning today and lasting until July 12th it will be replacing the San Antonio River crossing. The outage may impact operating pressures and thus may make the company unable to accommodate certain receipt and delivery combinations.



Gulf South pipeline said it has completed scheduled maintenance on the Goodrich Compressor Station Unit #3. The work began on June 23rd. It reported also that scheduled maintenance on the Carthage junction Compressor Station Unit #4 has been extended until further notice.

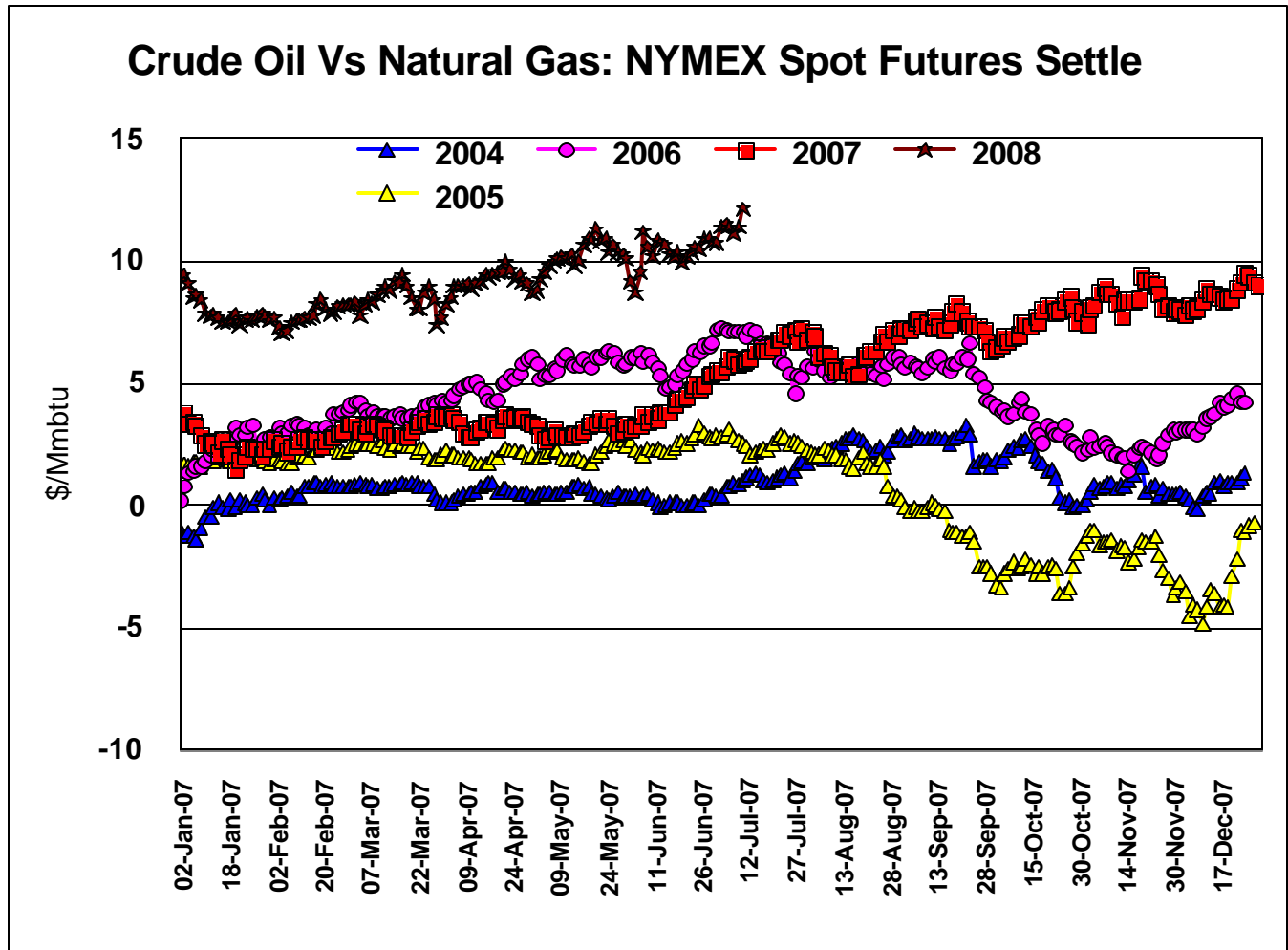
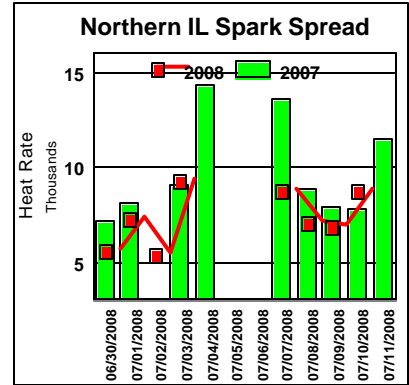
Northwest Pipeline said it has been performing anomaly investigations between the Lava Hot Springs and Pocatello compressor stations since July 8th. Primary firm nomination requests through the Lava Hot Springs station have been exceeding the available capacity of 553,000 Dth/d. As a result the company has called a Declared Deficiency Period for July 10th through July 31st.

Northern Natural Gas declared a Force majeure today and through Friday at the Holcomb Burdette .

ELECTRIC MARKET NEWS

The NYMEX reported today that it was increasing its margin rate on its Eastern Rail CSX coal swap futures contract at the close of business on Friday. The margin will go to \$13,500 from \$6,750 for customers.

The PJM Power Providers Group today called on the FERC to reject a complaint challenging PJM Interconnection's reliability program – the Reliability Pricing Model. Granting the relief requested would jeopardize the important progress the reliability program has achieved to date. The group noted that the reliability program is significantly improving the available supply of generation in the service area. The group noted that the transitional RPM auctions operated as designed and have attracted new capacity and retained existing capacity at prices that were within FERC approved parameters.



MARKET COMMENTARY

The natural gas market today basically remained contained with yesterday's trading range. While flat to weaker power prices helped to keep the cash natural gas markets on the defensive and erode its basis to the futures further, the rebound in oil prices especially in the afternoon dragged the gas futures markets higher. Natural gas values though could not keep pace with oil prices as crude oil reached a new all time high on a spread BTU basis over natural gas. Volume today was just over 192,000 futures traded, a relatively light volume day for an inventory report day.

Despite the probability that the wild volatility will remain in the oil markets tomorrow, we would look for the natural gas to most likely post a typical inside trading day for Friday which would be contained within the range of the past two days of \$12.487-\$11.906. But additional technical points we would focus on for tomorrow on the upside would be \$12.526, \$12.589, \$12.752, \$12.80, \$13.01-\$13.05. Support levels to watch for would be \$11.68, \$11.50 and \$11.45.

