



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 11, 2008

NATURAL GAS MARKET NEWS

Goldman Sachs Group said today that U.S. natural gas prices may stay near "international levels" as domestic buyers of natural gas compete with Asian and European buyers for LNG supplies. They see U.S. prices remaining supported in the \$12.70-\$13.20 per Mmbtu price range as a result of a need for higher LNG imports. The investment bank estimated that natural gas stockpiles in the U.S. may stay between 3.407 bcf and 3.183 tcf depending on weather.

The FERC Friday issued a favorable final environmental review of Florida Natural Gas Storage Company's proposal to build a LNG storage facility in Southeast Florida.

The head of Bentek said barring any weather disruptions, natural gas prices should "significantly come down by the end of the year and stay down" given that there is currently more than enough natural gas moving through pipelines and into storage today. But he noted that the natural gas supply/demand situation remains a "vicious cycle" and another price spike will surely follow and sooner than some analysts might think.

Atmos Energy said that its recently completed non binding open season for services at its proposed Fort Necessity gas storage facility in Franklin Parish, LA, was a success with participants requesting more than three times the 5 bcf of capacity proposed for the projects first phase.

Senators Cantwell, Collins and Lieberman introduced legislation today that would impose caps on the number of futures contracts that may be held by any one investor. The legislation would close the swaps loophole that

Generator Problems

ERCOT – The Texas Municipal power Agency said it shut the 462 Mw coal fired Gibbons creek power plant late Thursday.

SERC – TVA's 1,155 Mw Browns Ferry #3 nuclear unit is expected to come back on line soon. The unit tripped off line early Friday.

Southern's 876 Mw Hatch #1 nuclear unit was at 85% of capacity on Friday, up 10% from Thursday. The unit has been ramping back up since a July 4th reactor trip.

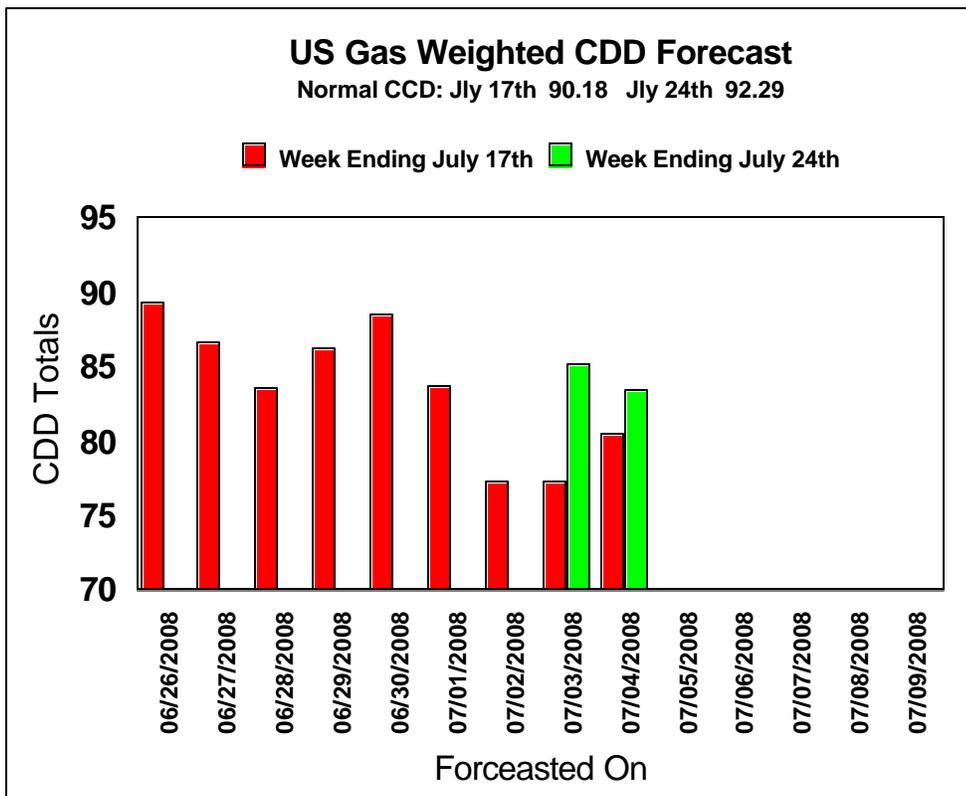
The NRC reported that 97,263 Mw of nuclear capacity is online, down 1% unchanged from yesterday and up 1.8% from the same day a year ago.

allows institutional investors to invest in index funds that circumvent existing position limits. The bill would require the CFTC to develop a methodology that allows investors to aggregate their positions on the exchanges and 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	773,600	\$12.149	\$0.317	\$0.057	\$0.299	(\$0.552)
Chicago City Gate	874,800	\$12.011	\$0.267	(\$0.081)	\$0.392	(\$0.182)
NGPL- TX/OK	584,100	\$11.637	\$0.348	(\$0.455)	\$0.473	(\$0.647)
SoCal	687,700	\$10.705	(\$0.243)	(\$1.387)	(\$0.118)	(\$0.870)
PG&E Citygate	681,500	\$11.386	\$0.240	(\$0.706)	\$0.365	(\$0.685)
Dominion-South	406,600	\$12.885	\$0.301	\$0.793	\$0.426	\$0.661
UStTrade Weighted	18,229,700	\$11.547	\$0.174	(\$0.545)	\$0.30	(\$0.552)

the OTC markets for purposes of regulatory enforcement of position limits in all food and energy related contracts. The bill would also mandate the CFTC to set position limits that are no greater than necessary to ensure sufficient market liquidity for the conduct of bona fide hedging activities.

BG Group said it may feed coal seam gas from Origin Energy to a planned LNG plant it is developing with Queensland Gas fir Gladstone, Australia.

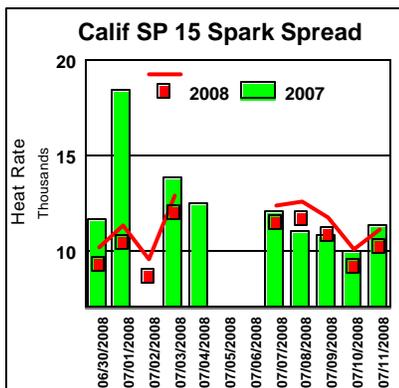


Chevron said it is looking at tripling the size of its proposed Wheatstone LNG project in Western Australia as a result of finding more gas in the region. The project may now start up with three LNG production units rather than the originally planned one unit of 5 million metric tons a year. The company hopes to begin engineering and design work on the project in 2009.

StatoilHydro AG's Snehvit LNG plant resumed production Thursday at 60% of design capacity after a shutdown of almost two months.

Baker Hughes reported today that for the week ending July 11th the number of drilling rigs search for

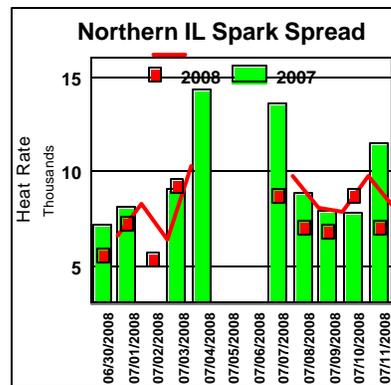
natural gas in the United States stood at 1544 rigs up 5 from last week and 43 higher than last year.



Brazil's Petrobras said today that it plans to nearly triple the country's supply of natural gas by 2012, to 134 million cubic meters a day. The company looks to increase domestic natural gas production to 72 million cubic meters per day by 2012 as fresh fields come on line. In addition the company looks to import the equivalent of 31 million cubic meters of LNG per day

PIPELINE RESTRICTIONS

PG&E California Gas Transmission issued a system-wide OFO for July 11th, due to high inventory on the system.

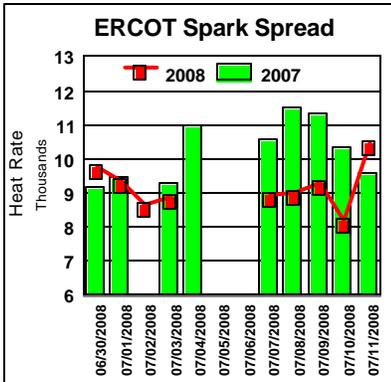


FGT extended its Overage Alert Day at 25% tolerance again today due to high weather related demand.

PIPELINE MAINTENACE

Transco reported that it has completed its maintenance activity at Station 14. Points upstream of the plant on the North Padre Island system may be able to flow beginning Friday, subject to the limitations associated with the San Antonio River work. Work at the San Antonio River crossing in Refugio and Victoria counties, Texas is continuing as planned. The company expects to be able to accept nominations for gas day July 13th.

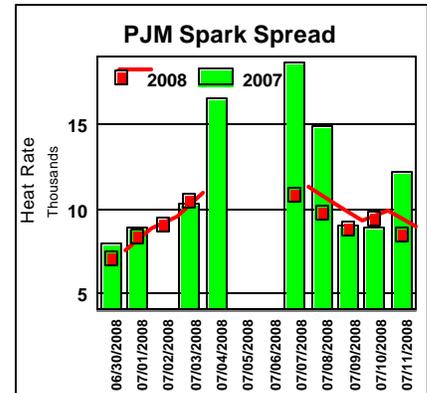
Sabine Pipeline said that it expects to conduct maintenance on August 13th on piping in and around Henry Hub that will directly affect receipts and deliveries at Koch-Gulf South/Henry Hub and at JIS-Jefferson Island/Henry Hub. The work is expected to be completed in 24 hours. The company will accept nominations at these interconnects to the extent that scheduled receipts and deliveries equal. Otherwise the company will be forced into allocation.



Williston Basin Interstate Pipeline said that planned maintenance will be performed at the Billy Creek storage reservoir on July 16th and storage injections will be limited to 2000 Dth/d

ELECTRIC MARKET NEWS

Genscape's U.S. coal burn index was up 1% for the week ending July 10th, but was down 5% from the same week a year ago.



The U.S. Circuit Court of Appeals today threw out an EPA rule that would have required 28 states and the District of Columbia to limit downwind emissions of sulfur dioxide and nitrogen oxides. The court also granted the petitions of Entergy, Minnesota Power and other petitioners opposed to the emissions trading structure offered under the EPA's Clean Air Interstate Rule. The court ruled the "trading program is unlawful because it does not connect states' emissions reductions to existing programs designed to curb the same pollutants. It also noted that the rule's SO2 reductions tamper "unlawfully" with the long-established emissions trading program created by the federal Acid Rain program to limit SO2 pollution from coal fired power plants.

EPA administrator Stephen Johnson said today that Congress should make rules to regulate emissions of green house gases, and could do so faster than the EPA. The EPA's refusal to make new rules on emissions despite a Supreme Court decision that noted the agency had the power to regulate GHG under existing pollution laws, appeared to be a final sign that the Bush administration will let the next administration handle the issue, thus giving utilities, and car makers a grace period of several more months before the threat of new regulations.

The NYMEX announced today that effective as of the close on July 14th it was increasing its margin rates on customer positions for its Central Appalachian coal futures contract to \$22,950 from \$20,250.

MARKET COMMENTARY

Well our outlook for an inside trading session today was completely wrong. In fact we witnessed an outside trading session. Prices breached yesterday's highs early this morning before the regular floor session began, as soaring oil prices dragged natural gas values up to \$12.62. But shortly after the opening of the floor session, natural gas values began to disconnect from oil prices and began to retrace the overnight gains. Natural gas traders appeared to be taking profits or liquidating once again on their long positions as temperature forecast for next week and the week beyond continued to moderate. One private weather forecasters was calling for the national weighted cooling degree-day outlook for next week to be 10.7% cooler than normal and the following week to be 9.6% cooler than normal. As a result prices continued to erode throughout the session and by the close prices had breached yesterday's low and settled at its lowest level in the August contract since May 30th.

This afternoon's open interest report showed open interest in the natural gas market declined for the third consecutive session on Thursday. Open interest dropped by 9,469 lots from Wednesday and 18,526 lots from Monday.

Even with the prospects for moderate to cooler than normal temperatures over the next 7-14 days, we feel if the preliminary forecasts for some form of tropical development next week in the eastern Atlantic materialize it may help natural gas values to stabilize and begin to recover some of its price erosion to crude oil values, which has

grown by over \$2.00 per Mmbtu just in the past three days. As a result we remain comfortable in holding the October \$13.50-\$16.00 call spread.

Flat price we see support in the August contract at \$11.812, followed by \$11.604, \$11.53 and \$11.304. Additional support we see at \$11.109 and \$10.79. Resistance we see at \$12.412, \$12.531 and \$12.62. Additional resistance we see at \$12.92, \$12.975 and \$13.22.

This afternoon's Commitment of Traders report showed that in the combined futures and options report, non commercials net short position across the corresponding options and Henry Hub futures, swap and penultimate swap contract on an adjusted basis declined by 7,216 to 30,949 contracts on the week ending July 8th.