



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 17, 2008

NATURAL GAS MARKET NEWS

The U.S. House of Representatives passed legislation late Wednesday that calls for the Taunton River in southeast Massachusetts to be designated as a Wild and Scenic Rivers system. This action would jeopardize the possibility of the Weaver Cover Energy LNG project from being realized.

The National Hurricane Center this morning was noting that the low pressure system in the southeastern Caribbean Sea had become a little less organized and as a result the saw that there was less likelihood that the system would become a tropical system. But by 2 pm the NHC was noting that the system had in fact shown increased thunderstorm activity over the morning and early afternoon and as a result was sending air force reserve reconnaissance to investigate the area later today. By 5 PM Accuweather forecasters were calling the system had in fact become a tropical depression despite not yet receiving the "official" designation from the NHC. Accuweather was looking for the system to develop further in coming days and should be in the southern Gulf of Mexico by early next week and folks in South Texas should keep a close eye on the system

Generator Problems

WSSC– Energy Northwest has increased production to full capacity at its 1200 Mw Columbia Generating nuclear station. The unit had been at 81% of capacity.

NPCC – Entergy's 825 Mw Fitzpatrick nuclear plant was at 86% of capacity, up from 55% capacity on Wednesday.

Entergy's 535 Mw Vermont Yankee was at 50% of capacity this morning, up 26% from Wednesday.

OPG's 490 Mw coal fired Unit #1 at the Nanticoke power plant was taken off line today and was expected back in service next week.

SPP – AEP's 675 Mw coal fired Pirkey power plant was taken off line late yesterday.

Xcel's 347 Mw coal fired Harrington 1 power plant was taken off line today.

The NRC reported that 98,095 Mw of nuclear capacity is online, up 0.5%% from Wednesday and up 2.5% from the same day a year ago.

The National Weather Service said today as it released its longer-range forecasts, that La Nina should have a very small impact on U.S. temperatures and precipitation in August. The southeastern states are seen remaining above normal temperatures in August as a result of the deficiency in soil moisture while the Midwest was seen seeing below normal temperatures in part due its higher soil moisture content. The NWS long term forecast for this winter continues to be above normal for much of the nation.

EIA Weekly Report

	07/11/2008	07/04/2008	Net chg	Last Year
Producing Region	742	717	25	901
Consuming East	1245	1177	68	1382
Consuming West	325	314	11	390
Total US	2312	2208	104	2673

*storage figures in Bcf

The Bruce and Rhum North Sea gas fields reportedly have resumed operation after being taken off line on July 21st for planned maintenance. The fields had originally expected back in service late last week.

The CEO of Gaz de France said today that French gas prices most likely will increase in order to keep pace with the increasing cost of oil. Meanwhile Cambridge Energy Research Associates said today in a report that despite record high oil prices, the price of gas, which accounts for 25% of the European Union's energy consumption, will continue to be pegged to oil for the foreseeable future. They note that the "relatively illiquid and local nature of

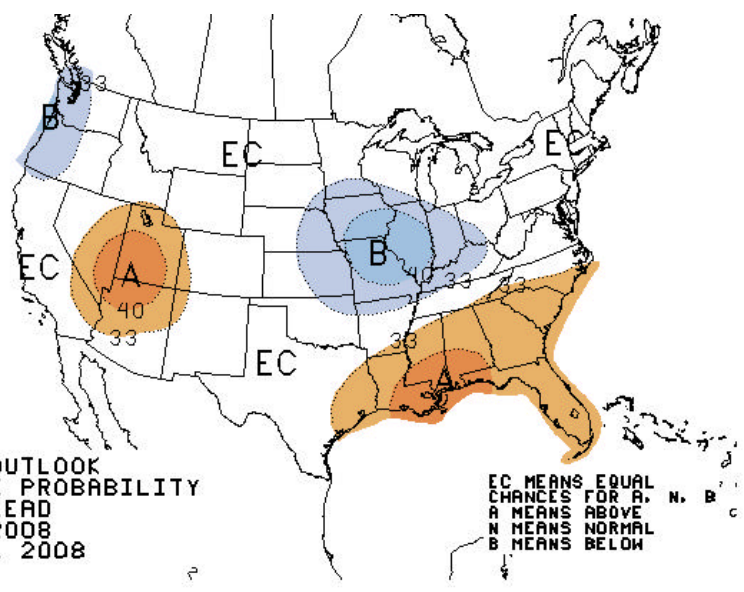
European gas hubs raises obstacles for buyers and sellers of gas because of the potential for drastic price swings.” As a result many market participants prefer the security provided by the global and deeply liquid oil markets as away to index gas prices from. They note though one factor that could disrupt the status quo is the delivery of large volumes of LNG to Europe. New import infrastructure, particularly in the UK combined with additional volumes from Qatar may put pressure on the relationship that exists between buyers and existing sellers of gas. Oil indexation provides the pricing mechanism within long-term contracts that supply at least 70% of Europe's gas.

Canadian Gas Association
Weekly Storage Report

	11-Jul-08	04-Jul-08	13-Jul-07
East	145.4	133.8	168.2
West	244.3	234.2	296.8
Total	389.7	368.0	465.0

storage figures are in Bcf

Bentek Energy LLC estimates that pipeline capacity out of the



Southeast/Gulf Coast region will be fully utilized by the winter of 2009-2010, as excess natural gas supply continues to flow to market, in part do to increases in production from the Barnett and Deep Bossier shales in Texas, the Woodford Shale play in Oklahoma and Arkansas' Fayetteville Shale. As a result they see an additional 9.4 bcf/d of supply flowing into the Southeast/Gulf region between January 2008 and December 2012. As a result they look for gas, which traditionally flowed from the Midcontinent, and West Texas market into the

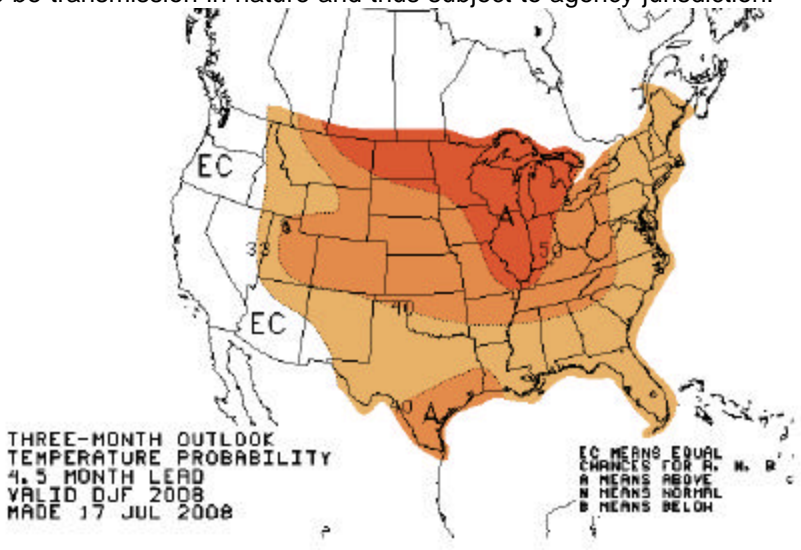
southeast, will be displaced and will be forced to move into the lower value markets of the western U.S.

The FERC today denied rehearing of a November 2007 order on remand in which it declared Transco's pipeline network onshore and offshore Louisiana to be transmission in nature and thus subject to agency jurisdiction.

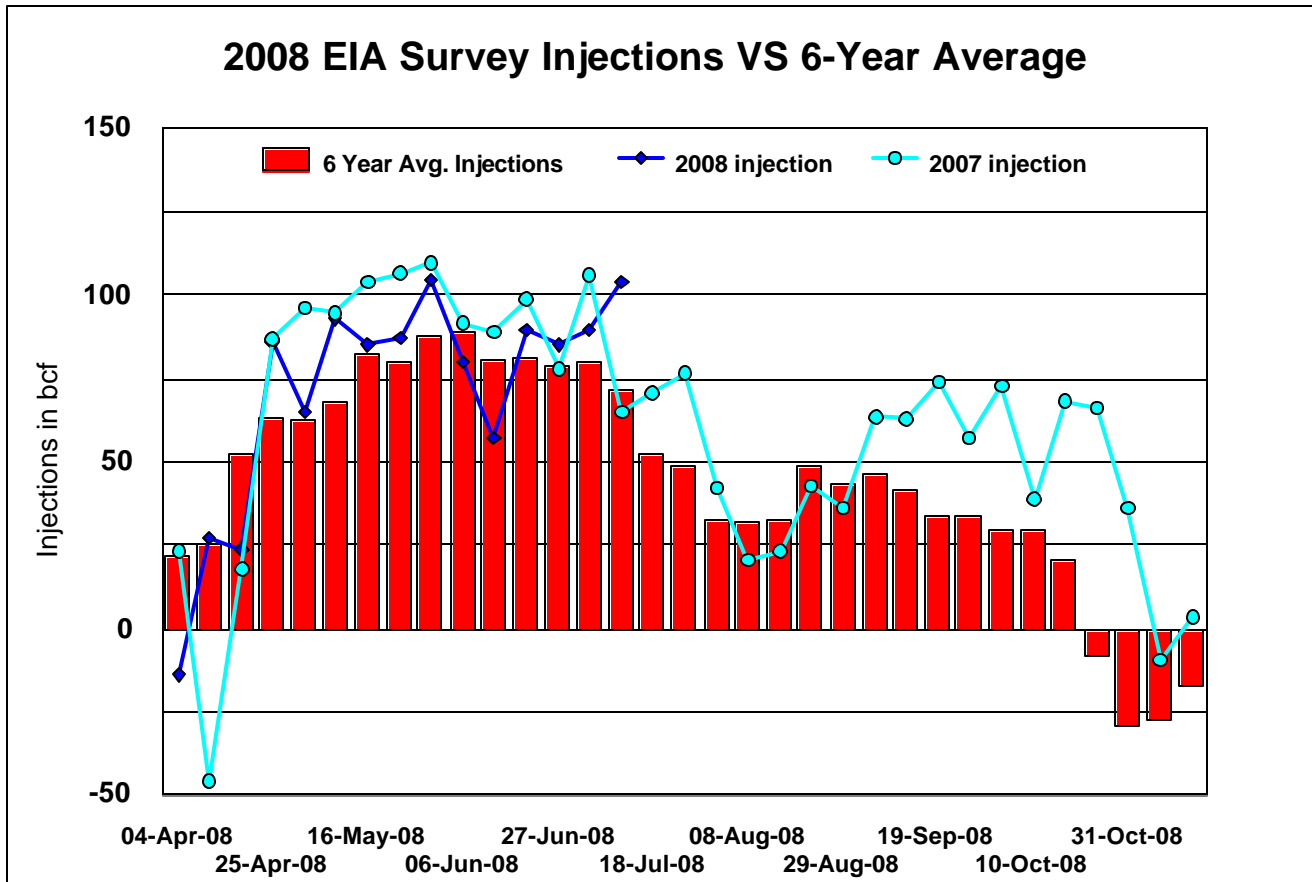
The Federal Reserve Bank of Philadelphia reported that manufacturing in the mid-Atlantic region shrank in July for an 8th straight month as orders and employment sank.

The EIA reported today that U.S. natural gas pipeline construction activity in 2007 accelerated, as some 14.9 bcf of daily deliverability was added. This was the largest annual gain over the last decade.

The FERC today ordered an administrative law judge hearing to determine whether certain natural



gas futures trading activities by Amaranth Advisors, its affiliated entities and two individual traders violated the Commission's anti-manipulation regulations. The order would require a prehearing conference to take place within 20 days.



EnergySouth Midstream announced today that customer bids exceeded five times the capacity offered in its recently completed open season for long term firm storage services for the 4th cavern of a potential 5 bcf at Bay Gas Storage facility in McIntosh, Alabama.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said that unplanned maintenance was being performed today at the Saco Compressor Station. The maximum capacity from Bowdoin Whitewater will be reduced by approximately 2400 Dth/d.

Westcoast Energy said that the McMahon Plant was shut down late Wednesday due to a sulphur plant shut down.

ELECTRIC MARKET NEWS

The Texas Public Utility Commission today approved a plan to build transmission line that will be able to accommodate more than 18,500 Mw of wind generation by 2012. The commission though declined to approve a more ambitious plan to build power lines that would have supported 24,000 Mw of wind power. Texas currently has 5500 Mw of wind capacity and that is expected to jump to 9,000 Mw by the end of the year. The growth of wind power in the state has created transmission congestion.

Al Gore on Thursday in Washington called on the nation to commit itself to producing 100% of our electricity from renewable energy and truly clean carbon free sources within 10 years. He called for an effort to achieve this goal that would be comparable to the nations effort in the 1960's to put a man on the moon.

The NYMEX announced it was increasing its margins on the Eastern Rail CSX coal swap and Central Appalachian coal futures contracts. The Eastern Rail CSX contract was seeing margins for customers increase from \$13,500 to \$20,250 and to \$27,000 from \$22,950 for the Central Appalachian coal contract.

MARKET COMMENTARY

Natural gas prices collapsed today, falling by the biggest margin in nearly a year settling at its lowest level since mid-April. The trigger for the sell off was the unexpectedly large build in natural gas stocks for the week ending July 10th, an increase of 104 bcf. But additional selling pressure came from bearish weather forecasts along with poor economic news from the Federal Reserve.

We feel though that this market has come a long way in a short time and may very well be ready for some type of price rebound, especially if oil prices can stabilize. Prices have dropped \$3.23 since July 2nd and retraced slightly more than 50% of the price rally from last December. Technical indicators such as daily stochastics appear to be pointing to an extremely oversold condition and thus makes one look for possibly take a shot at buying this market outright especially if today's low of \$10.464 holds. Additional support we see at \$10.28, \$10.15, \$9.833 and \$9.764. Resistance we see at \$10.65 followed by \$11.116, \$11.237 and \$11.43. Additional resistance we see at \$11.70, \$11.936 and \$12.079.