



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 21, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning noted that Tropical Storm Dolly had moved across the northeast corner of the Yucatan Peninsula and moved into the Gulf of Mexico, with most computer models pointing to the storm heading to Brownsville, Texas. While the NHC continues to call for this storm to reach only a Category 1 hurricane, some private forecasters were warning that this storm could see winds reaching up to 120 mph by the time it makes landfall, and that its track could be a bit further north than the NHC consensus storm track. This afternoon the NHC did issue a hurricane watch for the Texas coast from Brownsville north to Port O'Connor.

Generator Problems

ERCOT – Luminant's 750 Mw Martin Lake 2 coal fired power plant was being taken off line for the week for maintenance work.

The NRC reported that 98,245 Mw of nuclear capacity is online, basically unchanged from Friday and up 2% from the same day a year ago.

The NHC also made note of a large and well-defined tropical wave just inland over extreme western Africa. The forecasters noted that this system has the potential for further development once it emerges into the tropical eastern Atlantic within the next day or so.

The U.S. Minerals Management Service reported this afternoon that Tropical Storm Dolly has not affected oil and gas production in the Gulf of Mexico at this time. While it noted that energy companies, such as Shell, had evacuated up to 185 workers from four offshore production platforms and one drilling rig, production output had not been impacted.

Pemex reported today that daily average natural gas production in Mexico over the first six months of 2008 rose by 13.3% to 6.723 bcf/d. It noted that June imports of natural gas stood at 435.7 mmcf/d up 17% from a year ago.

Spain's Gas Natural reached an agreement with Gazprom which will "take advantage of spot market LNG opportunities" The agreement announced sets out general conditions for carrying out operations which

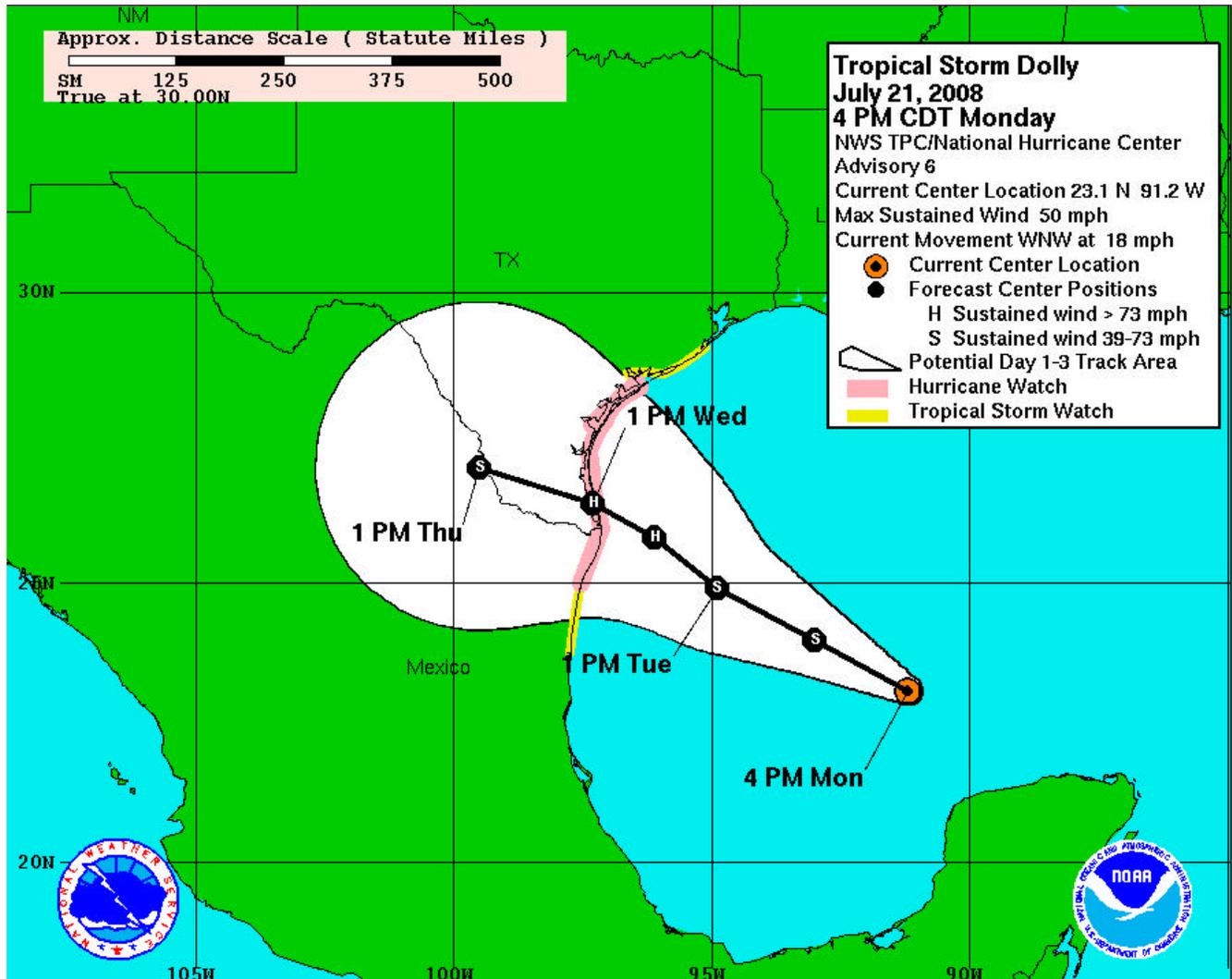
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	887,600	\$10.580	\$0.037	\$0.108	\$0.245	(\$0.121)
Chicago City Gate	516,700	\$10.471	\$0.045	(\$0.002)	\$0.154	\$0.167
NGPL- TX/OK	669,900	\$10.053	\$0.026	(\$0.419)	\$0.135	(\$0.272)
SoCal	765,400	\$9.839	\$0.316	(\$0.633)	\$0.425	(\$0.651)
PG&E Citygate	840,300	\$10.097	\$0.164	(\$0.375)	\$0.273	(\$0.393)
Dominion-South	449,300	\$11.317	\$0.021	\$0.845	\$0.130	\$1.150
USTRade Weighted	20,026,000	\$10.264	\$0.136	(\$0.208)	\$0.25	(\$0.121)

will allow the companies to react quickly when favorable market conditions arise. The company also said it was examining opportunities with Gazprom in other business areas, such as pipelines, power and carbon dioxide emission rights trading.

Raymond James & Associates said today that the pullback in natural gas prices seen last week is just the beginning of a downward slide in price that could continue for the next six months.

The managing director for gas at OMV warned today that high energy prices, including oil prices at \$130 per barrel or higher, may hurt European natural gas demand and thus call into question the need for some import projects, such as the Babucco and Nord Stream pipeline projects.

Private forecaster, WSI Corp said it is looking for warmer than normal temperatures will settle over the Northeast and North Central regions in August and will remain there through October, while the western United States will see cooler than normal temperatures spreading out for September and October.

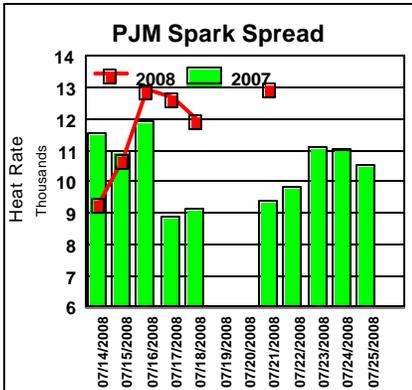


PIPELINE RESTRICTIONS

FGT issued another Overage Alert Day at 25% tolerance for both July 21 and July 22.

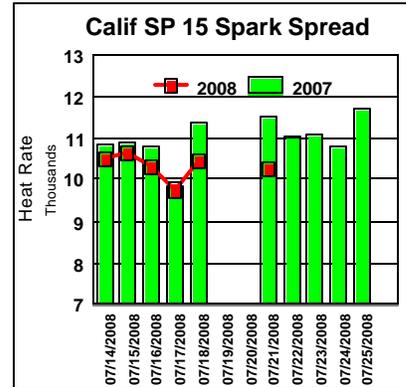
PIPELINE MAINTENANCE

Kern River Gas Transmission said on July 22nd it would be conducting annual testing at its Anschultz compressor station and it will require a complete station shutdown for some 4 hours. The company does not expect that this work will have any impact to firm or interruptible transportation as a station bypass line will be utilized.

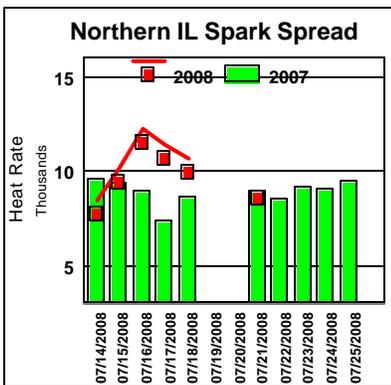


KMIGT said it plans to conduct maintenance on August 5th through August 29th at its Casper Compressor Station. Capacity through Segments 45 and 730 will be limited to 138,000 Dth/d. In addition the company will schedule an incremental 15,000 Dth/d at SGDCASP for a total of 153,000 Dth/d. Based on current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled. The company also reported that it will be performing maintenance at its Herndon Compressor Station from August 12th through August 15th. Nominations through Segment 775 will be limited to 220,000 Dth/d. But based on the current level of nominations no impact to scheduled volumes is expected. Also the company plans that maintenance on its Laton Compressor Station on

August 27-28th will limit nominations through Segment 775 to 235,000 Dth/d.



Rockies Express Pipeline said it will be performing maintenance at its Lost Creek Compressor Station from July 28 through August 1st. Capacity at receipt point- Lost Creek Wamsutter will be limited to 115,000 Dth/d. Based on the current level of nominations, AOR/IT and secondary FT quantities are at risk of not being fully scheduled. The company also said it will be conducting maintenance work on its Echo Springs Compressor Station from August 11-15th. The Wamsutter Echo Springs location will not be available for flow for the duration of the work. Nominations will not be scheduled.



Gulf South Pipeline said that it will be performing scheduled maintenance on its Olla Compressor Station Units #1 and #2 beginning July 28th and last for some 20 days., capacity through the station could be reduced by as much as 150,000 Dth/d. The company will also be doing work on its Kiln Compressor Station Unit #1 beginning July 25th which could reduce capacity by as much as 100,000 Dth.

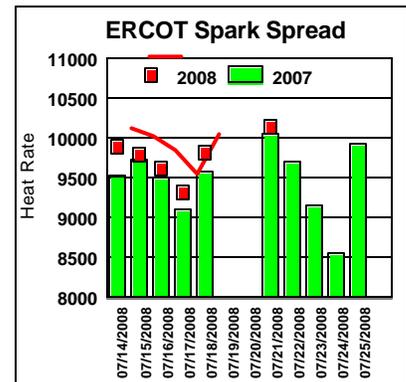
ELECTRIC MARKET NEWS

Ameren Illinois Utilities said this morning that it was working to restore service to 18,00 customers as a result of severe thunderstorms and high winds that moved across its service territory early this morning.

Genscape reported this morning that power generation for the week ending July 17th was up 4.9% from a week earlier and up nearly 3% from the same week a year ago.

MARKET COMMENTARY

While traders started the week with a potential hurricane developing in the Gulf of Mexico, the natural gas market failed to unlock a bullish stampede into the market. Rather the projected path of the storm appeared would keep the storm just south of U.S. production areas. After the market this morning failed to breach Friday's highs a wave of selling swept across the market and in short order pushed prices to their lows for the day and their lowest level since April 16th nearly back filling the gap in the charts since April 14th in the August contract. Volume today was moderate with just over 176,600 contracts traded today.



It appears that this market just will not find buyers willing to come back to it until there is a direct threat to production in the Gulf of Mexico, or at least a return to higher than normal cooling demand for the nation as a whole. While a rebound in oil prices may hold natural gas prices from collapsing further, this market cannot attempt to significantly recapture its lowest value of the past two weeks without a significant change in the existing supply demand balance. We see support initially tomorrow at \$10.318-\$10.29 followed by \$10.071 and \$9.83-\$9.81. Resistance we see at \$10.76 followed by the double top of the past two days at \$10.792-\$10.799. Additional resistance we see at \$11.013 and \$11.232. Additional resistance we see at \$11.61 and \$12.00.

