



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR JULY 24, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center reported today that it was watching a broad area of low pressure associated with a large westward moving tropical wave located some 700 plus miles west of the Cape Verde Islands. Forecasters do not expect any significant development to occur for the next several days given the large area of dry air in front of this system. There is also a new tropical disturbance that has just come off the coast of Africa, that computer models are split on whether this disturbance will have the potential to form into a tropical cyclone or not. Currently the popular GFS and European models do not see any potential of this system.

Generator Problems

SERC – Southern's 888 Mw Farley #1 nuclear unit remains offline due to back up diesel generators being out of service.

The NRC reported that 9,645 Mw of nuclear capacity is online, basically unchanged from yesterday and up 1.2% from the same day a year ago.

EIA Weekly Report

	07/11/2008	07/11/2008	Net chg	Last Year
Producing Region	752	742	10	909
Consuming East	1308	1245	63	1438
Consuming West	336	325	11	395
Total US	2396	2312	84	2743

*storage figures in Bcf

EnCana Corp, Canada's largest natural gas producer reported that during the second quarter of this year its natural gas production is growing faster than forecasted at 3,841 MMcf/d, up nearly 10% from last year. But net profits fell by 16% to \$1.22 billion as a result in part to \$400 million after tax losses in the firm's commodity risk management activities. The company reported that in the second

quarter it had a \$308 million after tax loss on gas hedges and a \$92 million after tax loss in oil and other hedges. The company noted that the realized losses in the second quarter reflect the dramatic increases on oil prices in the past year and natural gas prices over the past few months compared to the portion of EnCana's sales that are hedged at fixed process. EnCana has hedged about 1.5 Bcf/d of expected 2008 gas production for the balance of the year at an average NYNMEX equivalent price of \$8.20 per Mcf. EnCana has about 23,000 b/d of expected 2008 oil production hedged for the balance of the year under fixed price contracts at an average WTI price of \$70.13. EnCana also reported that for 2009, the company has 391 MMcf/d of its expected production hedged under fixed price contracts at an average NYMEX equivalent price of \$9.85 per Mcf and 341 MMcf/d under NYMEX put options at an average strike of \$8.85 per Mcf. The company also noted that it has hedged 100% of its expected U.S. Rockies basis differentials. It said that using a combination of Rockies, Mid Continent and San Juan instruments it has secured an effective average differential to NYMEX of \$1.66 per Mcf for the rest of 2008. The company also made note that it has hedged about 8% of its expected 2008 Canadian gas production at an average AECO basis differential of 76 cents per Mcf.

Canadian Gas Association

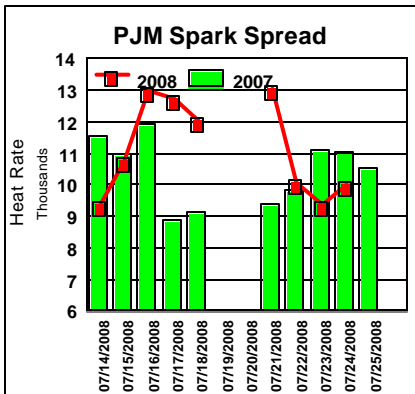
Weekly Storage Report

	18-Jul-08	11-Jul-08	20-Jul-07
East	152.6	145.4	176.4
West	252.4	244.3	300.3
Total	405.1	389.7	476.7

storage figures are in Bcf

BG Group Plc, Britain's third largest oil and gas producer reported that its earnings have surged 59% to a record \$1.49 billion in the second quarter. The gains were the result of increased production and because of higher prices for LNG. The company is the largest supplier of LNG from the Atlantic Basin to Asia. BG reported that it

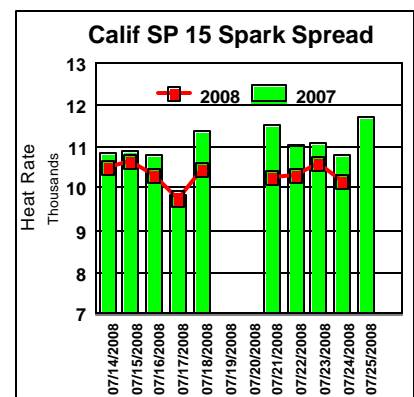
delivered 63 LNG cargoes worldwide in the second quarter, down from 71 cargoes during the same quarter a year ago. Its sales into the U.S. totaled only 17 cargoes down from 64 last year



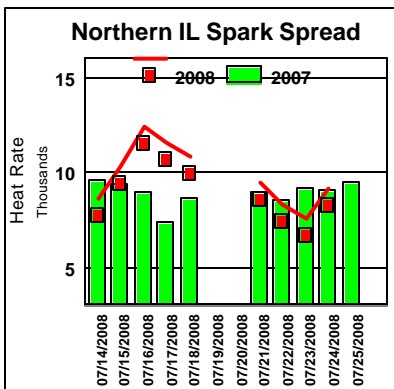
Connecticut's Attorney General today called on New York State to form a task force to examine energy and environmental issues in Long Island Sound. This comes in the wake of the rejection of the proposed LNG terminal in the sound earlier this year. The state official said it seemed that proposed LNG terminals were better suited for offshore areas between New York and New Jersey.

The U.S. Minerals Management Service reported at midday that as of 11:30 Am today there was only 16,133 b/d of crude oil production shut in, down 71% from yesterday and 394 MMcf/d of natural gas production off line some 33% less than yesterday. Hurricane Dolly has resulted in 1.381 bcf of natural gas production to be lost this week.

U.S. Senate Republicans today said that they have the votes to block on Friday a Democratic bill that seeks to curb excessive speculation in the energy markets. The legislation would require institutional traders to give regulators more details on unregulated OTC transactions, to guard against price manipulation or excessive speculation. The CFTC would also review trading practices of swap dealers and commodity index funds. Republicans are stating that they are seeking to add amendments to the legislation such as one, which would increase drilling in offshore areas.



The White House today threatened to veto a bill by House Democrats that would draw down crude oil from the SPR, swapping out the light, sweet crudes currently stored there for heavier, sour crudes that would replace them. Meanwhile Senate Democrats offered a similar SPR bill, which would draw down 70 million barrels from the SPR.



The CFTC today charged a Dutch trading fund, Optiver Holding BV, along with the company's CEO and head of trading, manipulated crude oil, gasoline and heating oil futures on the NYMEX back in March 2007. The agency charged that the firm made about \$1 million through manipulative trading conducted over the Globex system. The agency charged that the firm carried out a manipulative scheme known as "banging" or "marking" the close of the trading day. The practice is one in which a trader acquires a substantial position leading up to the closing period followed by offsetting the position before the end of the trading for the purpose of attempting to manipulate prices. The commission said the employees of the firm forced the market lower in three instances and in two instances higher. Today's CFTC announcement came a day before the Senate was scheduled to vote on legislation to rein in commodity speculation.

PIPELINE RESTRICTIONS

FGT warned of the potential it may be forced to declare an Overage Alert Day over the next several days given the forecast for warm temperatures across its service territory,

PIPELINE MAINTENANCE

Colorado Interstate Gas Company declared force majeure as a result of an unexpected outage at its Kim Compressor Station located on the Campo Lateral constraint point. The facility is expected to be out of service for one week. The capacity will be reduced by 59,000 Mcf to 355,000 Mcf/d.

Gulf South Pipeline said that unscheduled maintenance at its Tallulah Compressor Station Turbine Unit #1 has been completed.

ELECTRIC MARKET NEWS

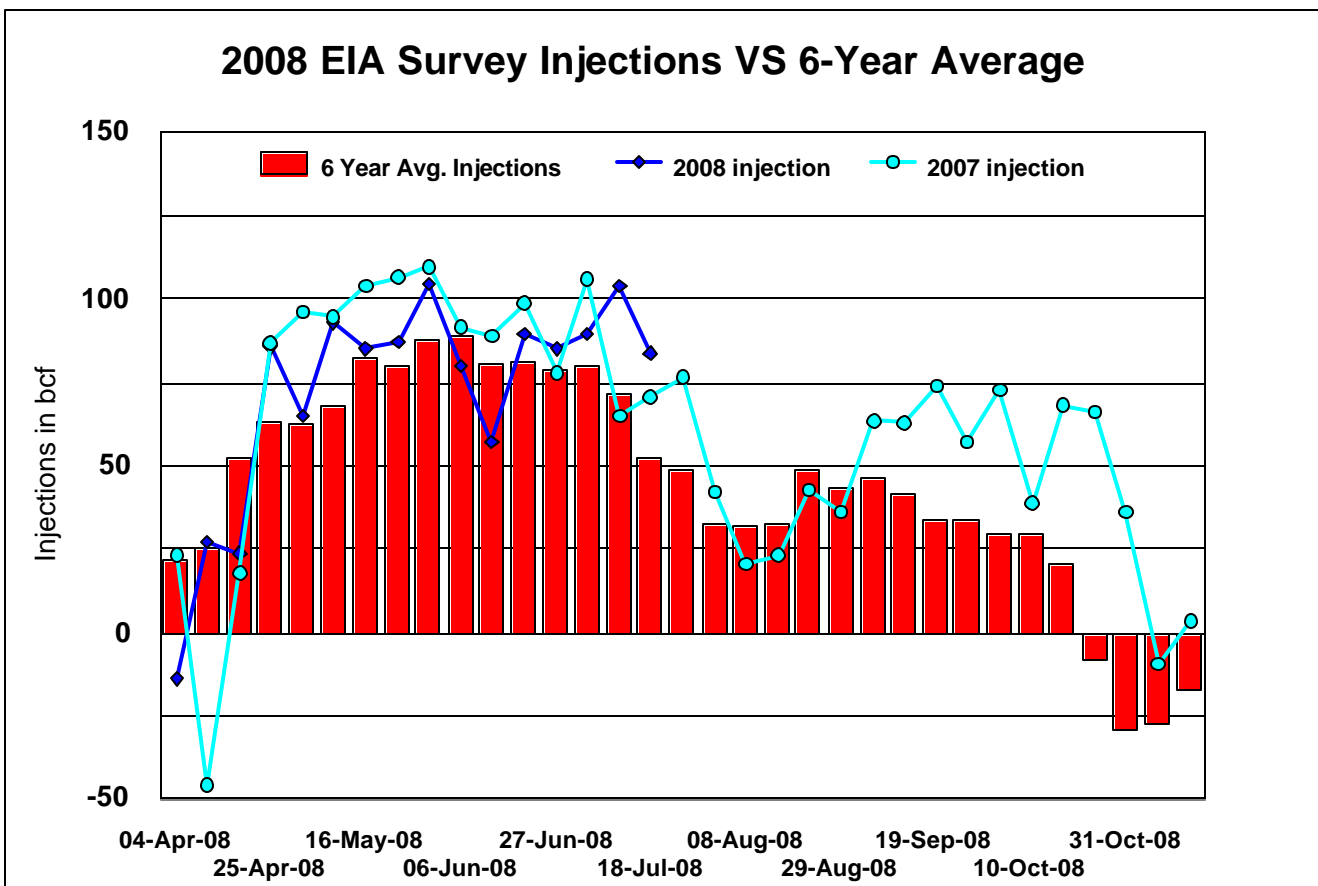
ERCOT reported that more than two dozen high voltage power lines were still shut Thursday as a result of the damage caused by Hurricane Dolly. ERCOT though noted that despite the lack of transmission lines, there was no reliability problems reported for Thursday. However the agency issued an emergency notice for the Brownsville area, saying more than 50,000 customers could still lose power if the remaining transmission line serving the area is lost. ECOT reported that some 236,000 customers in the Rio Grande Valley were still without power.

Oncor, Electric Transmission of Texas, Sharyland Utilities and the Lower Colorado

River Authority today announced that they have formed a consortium to build \$2 billion in new power lines that will stretch for 1000 miles to bring new wind power generation resources to the market.

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	896,200	\$9.697	(\$0.190)	\$0.569	\$0.986	(\$0.224)
Chicago City Gate	697,200	\$9.537	(\$0.152)	\$0.409	\$0.968	(\$0.059)
NGPL- TX/OK	576,800	\$9.239	(\$0.135)	\$0.111	\$0.985	(\$0.420)
SoCal	954,400	\$9.263	(\$0.092)	\$0.135	\$1.028	(\$0.586)
PG&E Citygate	781,400	\$9.472	(\$0.137)	\$0.344	\$0.983	(\$0.302)
Dominion-South	325,500	\$10.325	(\$0.231)	\$1.197	\$0.889	\$0.774
UTrade Weighted	19,891,000	\$9.467	(\$0.134)	\$0.339	\$0.99	(\$0.224)

2008 EIA Survey Injections VS 6-Year Average



The EIA reported today that for the week ending July 19th some 22.460 million tons of coal were produced up 4.7% from the previous week and 6% higher than the same week a year ago. Year to date production of coal in the U.S. is running 0.9% higher than the same time a year ago.

MARKET COMMENTARY

The natural gas market saw another wave of selling that swept across the market this morning once the EIA Storage Report was released. While the report did not seem overly bearish it seemed to be the trigger for sellers willing to return to the market and pummel the price of natural gas once again. The selling entered a basic vacuum and the August contract quickly fell to below \$9.00 for the first time since February. While the market spent the rest of the day clawing its way back retracing back 50% of the day's sell off. Volume was stunning with over 403,000 futures traded on the day, with the front two contract months accounting for nearly 240,000 lots. The March and April contracts also remained active with over 30,000 lots again traded within those two months as this spread dropped to as low as 65 cents before settling at 78 cents. Despite rumors of massive short covering in natural gas options, option activity was good but not near a record pace as futures with nearly 120,000 calls trading and just over 100,000 puts, with no particular strike standing out. The most active three strikes on the day were the October \$12 call, and August \$8 and \$9 European puts trading 9,776, 6,046 and 4,845 lots respectively.

Open interest reported at mid day showed that natural gas saw a second day in a row of gains, this time growing by 8110 lots to a new all time record level for the futures market, of 976,934 contracts

This market is in an extreme oversold condition as reflected in stochastic indicators at the close today, as the daily charts show the %k and %d are in single digits for the second day in a row with the 9 day rsi sitting at 11.55. As a result we would continue to look to see any bounce in prices could shake loose some new shorts that came to this market in the past few days and could support a rebound in prices. We see resistance at \$9.845, \$9.886 followed by \$10.24, \$10.367, \$10.721 and \$10.848. As a point of reference this market can rally all the way back to \$10.721 before the market would retrace just 38% of the past three-week sell off. Support we see at \$8.883, \$8.842