



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 28, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center noted that the tropical Atlantic remains very quiet today and does not see any tropical systems developing over the next 48 hours, as dry air and shearing winds seem to be inhibiting development of any tropical waves emerging off the African coast. The GFS model though still holds out a chance for some tropical development late this week as a tropical disturbance tracks westward and reaches the northern Leeward Islands around Sunday or Monday of next week. AccuWeather is looking for the tropical Atlantic basin to remain very quiet until middle of August when it sees the tropics flaring to life again.

Algeria's Sonatrach has signed a contract with a consortium of Italy's Snamprogetti and the Japanese company Chiyoda to build a 4.7 million mt/yr LNG train at Arzew at a cost of \$4.55 billion. The consortium is committed to guaranteed price of \$890.10 mt with the work due for completion in 2012 when Algeria's LNG production will rise to 30 million mt/year.

Sempra Energy announced it has reached agreement to buy the Mobile, Alabama based gas distributor

EnergySouth for \$510 million to add storage capacity near Gulf Coast supply hubs. EnergySouth operates 11 bcf of storage in Alabama and Sempra expects to expand that capacity by 46 bcf. The storage sites feed pipelines that can supply New York and Chicago areas as well as Florida. In addition the sites could also service the gas-

Generator Problems

NPCC – OPG's 490 Mw Nanticoke 1 coal fired power plant was taken off line for short-term maintenance. The unit is expected back August 1st.

SERC – Southern's 888 Mw Farley #1 nuclear generating plant remains completely shut. The unit has been off line since July 22nd following the loss of service of two emergency diesel generators.

ERCOT- The coal fired Martin Lake power plant Unit#2 was expected to begin repairs this morning that would keep the unit off line until Tuesday evening.

The Lower Colorado River Authority's 598 Mw Fayette #2 coal fired power plant was restarted on Sunday.

The NRC reported that 97,617 Mw of nuclear capacity is online, basically unchanged from Friday and down 0.7% from the same day a year ago.

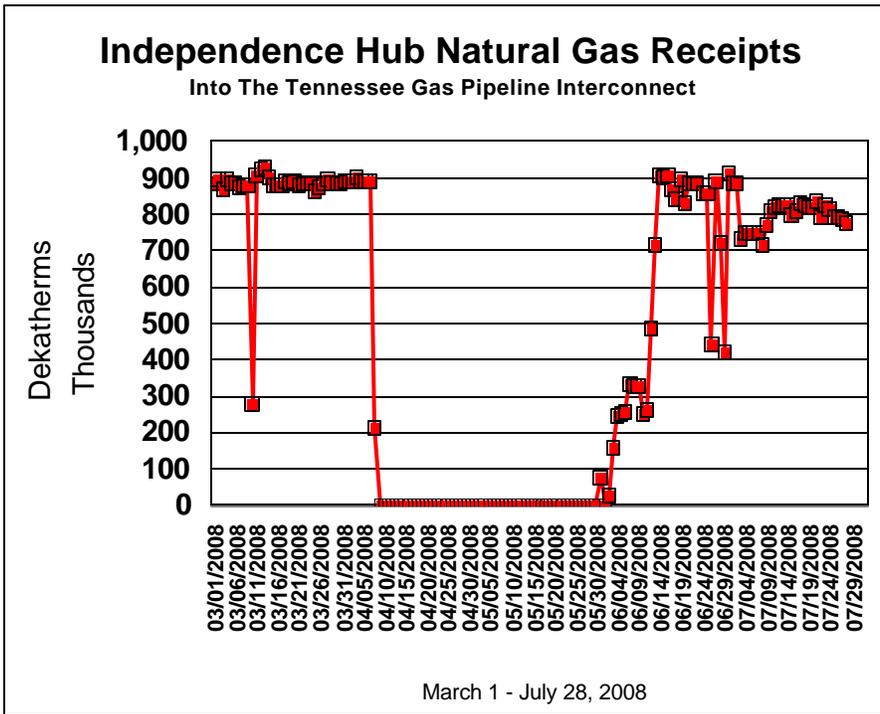
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	676,400	\$9.263	(\$0.080)	\$0.119	\$0.039	(\$0.168)
Chicago City Gate	662,000	\$9.079	(\$0.043)	(\$0.065)	\$0.049	(\$0.063)
NGPL- TX/OK	686,600	\$8.731	(\$0.091)	(\$0.413)	\$0.001	(\$0.391)
SoCal	755,000	\$8.624	(\$0.014)	(\$0.520)	\$0.078	(\$0.472)
PG&E Citygate	499,400	\$8.910	(\$0.130)	(\$0.234)	(\$0.037)	(\$0.184)
Dominion-South	454,300	\$9.842	(\$0.018)	\$0.698	\$0.074	\$0.726
USTRade Weighted	18,943,100	\$8.973	(\$0.053)	(\$0.171)	\$0.04	(\$0.168)

today that the British government should consider pursuing an antitrust investigation into Britain's wholesale gas and electric markets, as a result of escalating retail prices. The panel noted that the U.K pays higher natural gas prices than other European nations as a result of a lack of competition though it did not find evidence of price

import terminal Sempra is building Cameron Parish, Louisiana, which is expected to be completed by year end.

The Business and Enterprise Committee in the House of Commons said

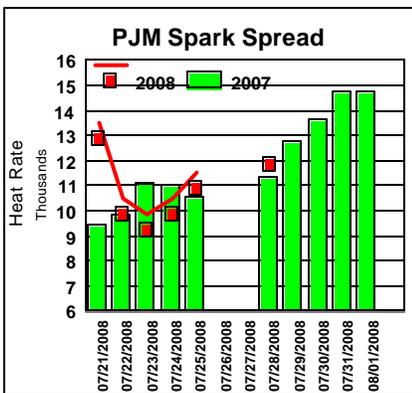
fixing. The committee also noted that producers' unwillingness to sell gas on forward markets was pushing prices higher. It urged Ofgem, the industry regulator, to investigate the lack of price transparency in forward markets.



The FERC late Friday authorized the construction and operation of a new 506 mile Midcontinent Express Project that will move 1.5 bcf/d of gas to customers in southern and eastern markets .

The NYMEX announced today that it was changing the margin on its natural gas contracts. While the margins on the first and second month natural gas futures, penultimate financial and last day financial futures contracts will remain unchanged, margins on the third through seventh months for customers will decrease by \$337 to \$11,813. Margins on the eighth through 14th months will decrease by \$5,063 to \$7,425. Margins on the remaining outer months were decreased as well

A top Senate Democrat said today that the Senate is unlikely to pass legislation aimed at reining in excessive energy speculation before lawmakers leave for their month-long August recess.



PIPELINE MAINTENANCE

TransColorado Gas Transmission said it will be performing maintenance at its Mancos Compressor Station on July 30th Capacity through Segment 220 will be limited to 325,000 Dth and capacity through Segment 240 will be limited to 375,000 Dth. Based on the current level of nominations AOR/IT, secondary & primary FT quantities are at risk of not being fully scheduled.

Alliance Pipeline said that routine inspections and maintenance would require the Gold Creek compressor station to be offline for five hours on July 31st. Station capacity will be lowered by 950 e3m3.

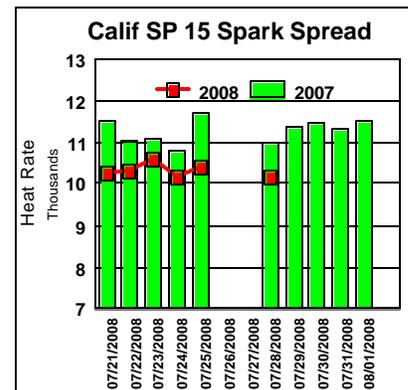
Enterprise Products Partners said Monday it has changed the schedule for an evaluation of recent repairs to its Independence Hub. Originally the work was to take place last week, but was delayed until this week for four days due to weather conditions in the Gulf.

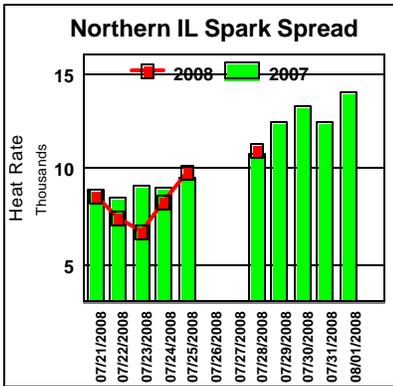
ELECTRIC MARKET NEWS

A group of industrial consumers and utilities in PJM have called on the FERC last week to hold the Duquesne Light-MISO request for Duquesne's request to be integrated into MISO, to be held in abeyance until the issue of Duquesne's PJM capacity obligations are settled by action on rehearing requests.

The NYMEX announced today that it would launch a Regional Greenhouse Gas Initiative (RGGI) carbon dioxide allowance futures contract on August 24th, for trading basis August 25th trade date. It will also list a RGGI options

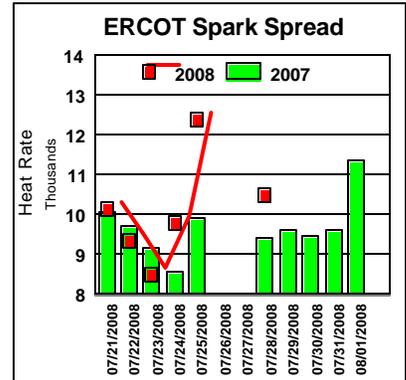
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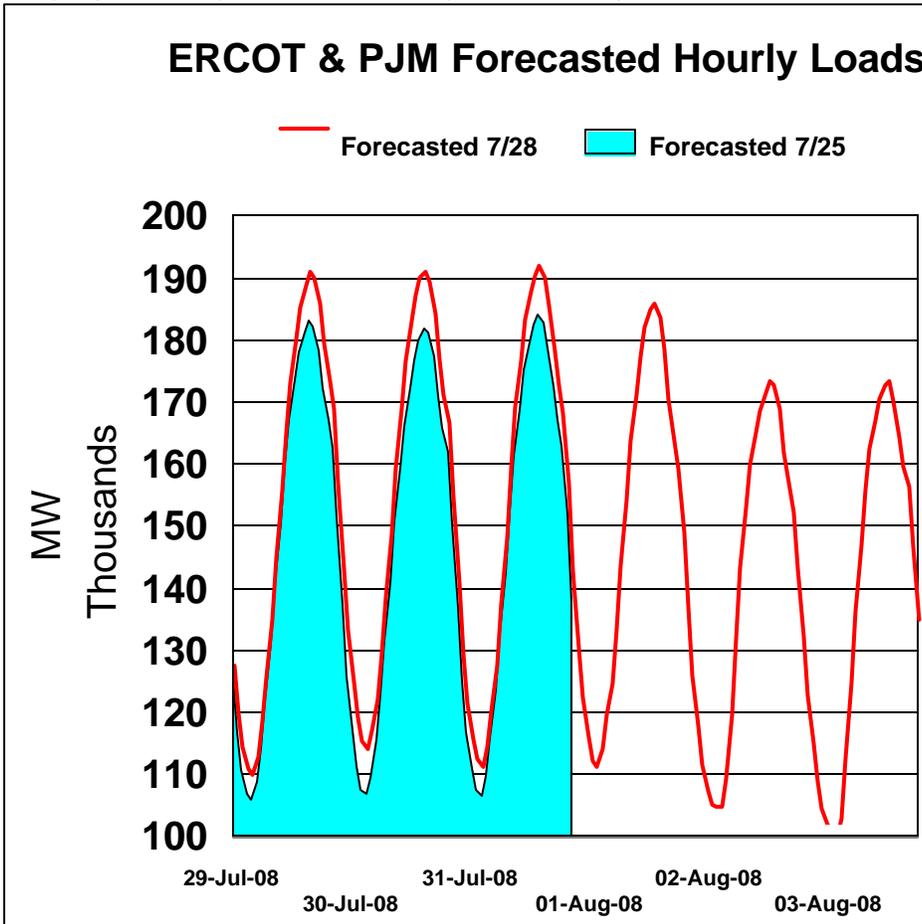


contract for trade date of August 26th. The new futures contract will have a commodity code of RJ, and will be physically deliverable to the RGGI CO2 Allowance Trading System. The contracts will trade on Globex and Clearport. The size of the contract will be 1,000 RGGI CO@ allowances with a minimum price fluctuation of \$0.01 per allowance. It will expire at the termination of the third business day prior to the first business day of the contract month. The options contract, with a symbol of OR will be an American style option that exercises into the underlying RGGI futures contract, and will expire three days prior to the futures contract expiration. There will be five strike prices in increments of 50 cents per allowance above and below the at-the money strike.. The December 2009 contract will be the first listed month for both the

futures and options contracts, with additional months added. The RGGI is a cooperative effort of ten northeastern states to reduce CO2 emissions. Participating states have pledged to reduce by 2010 greenhouse gas emissions by 10% below 1990 levels. RGGI states have put in place a regional cap and trade program. RGGI plans to begin quarterly auctions of allowances on September 25th.



TransAlta Corp warned today that it had found a crack in a dike wall holding in more than 397 million gallons of water at its Keephills generating plant near Edmonton, Alberta, and it was taking measures to mitigate any possible breach. The dike restrains a settling pond which is used to store ash from the company's 766 Mw Keephills coal fired generating station. The company said the plant continues to operate normally.



Genscape reported today that U.S. power generation in the week ending July 24th was up 1.63% from the prior week and was some 9.49% higher than the same week a year ago.

Ameren on Monday applied for a license to build a potential new nuclear power plant in Missouri to help meet the state's growing electric demand. The company is seeking to build a 1600 Mw nuclear unit adjacent to its Callaway nuclear reactor.

Topaz Power Group said it is doing initial testing of a second 95-MW, gas fired power unit at its Laredo Energy Center. The first 95 Mw has completed testing and is ready to sell power into the market.

MARKET COMMENTARY

The natural gas market today basically posted a relatively modest trading session as the

August contract posted its second consecutive inside trading session as the options and penultimate contracts expired today. While today's generation load was a bit lighter than expected on Friday, the demand seen for the 29th through the 31st in areas such as ERCOT and PJM is forecasted to average 2.8% higher than Friday's load forecast. It appears that this higher load forecast coupled with stabilizing oil prices helped to hold natural gas in its smallest trading range since June 23rd.

With tomorrow as an expiration day and the past two trading sessions as inside trading sessions we would look for trading on Tuesday to be potentially explosive. It appears that this market is trying to build a base of support given the trading of the past several sessions. We would look for initial support at \$9.071 followed by \$9.054, \$8.99, \$8.945, \$8.883 and \$8.819. Resistance we see at \$9.289, \$9.415, \$9.524 and \$9.764.

