



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 8, 2008

NATURAL GAS MARKET NEWS

The Tropical Atlantic Basin remains very quiet again today. But the global forecast models continue to warn that this is ready to change shortly. The GFS, Canadian and UKMET models are calling for the rapid development of a tropical system as early as Tuesday in the eastern Atlantic with the European model calling for this development by Thursday. The model consistency continues to forecast a fairly rapid upswing in tropical cyclone development starting next week and continuing for the next 3-4 weeks.

Shell announced that the FLAGS pipeline that feeds gas from a cluster of UK North Sea oil and gas fields into Scotland is to close on August 12th through the 30th and the terminal at St. Fergus is to close from August 18-30 for modernization work. This is the first time the whole terminal will shutdown since 1990. This will impact oil and gas production from fields in the area including Brent. In April this field produced 6.574 b/d and 5.15 million cubic meters of gas. Shell noted that other fields that send gas down the FLAGS pipeline to St Fergus have timed their annual maintenance to coincide with the work. These fields normally flow up to 30 million cubic meters of gas a day.

The U.S. Maritime Administration and the Coast Guard on Friday released a final environmental impact statement on the proposed 1.2 bcf/d Bienville Offshore Energy terminal, a LNG import terminal to be located 63 miles off the coast of Alabama. The terminal would have the capacity to handle two LNG carriers at a time with a capacity of up to 250,000 cubic meters each. The release of the final EIS starts a 45-day public comment period on the project that includes a public meeting planned for August 26th in Mobile. The government expects to release its final decision on the project by November 24th.

Generator Problems

NPCC – OPG's Nanticoke 5 490 mw coal fired power plant was taken off line today and not expected back until early next week.

SERC – Southern's 851 Mw Farley #1 nuclear unit dropped to 70% of capacity Friday. The unit had been at full power on Thursday.

TVA's Browns ferry Nuclear units 1, 2 and 3 were cut to 50% of capacity on Thursday evening from full power after a failure of a transformer related to the plant's cooling tower.

The NRC reported that 94,545 Mw of nuclear capacity is online, down 2% from yesterday and down 3.18% from the same day a year ago.

WECC reported that it was looking for peak demand today to reach only 135,737 Mw, down 5.2% from yesterday. Generation outages today were expected to be 10,170 Mw down 15% from yesterday's levels.

PJM reported that generating outages in the region were at 11,135 Mw up 5% from yesterday, while demand was seen running some 7.5% less than yesterday. Monday's peak demand is seen at 103,001 Mw nearly identical to what was forecasted yesterday.

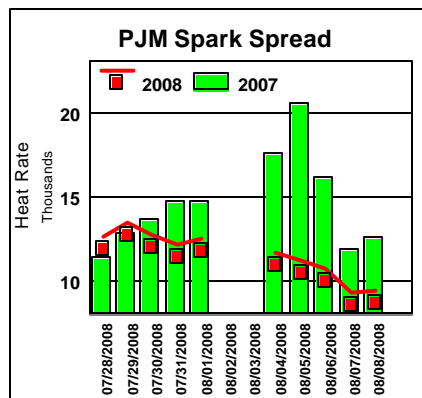
MISO reported that 7,420 Mw of outages in the region today 121% higher than yesterday. Peak Demand today was seen at 79260 Mw some 1.2% higher than expected yesterday. Monday's peak demand is seen at 83,390 Mw some 3.2% less than forecasted yesterday.

Baker Hughes reported that for the week ending August 8th, the total rig count in the United States looking for natural gas stood at 1571 rigs up 21 rigs from last week.

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	725,600	\$8.220	(\$0.555)	(\$0.099)	(\$0.091)	(\$0.374)
Chicago City Gate	426,500	\$7.998	(\$0.601)	(\$0.321)	(\$0.223)	(\$0.160)
NGPL- TX/OK	656,500	\$7.824	(\$0.505)	(\$0.495)	(\$0.127)	(\$0.562)
SoCal	577,100	\$7.774	(\$0.380)	(\$0.545)	(\$0.002)	(\$0.645)
PG&E Citygate	741,900	\$8.100	(\$0.314)	(\$0.220)	\$0.064	(\$0.345)
Dominion-South	349,400	\$8.551	(\$0.563)	\$0.232	(\$0.185)	\$0.440
USTRade Weighted	17,491,700	\$7.896	(\$0.469)	(\$0.423)	(\$0.09)	(\$0.374)

Tres Palacios Gas Storage LLC reported today that they have received their first approval from the FERC to commence service of the first cavern of the facility. The

FERC approval allows the company to start limited operations on apportion of the system. The company hopes to gain approval on the remaining parts of the system by the end of August, so that commercial operations could begin in September. The salt dome storage facility located in Matagorda County, Texas will be connected to 10 interstate pipelines and the three storage caverns will have a combined 36 bcf of working gas storage capacity, with the ability to inject up to 1 bcf/d of natural gas.



PIPELINE RESTRICTIONS

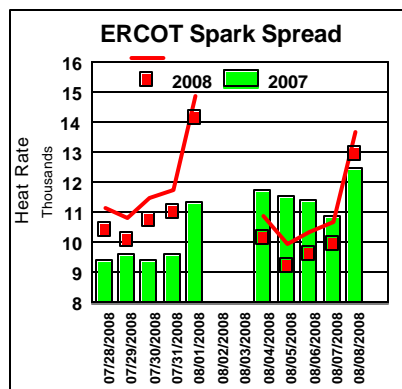
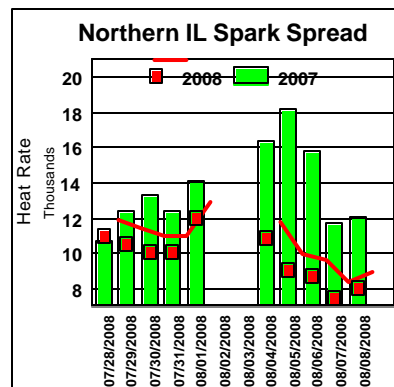
FGT has again issued an Overage Alert Day at 20% tolerance in its market Area today.

PIPELINE MAINTENANCE

Alliance Pipeline said that the AB32 Smoky Meter Station will be unavailable for three hours on August 13th to allow for corrective maintenance. Station capacity will

be lowered to 1727 e3m3 for this gas day.

Rockies Express Pipeline said that it will be performing maintenance at its Echo Springs Compressor Station on August 11th through August 15. PIN 42760 (Wamsutter Echo Springs) will not be available for flow for the duration of the maintenance. Nominations will not be scheduled.

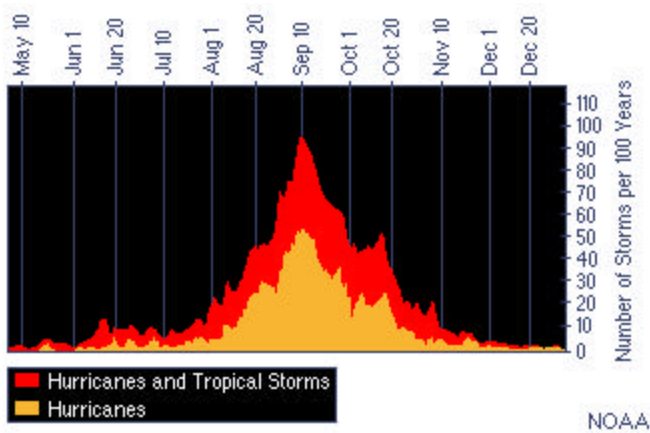


KMIGT said it will be performing maintenance at its Herndon Compressor Station (Segment 775) from August 12-15. Nominations through Segment 775 will be limited to 220,000 Dtm/d. Based on the current level of nominations, AOR/IT, Secondary out of path and primary in-path quantities are at risk of not being scheduled.

Gulf South Pipeline said that it has experienced an unplanned outage requiring maintenance at its Airport Compressor Station. The station will be out of service until further notice.

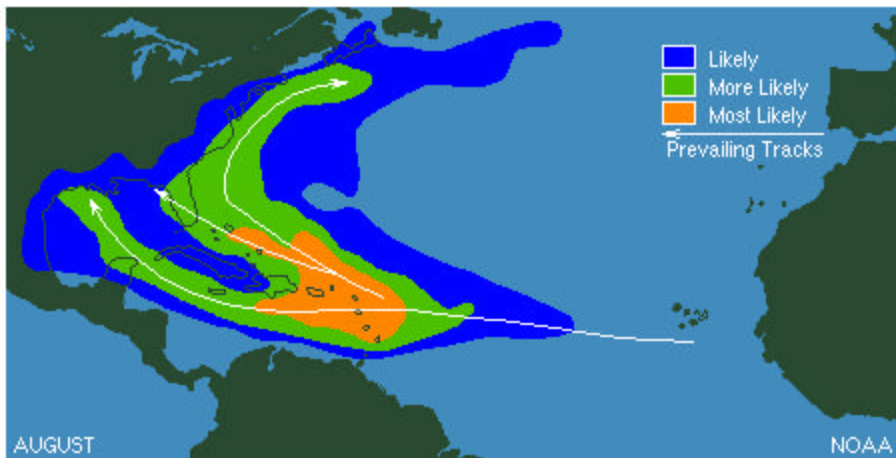
ELECTRIC MARKET NEWS

The EIA reported that for the week ending August 2, U. S. coal production reached 23.177 million tons up 2% from the previous week and up 3.8% from the same week a year ago. Year to date production has been running some 1.1% higher than a year ago.

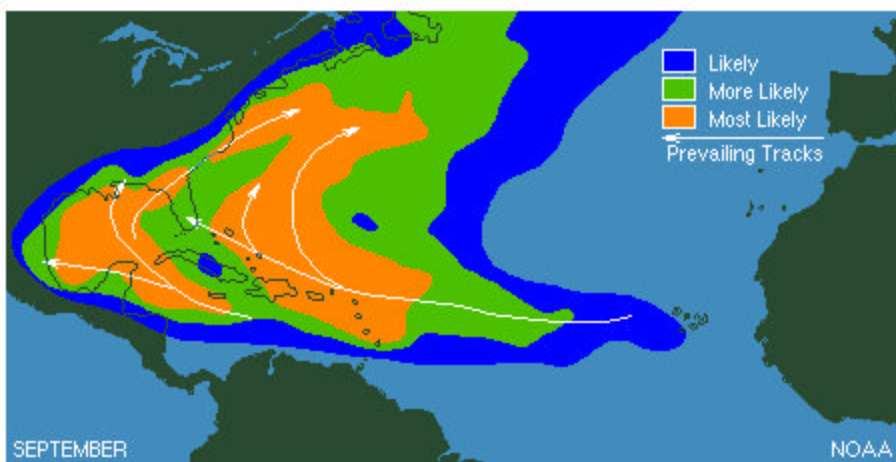


MARKET COMMENTARY

The natural gas market posted an unusual trading day for a Friday. Instead of a typical subdued trading session to close out a summer trading week, the natural gas market plunged to new six month lows, settling down over 30 cents on the day. While the lack of severe heat or tropical weather threats helped to depress prices, the collapse in crude oil prices, as the dollar continued its rebound, helped to spill over into the natural gas market and depress the market. Natural gas though did not match the decline in crude oil prices as its discount on a btu basis shrank to its smallest level in two weeks.



The March April natural gas spread today also pushed lower and made a new low at 46 cents today as it settled at 49 cents. Volume though in the spread was relatively light with just 2,000 lots booked via direct trading on Globex.



This afternoon's Commitment of traders report showed that for the week ending August 5th, the non commercials moved back to a net short position of 15,716 lots when combining futures, options and swaps positions. This was matched by reportable commercial positions, which decreased their net short position on the week. The non-reportable position sector or small trader group remains net long by over 48,000 contracts.

We look towards two factors next week as setting the tone for the market, the direction of oil prices and the weather forecast for the tropics. While it appears there continues to be a deflating of the speculative bubble in commodities, as hedge funds seem to be exiting long commodity positions and

short dollar positions, this could be quickly stopped in its tracks if the geo-political situation in Georgia deteriorates further over the weekend. It was amazing that most traders were too busy running for the exits to be concerned with the outbreak of hostilities in that section of the world. But come Monday if fighting continues to escalate, the threat to not only oil shipments through the area but the potential disruption or threat of a disruption of Russian natural gas exports to Europe could make the Iranian situation as minor issue.

On the weather front we are approaching the peak hurricane season in the next couple of weeks, and according to various forecasters this period could be further enhanced by key conditions that will further support tropical development. As a result we feel it is not prudent to hold short positions outside of options beyond the middle of next week.