



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 11, 2008

NATURAL GAS MARKET NEWS

The National Hurricane center this morning noted that it was watching two areas of disturbed weather in the tropical Atlantic, that could strengthen over the next several days. The NHC said there was between a 25-50% probability that both systems could become a tropical depressions or storms within the next 48 hours. The first system is some 800 miles east of the Windward Islands that is moving westward at 15-20 mph. The current track model guidance has this system moving across the northern Leeward Islands just north of Virgin Islands and Puerto Rico by later this week. The models then diverge in the future direction after that. One model points to the system tracking into the Florida Keys, while others have the system moving more northerly and putting the eastern coast of Florida or the southeastern U.S. at risk. The second system near the Cape Verde Islands presently appears could have a slightly more northerly route and could be a threat to the east coast of the United States late next week.

The start up of the Adria LNG terminal in Croatia could be delayed by as much as two years, pushing back the start up date to 2014, due to the slow and conservative approach the government is taking in approving a site for the terminal, the Adria LNG consortium warned today. The proposed terminal would have a 10-15

Generator Problems

NPCC – OPG's 494 Mw Lambton coal fired power station was shut early Monday.

OPG's 515 Mw Pickering #8 nuclear unit returned to service early Monday. The unit had been off line since July 16th.

SERC – TVA shut its 1155 Mw Unit #1 at the Browns Ferry nuclear power plant on Friday due to a small steam leak. The unit had been operating at 50% of power at the time. Last Thursday operators had reduced all three units to half power due to requirements to keep temperature levels in the river adjacent to the plant within state limits. Units #2 and #3 have since ramped up to 93% of capacity Monday morning.

Progress Energy's 900 Mw Harris nuclear unit was shut Monday to repair a condenser seal leak.

Southern's 888 Mw Farley 1 nuclear unit was at 70% capacity this morning down from full power on Friday.

MRO – NPPD's 760 Mw Cooper nuclear unit was shut down over the weekend when a problem was discovered during a test. The unit had been at 69% power at the time.

Nuclear Management's 792 Mw Palisades #1 nuclear plant was back up to full power this morning. The unit had been shut back on August 5th.

The NRC reported that 94,118 Mw of nuclear capacity is online, down 0.5% from Friday and down 2% from the same day a year ago.

WECC reported that it was looking for peak demand today to reach 128,576 Mw, down 5.3% from Friday. Generation outages today were expected to be 12,101 Mw up 19% from Monday's levels.

PJM reported that generating outages in the region were at 10,314 Mw down 9.2% from Friday, while peak demand was seen running at 93,500 Mw today some 8.9% less than Friday and some 9% less than forecast on Friday. Tuesday's peak demand was also revised lower today, now seen at 99,500 Mw.

MISO reported that 5540 Mw of outages in the region today 1.1% higher than Friday. Peak demand today was seen at 78,450 Mw some 1% less than Friday and 6% less than forecasted on Friday. Tuesday's peak demand is seen at 79,990 Mw some 5.7% less than forecasted on Friday.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	802,600	\$8.180	(\$0.040)	(\$0.115)	(\$0.023)	(\$0.481)
Chicago City Gate	512,200	\$8.006	\$0.008	(\$0.289)	\$0.032	(\$0.297)
NGPL- TX/OK	594,500	\$7.810	(\$0.014)	(\$0.485)	\$0.010	(\$0.540)
SoCal	504,300	\$7.692	(\$0.083)	(\$0.604)	(\$0.059)	(\$0.708)
PG&E Citygate	8	\$7.957	(\$0.142)	(\$0.338)	(\$0.118)	(\$0.414)
Dominion-South	304,900	\$8.526	(\$0.026)	\$0.230	(\$0.002)	\$0.276
USTRade Weighted	17,302,300	\$7.848	(\$0.047)	(\$0.447)	(\$0.02)	(\$0.481)

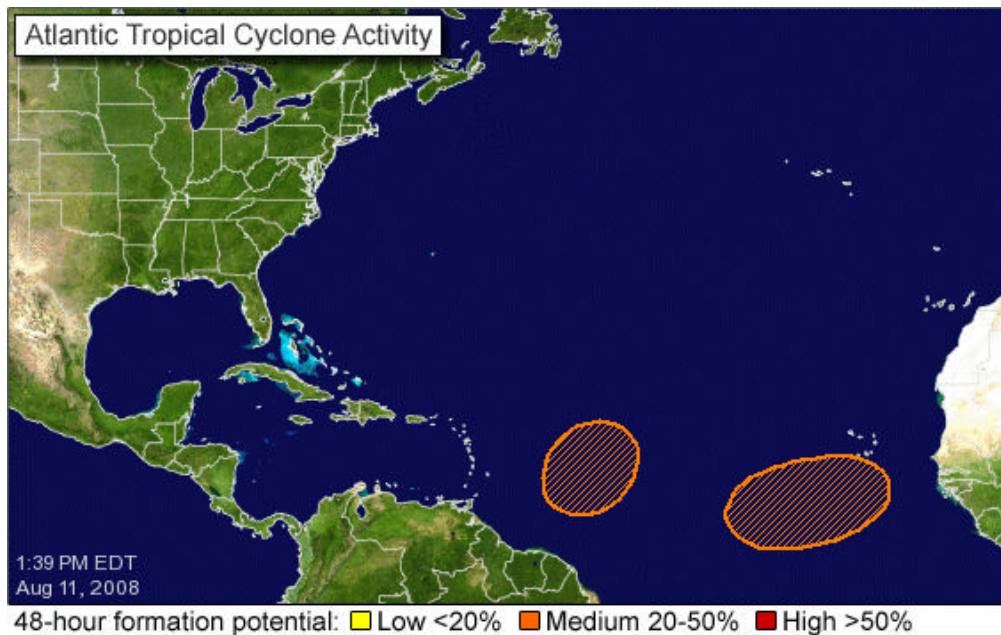
billion cubic meter per year capacity.

ConocoPhillips said Friday that it hopes to win over ExxonMobil to join it in its Denali Pipeline project. ExxonMobil has not yet committed

to either pipeline project.

Iran's Algerian ambassador said Sunday that Iran and Algeria are expected to discuss the formation of an OPEC-style gas group during a visit by Algeria's President to Tehran this week.

Merrill Lynch in its weekly Global Energy Outlook lowered its U.S natural gas forecast for the second half of this year to \$10.15 Mmbtu, even though they though still see some upside risks near term and see a relatively wide trading range. They see prices in 2009 averaging \$9.00 per Mmbtu. They noted the U.S. natural gas market balance has softened very rapidly on the back of weaker demand and "phenomenal" increase in non-conventional domestic gas output. The also noted that natural gas demand was dealt a blow by regulatory decision making natural gas less attractive relative to coal for

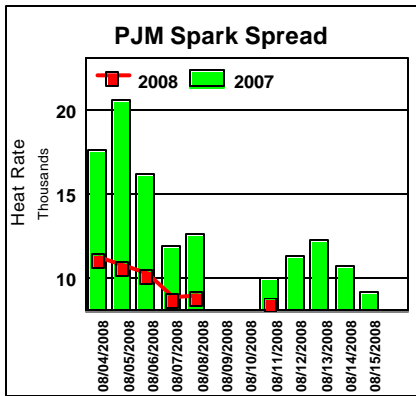


power generators. They did note that coal prices would act as a floor for natural gas rather than residual fuel oil.

Cheniere Energy reported a net loss of \$132.3 million for the second quarter of this year, today The company noted that as of June 30th, the company basically completed construction of the initial 2.6 bcf/d of send out capacity and 10.1 bcf of storage capacity at the Sabine

Pass receiving terminal. The terminal is operating and able to accept commercial cargoes. The commissioning process is expected to be completed in the third and fourth of 2008. To date three LNG cargoes have been obtained for the commissioning process and they expect to receive one more cargo to complete the process. Construction for the remaining 1.4 bcf/d was approximately 79% complete as of the end of the second quarter. The company noted the 94 miles of the Creole Trail Pipeline, which provides 2 bcf/d of transmission capacity from the Sabine Pass Terminal to Gillis, Louisiana, has been placed into commercial operations.

Raymond James & Associates in a research report today noted the run up in gas prices in the first half of 2008, which had been driven by colder weather, low LNG imports, and the production disruptions at the Independence Hub, masked the unprecedented growth seen in domestic gas production. It was not until July when M&A activity highlighted the growth of production in the Haynesville Shale region and underscored the accelerated pace of development on the horizon, that prices tumbled back down.



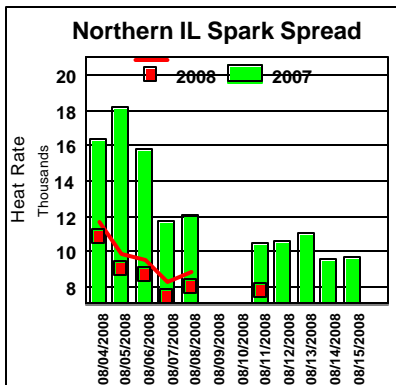
The National Weather Service reported that July 2008 was the 30th warmest July on record for the nation, coming in some 0.7 degrees above the 20th century mean. Based on its Residential Energy Demand Temperature Index, the contiguous United States energy related demand was approximately 3% above normal.

PIPELINE RESTRICTIONS

FGT has issued an Overage Alert Day at 25% tolerance in its market Area for August 12th.

PIPELINE MAINTENANCE

Alliance Pipeline said that routine maintenance work would require it take the Manchester Compression Station off line for six hours today. System throughout was not expected to be impacted though.

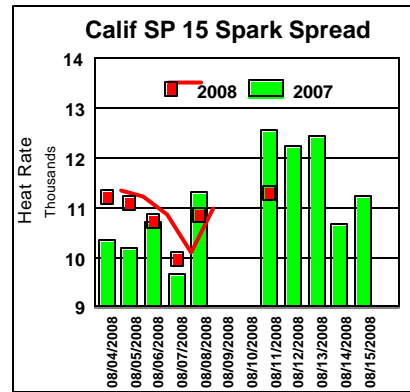


seasonal Nox allowances for 2008 still are intact, but those beyond 2008 would be “at risk” once the court ruling takes effect, which could be as early as August 25th.

Genscape reported this morning that for the week ending August 7th, U.S. power generation was up 1.14% from the prior week but was down 4.47% from the same week a year ago.

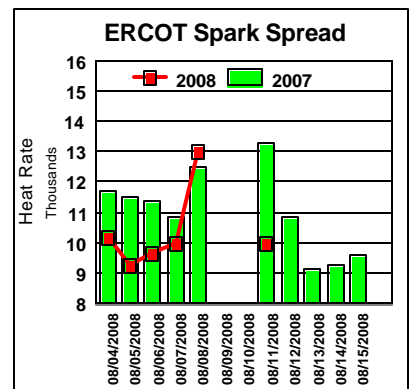
AEP and Duke Energy announced they have formed a joint venture to build and own new electric transmission lines. The joint venture is proposing to build 240 miles of extra-high voltage 765 kV transmission lines and related facilities in Indiana. The project would link Greentown Station with Rockport Station. The cost for the project is estimated at \$1 billion.

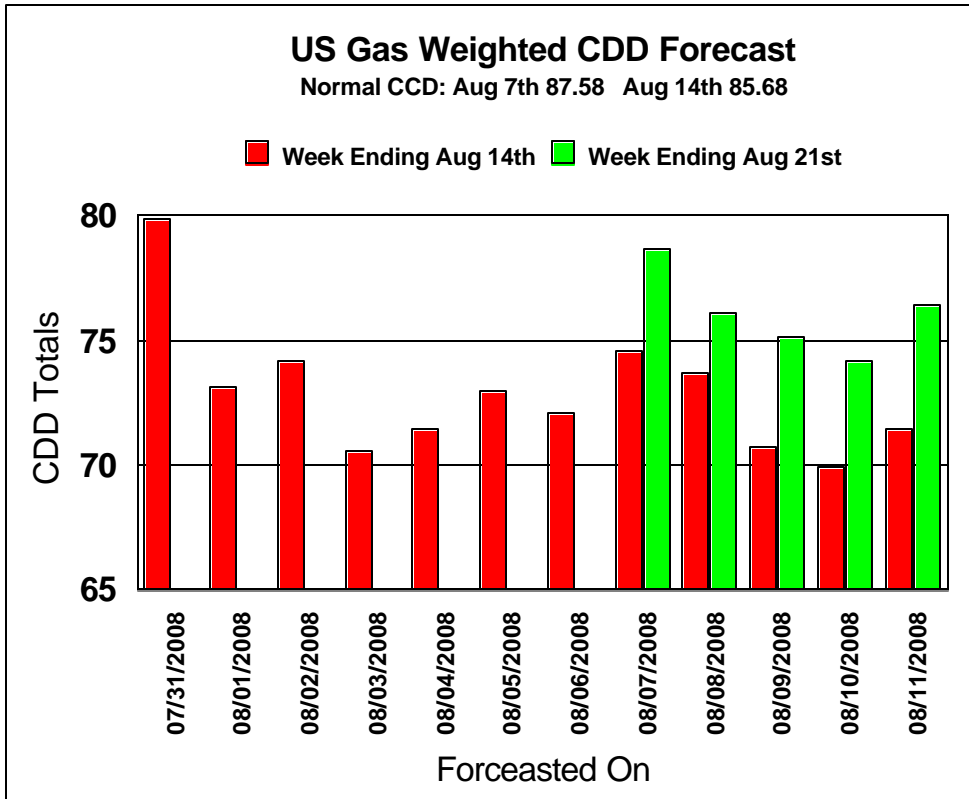
The U.S. Department of Energy today issued the final Funding Opportunity Announcement for Round 3 of its Clean Coal Power Initiative, which is seeking to accelerate the commercial development of



ELECTRIC MARKET NEWS

The EPA said Friday that it is trying to work with various states to determine how to salvage the seasonal nitrogen oxide trading program after a federal court ruling threw out the Clean Air Interstate Rule. Twenty states participated in the Nox budget-trading program, a market-based cap-and-trade program created to reduce Nox emissions from power plants and other large industrial combustion sources in the eastern United States. Due to the court ruling the EPA said

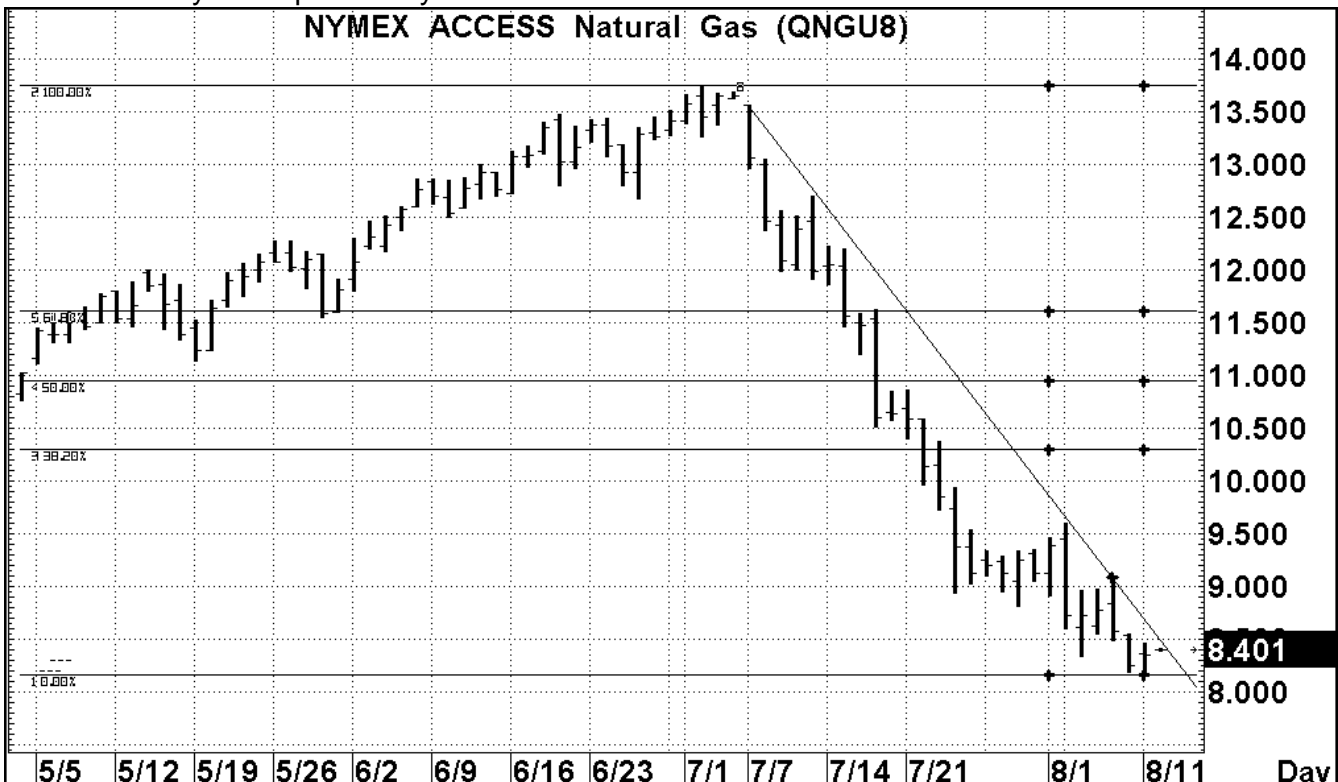




advanced coal technologies. Up to \$340 million may be awarded. The project guidelines include seeking carbon capture technologies that operate at 90% carbon capture efficiency; at least 300,000 tons per year of CO₂ must be captured and sequestered with less than 10% increase in electricity costs; projects must use domestic mined coal or coal refuse for at least 75% of the energy input; and projects must produce electricity as at least 50% of the gross energy output.

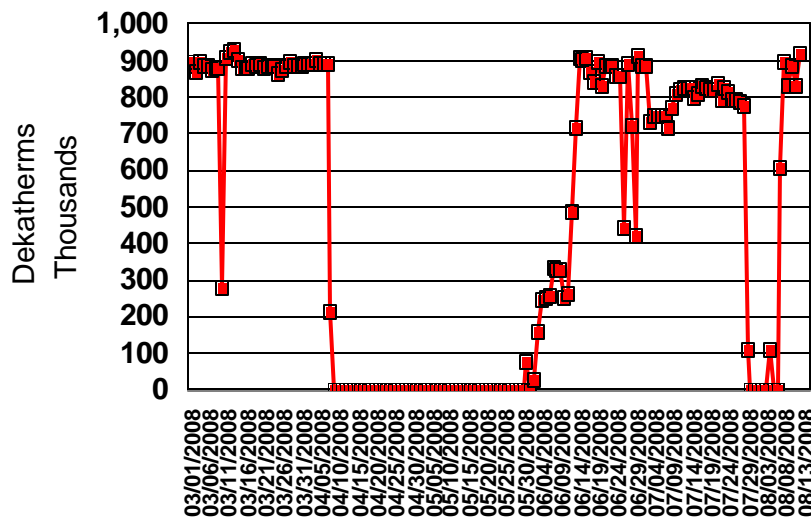
The FERC approved ITC Midwest cost allocation

proposal which appears will reduce impediments for wind energy development in Iowa and Minnesota, as it makes it easier and reduces cost barriers for generators to connect to the high voltage electric transmission system operated by ITC Midwest.



Independence Hub Natural Gas Receipts

Into The Tennessee Gas Pipeline Interconnect



March 1 - August 12, 2008

MARKET COMMENTARY

The cash natural gas market appeared to have its lightest trading session since July 25th, as traders seemed to be torn in two directions, toward the downside by plunging oil prices, but to the upside given the supportive forecasts coming out of the tropics. As a result the futures market basically moved in a sideways pattern on the day. While a new near term low was recorded this morning by a only few pennies, the market was still basically contained within Friday's trading range for the vast majority of the day today. This was also true with the March-April natural gas spread, which also made a new low by 1.5 cents but still finished the day higher settling just above the 50 cent level.

Weather will remain a key driver for this market in coming days, but it appears in order to drive prices significantly higher this market will need a Category 3 or higher storm to threaten the USG coast in the next couple of weeks, otherwise the cooler than normal weather expected over the remainder of August coupled with rebounding domestic production, helped in part by the return of the Independence Hub production last week will weigh on prices.

We see resistance tomorrow in the September contract starting at \$8.486 and \$8.518 followed by \$8.623 and \$8.786. More distant resistance we see at \$9.092, \$9.60 and \$10.296. Support we see at \$8.19-\$8.16, followed by \$8.023 and \$7.886 and \$7.58

NYMEX Natural Gas Strip Settlement Vs Daily Change

