



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 14, 2008

NATURAL GAS MARKET NEWS

The National Hurricane center this morning noted that while the tropical disturbance near the Leeward Islands could in fact become a tropical depression later today or on Friday. Some of the computer models have this storm eventually reaching winds of 120 MPH, but the computer track models this morning appeared to have erased the westward track of the storm and now appear in fair agreement that the potential risk to the U.S. from this storm would be to the Florida East Coast or the Southeastern United States. The only other area of current interest remains a broad area of low pressure, which is located 1200 miles east of the Lesser Antilles. The system remains disorganized and development if any is expected to be slow. In addition the track of this storm appears would only be a minor threat to the U.S. east coast if it even reaches that far westward.

Generator Problems

NPCC – The 750 Mw Bruce 3 nuclear unit was taken off line yesterday and was expected to be off line until August 16th.

SERC – TVA said it has restarted its Browns ferry #1 nuclear unit. While still off line it was at 1% of power this morning.

MRO – NPPD's 764 Mw Cooper nuclear unit continued to ramp higher today and was running at 90% of capacity, up 18% from yesterday.

The NRC reported that 95,206 Mw of nuclear capacity is online, up 0.2% from yesterday and down 1.6% from the same day a year ago.

WECC reported that it was looking for peak demand today to reach 142,492 Mw, 0.5% less than recorded on Wednesday. Generation outages today were expected to be 15,017 Mw up 15.2% from yesterday's levels. In Cal Iso generation outages/limitations saw non-gas generating units account for 45% of the outages.

PJM reported that generating outages in the region were estimated at 14,234 Mw up 20.2% from yesterday, while peak demand was seen running at 105,200 Mw today some 3% more than yesterday and some 2.6% more than forecast on Wednesday. Friday's peak demand was also revised higher today by 1.2%, now seen at 99,400 Mw.

MISO reported that 5,870 Mw of outages in the region today 7.9% more than yesterday. Peak demand today was seen at 79,710 Mw some 0.9% less than yesterday and 0.6% less than forecasted on Wednesday. Friday's peak demand is seen at just 77,680 Mw.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	1,079,800	\$8.152	\$0.044	\$0.101	\$0.396	(\$0.456)
Chicago City Gate	678,000	\$8.114	\$0.046	\$0.063	\$0.424	(\$0.224)
NGPL- TX/OK	815,200	\$7.882	\$0.080	(\$0.170)	\$0.458	(\$0.452)
SoCal	690,600	\$7.693	\$0.061	(\$0.358)	\$0.439	(\$0.589)
PG&E Citygate	844,100	\$8.048	\$0.055	(\$0.003)	\$0.433	(\$0.259)
Dominion-South	406,500	\$8.493	\$0.005	\$0.442	\$0.383	\$0.234
UStTrade Weighted	18,362,800	\$7.798	\$0.018	(\$0.253)	\$0.40	(\$0.456)

BP reported that it had resumed gas exports from Azeri to Turkey on Thursday, after the company felt it was safe enough to resume shipments across Georgian territory

once again.

Ameren Illinois Utilities warned their customers today that while natural gas prices fluctuate from one month to the next, they expect their customer's heating bills will be significantly higher this winter than last. Currently they estimate their customers will be paying 15-25 cents higher per therm or a 20-30% increase over last year's heating bills.

EIA Weekly Report

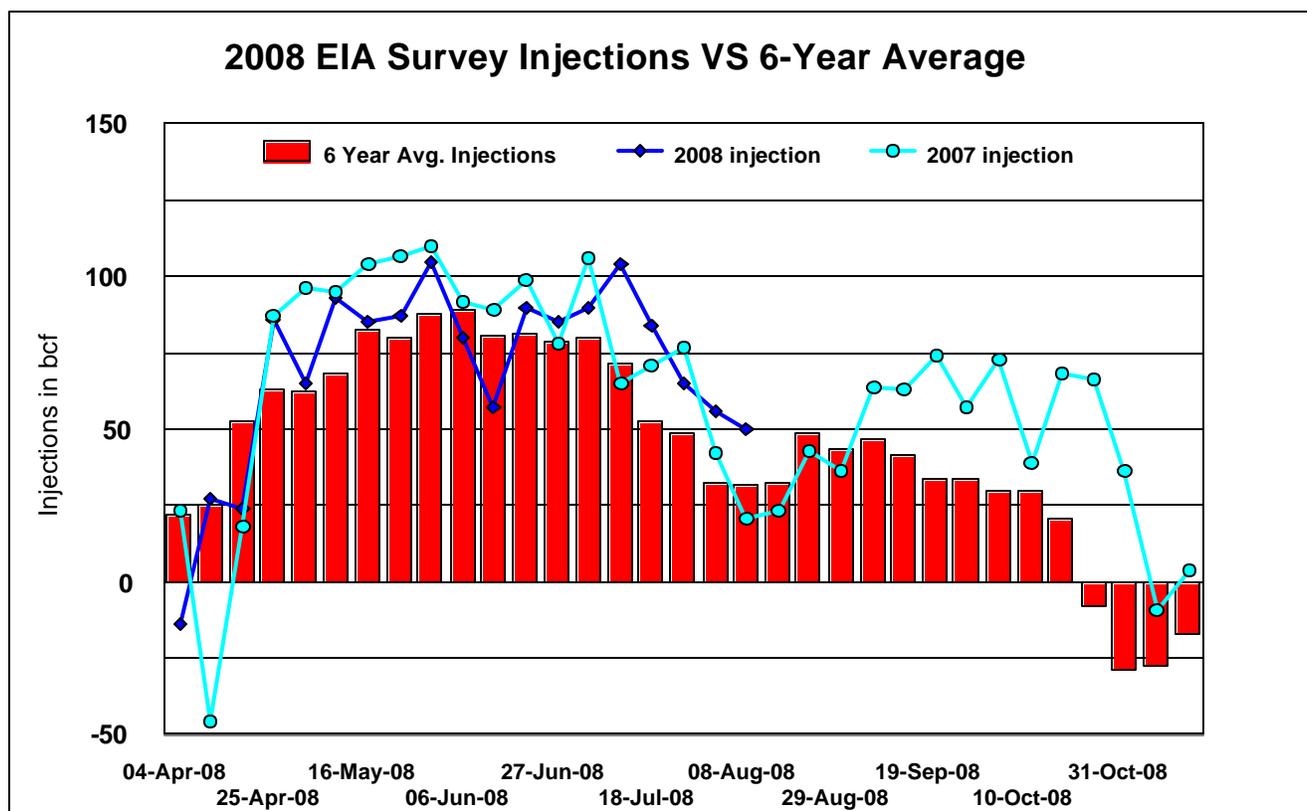
	08/08/2008	08/01/2008	Net chg	Last Year
Producing Region	736	745	-9	923
Consuming East	1473	1418	55	1565
Consuming West	358	354	4	410
Total US	2567	2517	50	2897

*storage figures in Bcf

The French government this week approved a hike in the French residential gas and power tariffs of 5% and 2% respectively, starting on August 15th. Government ministers enacted this increase despite claims last month that gas tariffs would not increase during the second

half of this year. Some 30% of France's natural gas supplies come from LNG imports.

T. Boone Pickens said today that his plan to reduce U.S. oil usage by converting cars to run on natural gas and increasing the generation of electricity by wind and solar power has not changed despite the

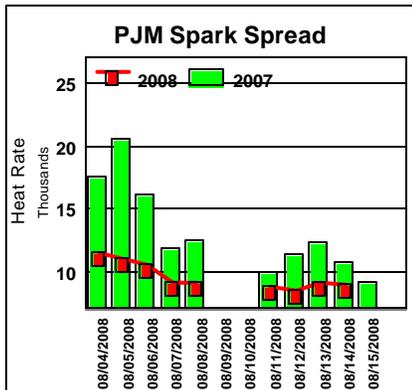


recent 23% decline in energy prices. Pickens said it would not surprise him to see oil prices to fall further, possibly to \$110 per barrel over the next few weeks, but he does not see prices dipping below \$100. The NY Post reported this week that his hedge fund, which manages \$7 billion in assets, lost some 35% in July. Pickens declined to comment on the results of his fund today. He said the fund would issue a full report about the quarter at the end of September.

PIPELINE MAINTENACE

Gulf South Pipeline said that physical injections and withdrawals of natural gas from its Bistineau storage facility will be available beginning Friday morning. The Unit has been unavailable since August 4th.

Southern Natural Gas said maintenance is still needed on various sections of its pipelines between its Olga platform and Toca Compressor Station. The work will impact several receipt points. The work is likely to begin on August 25th.

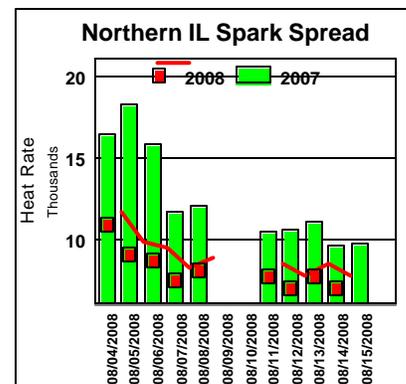


El Paso Natural Gas said that the Seligman C will be taken down to access vibration and bearing temperature problems today and is expected to remain offline until August 15th.

Colorado Interstate Gas Company said firm capacity at LWE on its Wyoming Mainline is currently fully subscribed at 770 MMcf/d. Pressure yesterday though was reduced for maintenance and evaluation, and thus had reduced capacity on the line to between 500-770 MMcf/d.

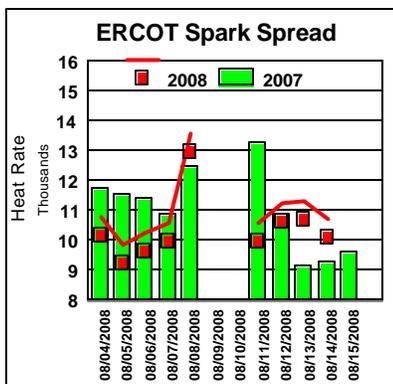
Northwest Pipeline said that it would be performing anomaly investigations and pipe replacement between Rangely and Vernal compressor stations on August 14-15. During this work the available capacity of the mainline will be reduced to zero.

Northern Natural Gas said that it experienced a Force Majeure at the Spearman, Texas Compressor Station on Wednesday. Repairs will limit capacity at the station to 50,000 Dth/day. The completion date of the repairs is not known at this time.



ELECTRIC MARKET NEWS

The EIA reported today that U.S. coal production for the week ending August 9th stood at 22.853 million tons, down 1.4% from the prio week but 3.3% higher than the same week a year ago. Year to date U.S. coal production is 1.2% higher than a year ago.



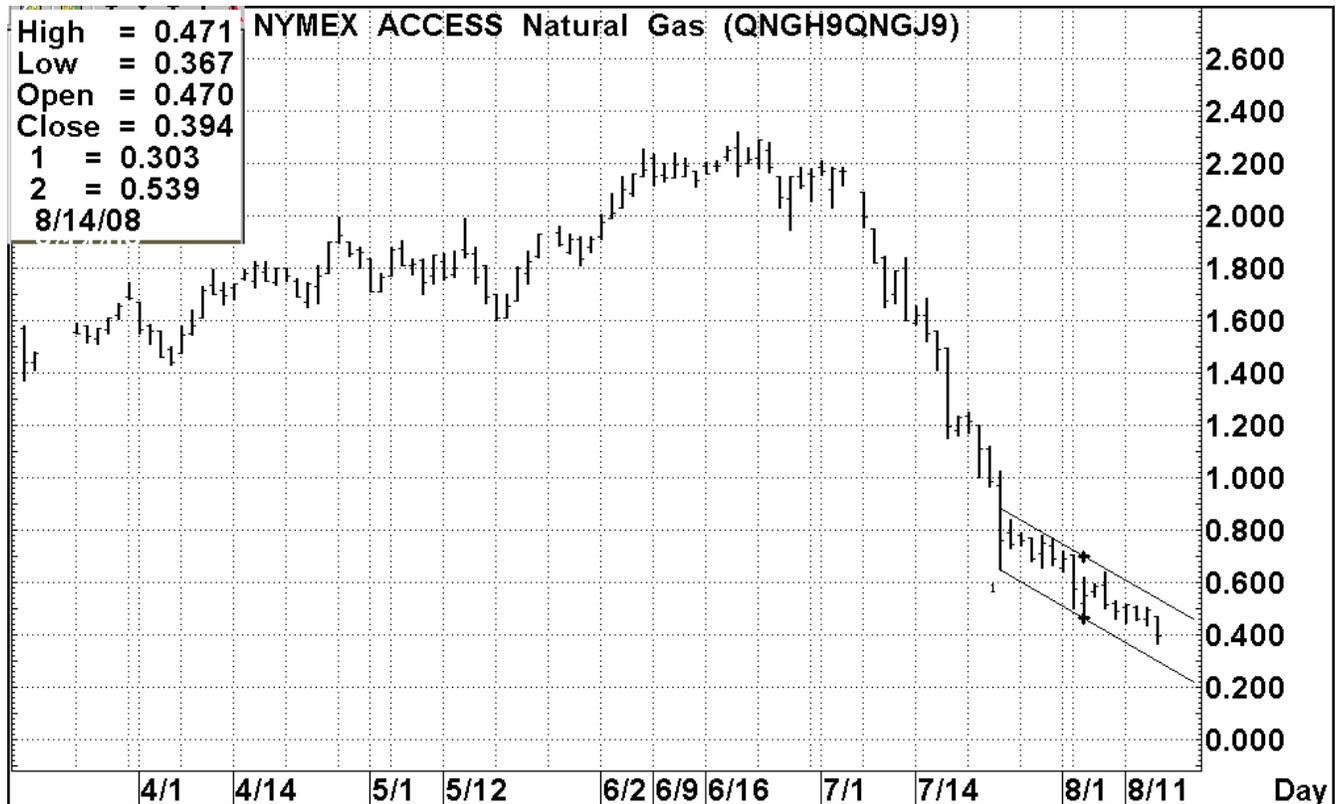
Navasota Energy Partners said today that it will build a third natural gas fired power plant in Texas and expand two existing gas fired generating to help meet the state’s need for new electric supply. The company expects to obtain a state air permit soon to build the 550 MW Madison Bell Energy Center near Madisonville, Texas.

Dominion Resources said it has filed an application with the NRC to renew the operating license for its Kewaunee nuclear power plant,

MARKET COMMENTARY

While the natural gas market was firmer by a couple of pennies overnight, the market began to come under pressure this morning as updated weather forecasts began to circulate in the market. These forecasts were calling for the tropical disturbance in the Leeward Islands to strengthen into a tropical depression in the next 24-36 hours, and eventually reach a Category 2 hurricane, but the revised track of the storm, basis the various computer models, seemed to be in general agreement that the storm was not headed toward the Gulf of Mexico but rather was solely going to be a threat to the east coast

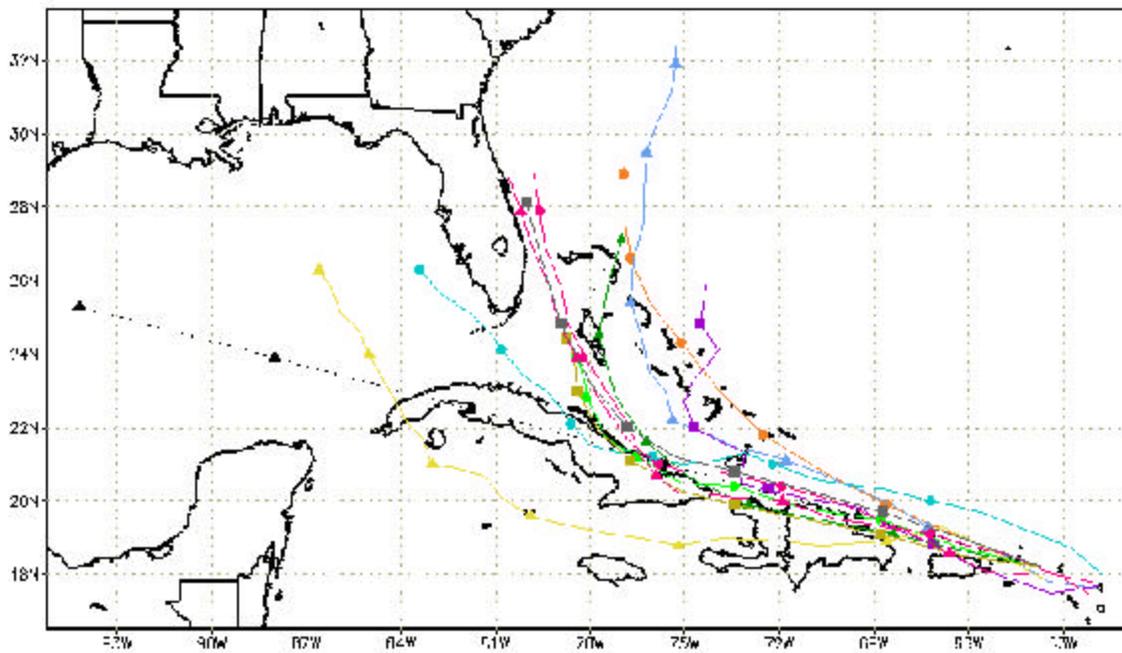
of Florida or the Southeastern states. While prices eroded slightly in front of the report, it was not until the EIA Storage Report was released did the bears return to the market. As we feared last night, the report while being slightly supportive to neutral, was used as an opportunity for the bears to return to the market and they smacked the market down to \$8.00 by lunch time before profit taking allowed for a 38% retracement in value of the day's sell off over the next hour. In addition some of the mid day computer model runs once again left open the door of the possibility of the storm finding its way to the Gulf of Mexico, but the likelihood still seemed less than 24 hours earlier, but still seemed to prompt some shorts to take profits. While prices moved in a sideways pattern for the remainder of the session, it appeared that the damage had been done to this market and barring a complete reversal of the track guidance by the computer models by tomorrow morning, this market might remain on the defensive to close out the week.



We would look for support to be found in the September contract at \$8.00 followed by \$7.907, \$7.84, \$7.679 \$7.465-\$7.42 and 7.357. Resistance we would see tomorrow at \$8.20 followed by \$8.457, \$8.55, \$8.78, \$9.00 and \$9.092.

The March April spread broke down to new lows today falling below the 40 cent threshold and all the way Down to 36.7 cents. It appears that this spread will remain firmly entrenched in the downward channel of the past three weeks, until a true weather threat is found to the Gulf of Mexico.

---▲--- XTRP 14/ 800Z ● BAME 14/1800Z ▲ 3FDL 14/ 200Z ▲ AMNO 4/ 200Z ● JMC 4/ 200Z
 ■ TVCN 14/ 800Z ● BAMI 14/1800Z ● JKH 14/ 200Z ■ AEMH 14/1200Z ● LREM 14/1800Z
 ● NHC No. Adv'l ● BAMI5 14/1800Z ● NGPS 14/ 200Z ● HWRF 14/1200Z ● CLPS 14/1800Z



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