



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 15, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center at midday released a "Special Tropical Disturbance Statement" at 11 AM this morning noting that satellite imagery and radar data from Puerto Rico and the Dominican Republic indicate that the low pressure area centered in the region is becoming better organized. By 5 PM the NHC officially designated the system as Tropical Storm Fay and once again moved the track guidance on this storm toward the west coast of Florida.

Several U.S. Senators this week urged the Inspector General of the CFTC to investigate the recent study released by the

Generator Problems

NPCC – Bruce Power's Bruce #8 nuclear unit was back on line today.

SERC – TVA's 1155 Mw Browns Ferry # 1 nuclear unit has exited its recent outage and was at 40% power early Friday. The unit was at only 1% on Thursday.

TVA's 1121 Mw Watts bar #1 nuclear unit also has exited its outage and was at 26% power this morning.

MRO – NPPD 764 Mw Cooper nuclear unit was back at full power this morning.

WECC – Southern California Edison's 1080 Mw San Onofre #3 nuclear unit was at only 72% of power on Friday. The unit had been at full power on Thursday.

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 139,275 Mw, 5% less than recorded on Thursday. Generation outages today were expected to be 12,877 Mw down 2.1% from yesterday's levels..

PJM reported that generating outages in the region were estimated at 12,662 Mw down 11% from yesterday, while peak demand was seen running at 99,700 Mw today some 5.3% less than yesterday and some 0.3% more than forecast on Thursday. Monday's peak demand was also revised lower today by 1.4%, now seen at 116,800 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.

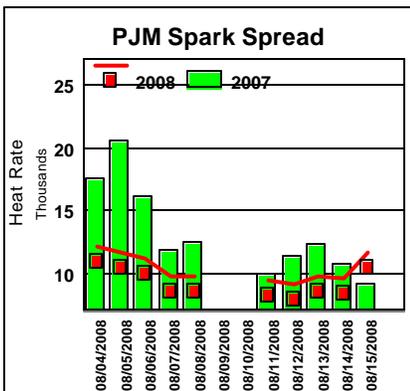
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	736,200	\$7.822	(\$0.329)	(\$0.309)	(\$0.384)	(\$0.499)
Chicago City Gate	399,400	\$7.781	(\$0.332)	(\$0.350)	(\$0.413)	(\$0.230)
NGPL- TX/OK	572,900	\$7.545	(\$0.336)	(\$0.586)	(\$0.416)	(\$0.470)
SoCal	533,400	\$7.361	(\$0.333)	(\$0.770)	(\$0.413)	(\$0.634)
PG&E Citygate	791,700	\$7.794	(\$0.254)	(\$0.337)	(\$0.334)	(\$0.283)
Dominion-South	223,700	\$8.250	(\$0.243)	\$0.119	(\$0.323)	\$0.211
UStTrade Weighted	15,811,600	\$7.494	(\$0.304)	(\$0.637)	(\$0.38)	(\$0.499)

CFTC staff that concluded speculators are not to blame for high energy prices. The lawmakers called the interim report's timing "suspicious". The report was released last



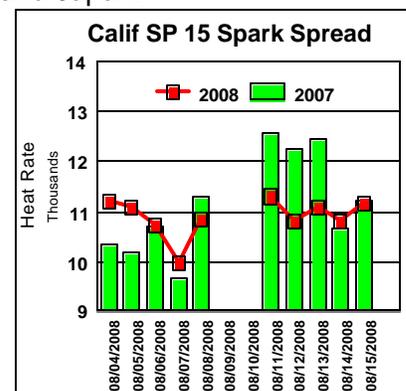
month just a few days before the Senate voted on a bill aimed at reining in excessive speculation in the futures markets. The senators also noted that some of the data used by the report may be inaccurate since shortly before the study was released the commission released some trading positions it had previously reported as commercial hedging positions as noncommercial speculative positions. Under this revision, the CFTC said speculators controlled 48% of the open interest in crude oil futures and options as of July 15th. That was an increase of 10% from its previous report. The senators noted that since the CFTC staff knew that the underlying data used to prepare its interim report was seriously

flawed, the report was nonetheless publically released. The final report from the CFTC is expected to be released in mid-September.



Cambridge Energy Research Associates warned today that cargoes of LNG in Asia may climb to as high as \$25 Mmbtu during this upcoming winter as new projects are delayed and exports like Indonesia and Egypt continue to curb exports. They noted that new production facilities in Russia, Yemen and Indonesia, which had been scheduled to come on line later this year have now been delayed until next year. At the same time Asian demand is expected to keep growing from South Korea and Japan.

Given the relatively depressed prices of natural gas in the United States relative to global LNG prices, Freeport LNG Development is looking to reverse its function as an LNG import facility on the U.S. Gulf and become an export facility.

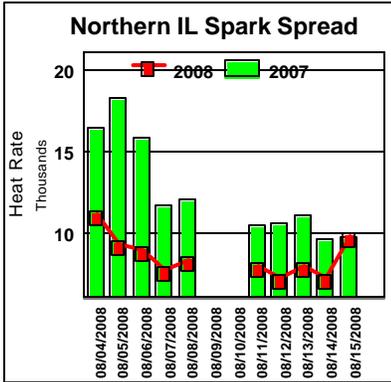


Baker Hughes reported that for the week ending August 15th the number of drilling rigs search for natural gas in the United States stood at 1586 rigs, some 15 higher than the previous week and 106 higher than the same week a year ago.

PIPELINE MAINTENANCE

CIG said its Greasewood Compressor Station would undergo maintenance on August 19-20th. Capacity through the station will be reduced from 195 to 140 MMcf/d during the time. The company also announced its Echo Springs Compressor Station will be out of service beginning on August 26-28th. Volumes through the unit will go to zero during the outage.

Northern natural Gas said a Force majeure at the Spearman, Texas Compressor Station issued on Wednesday, remains in place. The capacity at the station remains at 50,000 Dth/d.

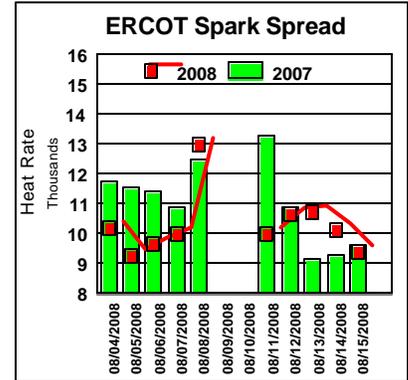


ELECTRIC MARKET NEWS

Genscape reported that its U.S. coal burn index was down sharply for the week ending August 14th, off 5% and off 8% from the same week a year ago.

MARKET COMMENTARY

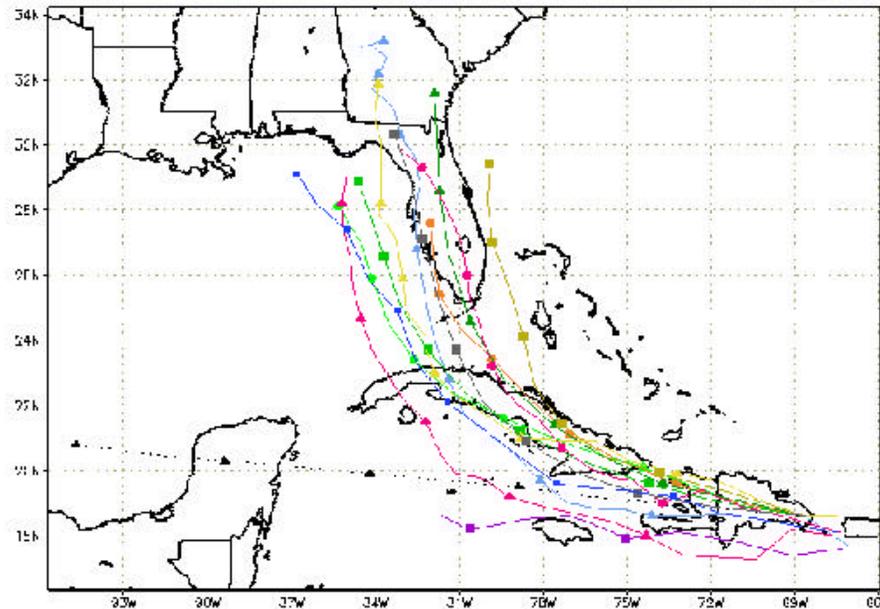
While the market earlier this morning set a new near term low, as the September contract traded below the \$8.00 level, the market appeared to get a bit of support at mid morning



when the National Hurricane Center issued its “special tropical disturbance statement”, as traders appeared to be reluctant to take on or hold additional shorts into a weekend when a couple of the computer models continued to hold out the possibility of this system not only significantly strengthening but also finding its way into the Gulf Of Mexico. Then as the day progressed and the updated computer models came out the track of this storm appeared to shift westward and the eastern Gulf of Mexico was again back into play. But this market still finished lower but volume was relatively light as the market posted its smallest trading range since June 27th.

Open Interest reported today by the NYMEX showed that interest in the back months was active yesterday as a key number of back months saw gains in open interest. The December 2012, December 2013 and December 2015, increased by 1,476, 3,043 and 1,895 lots respectively.

- XTRF 15/ 800Z
- TVCN 15/ 800Z
- NHC No. 4411
- BAYL 15/1800Z
- BAYM 15/1800Z
- BAW5 15/1800Z
- SFDL 15/ 200Z
- JKM 15/ 200Z
- NGPS 15/ 200Z
- AMND 5/ 200Z
- EBT 15/1200Z
- HWRP 15/1200Z
- JMG 5/ 200Z
- JEM 13/1800Z
- GRS 15/1800Z



The market direction and tone will be set Monday by the updated weather forecast of Tropical Storm Fay. This storm continues to confound forecasters in its formation as well as path. Undoubtedly this storm will once again change its projected path several more times over the next 72 hours. But if the threat to production areas is ruled out

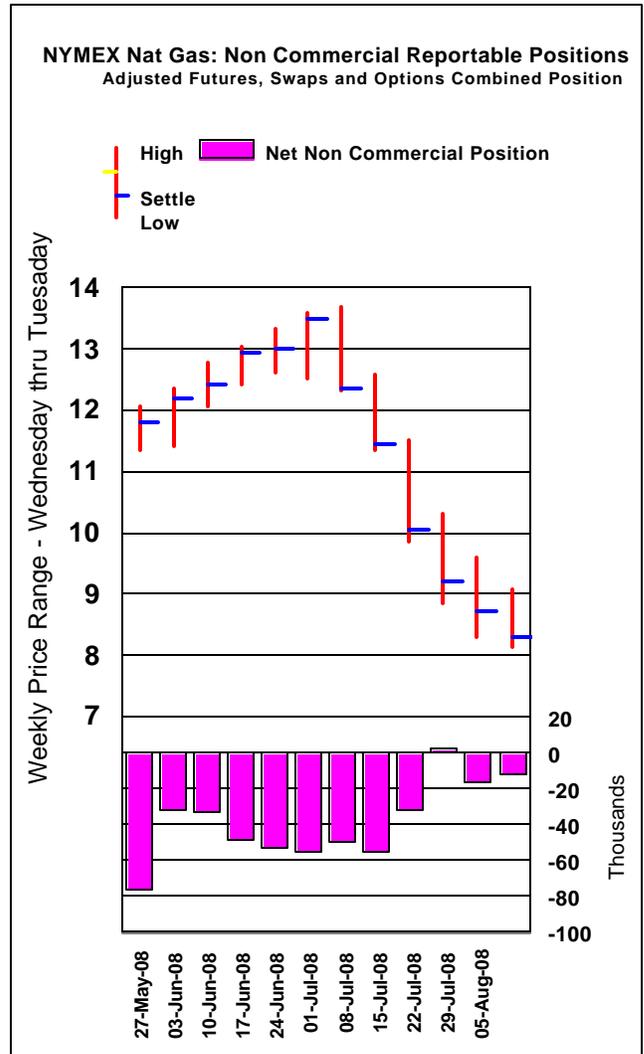
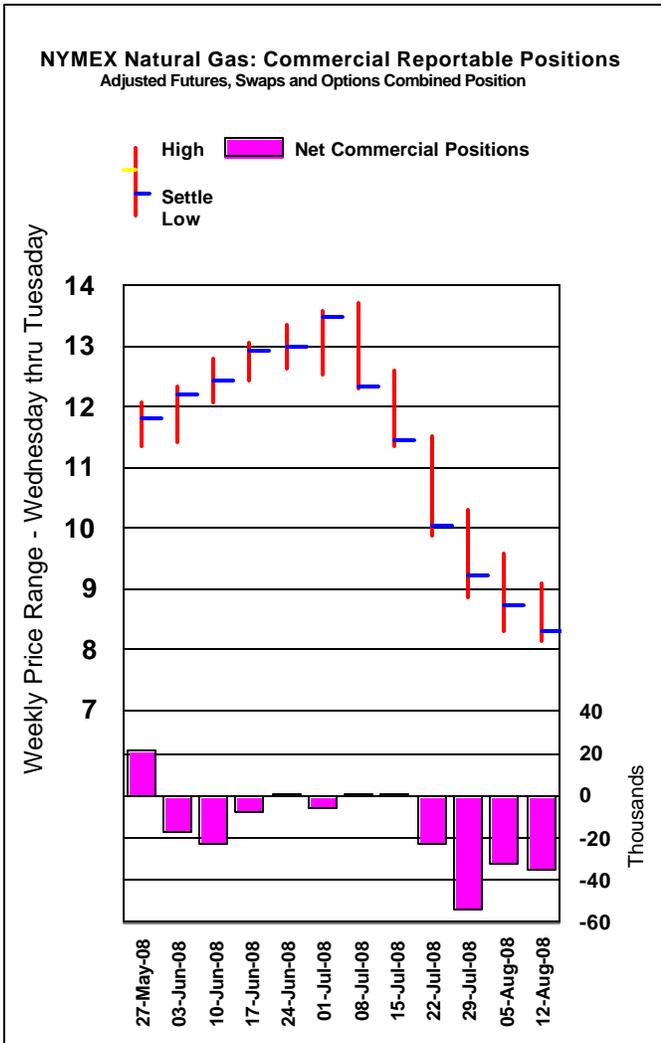
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NHC Advisory and Outlook Emergency Management Statements supersede this product. This graphic should complement, not replace, NHC discussions. If copying on this graphic causes confusion, ignore the entire product. For full info, see <http://www.nhc.noaa.gov/storms/common/images/weather/paths.html>



this market appears will be headed back below \$8.00 once again.

We see support for this market again on Monday at \$8.00-\$7.96 followed by \$7.845 and \$7.729. More distant support we see at \$7.58 and \$6.83. Resistance we see at \$8.20 followed by \$8.323-\$8.365 and \$8.446. Additional resistance we see at \$8.736, \$9.092 and \$9.60. FYI the 38% retracement of this 6-week sell off on Monday would be at \$10.173 and the 50% retracement would be \$10.856.



While the news wires made a big deal of this evening's Commitment of Traders Report, which showed that the non-commercials reportable futures only report showed an increase of over 4,000 to a new record net short position of 129,229 contracts. But when one combines the positions in options and swaps the net short position for the week ending August 12th actually decreased by 4726 lots and stood at only a net short position of 10,990 contracts, far less than the net short position held just at the beginning of July.