



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR AUGUST 22, 2008

NATURAL GAS MARKET NEWS

Forecasters continued to watch the slow progress of Tropical Storm Fay westward across the state of Florida today. While computer models continued to see the storm's center potentially re-emerging out over the waters of the Gulf of Mexico, almost all forecasters did not expect it to allow the storm to significantly re-intensify before it makes land fall once again. The National Hurricane Center though was also watching two tropical disturbances in the central Atlantic and both could become tropical depressions sometime this weekend or early next week. One some 300 miles east of the Windward Islands, Invest 94-L, which is seen by one computer model, the Canadian, as becoming an intense storm just east of the Bahamas by Wednesday and forecasts the storm to come ashore near the South Carolina/North Carolina border by the end of next week. The European Model forecasts this system to develop more slowly and take a track across the northern Caribbean next week. The widely watched GFS model though does not forecast any type of development. The second system Invest 95-L appears to have a general consensus track that will be more northerly and will miss all of the Caribbean Islands.

StatoilHydro reported that its Snoehvit LNG plant has been shutdown since Thursday.

The North Sea Britannia gas field saw output reduced on Friday because of restrictions on exports through the SAGE gas pipeline. The field normally produces 12.45 million cubic meters of gas and 8,679 barrels per day of oil. The St. Fergus terminal, where the Sage facility is located, saw flows drop by some 10 million cubic meters on late Thursday and remain volatile on Friday.

Generator Problems

SERC – Progress Energy's 900 Mw Harris nuclear power unit exited its outage and ramped up to full power by early Friday. The unit had been at only 7% Thursday morning.

WECC – Energy Northwest's 1131 Mw Columbia nuclear power plant was shut automatically Wednesday when it had been operating at 65% of power. Operators had reduced power at the unit to work on valve on a feed water turbine.

MISO – OPPD's 478 Mw Fort Calhoun nuclear unit dropped to 9% of capacity on Friday morning. The unit had been at full power yesterday.

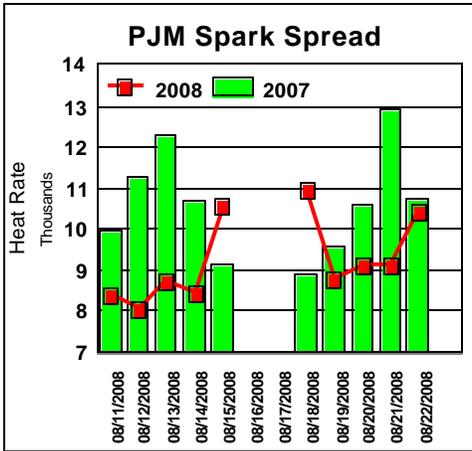
AEP's 1077 Mw Cook #2 nuclear unit returned to full power early Friday. The unit had been at only 26% of capacity on Thursday.

The NRC reported today that some 92,365 Mw of generation was being supplied by nuclear power plants, down 0.7% from yesterday and some 1.7% less than the same time a year ago.

WECC reported that it was looking for peak demand today to reach 133,755 Mw, 0.9% less than was recorded on Thursday. Generation outages today were expected to be 14,215 Mw up 10.4% from yesterday's levels.

PJM reported that generating outages in the region were estimated at 11,067 Mw up 3.4% from Thursday, while peak demand was seen running at 111,800 Mw today up 3.6% from yesterday. Monday's peak demand was forecasted at 110,100.

MISO reported that 7,320 Mw of outages in the region today 2% more than Thursday. Peak demand today was seen at 89440 Mw some 2% more than Thursday. Monday's peak demand is seen at 83,860 Mw.



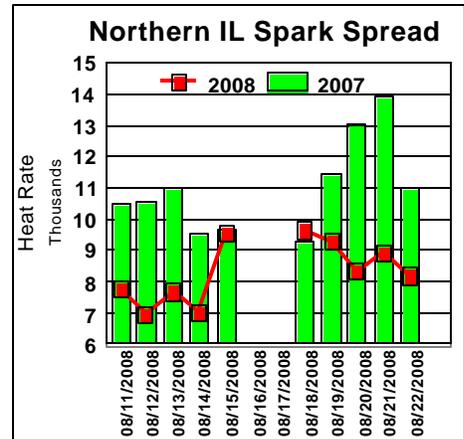
The FERC on Thursday approved Gulfstream Natural Gas System's Phase III expansion of its natural gas pipeline system into Florida.

Enbridge Energy Partners and Atmos Pipeline and Storage are launching an open season Monday to solicit firm transportation for Barnett Intrastate Gas Pipeline, which as proposed, would carry up to 1 bcf/d and connect Atmos Line X to Enbridge's Double D and Clarity pipelines.

The governor of Alaska reportedly has signed an executive order, which is intended to set into

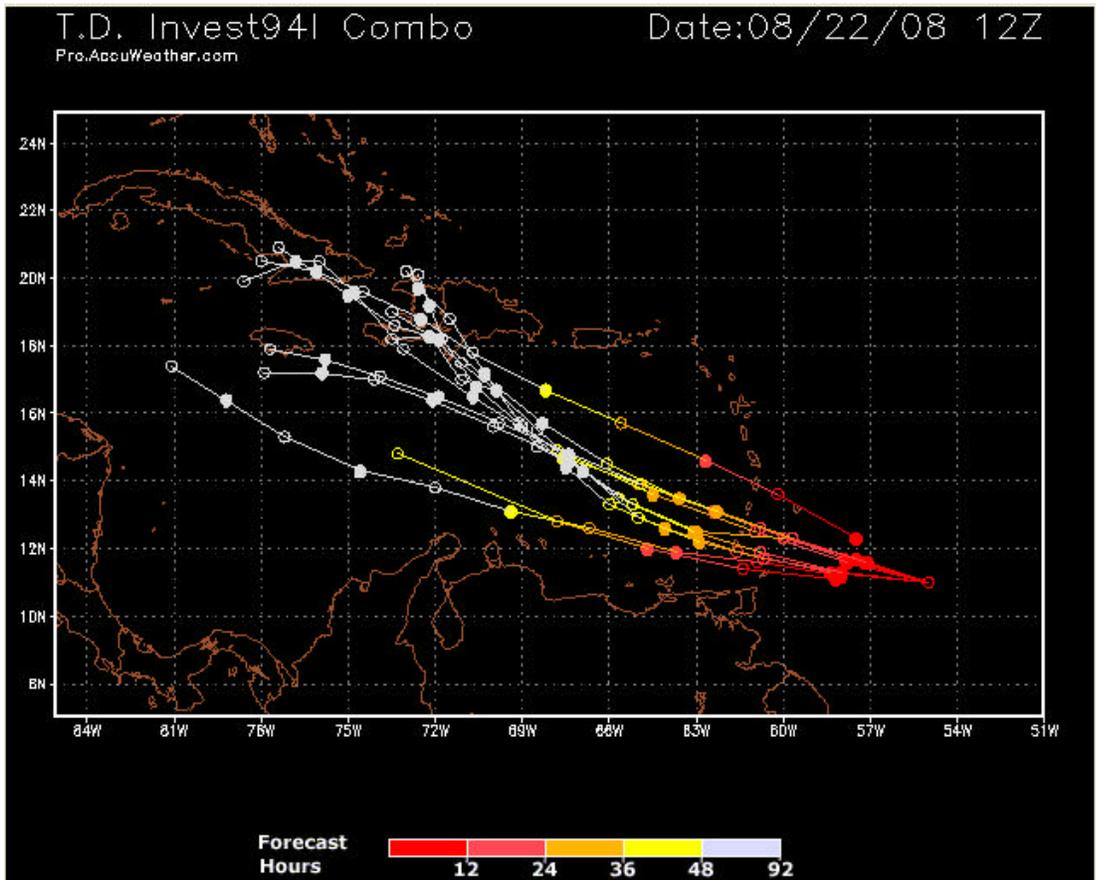
motion work on a LNG project that could potentially take natural gas from the North Slope and export it to world markets.

The US liquefied gas market may be poised for changes that would allow under-utilized regasification terminals to export the gas to more profitable overseas destinations. So far this year, LNG shipments to the US have fallen to about 1 billion cubic feet/day, less than half of last year's record rate of 2.1 bcf/day and shipments are not expected to increase, with US gas prices pegged well below some European and Far East markets.



Freeport LNG recently requested permission from the US Department of Energy's Office of Fossil Energy to export LNG from its terminal located near Houston while Cheniere has also applied for a similar export license for its Sabine Pass terminal in Louisiana.

The CFTC yesterday disputed a published report in the Washington Post that said



speculators account for about 81% of the WTI crude traded on the NYMEX.

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	813,400	\$7.982	(\$0.055)	(\$0.087)	(\$0.038)	(\$0.496)
Chicago City Gate	395,200	\$7.907	(\$0.173)	(\$0.161)	(\$0.024)	(\$0.161)
NGPL- TX/OK	804,900	\$7.687	(\$0.117)	(\$0.381)	\$0.032	(\$0.425)
SoCal	456,300	\$7.332	(\$0.140)	(\$0.736)	\$0.009	(\$0.637)
PG&E Citygate	820,800	\$7.865	(\$0.062)	(\$0.204)	\$0.087	(\$0.201)
Dominion-South	241,200	\$8.338	(\$0.075)	\$0.270	\$0.074	\$0.247
USTrade Weighted	16,591,000	\$7.482	(\$0.187)	(\$0.586)	(\$0.04)	(\$0.496)

PIPELINE RESTRICTIONS

FGT said that it had called an Overage Alert today with a 25% tolerance due to high line pack.

PG&E California Gas Transmission has issued an OFO for today and Saturday with a 6% tolerance due to high inventory.

PIPELINE MAINTENACE

El Paso Natural Gas said that a mechanical inspection of Leupp 6A on its north mainline will begin August 25th lasting through the 27th. The company has also said Seligman C component exchange will begin August 24th and last through August 28th. Also work was planned on the south mainline, Casa Grande B cooling isolation valve on August 26th.

ANP Pipeline said it has completed repairs at its Sandwich Compressor Station. Repair work had been ongoing this week.

Crosstex has advised Enbridge Offshore Pipelines that the TRANSCO SW Lateral via the Sabine Plant will once again be accepting nominations. Shippers will be able to direct gas flow back through the 14002 meter. But the company reported that despite the brief return to operations, effective August 25th the plant will again be shut down for 3-4 days of maintenance.

CIG said it will begin its annual system checks on September 3rd at the Laramie Jumper Compressor Station. Capacity through (WPR) will be reduced from 50 to 15 MMcf/d during the work.

Northern Natural Gas began valve replacement work on the Gulf Coast Calumet #2 line at Station 328. The work is expected to last until September 5th. The work is not expected to impact customers.

MARKET COMMENTARY

Well, it appears we and mostly everyone else was surprised by the price movement today. While the market had been moving sideways overnight, light selling this morning began dragging down natural gas values as a rebounding dollar appeared to pressure crude oil prices. Natural gas prices though spiked lower at midday as first support at the fledging trend line was breached at \$8.13 and then yesterday's low at \$8.015 was taken out. Prices quickly dropped to make a new near term low at \$7.768 before stabilizing and trading sideways for the remainder of the day.

While we recognize that the oil/dollar relationship is a major mover in these markets, we are just amazed that it would have driven the natural gas markets to new near term lows today in front of a weekend during the peak of the hurricane season, with not one but three tropical systems wandering about. As a result we continue to look for natural gas prices to rebound next week. But a key resistance point will now be at the highs of Thursday and Friday at \$8.34-\$8.388. If this area can be

broken then we would look for \$8.556, \$8.736, \$8.771, \$9.09 and \$9.60. Support we see at \$7.78-\$7.76 followed by \$7.627, \$7.58-\$7.50, \$7.412 and \$7.055.

The Commitment of Traders report showed that reportable non-commercials in the natural gas market continued to increase their net short position by 17,907 contracts to a new record short position of 147,136 contracts in the week ending August 19th. The combined futures and options report also showed that non-commercials increased their net short position by 176 contracts to 202,061 contracts on the week. However combining the positions in options and swaps, the net short position fell by 1,458 contracts to 9,531 contracts.

