



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 25, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning had revised its forecast and now had upgraded Tropical Storm Gustav to hurricane status and had shifted the track of the storm slightly southward as many forecasting models had the storm headed toward the Gulf of Mexico by the weekend. Meanwhile private weather forecaster Jim Rouiller of Planalytics Inc warned that Gustav could be a Category 4 storm by the time it enters the Gulf of Mexico. He noted that there are also three areas of low pressure currently behind Gustav in the Atlantic and he noted that Gustav could be the "forerunner of what could become a very nasty hurricane season for the U.S. He currently is saying that two forecasting models that he is watching have the storm making landfall somewhere between New Orleans and Houston.

Royal Dutch Shell said today that it is preparing to begin evacuation of non-essential staff from the Gulf of Mexico production drilling platforms.

Weather forecasters at WSI Corp said they are looking for warmer than normal temperatures in the Northeastern U.S.

for the September through November period, while below normal temperatures will be recorded in the Southeast and along the Pacific Coast. Meanwhile over the weekend the Farmers Almanac called for below normal temperatures across two thirds of the nation this winter.

The FERC has approved Columbia Gas Transmission's proposal to expand the high-pressure side of its natural gas pipeline in West Virginia. The project would add a 9,470 horsepower gas compressor

Generator Problems

NPCC – OPG's 490 Mw coal fired Unit #2 at the Nanticoke power plant was taken off line for repairs.

FRCC – FPL's 839 Mw St. Lucie #1 nuclear unit continued to ramp higher today and was t 30% capacity up 29% from Monday.

ERCOT- Luminant planned to restart two 575 Mw Big Brown coal fired units later Tuesday. Unit #2 which was shut on Monday after an electrical fire, saw its sister unit trip off line overnight.

WECC – Energy Northwest's 1200 Mw Columbia Generating nuclear unit was at 75% of power overnight as operators made adjustments to the pattern of fuel rods. Operators this morning were ramping output up and was ay 85% of capacity this morning.

MISO – Xcel Energy's 593 Mw Prairie Island #2 nuclear unit is expected to be shut down for maintenance and refueling on September 1st. The unit currently is operating at full power.

The NRC reported today that some 95,223 Mw of generation was being supplied by nuclear power plants, basically unchanged from Monday and some 1.6 % less than the same time a year ago.

WECC reported that it was looking for peak demand today to reach 136,135 Mw, 3% less than was recorded on Monday. Generation outages today were expected to be 16,188 Mw down 7.4% from Monday's levels.

PJM reported that peak demand was seen running at 97,751 Mw today down 11% from 1.8% from Monday's peak demand. Wednesday's peak demand was forecasted at just 98,678.

MISO reported that 6,140 Mw of outages in the region today 4.1% less than Monday. Peak demand today was seen at 79,370 Mw some 1.4% less than Monday's peak demand. Wednesday's peak demand is seen at just 81,630 Mw.

station and as a result would allow CGT to provide 100,000 Dth/d of expanded capacity on its Appalachian pipeline system.

Inergy, LP announced today that through its acquisition of US Salt, LLC it will have access to 10 bcf of additional salt cavern storage capacity which can be interconnected to its existing energy storage platform in Central New York. Inergy will immediately begin developing 5 bcf of storage capacity, which should be operational by the fall of 2010.

BBL, the operator of the natural gas pipeline between the U.K. and the Netherlands said it would close the line for five days next month for maintenance. The work is scheduled for September 22-27th. The pipeline has a capacity of 42 million cubic meters per day.

India's Petronet LNG said it plans to shut its 5 million ton per year LNG plant in western India for a week in October to link new units to double the capacity of the facility. The work is expected to occur October 14-19th.

The minutes from the last FOMC meeting showed members agreed that softening labor markets, high energy prices and a continuing housing contraction would weigh on growth in coming quarters. In addition members saw continuing downside risks to this outlook, particularly reflecting further deterioration in financial conditions.

The CFTC has settled charges against Alvin Perez, a former NYMEX compliance clerk, for disclosing nonpublic information to NYMEX floor brokers.

PIPELINE RESTRICTIONS

FGT said that it has issued an Overage Alert for today with a 15% tolerance due to hot weather and low line packs.

PIPELINE MAINTENANCE

Panhandle Eastern Pipeline said a rupture occurred along its line, downstream of Houstonia compressor station in Missouri Tuesday night.

| | | 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 | 909,100 | \$8.016 | \$0.390 | (\$0.251) | (\$0.187) | (\$0.494) |
| Chicago City Gate | 405,500 | \$7.919 | \$0.327 | (\$0.348) | (\$0.254) | (\$0.145) |
| NGPL- TX/OK | 805,900 | \$7.716 | \$0.390 | (\$0.551) | (\$0.191) | (\$0.394) |
| SoCal | 640,900 | \$7.545 | \$0.311 | (\$0.722) | (\$0.270) | (\$0.627) |
| PG&E Citygate | 938,800 | \$7.918 | \$0.314 | (\$0.349) | (\$0.267) | (\$0.187) |
| Dominion-South | 428,900 | \$8.414 | \$0.406 | \$0.147 | (\$0.175) | \$0.263 |
| USTrade Weighted | 17,484,800 | \$7.673 | \$0.394 | (\$0.594) | (\$0.19) | (\$0.494) |

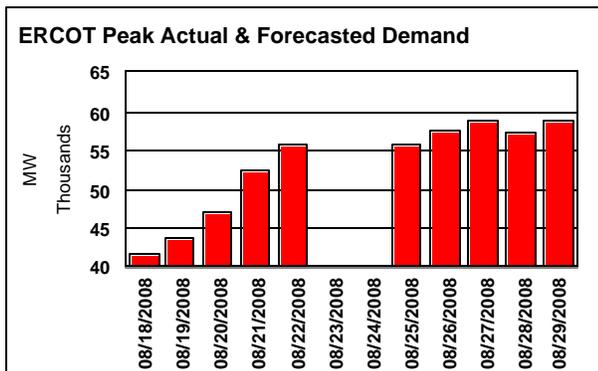
The outage will reduce mainline capacity but at this time is not expected to impact shippers.

Natural Gas Pipeline said a force majeure remains in effect on its Illinois Lateral #2 line (Segment 29) due to ongoing work. The work could be completed anywhere from September 12-15th.

Gulf South Pipeline said it would be performing scheduled maintenance at its Agua Dulce location on September 9th. The work is expected to take approximately 10 hours. Physical flow will be shut in at the location. The company also reported that it will perform scheduled maintenance at the Airport Compressor Station on September 3rd for some 10 hours. Physical flow to Gulfstream will be unavailable for the duration of the maintenance.

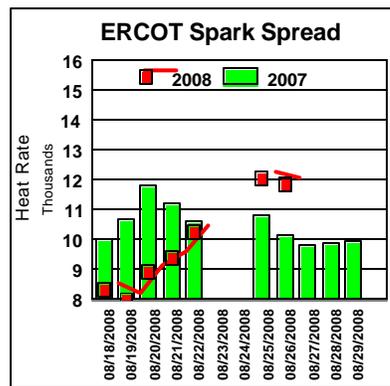
Northwest Pipeline Company said the operator of the Jackson Prairie storage facility due to an equipment failure, will not have the facility back in service until August 28th. All nominations in or out of the facility must continue to net to zero.

TransColorado Gas Transmission said it would perform maintenance at its Redvale Compressor Station on August 27th. As a result capacity through Segment 220 will be limited to 355,000 Dth and capacity through Segment 240 will be limited to 405000 Dth. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk



of not being fully scheduled.

KMIGT said it would perform maintenance at its Laton Compressor Station (Segment 775) beginning August 27th through August 28th. Nominations through Segment 775 will be

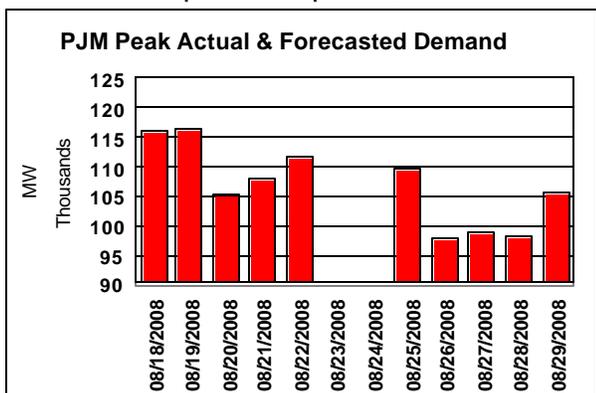


limited to 235,000 Dth/d. Based on the current level of nominations, AOR/IT, Secondary out of path and primary in path quantities are at risk of not being scheduled. The company also reported that it continues to perform maintenance work on the Casper Compressor Station. This work is not expected to be completed until Friday. Capacity through Segments 45 and 730 will be limited to 138,000 Dth/d. In addition KMIGT will schedule an incremental 15,000 Dth/d at SGDCASP for a total of 153,000 capacity. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled.

Alliance Pipeline said the Fairmont Compressor Station experienced mechanical issues on Monday that required the facility to be taken offline for unplanned maintenance.

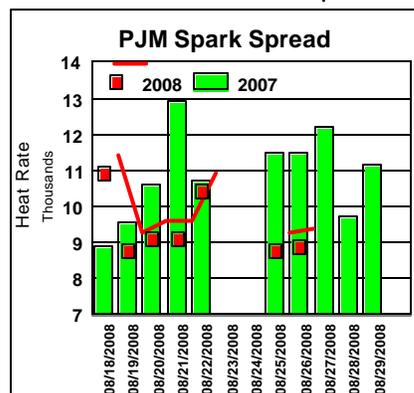
ELECTRIC MARKET NEWS

PSEG said it plans to spend \$20 million to develop jointly devices that will seek to store compressed



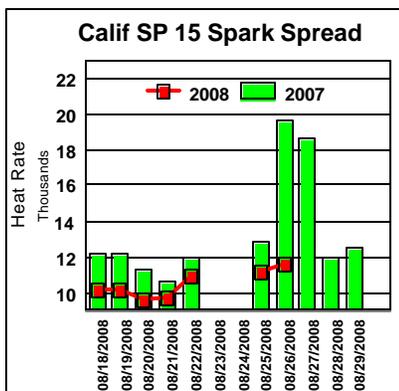
air at generating sites to be used at peak hours to run generating turbines. The power storage and generating systems would have a capacity of 15 to 450 Mw of power.

Dow Jones Indexes



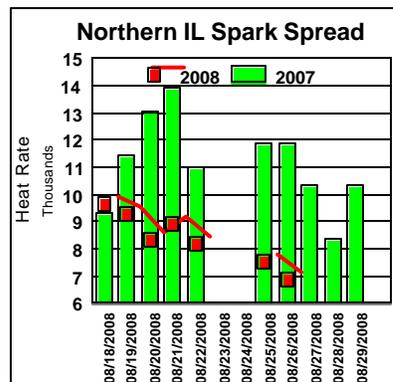
and the Chicago Climate Exchange on Tuesday announced the launch of two new emissions indexes. The first, the Dow Jones/CCX European Carbon Index tracks carbon dioxide permits traded under the EU's Emissions Trading Scheme (EUAs) and the other is the Dow Jones/ CCX Certified Emissions Reductions (CER) Index to track the UN approved clean energy offset credits trading under the Kyoto Protocol Clean Development Mechanism.

Genscape reported today that coal stocks at U.S. power plants for last week grew by 0.4% from the prior week and stood at 3% higher than the same time a year ago. Based on the current average burn rate this would equate to 49 days of forward supply. Genscape warned though that utilities in the eastern U.S. will be scrambling to restock before the winter peak begins. It reported that power companies had 137.9 million tons of coal stockpile vs 133.9 million tons stocked at this time last year.



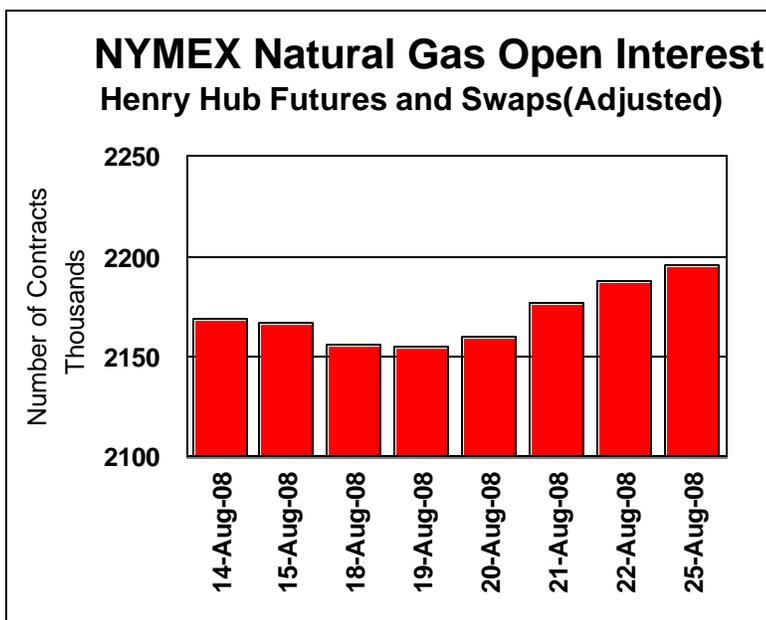
Los Angeles Department of Water and Power was urging customers today to conserve power given the forecast for increasingly hot temperatures for the remainder of the week.

FirstEnergy said its competitive subsidiary FirstEnergy Solutions has been licensed by the Illinois Commerce Commission as an electric generation supplier in the Ameren service territory in Illinois.



Trans-Elect, the Western Area Power Administration and the Wyoming Infrastructure Authority, the joint developers of a proposed transmission line from eastern Wyoming to the Denver area said the results of it mid-summer open season, was that two wind generation companies had committed to take

585 Mw of the 850 Mw of capacity on the proposed line. Although the transmission line was designed to move generation from coal fired power plants in Wyoming, no coal generators submitted bids in response to the open season. The developers said they were optimistic that the remaining 265 Mw of capacity will be sold.



MARKET COMMENTARY

As we expected weather was the driving force of this market today. Overnight forecasts appeared to shock some traders at the speed of intensification of Gustav coupled with the direction of this storm possibly finding its way into the US Gulf of Mexico and as a result prompted buying as some traders have rushed in

to cover shorts that were established over the past several days. The major price move for the day was completed by 9 AM and basically the market moved into a sideways trading pattern for the remainder of the day. Volume was excellent today with 235,749 futures traded with 173,803 Henry Hub Swap lots and 96,919 lots in the penultimate contract booked on the day. On a combined adjusted basis, his would have been over 303,429 lots booked on the day. This was the best volume day this month.

We feel that with the continued forecasts for this storm to remain on track to go through the heart of the Gulf of Mexico production areas, coupled with a storm that could be between a Category 3-4 storm should continue to support this market going into a holiday weekend, as further short covering is

touched off. In addition, there has been little notice of a forecast for this coming weekend that there could be two to three other named storms flaring to life in the Atlantic basin. As a result we would look for this market to see resistance in the expiring September contract at \$8.475, \$8.55, \$8.673, \$8.736 and \$8.966. More distant resistance we see at \$9.092 and \$9.60. Support we see at \$7.984, \$7.88,

\$7.691, \$7.617 and \$7.493. We would also look for the March April spread to continue to retrace its recent spiral downward. Today it broke through a three-week trend line and looks poised tomorrow to break above the 40-cent level and challenge resistance at 47, 54 and 61 cents.

