



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 27, 2008

NATURAL GAS MARKET NEWS

The NOAA's forecasting lab in Princeton NJ this morning caused a stir as it warned that Tropical Storm Gustav, which had weakened overnight after striking Haiti on Tuesday, is on track to hit the U.S. Gulf coast, most likely Louisiana as a Category 4 hurricane early Monday. Morris Bender the senior meteorologist at the lab, warned that Gustav should make a turn to the west and then run parallel to the southern coast of Cuba and then will take off like a rocket after entering the gulf. This forecast was different from that coming out of the National Hurricane Center which was had the storm moving a bit slower and not reaching the same intensity. In fact the NHC made a point of noting in its 11 AM update that that global models show some increase in southwesterly wind shear in some 4 and 5 days out and as a result they see little or no change in its strength forecast for that period still seen at just 115 MPH..

Generator Problems

NPCC – OPG's 490 Mw Unit#1 at the coal fired Nanticoke power station was shut early Wednesday.

FRCC – FPL's 839 Mw Saint Lucie #1 nuclear unit was back to full power on Wednesday. The unit was at 30% of capacity on Tuesday.

WECC – Energy Northwest said its 1200 Mw Columbia Generating nuclear unit was back to full power, up 15% from yesterday.

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 136,846 Mw, up 0.9% that was recorded on Tuesday. Generation outages today were expected to be 14,891 Mw down 7.2% from Tuesday's levels.

PJM reported that peak demand was seen running at 94350 Mw today down 3.5% from Tuesday's peak demand. Thursday's peak demand was forecasted at just 97,900.

MISO reported that 6,600 Mw of outages in the region today 7.5% more than Tuesday. Peak demand today was seen at 79,620 Mw some 3.1% more than Tuesday's peak demand. Thursday's peak demand is seen at 84,140 Mw.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	842,000	\$8.544	\$0.528	\$0.136	\$0.228	(\$0.500)
Chicago City Gate	459,600	\$8.377	\$0.457	(\$0.031)	\$0.316	(\$0.154)
NGPL- TX/OK	720,700	\$8.098	\$0.382	(\$0.310)	\$0.241	(\$0.403)
SoCal	576,600	\$7.742	\$0.197	(\$0.666)	\$0.056	(\$0.664)
PG&E Citygate	874,500	\$8.183	\$0.265	(\$0.225)	\$0.124	(\$0.230)
Dominion-South	244,900	\$8.814	\$0.401	\$0.406	\$0.260	\$0.268
USTrade Weighted	17,259,700	\$8.042	\$0.369	(\$0.366)	\$0.23	(\$0.500)

Private weather forecaster WSI Corp said that it stands by its "active" hurricane season forecast. Despite Gustav being the seventh named storm of the season, the forecasting group said its outlook



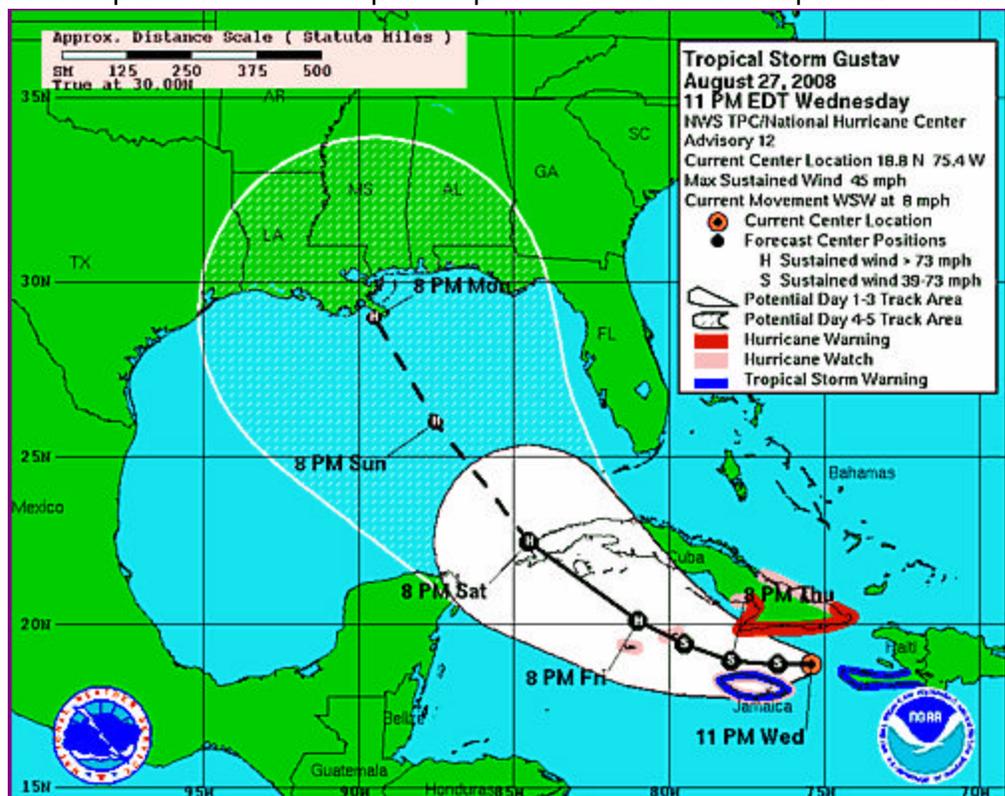
for 15 named storms this Atlantic hurricane season remains unchanged. It looks for 9 hurricanes and four of them being Category 3 or higher to form by November 30th.

Private weather forecaster Planalytics said this morning that they expected Gustav will restrengthen into a major hurricane and could force

the closure of 85% of U.S. oil and natural gas production platforms in the Gulf of Mexico in the coming days. They also looked for a significant increase in the damage potential to these facilities.

Meanwhile major oil and gas production companies in the Gulf of Mexico started to evacuate non-essential crews from offshore operations but no impact to production levels was reported. Total said that it would begin its shut ins on Saturday, while Shell noted it could begin shutting in production as early as Thursday.

Total SA reported that its production from its Elgin-Franklin North Sea oil and gas fields were reduced today at the request of Forties pipeline operator BP. Maximum gas output at Elgin-Franklin is normally 15.5 million cubic meters a day. While the company did not disclose current production levels, flows at the Bacton Seal terminal



were running some 10 cubic meters lower than Monday.

The head of the EIA yesterday said the prolific natural gas shale formation discoveries made in the United States could significantly reduce the demand for LNG imports over the intermediate term in the U.S. market.

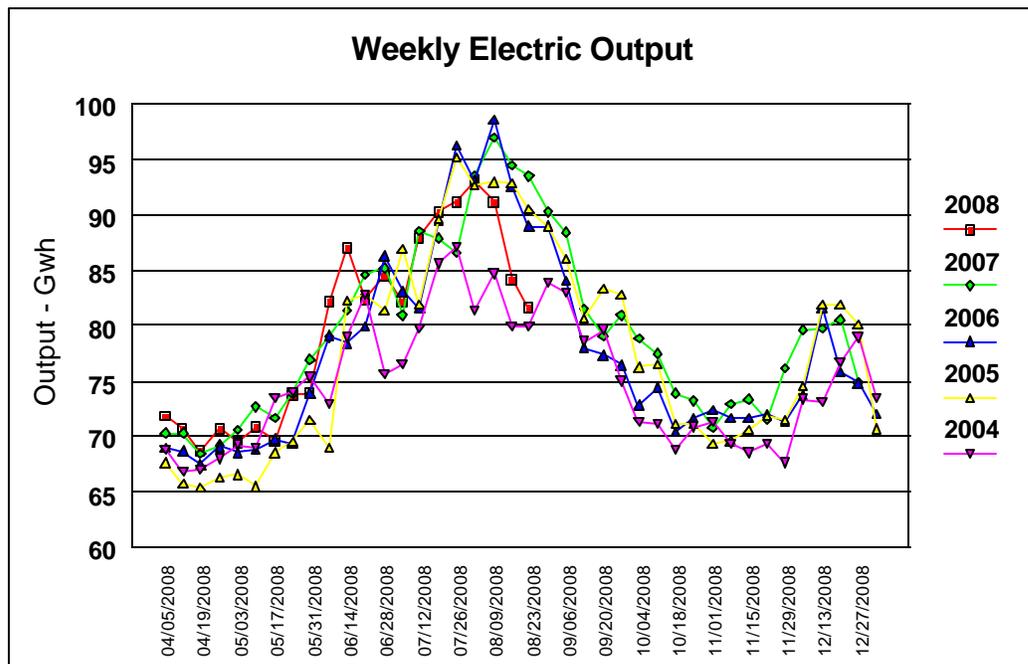
Kern River Gas Transmission Company said it intends to expand its system to provide new firm forward haul transportation service and to provide new firm backhaul transportation service to delivery points in Southern Nevada. The company is holding the open season for these services through September 9th. The proposed Apex Expansion Project will increase Kern River's year round forward haul capacity by 266,000 Dth per day from receipt points upstream of the Muddy creek compressor station.



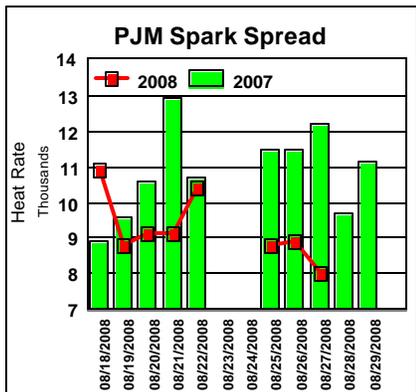
and to provide new firm backhaul transportation service to delivery points in Southern Nevada. The company is holding the open season for these services through September 9th. The proposed Apex Expansion Project will increase Kern River's year round forward haul capacity by 266,000 Dth per day from receipt points upstream of the Muddy creek compressor station.

PIPELINE RESTRICTIONS

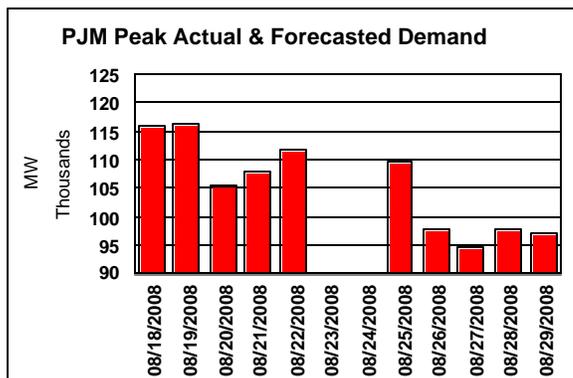
Enbridge Offshore said that if Tropical Storm Gustav makes its way to the Gulf Coast over the next few days as anticipated, the company may restrict the amount of receipts into any of its pipelines offshore Louisiana and Mississippi to protect the operational integrity of the lines. The company asked shippers to keep nominations aligned



with production or it would be forced to take corrective actions, which could include operational flow orders.



The Rockies Express Pipeline said until further notice it is at capacity for deliveries along segment 250 from the Bertrand compressor station to the Steele City Compressor Station.

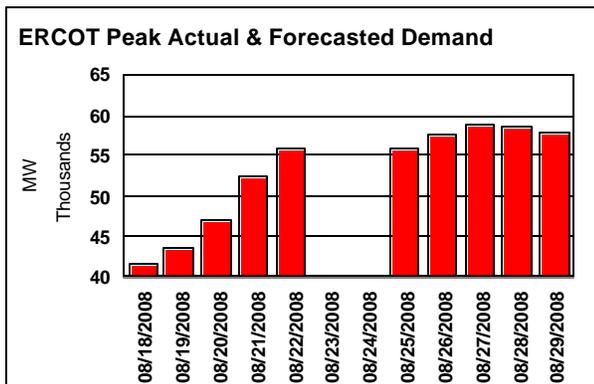


The company said that interruptible transportation and secondary out of path transportation services are at risk of not being scheduled.

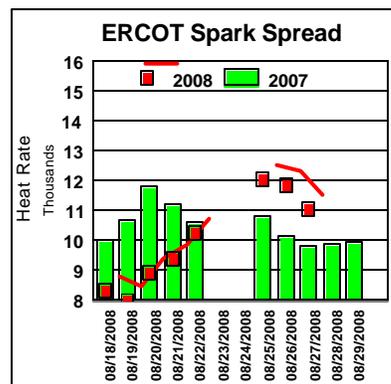
FGT issued an Overage Alert for today with a 25% tolerance due to high temperatures in its Market Area.

PIPELINE MAINTENANCE

NGPL said that effective today and until further notice it has limited capacity available for gas going eastbound through the end of Segment 17. Limited ITS/AOR and Secondary out of path transports are available.



Cheyenne Plains Gas Pipeline said the Douglas Compressor Station outage date has been moved back a day until September 3rd. Capacity through MBC will be reduced from 1,113 to 325 MMcf/d.

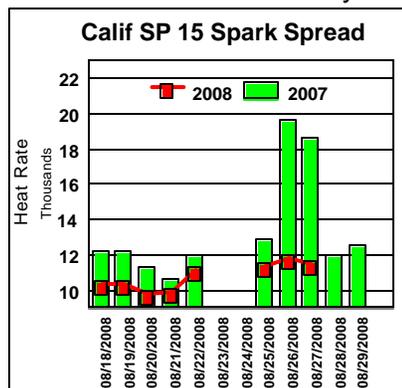


NGPL said it experienced a failure on the south part of its North Lansing storage field located in Harrison County, Texas on August 26th. The entire storage facility has been shut in as a precautionary measure until a preliminary investigation is completed.

Northwest Pipeline said it experienced a mechanical failure on the turbine at the Burley compressor station. The company hopes to begin a turbine replacement on August 29th to 30th with the unit returning to service sometime over the weekend. Until then the station has a capacity of just 493,000 Dth/d.

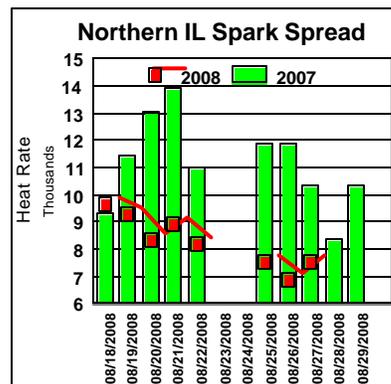
El Paso Natural Gas Company said it will begin pigging operations tomorrow on Line 1208, MP 124 to the Navajo station. Meanwhile the company expects to complete rod bearing and piston and liner work at Flagstaff and a mechanical inspection at Leupp 6A today

Tennessee Gas Pipeline said repair work on line section 13-3 to 14-3 has been completed. Meters Sulak Farm Texas Delivery and North Louise Stockton 1 Receipt can now resume flow.



FGT said it completed unscheduled maintenance on one of the compressors at Compressor Station #7 late in the day August 26th. FGT scheduled up to 385,000 Mmbtu/d through Compressor Station 7. For today the company scheduled up to normal levels of 465,000 Mmbtu/d.

Panhandle Eastern Pipeline said DCP Midstream's National Helium Plant resumed operations yesterday following an explosion on August 19th that shut down processing and



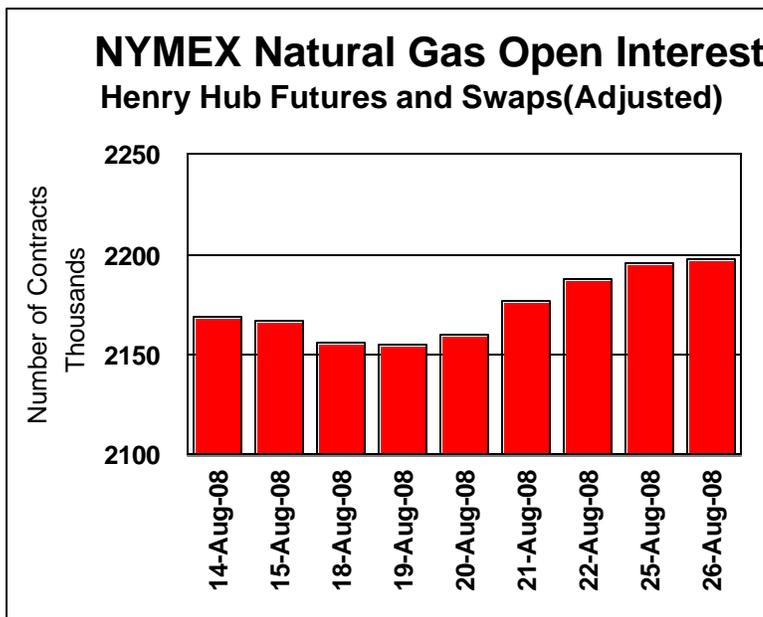
dehydration operations.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending August 23rd, electric generation in the United States reached 81,650 Gwh, down 3.1% from the previous week and some 14.6% less than the same week a year ago. Year to day electric production has been running 0.4% less than the same time a year ago.

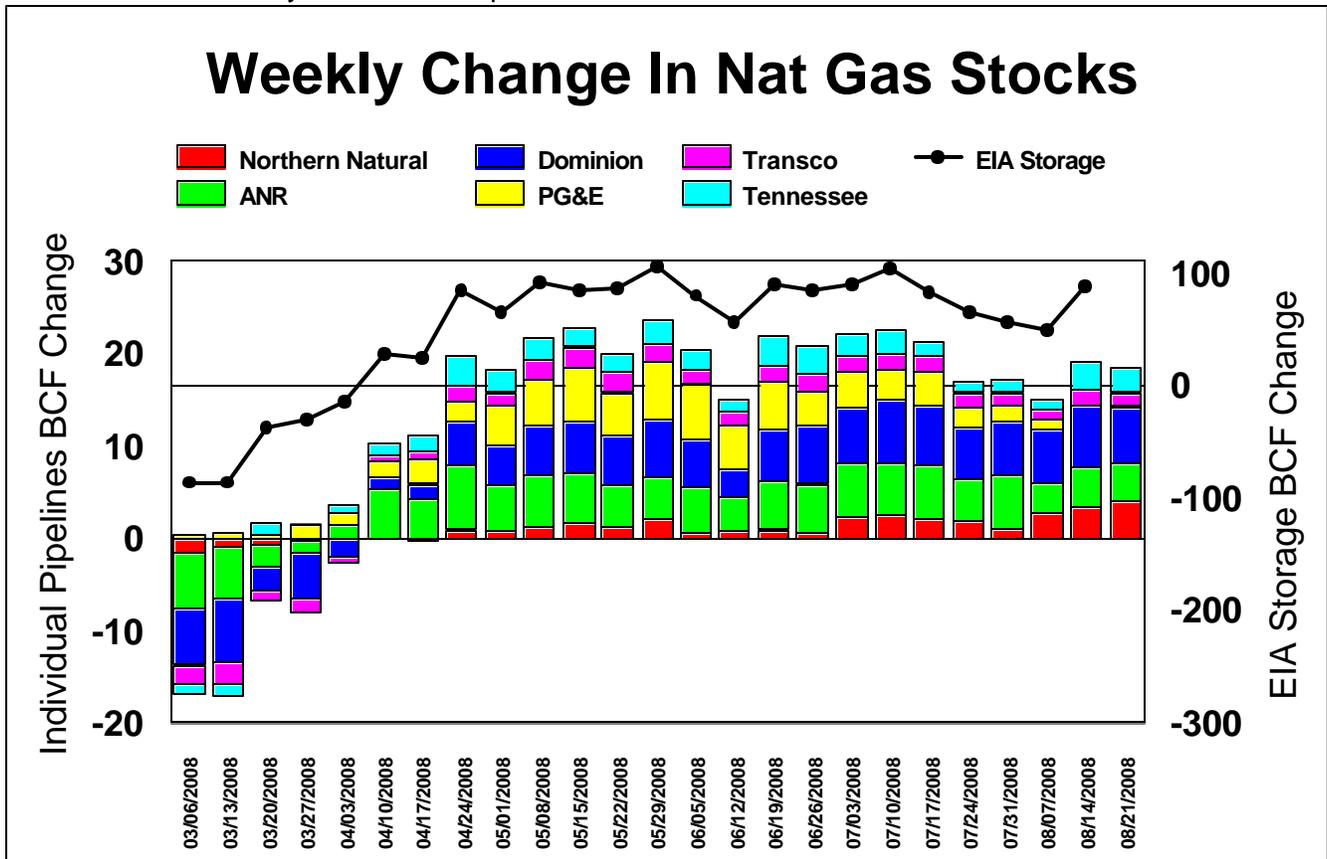
MARKET COMMENTARY

The natural gas market this morning charged higher as traders were confronted with doom and gloom weather forecasts which circulated around the market that a Category 4 hurricane could be making landfall early next week on the Texas or Louisiana coast. But when the National Hurricane Center backed away from the NOAA forecaster's model outlook, and noted there were equal chances of a category 1, 2 or 3 hurricane making land fall and the forecasting accuracy beyond three days is rather unreliable, longs seemed to head for the exits and profit taking brought prices back to where they had started the session on Tuesday evening. Given that today was expiration day for the September contract, volume was lower than yesterday as just 194,029 futures changing hands with the penultimate contract trading 61,195 times and the Henry Hub swap contract recording 163,704 lots. These three contracts on a combined adjusted basis saw trading activity that was 18% less than yesterday.



Market expectations for tomorrow's storage report appear to be running around an 84 bcf build. A year ago saw a build of just 38 bcf and the five-year seasonal build of 57 bcf. Our estimate is a bit lower than the market expectations with a 75 bcf build.

Weather remains the driving force for this market. Even though tomorrow is a storage report day, we feel that this report will just be a secondary issue. The main focus will be on Gustav and the path it takes into the Gulf of Mexico. With the probability of widespread evacuations starting tomorrow and some shut ins starting we feel that this market should remain firm as long as there is not a dramatic shift of this storm away from offshore production areas.



We see support in the October contract tomorrow at \$8.44, \$8.373, \$8.31, \$8.17 \$8.00 and \$7.884. More distant support we see at \$7.74. Resistance we see at \$8.86-\$8.88, \$9.115, \$9.173\$9.35 and \$9.67.

The March April Spread today saw its continued rebound off its oversold condition from earlier this week. The spread supported by bullish weather forecasts could see a bounce back to 70-80 cent level if it can breach resistance tomorrow at August 8^h's high at 52.8 cents. The March 09 1 month CSO yesterday saw decent activity in the \$1-\$2 call spread which traded 1300 times, saw much less activity today with just 200 lots traded in the 50 cent call, 650 lots in the 50 cent put and 400 lots in the \$1 call.