



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 3, 2008

NATURAL GAS MARKET NEWS

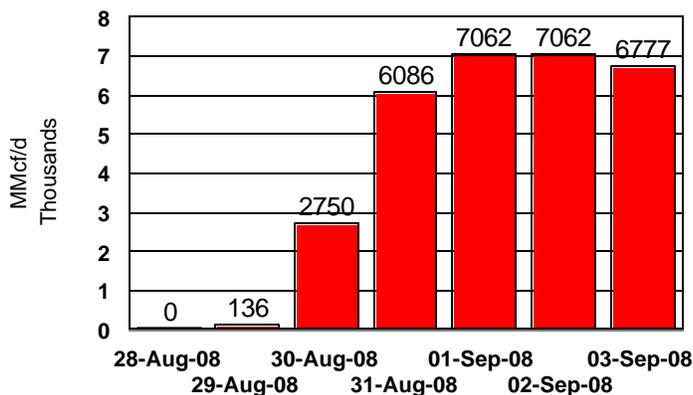
The National Hurricane Center this afternoon noted that Hurricane Ike continues to strengthen as it moves basically westward in the Atlantic and possibly become a major hurricane in 45 days as it approaches the Bahamas. The various forecasting models are in poor agreement if this storm will continue in a general westward movement or begin to turn northward. Accuweather forecaster Joe Bastardi this afternoon was predicting that this storm will not reach the Gulf of Mexico but will curve northward in day 45 and be a threat to the southeastern Atlantic seaboard.

Sabine Pipeline LLC said today that while compression at Henry Hub complex remained unavailable, partial inspection of the Sabine mainline was complete and several points were ready to accept nominations for gas flow later Wednesday. The company said it was lifting force majeure and would be accepting nominations for gas flows beginning 5 PM CDT on several points on its Louisiana and Texas mainline and on some offshore lateral points. However, force majeure remained in effect for other points on the system

The FERC on Tuesday denied producers and shippers requests for a government injunction to block the Rockies Express Pipeline from carrying out hydrostatic testing on its line beginning today. Producers had warned the work could shut in half of the Rockies natural gas flowing on the pipeline.

USG Offshore Nat Gas Production Shut-ins

Total 29,873 MMcf Shut In



The Department of Energy reported this morning that no USG LNG import terminal reported any major damage. The agency also reported that 16 natural gas processing plants that were shut due to the storm reported no major damage and were expected to start operations when gas from offshore begins to flow once again.

The U.S. Minerals Management Service reported this afternoon that some production has begun to be restored from offshore production areas. The

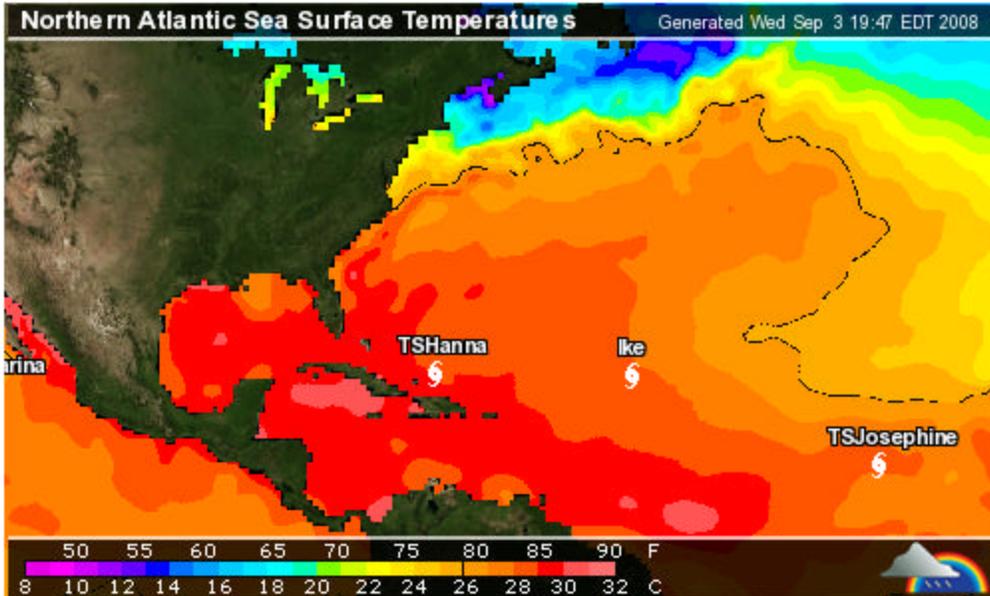
Generator Problems

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit started to exit its recent outage and had ramped up to 2% capacity this morning.

TVA's 1127 Mw Sequoyah #2 nuclear unit had returned to full power this morning. The unit on Tuesday was only at 18% power.

According to the NRC some 93,370 Mw of generating capacity was in operation in the U.S. this morning, some 1% higher than yesterday, but 2.7% less than the same day a year ago.

agency reported that as of midday some 1,245,708 barrels of crude production remained off line, down 54,292 barrels from yesterday. Natural gas production lost on the day totaled 6.777 bcf, down 285 MMcf/d from yesterday. To date Hurricane Gustav has shut in 29.873 bcf of gas production. This hurricane season has seen a total of 33.5 bcf lost in storm related shut ins versus just 8.265 bcf last year as reported by the MMS.

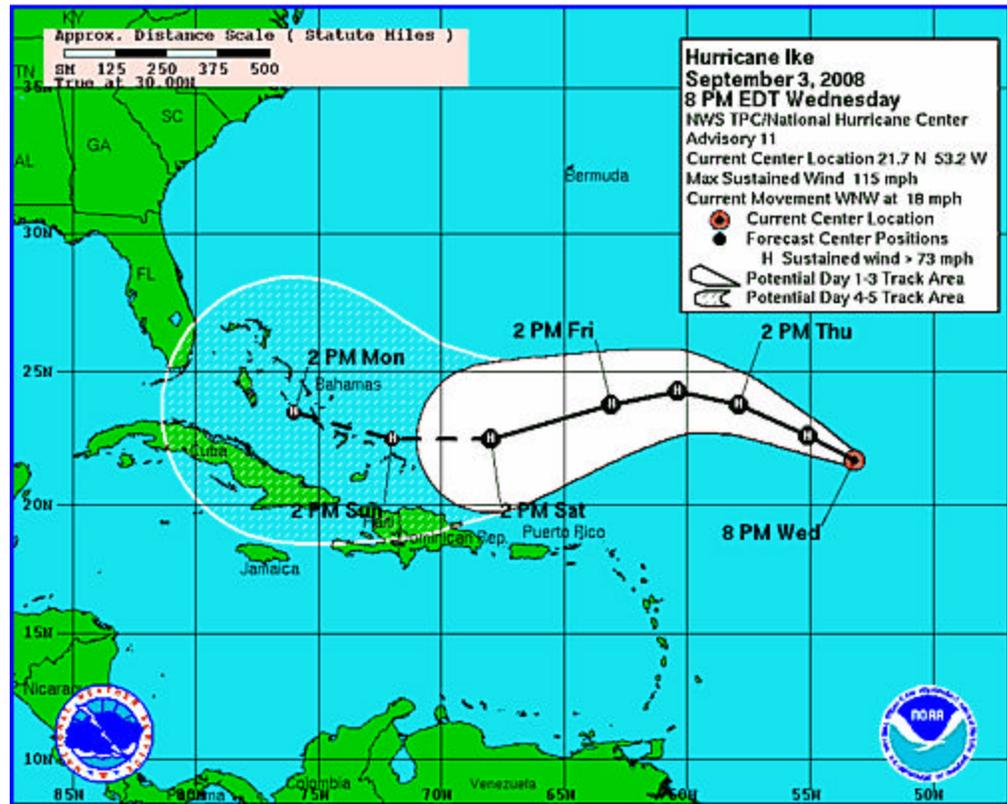


The CEO of Schlumberger, the world's largest oilfield and natural gas service company, said today that he expects drilling for natural gas in North America to remain robust at least through the spring of 2009.

Barclays Capital energy analysts told investors today that they see U.S. natural gas production points toward "supply

outrunning demand growth" in 2009 and 2010, driving prices somewhat lower compared with the current forward curve.

The FERC today gave approval to Florida Natural Gas Storage plan to build in two phases an 8 bcf LNG storage facility in Martin County, Florida, with a designed sendout capacity of 800,000 Mcf/d. The first phase is to be completed in the spring 2011, making 4 bcf of storage available and the second half is expected to begin operation in 2016. The developer also plans to build a four-mile sendout pipeline to connect the facility to the interstate gas pipeline system through



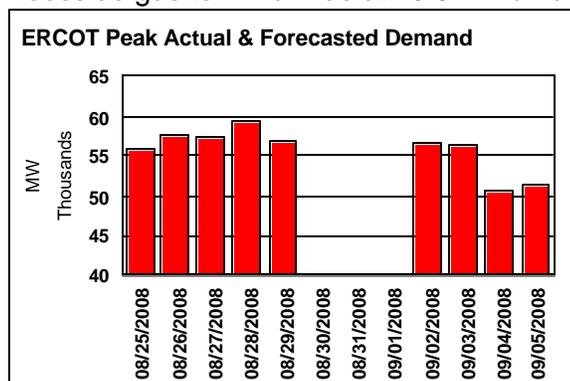
interconnections with Gulfstream Natural gas System and FPL. The FERC in an unusual step urged Florida utilities to keep an eye out for more gas storage options to ensure reliability in the event of a major supply disruption.

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	722,400	\$7.259	\$7.259	\$0.088	(\$0.050)	(\$0.461)
Chicago City Gate	449,500	\$6.871	(\$0.149)	(\$0.300)	(\$0.049)	(\$0.110)
NGPL- TX/OK	813,700	\$6.632	\$0.031	(\$0.539)	\$0.131	(\$0.358)
SoCal	1,272,600	\$6.303	(\$0.148)	(\$0.868)	(\$0.048)	(\$0.800)
PG&E Citygate	1,174,300	\$6.726	(\$0.236)	(\$0.445)	(\$0.136)	(\$0.300)
Dominion-South	372,500	\$7.688	(\$0.153)	\$0.517	(\$0.053)	\$0.490
USTRade Weighted	19,022,600	\$6.535	(\$0.150)	(\$0.636)	(\$0.05)	(\$0.461)

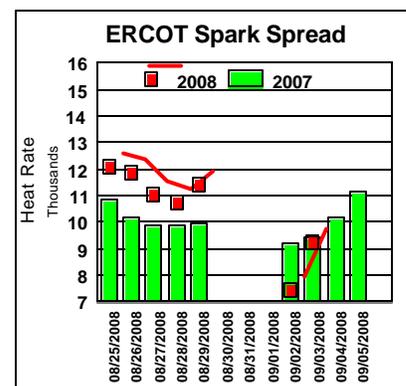
The British Goldeneye gas pipeline still has not resumed operations after being forced to shut down yesterday for maintenance. Royal Dutch Shell said the

restart is imminent. Two other pipelines that feed into the St. Fergus terminal, the FLAGS and Fulmar lines were restarted as scheduled on Monday. The ST. Fergus terminal had been shut from August 18th through August 30th for upgrading and maintenance work.

The British North Sea Judy oil and gas production platform resumed normal operations Tuesday afternoon after a brief shutdown, ConocoPhillips reported today. Gas flow from the field into the Teesside gas terminal was at 13.5 million cubic meters per day up 35% from before the restart.



TransCanada Pipeline reported that it has acquired Bison Pipeline from Northern Border Pipeline Company. The Bison Pipeline Project is a proposed 289 mile pipeline slated to run from the Powder River basin to



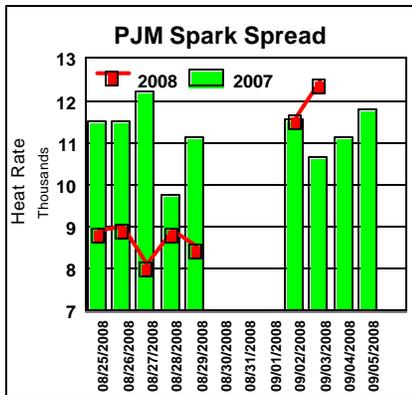
the Northern Border Pipeline system in Morton County, North Dakota. TransCanada is also developing the Pathfinder Pipeline Project, a 625-mile interstate pipeline that would run from Meeker, Colorado to North Dakota as well. With the acquisition TransCanada will be able to provide shippers on the proposed Bison Pipeline the opportunity to transport their production on the larger Pathfinder Project.

ANR Pipeline issued yesterday a non-binding open season to gauge shipper interest for firm transportation service on its proposed Dawn Express Pipeline project. The open season will close on September 30th. The pipeline would be built from Willow Run, Michigan to Dawn, Ontario, with an in service date of November 1, 2012.

CIG said it is concerned about the impact that an extensive maintenance schedule related to a number of pipelines near and or connected to its system will have on its operations in September. Because of the maintenance, a significant amount of gas supply will probably not be able to find adequate transportation to the market, and as a result the company is declaring a Strained Operating Condition for the transmission system effective today and remaining in effect through the end of September.

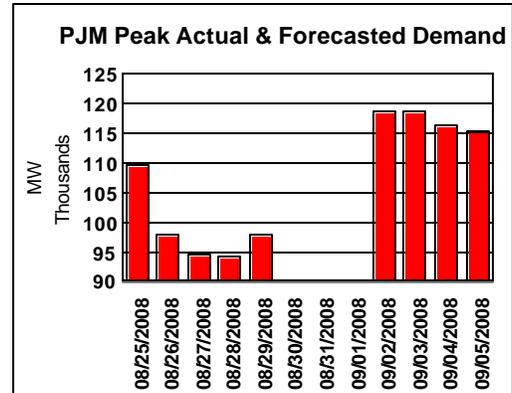
The Turkish pipeline company Botas and the private energy firm Ege Gas have applied to Turkish energy regulators for permission to import LNG.

The ICE resumed cash natural gas trading at Henry Hub after being suspended Tuesday due to the Hub's closure due to Hurricane Gustav.

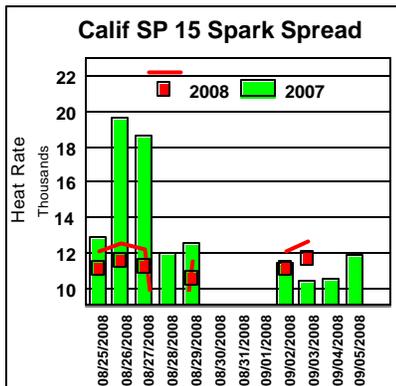


The U.S. Commerce Department reported that in July new orders at U.S. factories jumped by a bigger amount than expected, by 1.3%, helped by a rise in transportation orders. Even if transportation orders were removed, the index would

have climbed by 1%.



Ospraie Management LLC, a large commodity hedge fund based in New York, notified its investors yesterday that it had lost approximately \$3 billion of the roughly \$7 billion it manages due to failed bets on energy, mining and natural resource stock bets. The company noted that only its flagship fund would be closed, but is expected to keep open other vehicles managing the remaining \$4 billion in its holdings. Ospraie was once the largest commodity hedge fund firm. The fund through last year had averaged a 15% annual return. The company typically invested half its funds in shares of natural resource companies and the rest in commodity futures. It noted that some of its so-called illiquid investments may take as long as three years to distribute This follows on the news from Hedge Fund Research shows that as many as 679 hedge funds may have been liquidated this year against the 987 funds that were launched.

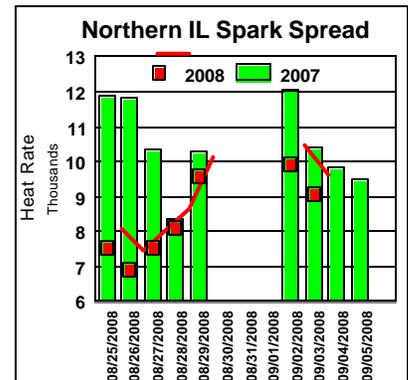


PIPELINE RESTRICTIONS

KMIGT said it is at capacity for deliveries through the Guernsey Compressor Station (segments 55 and 740) effective today and until further notice. Depending on the level of nominations, IT/AOR and secondary out of path quantities are at risk of not being scheduled.

Sonat said initial assessments performed yesterday afternoon at the pipeline's Shadyside, White Castle and Toca compressor stations

showed no significant damage to those facilities. The company said it continues to monitor the lower flowing volumes on the west leg and is currently receiving around 225,000 Mcf from various interconnects at Shadyside. Meanwhile the company continues to estimate that supply losses resulting from the storm at about 960,000 Mcf/d. The company continues offshore facilities assessments.



Tennessee Gas Pipeline said its West and Southwest legs of the Bluewater system remain offline, as well as meters upstream of the Yscloskey gas plant and 12 offshore areas, including the Bluewater

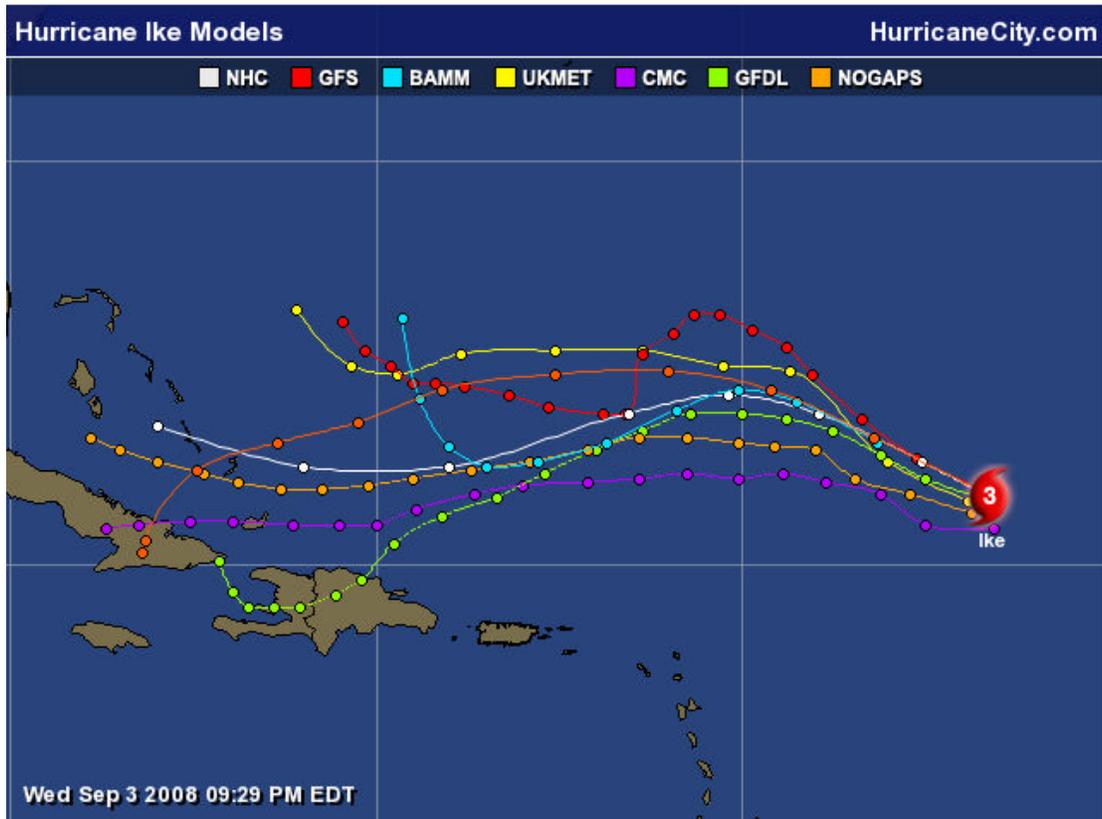
Header, the Bluewater system's East leg, South Pass, West Delta and West Delta South. The company is returning to service its separation facility at Pecan Island.

BP, Noble, Apache and Shell said today that aerial inspections of their offshore facilities in the Gulf of Mexico showed no major structural damage. The companies said that they were beginning to send employees back to platforms today.

Enbridge Offshore Pipelines said its force majeure remains in effect on its system.

ANR Pipelines said its force majeure in its Southwest operating area of Louisiana declared this weekend remains in effect. ANR's Patterson station as well as the Pelican and Calumet natural gas processing plants remain shut.

Texas Eastern said that capacity on its natural gas pipeline system was



returned to pre-Hurricane Gustav operations late yesterday as planned. The company said that it was operating several compressor stations on emergency back up generators due to the loss of commercial power in those areas.

NGPL said it has lifted the force majeure on its Louisiana line.

Trunkline Gas Company said that once it is safe to dispatch field personnel to its various onshore and offshore field locations, it would begin to assess the conditions of its facilities and evaluate a safe return to normal operating conditions. Until facility integrity has been confirmed the company will not be allowing receipt and delivery nominations for gas flow in the ELA Tabs area and Centerville delivery locations today.

PIPELINE MAINTENANCE

Alliance Pipeline said it will conduct inspections and maintenance at the Irma and Towner compressor stations on September 4th and last for four hours.

Panhandle Eastern said it would be performing additional maintenance and inspections beginning today following a rupture on August 25th downstream of the Houstonia Compressor Station between Gate Valve 202 and 203. During the additional work, capacity through Houstonia will be limited to 1260 MMcf/d.

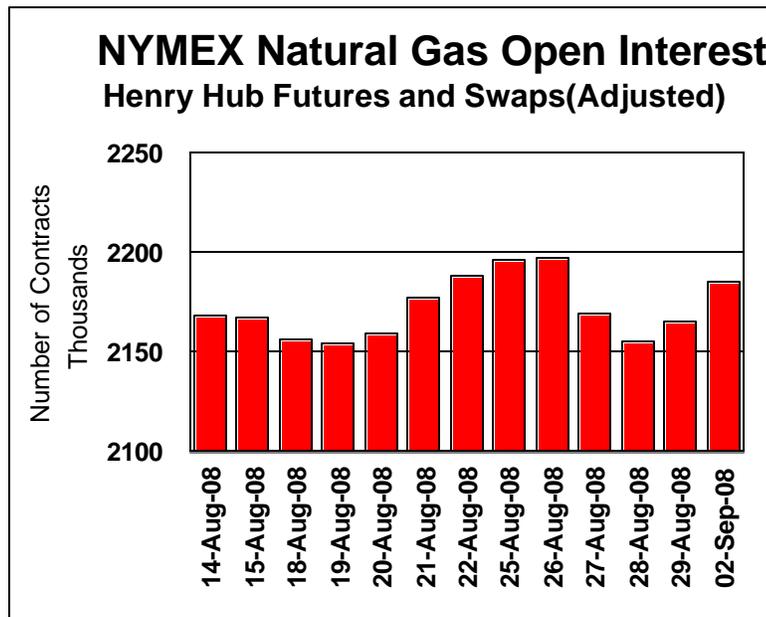
ELECTRIC MARKET NEWS

Entergy reported that still some 814,000 customers in its service territory in Louisiana, Arkansas and Mississippi remained without power Wednesday morning. The storm at one point had knocked out service out to some 1.4 million customers. Later in the afternoon the company reported that officials were able to restore two large transmission lines overnight that allowed the utility to reconnect New Orleans to the state wide power grid .But the company noted that many transmission towers were damaged by the hurricane’s wind and tornadoes in the region and as a result rebuilding of these towers could take weeks.

The New York State Public Service Commission voted to approve Iberdrola’s proposed take over Energy East Corp, but noted that Iberdrola would have to have Energy East divest its fossil fuel generation. Other conditions for the commissions approval require \$275 million in rate reductions or adjustments and requiring Energy East’s utility to maintain their current levels of capital investment. Finally the company would also have to double the \$100 million it has committed to set side for investment in wind power. Iberdrola said it was studying the conditions and said a decision on the deal would be made early next week.

PSEG Power said it would add about 130 Mw of peaking generation at its new haven, CT power plant.

The plant is an oil/natural gas fired generating unit.



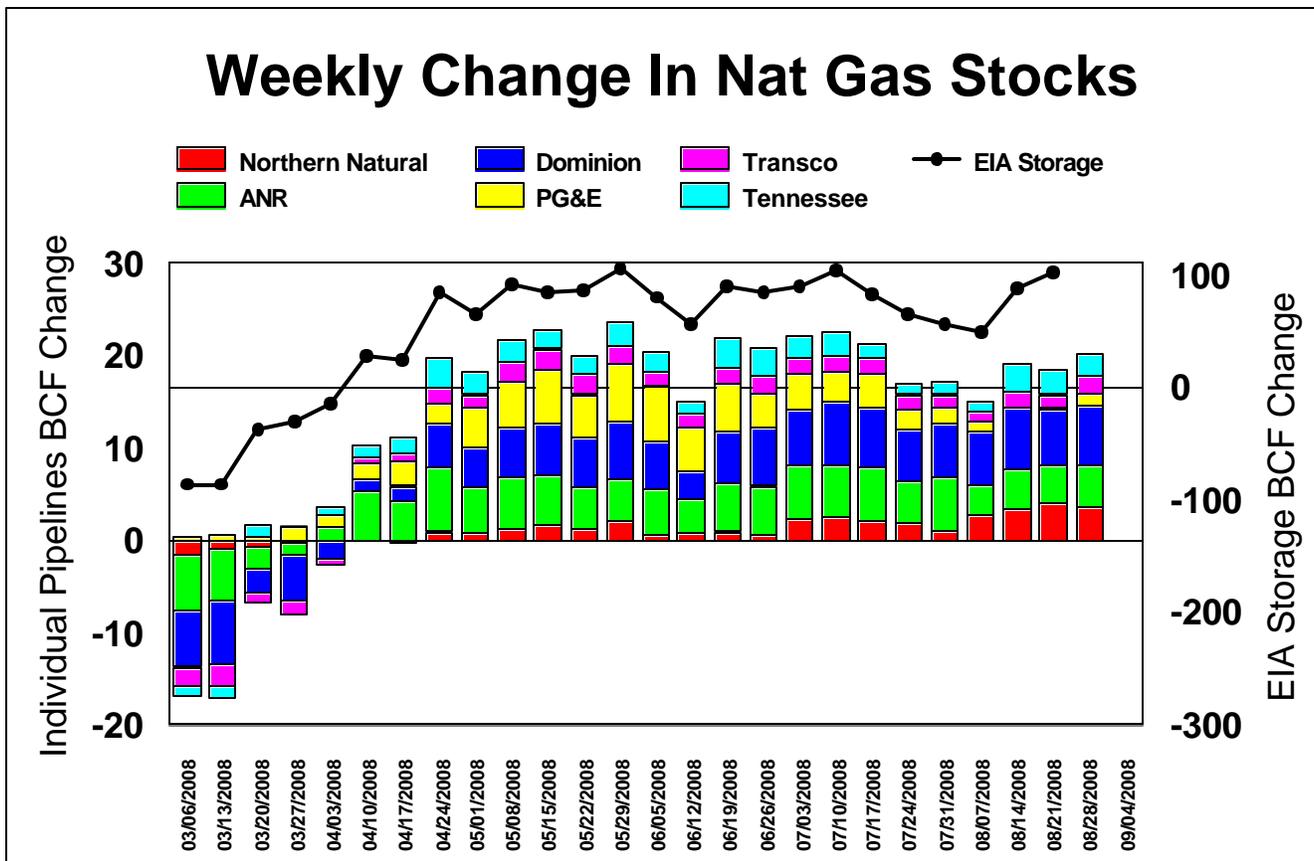
Exelon Corporation asked the NRC for a license to build and operate two nuclear power units in South Texas, near Victoria Texas. The units would have a combined capacity of 3000 Mw. A NRC decision is not expected until 2012.

MARKET COMMENTARY

The natural gas market started the day on the defensive as bears challenged the \$7.00 price level several times this morning but failing to break through this psychological level allowed prices to rebound at midday, helped in part by some comments from Baker Hughes that the damage by Hurricane Gustav could end up being close to Katrina. While

there were no other industry comments to support this statement it seemed to have its momentary impact to prompt some short covering. By the end of the day, prices actually settled higher for the first time since August 27th. Volume today was nearly identical to yesterday as 172,371 futures were booked as the smaller size penultimate and Henry Hub swap contracts posting 53,643 and 264,621 lots respectively. But unlike yesterday where the fourth quarter contracts were the full focus of trading, today saw good interest in the 2009 months as well as the 2010 contract months. The 2010 calendar months saw more than double their volume from the prior trading session.

Open interest posted its second strong daily gain, growing by over 20,000 contracts on a combined adjusted basis between the futures swap contracts basis Henry Hub. Unlike Friday's trading activity where it was the 2009 contracts leading the way in new positions, Tuesday's trading activity saw the fourth quarter accounting nearly 75% of the gains while the 2009 contract months accounted for much



of the remainder growth in open interest.

Market expectations for this week's EIA natural gas storage report is for an 88 bcf build in stocks. For the same week a year ago stocks rose an adjusted 38 bcf, while the five year average gain is 59 bcf.. Our model is calling for an 84-85 bcf build but it has been understating the actual injection rate for the past couple of reports.

The price action and direction of this market has become even more opaque with the news of yet another major hedge fund exiting the market place over the last couple of weeks, and rumors of yet another possibly liquidating positions today. But we continue to look for this market searching for a near term bottom and we continue to feel that this market will hold in the \$6.83-\$7.00 price support level. To start the day we see minor support tomorrow at \$7.095 as well. Resistance we see at \$7.367, \$7.469 and \$7.639, with more significant resistance at \$7.735, \$7.954 and \$8.173. While Hurricane Ike continues to meander westward as it strengthens we feel that with the poor price lift that Gustav provided this market on a relatively direct hit to production areas, Ike would have to enter the Gulf at a category 5 storm we feel to really prompt a start of a bull run.