



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 4, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center continued to watch the progress of Hurricane Ike as it moves basically westward. The storm this morning strengthened and winds reached 145 MPH making it a Category 4 hurricane. The vast majority of the long range forecasting models show that this storm is not heading towards the Gulf of Mexico but will begin to curve northward next week. The European model has probably the most westwardly track, taking the storm up along the east coast of Florida next week, with the GFS model taking the most easterly track calling for the storm to remain offshore and never makes landfall on the U.S. mainland. The Canadian model which falls in between these two forecasting models takes the storm northward and following the U.S. east coast next week.

Generator Problems

SERC – Progress Energy said it is preparing its 938 Mw Brunswick #1 nuclear unit to re-synchronize to the grid. The unit was at 20% capacity.

According to the NRC some 92,525 Mw of generating capacity was in operation in the U.S. this morning, some 1% less than yesterday, and 2% less than the same day a year ago.

The U.S. Minerals Management Service reported this afternoon that U.S. offshore production in the Gulf of Mexico made only small progress in returning to service. The agency reported that still there was some 1.2 million barrels of crude oil production off line, down only 7,541 barrels from yesterday's total. Natural gas production is still shown little gains this week, as some 6.477 bcf/d of production was off line 300 Mmcf/d less than yesterday. To date Hurricane Gustav has shut in nearly 40 bcf.

EIA Weekly Report

	08/29/2008	08/22/2008	Net chg	Last Year
Producing Region	793	777	16	903
Consuming East	1676	1609	67	1685
Consuming West	378	371	7	407
Total US	2847	2757	90	2995

*storage figures in Bcf

Sabine Pipe Line reported that it has lifted its force majeure declaration for certain natural gas delivery points at Henry Hub and the Sabine pipeline in Louisiana and Texas. A force majeure remains in effect for Florida/Kaplan, Tennessee/Lake Arthur and Transco/Kaplan delivery points in Louisiana.

The company reported that the hub lost power following the storm and has been using a generator for gas compression and as a result compression at the hub remained limited.

The CFTC Thursday filed and settled charges against Sempra Energy trading for falsifying information on trading cards with respect to natural gas futures trades on the NYMEX and ordered Sempra to pay a civil penalty of \$175,000.

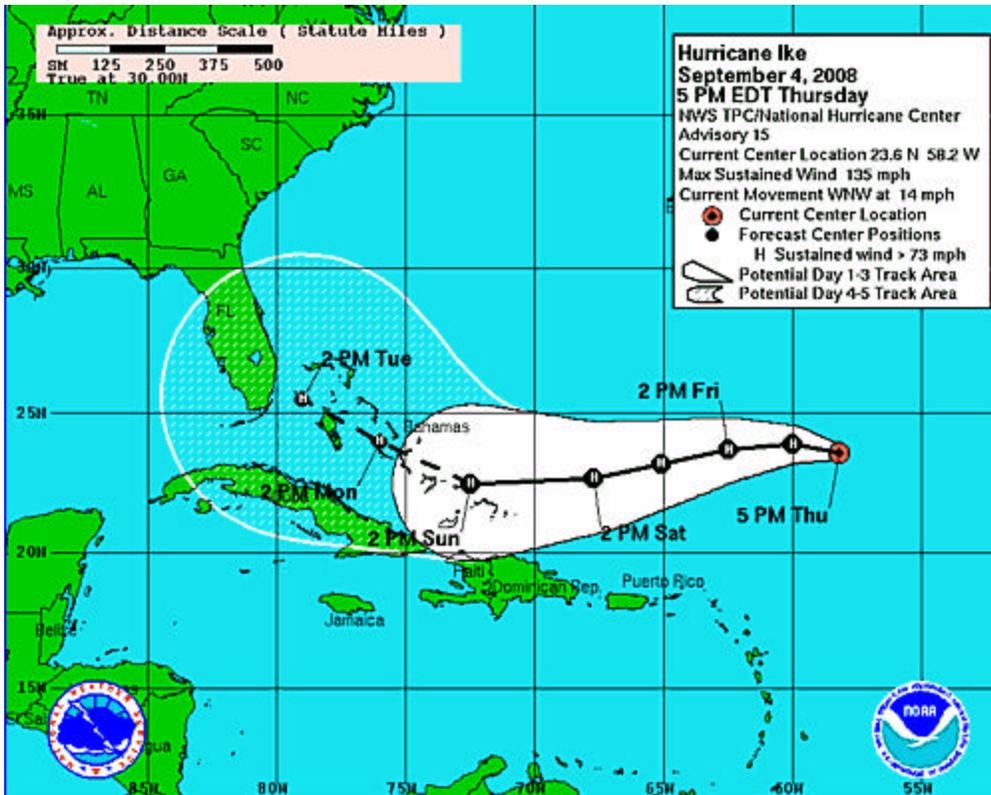
Canadian Gas Association

Weekly Storage Report

	29-Aug-08	22-Aug-08	31-Aug-07
East	196.7	189.6	213.8
West	298.3	287.0	317.2
Total	495.0	476.5	531.0

storage figures are in Bcf

The Wall Street Journal reported that the US Commodity Futures Trading Commission is investigating whether companies are reporting false oil inventory levels to benefit their trading positions. The commission is concerned that companies may have tried to manipulate short term



pricing on oil markets through physical oil sales and purchases. The CFTC probe is part of the larger investigation the commission launched last December into possible manipulation of the market. Among the periods it is examining, is July 2007, when there was a quick shift in the structure of the oil markets. Oil for near term delivery had been selling at a discount to oil to be delivered months and years into the future however oil for immediate delivery became much more expensive when an oversupply of oil at the

Cushing, Oklahoma hub was quickly depleted.

PIPELINE RESTRICTIONS

Marathon Oil reported that its Ewing Bank Block 873 platform A in the Gulf of Mexico sustained minimal damage during this week's hurricane. Production remains shut at the platform and at the South Pass platform C. the platform's gross current production has averaged 10.5 Mcf/d Further inspections are ongoing. The South Pass has been down since July 31st due to a mechanical problem.

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	935,000	\$7.240	(\$0.019)	\$0.156	\$0.135	(\$0.488)
Chicago City Gate	474,300	\$6.849	(\$0.022)	(\$0.235)	\$0.065	(\$0.151)
NGPL- TX/OK	955,100	\$6.624	(\$0.008)	(\$0.460)	\$0.079	(\$0.388)
SoCal	1,047,000	\$6.380	\$0.076	(\$0.704)	\$0.163	(\$0.808)
PG&E Citygate	1,176,600	\$6.718	(\$0.008)	(\$0.366)	\$0.079	(\$0.328)
Dominion-South	436,300	\$7.533	(\$0.155)	\$0.449	(\$0.068)	\$0.499
USTRade Weighted	18,346,500	\$6.582	\$0.048	(\$0.502)	\$0.13	(\$0.488)

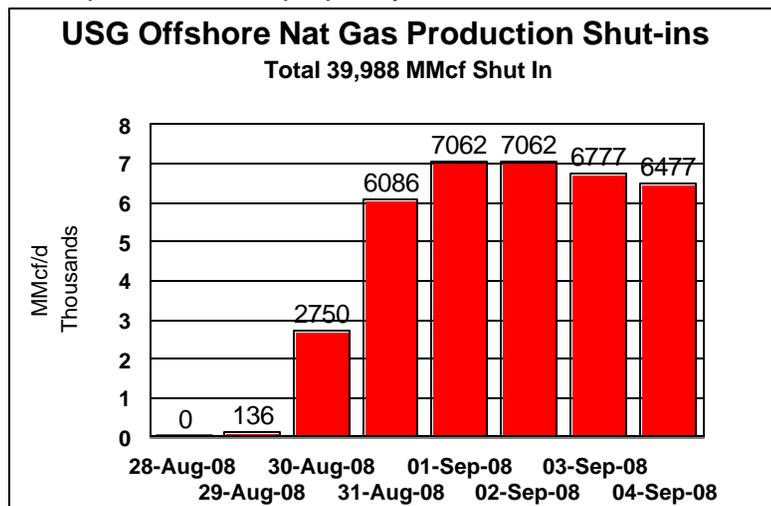
Transco said it is still not accepting nominations from offshore receipt locations in its central Louisiana lateral or receipts upstream of Station 62 on the Southeast Louisiana lateral

in the wake of Hurricane Gustav.

The Chandeleur pipeline system, which extends from production areas offshore of Louisiana and Mississippi to onshore delivery points at Pascagoula, MS has seen its force majeure lifted.

Shell confirmed that it has redeployed over 200 personnel to most of its production and drilling platforms in the Gulf of Mexico. Power and communications at these locations was either on or

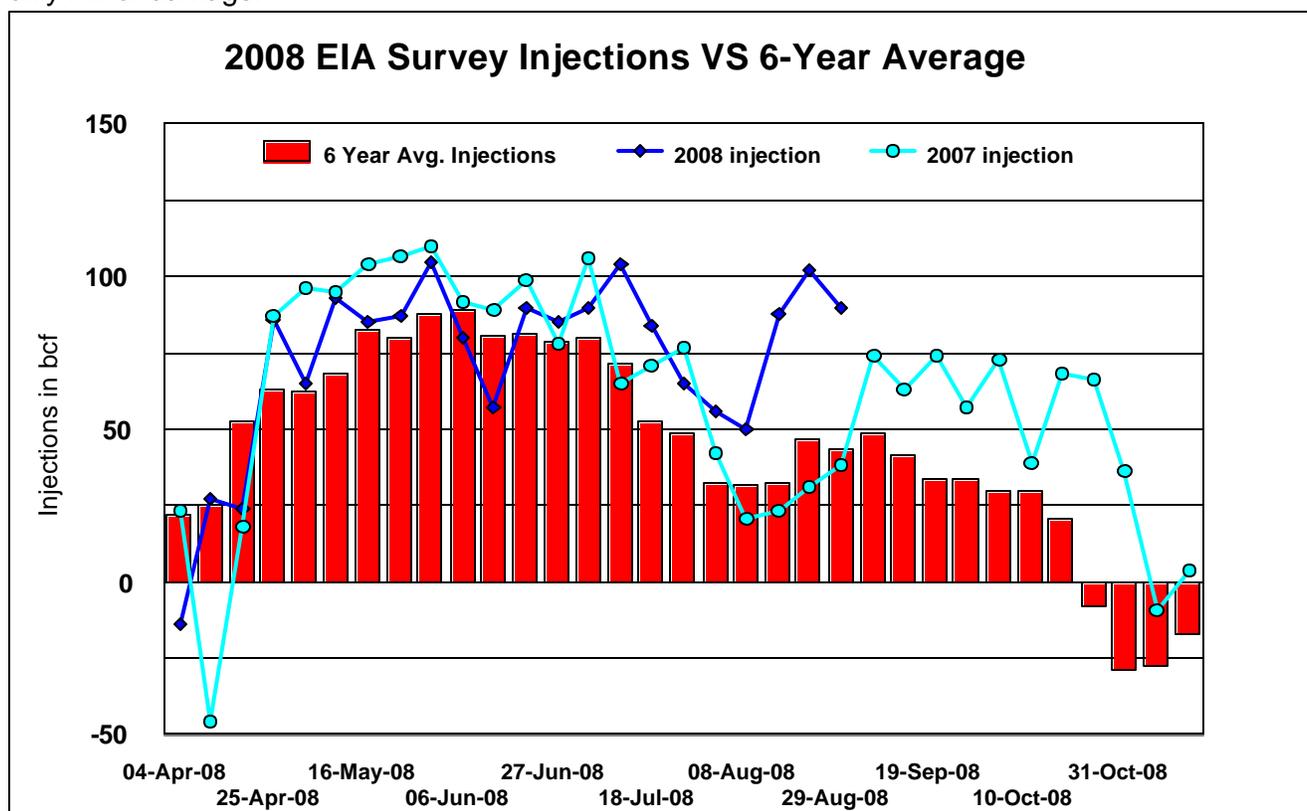
restored on Wednesday. Any production assets not manned today will receive crews today. Complete GOM production ramp up may take a total of three to five days, assuming no issues with downstream infrastructure.



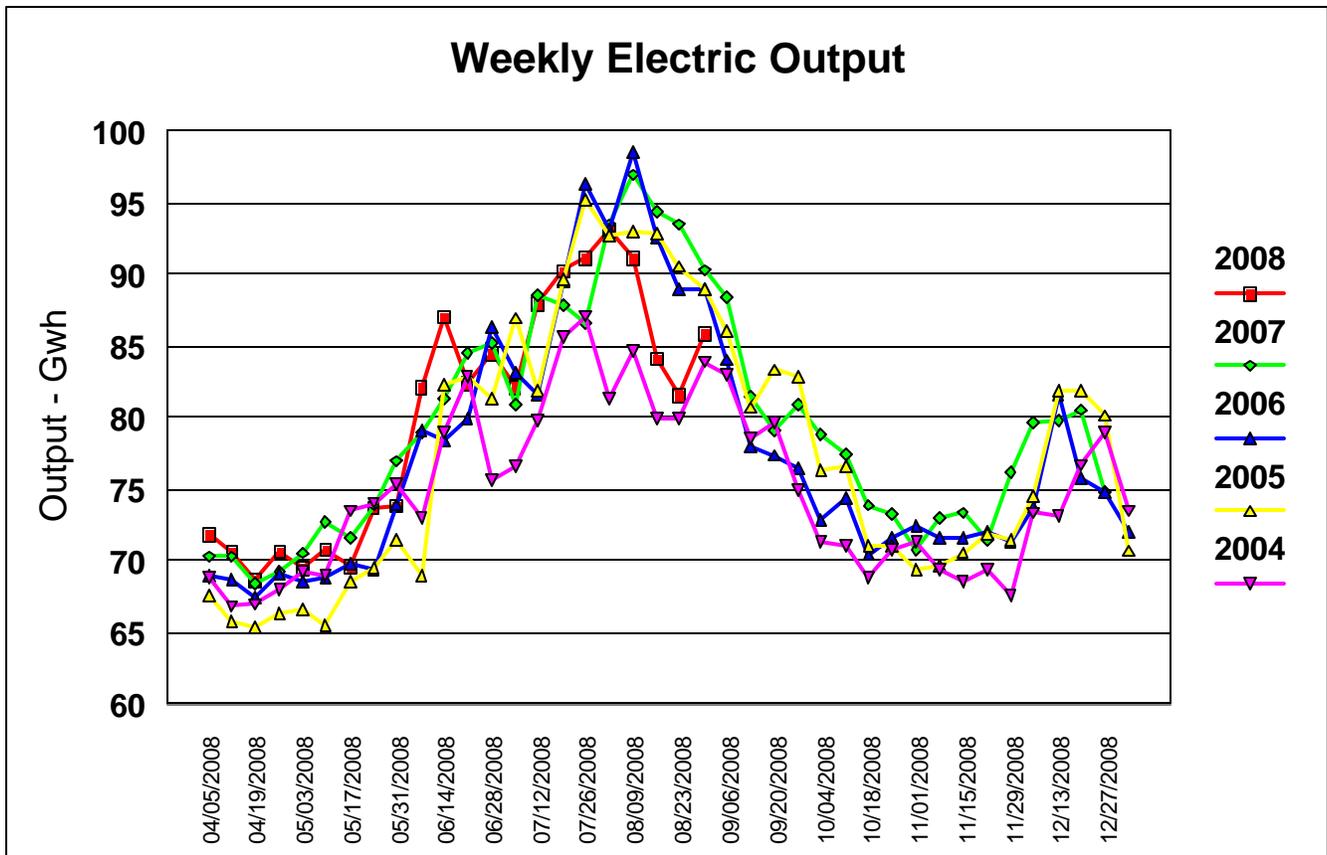
ExxonMobil said it was continuing to return crews to its oil and gas platforms in the Gulf of Mexico. They noted that some of their production has been restored. They noted that no significant damage has been found.

Sonat said that beginning today approximately 80,000 Mcf/d of cumulative supply will return from the Trunkline Shadyside, ANR Shadyside and Sabine points.

Anadarko Petroleum said today that its oil and natural gas platforms in the eastern and east-central USG remain shut as the company continues to assess damage from Hurricane Gustav. The company said that early inspections of the Constitution, Independence Hub, Marco Polo and Neptune platforms showed that they had sustained only minor damage.



Destin Pipeline said today that its initial assessments of its offshore facilities showed no significant damage from Hurricane Gustav, however, due to power outages effecting downstream products pipeline it remained unable to accept gas from offshore points.



PIPELINE MAINTENANCE

Sonat said it was delaying an integrity project that had been scheduled to be done on one of the lines between Elba Island and Port Wentworth in Savannah, Georgia beginning in mid September due to Tropical Storm Hanna's approaching landfall on the southeast coast. The project is now scheduled for September 22nd and is expected to take 7-10 days to complete.

NGPL said it is delaying planned hot taps work on its OE line near Station 156 (located in Kiowa county Oklahoma)

Panhandle Eastern Pipeline said it will delay a planned maintenance outage on the Montezuma 200 line between Montezuma and Zionsville stations until September 9th. Expected duration of the outage is 48 days. Capacity through Dana during the work until September 15th will be limited to 1270 MMcf/d, afterwards it will grow to 1350 Mmcf/d.

ELECTRIC MARKET NEWS

The U.S. Department of Energy said today that it might take Entergy several weeks to complete repairs to its electric system. Entergy reported this morning that overnight it had restored power to 54,000 customers, but some 622,000 of its Louisiana customers remain without power. At the peak of the disruption there was some 850,000 customers off line. Cleco reported that 129,000 of its Louisiana customers were still without power, down from 155,000 on Wednesday evening.

Duke Energy said it is seeking bids from solar power companies to supply solar panels, electrical equipment and installation services for the utility's proposed \$100 million North Carolina solar plan.

Starting in 2009 the company wants to install photovoltaic solar panels at 850 locations in the state. The program is seeking to generate a combine 16 Mw.

The Edison Electric Institute reported today that for the week ending August 30th power production in the United States totaled 85,889 Gwh, up 5.3% from the prior week but some 5.1% less than the same week a year ago. For the first 35 week of this year power production has been running on average 0.4% less than the same time a year ago.

The Florida Public Service Commission approved FPL's plan to add new natural gas fired generation at three existing plant sites The three units will produce a combined 3600 Mw of power beginning in 2011.

MARKET COMMENTARY

The natural gas market today made its third attempt over the last two days to breach the \$7.00 price level, as the market reacted bearishly to this morning's EIA Storage Report, but failed once again. The market though received a late day boost from the MMS report showing that producers were still struggling to return shut-in production. Despite having this news for only the last 10 minutes of trading prices were still able to rebound and settle higher for the second straight trading session. The March-April spread also has settled higher for the second straight trading session as it also has been building a floor here over the last three trading sessions at the 17-18 cent level.

We continue to feel that the slow return of offshore production will help to stabilize this market allow it to build a base of support over the next few trading sessions. We would look for the march April spread to hold here and look to rally back to at least the 40-50 cent level over the coming week. Outright we continue to see the October contract finding support from \$7.00 to \$6.83, with closer support at \$7.11. Resistance we see at \$7.39, followed by \$7.45, \$7.577, \$7.732, \$7.791 and \$7.952. More distant resistance we see at \$8.171 and \$8.32.