



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 5, 2008

NATURAL GAS MARKET NEWS

The National hurricane center continued to watch the advancement of Hurricane Ike as it moved westward. The NHC mid morning update showed a revision in its five day projected path, moving towards a more southwesterly direction and as a result now was looking for the storm to move through the Florida keys as a Category 4 hurricane and then moving into the eastern Gulf of Mexico before it moves up along the western coast of Florida. By 5 PM the NHC had adjusted the path of the storm even further westward into the Gulf of Mexico. In addition while the NHC was watching an area of disturbed tropical weather in the central Atlantic last night by midday the NHC saw no threat developing from this area and as a result once Hurricane Ike clears the scene the threats to the Gulf of Mexico could see a 2-3 week lull.

Generator Problems

NPCC – OPG's 535 Mw Lennox #1 oil and gas power unit was shut on Thursday

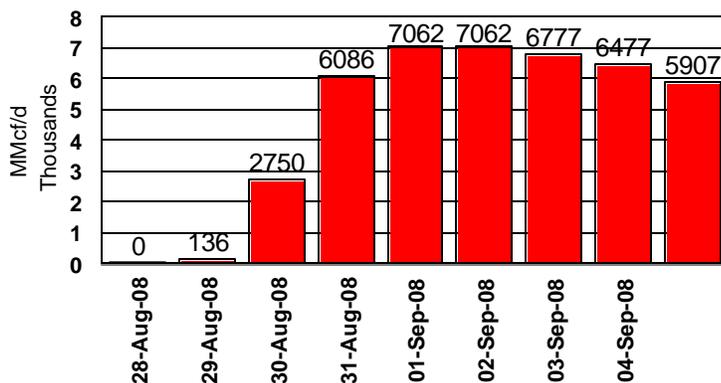
SERC – Progress Energy's 938 Mw Brunswick #1 nuclear unit was at 50% capacity this morning, up 30% from yesterday.

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.

FEMA officials Friday afternoon warned that Hurricane Ike may be on course toward a potentially dangerous route into the Gulf of Mexico.

USG Offshore Nat Gas Production Shut-ins

Total 45.9 Bcf Shut In



The U.S. Mineral Management Service reported this afternoon that offshore oil and gas production in the Gulf of Mexico continue to slowly return operations to normal. Based on data as of midday some 54% of the production platforms have seen crews return, but 90.5% of the oil production and 79.8% of the natural gas production continues to be shut in. For natural gas with 5.9 bcf of offshore natural gas production still shut in today the cumulative total of production lost from Hurricane Gustav reached 45.9 bcf

Equitable Midstream has launched an open season for expansion of its gathering and transportation systems within the Marcellus fairway from south-central West Virginia to Northwestern Pennsylvania.

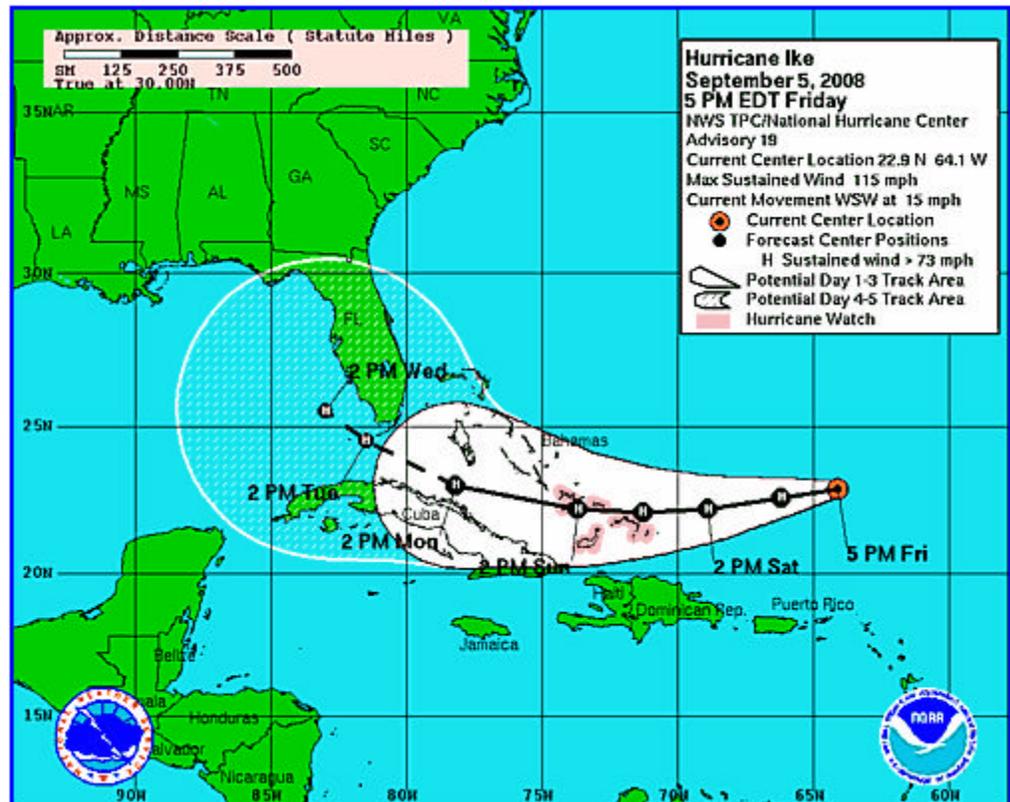
Canada's National energy Board approved Repsol Energy's request for a 25-year license to import LNG at the Canaport LNG Terminal at Mispic Point, near St. John New Brunswick. The company also received approval for a separate application to export regasified LNG to the U.S. Northeast.

The North Sea Britannia gas field was expected to resume output late on Friday after an unplanned shutdown earlier Friday morning. The field produces some 12.5 million cubic meters of gas per day.

PIPELINE RESTRICTIONS

ConocoPhillips said today that it is still in the process of bringing production fields back online in its South Louisiana asset area. The company's Magnolia offshore platform did not encounter any significant damage from the storm, but production remains shut in.

ANR said a force majeure remains in effect on its system until all facilities have been inspected and brought back into service. The company



said that it is increasing its flowing capacity in the Eunice to Patterson area from 50,000 Dth/d to 300,000 Dth/d due to increases in gas supply from ANRPL's western leg of the Southeast Area system as well as those ANR facilities that have been inspected and returned to service. The company is still

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	1,024,600	\$7.396	\$0.156	\$0.091	(\$0.048)	(\$0.578)
Chicago City Gate	529,200	\$7.057	\$0.208	(\$0.248)	(\$0.013)	(\$0.262)
NGPL- TX/OK	939,200	\$6.814	\$0.190	(\$0.491)	(\$0.031)	(\$0.501)
SoCal	726,800	\$6.412	\$0.032	(\$0.893)	(\$0.189)	(\$0.879)
PG&E Citygate	897,800	\$6.976	\$0.258	(\$0.329)	\$0.037	(\$0.402)
Dominion-South	430,800	\$7.606	\$0.073	\$0.301	(\$0.148)	\$0.407
UTrade Weighted	17,085,900	\$6.755	\$0.173	(\$0.550)	(\$0.05)	(\$0.578)

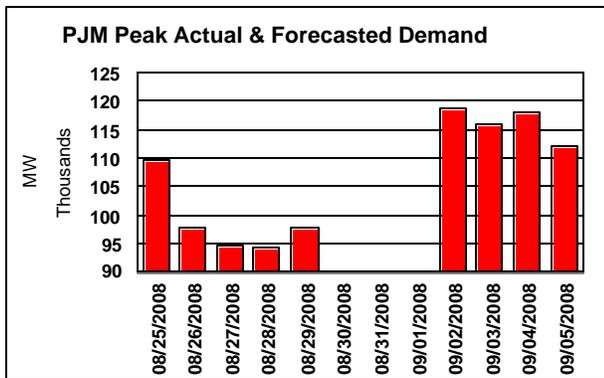
not accepting any nominations upstream of the Patterson compressor station and will continue to monitor the inspections of the Pelican and Calumet processing plants

upstream of the Patterson location.

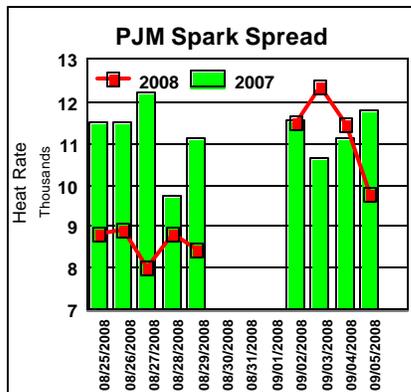
Enbridge Offshore Pipelines said that the Nautilus and Manta Ray offshore natural gas pipelines, shut in earlier this week may return to operation this weekend. The UTOS and Stingray pipelines returned

to operation on Thursday, leaving the Nautilus, Manta Ray, Garden Banks and Mississippi Canyon lines still shut in. No restart date is projected for the Mississippi Canyon and Garden Banks lines.

Trunkline Gas Company said that it has lifted the force majeure in place on its system since August 31st. The company said it Kaplan compressor station is operational and backflow capacity is 250,000



Dth. The company noted the Calumet Processing Plant and the Patterson II Plant are still without commercial power.

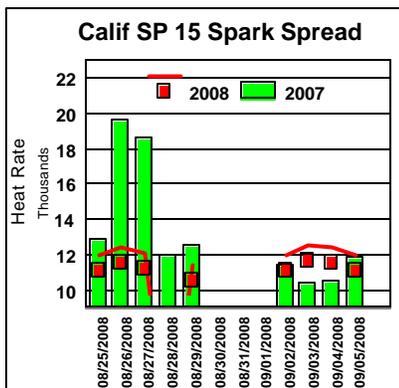


Sonat said supply losses following Hurricane Gustav are currently

600,000 Mcf/d down from the peak of 960,000 Mcf/d and 800,000 Mcf/d late Thursday.

Transco said it is currently accepting nominations from offshore receipt locations on its Central Louisiana lateral. The company noted though that it still is not accepting receipts upstream of Station 62 on the Southwest Louisiana lateral.

FGT said it has issued an Overage Alert for today with a 25% tolerance due to weather condition as across its market area.



Sea Robin Pipeline said that Hess Sea Robin Gas Processing Plant has sustained only minor cosmetic damage from last week's storm and related repairs have been completed.

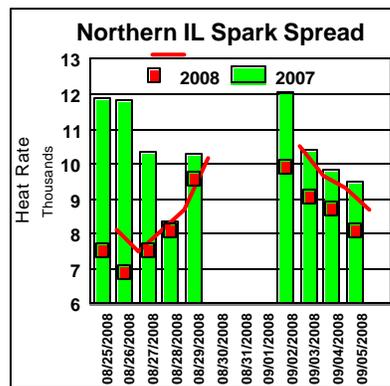
Shell said late Thursday that it has restarted natural gas production from its Fairway field in the Gulf of Mexico. The company reported that repairs are underway at the Mars, West Delta 143 and Cognac platforms and start up production at these platforms is expected sometime next week.

Swift Energy Company said its Louisiana based Bay de Chene field had sustained structural and production equipment damage due to Hurricane Gustav. The company noted that some of its other facilities had sustained minimal damage as well

PIPELINE MAINTENANCE

Gulf South Pipeline said it has extended planned maintenance on the Goodrich compressor station #6 unit until September 30th. The maintenance originally had been expected to be completed by mid September. During the work capacity through the Goodrich compressor station could be reduced by as much as 50,000 Dth.

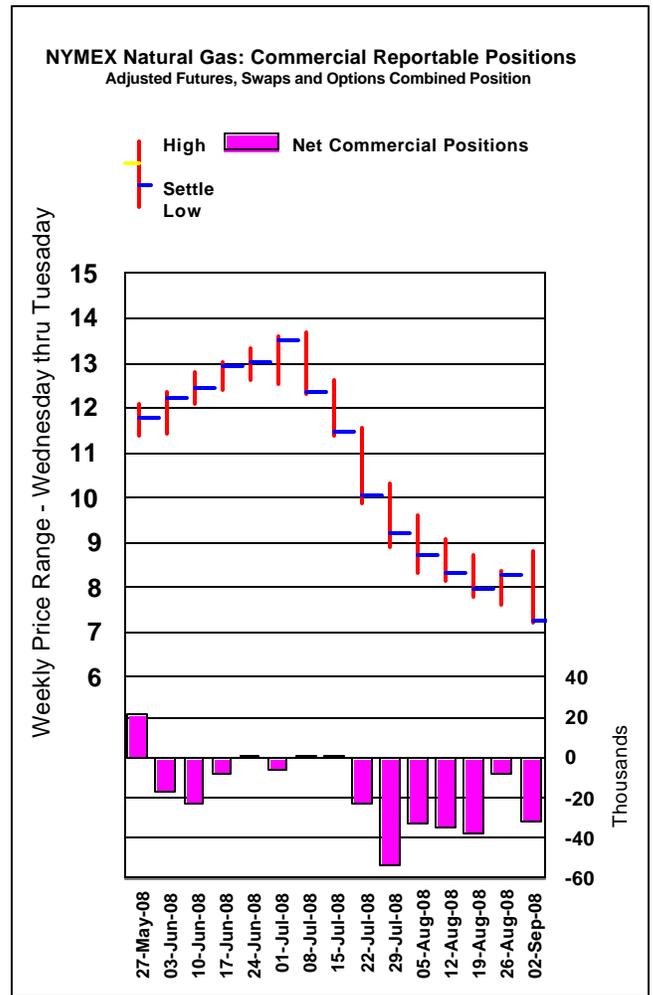
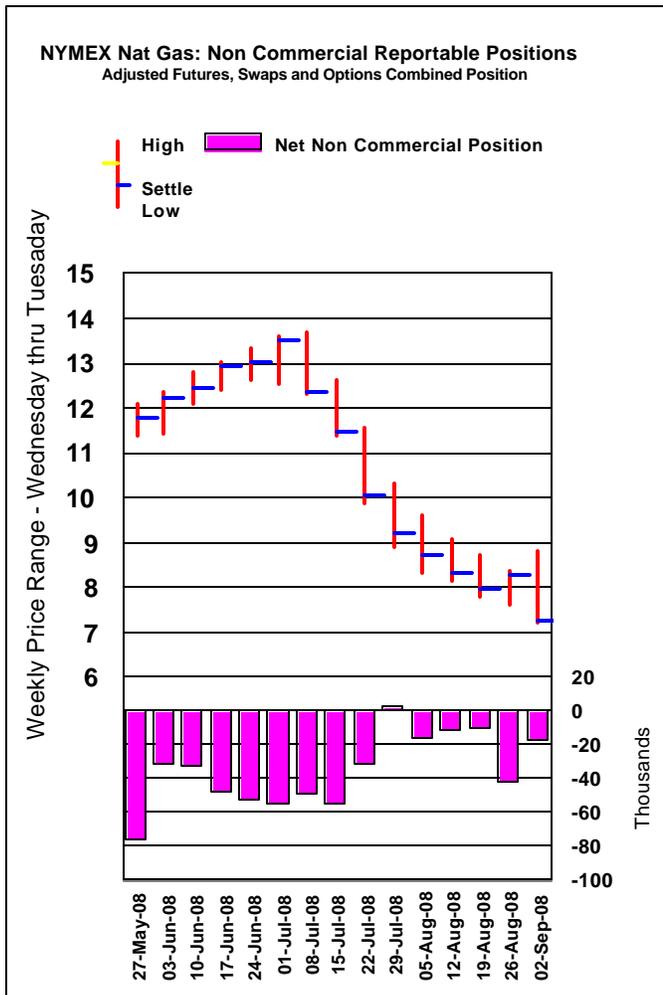
Rockies Express Pipeline said that effective today and until further notice it is at capacity for delivered quantities of natural gas to NGPL



Jefferson and for quantities received from WIC Sitting Bull. Based on the current level of nominations, IT/AOR and secondary quantities are at risk of not being scheduled.

ELECTRIC MARKET NEWS

The EIA reported that for the week ending August 30th, U.S. coal production reached 23.271 million tons, up 0.5% from the previous week and some 4.1% higher than the same week a year ago. Year to date production has been running 3.3% higher than a year ago.



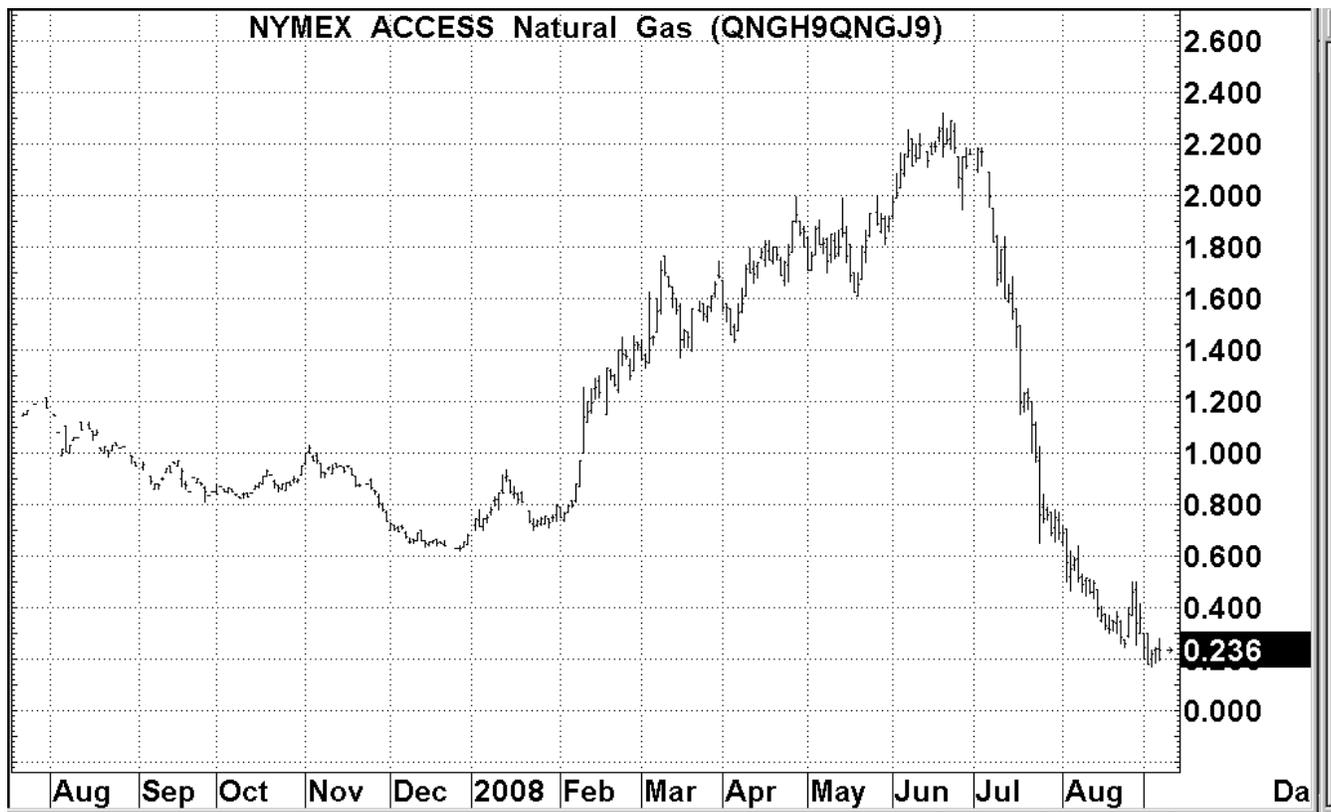
Entergy reported that more than 500,000 customers in its service area in Louisiana and Arkansas remained without power Friday morning. The company reported earlier that it expected to have restored power to 11 of 12 refineries and petrochemical plants affected by the storm.

The FERC late Thursday granted emergency waivers to Entergy Services for power sales between the Entergy operating companies and resale's of power purchased by one from the other to permit transaction between the companies for less than 1 month terms.

MARKET COMMENTARY

The natural gas market basically spent much of the trading session in positive territory as the slow return of natural gas production from the Gulf of Mexico kept the bears on the defensive as the production deficit continued to grow. According to today's MMS mid afternoon report some 5.9 bcf of

natural gas production or nearly 80% of total offshore production of natural gas assets remained shut in. As a result nearly 46 bcf of natural gas production has been lost from Hurricane Gustav and with the approach of Hurricane Ike over the weekend and the chances of this storm finding its way into the Gulf of Mexico growing this afternoon, even if it does not score a direct hit on the production facilities it could delay the return of shut in facilities or even shut in production assets once again, thus increasing the production losses and increasing the storage deficit to a year ago. As a result we would look for this market to continue to build its base of support both in the outright contracts and in the spreads, such as the March-April. Our points of support and resistance remain basically unchanged from last



nights report.

This weeks Commitment of Traders Report appears to show two different events happening. The non-commercial reportable traders net short position was reduced by 24,700 lots as a result of the storm, across the net adjusted combined futures, options and swaps positions. It appears the commercials were eager sellers increasing their net long position by 23,650 lots through the period ending Tuesday.