



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 8, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center continued to watch the progress of Hurricane Ike. The midday update seemed a bit supportive; as the storm had not been weakened as much as had been expected as it passed over Cuba. In addition long range forecasts continued to point to the storm heading toward the U.S. Gulf coast with the highest are at risk was from Freeport, Texas to Vermillion Bay, Louisiana. By the late afternoon though reports seemed to show that Ike had been significantly disrupted due to land interaction and winds had decreased to 70 knots or even possibly lower. While

Generator Problems

NPCC – OPG's 490 Mw coal fired Unit #1 at the Nanticoke power plant was shut for maintenance early Monday.

Bruce Power's 750 Mw Unit #4 and the 822 Mw Unit #6 at the Bruce A nuclear units were shut over the weekend for short term maintenance work.

MRO- Exelon's 867 Mw Dresden #2 nuclear unit dropped to 67% of power on Sunday, off 32% due to a problem with a condenser.

Xcel Energy's Monticello nuclear power plant was at 79% capacity this morning up from 55% over the weekend during maintenance work.

Exelon's 912 Mw Dresden #2 nuclear unit was reduced to 67% of capacity this morning. The unit on Friday was at 99% of power.

WECC – PG&E's 1087 Mw Diablo Canyon #2 nuclear unit has ramped output up to 97% of capacity this morning. The unit was offline on Friday.

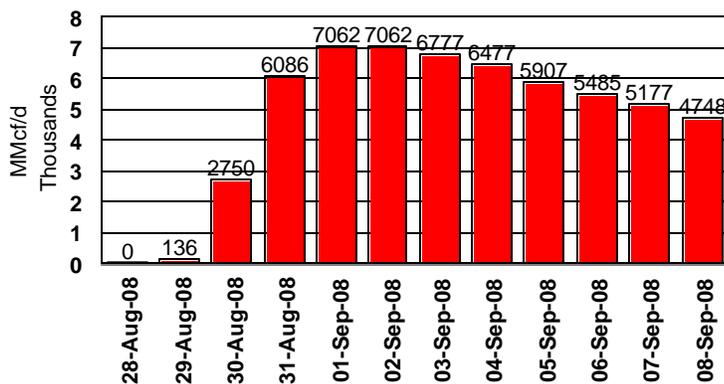
SERC – Southern's 876 Mw Hatch #1 nuclear unit was at 50% of capacity on Monday morning. The unit had been at full power on Monday.

Progress Energy's 937 Mw Brunswick #2 nuclear unit was back to full power this morning. The unit on Friday was at 73% of capacity.

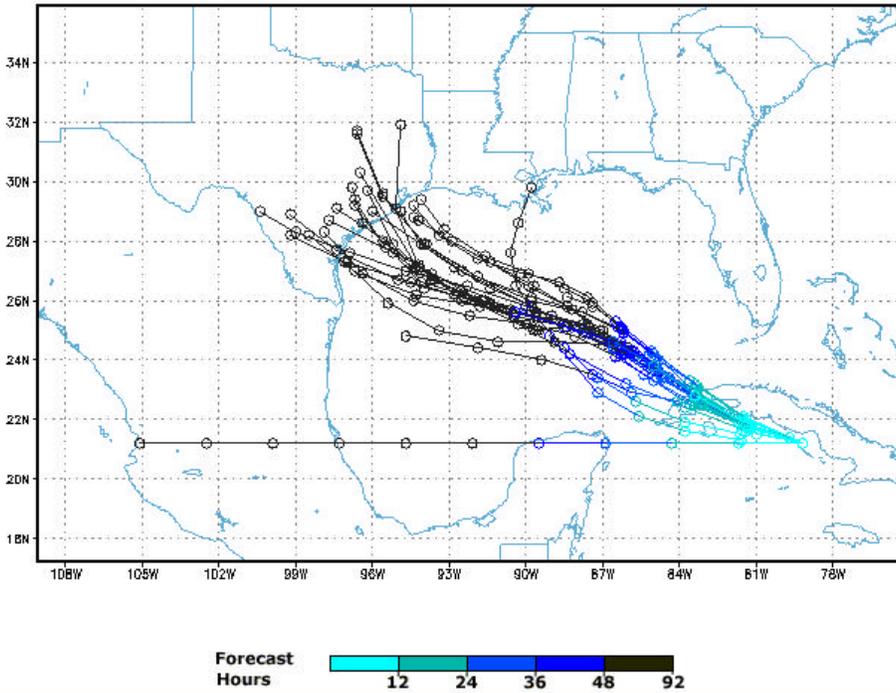
According to the NRC some 94,385 Mw of generating capacity was in operation in the U.S. this morning, some 0.5% more than Friday, and 2% more than the same day a year ago.

USG Offshore Nat Gas Production Shut-ins

Total 57,667 Bcf Shut In



some strengthening could occur over the next 24 hours before Ike moves back across the western tip of Cuba, it is not until the storm reaches the Gulf of Mexico, where conditions appear favorable will the storm strengthen significantly. But currently the National Hurricane Center looks for the storm only to reach 115 knots before landfall; while private forecasting service Accuweather was looking for the storm to reach Category 3 status by the time it reaches half way across the Gulf of Mexico.



The U.S. Minerals Management Service reported this afternoon that 79.4% of the crude oil production and 64.2% of the natural gas production in the Gulf of Mexico remained shut in. This equated to 4.748 bcf/d of natural gas production still off line, and resulted in the cumulative total of lost production from hurricane Gustav to be pegged at 57.667 bcf.

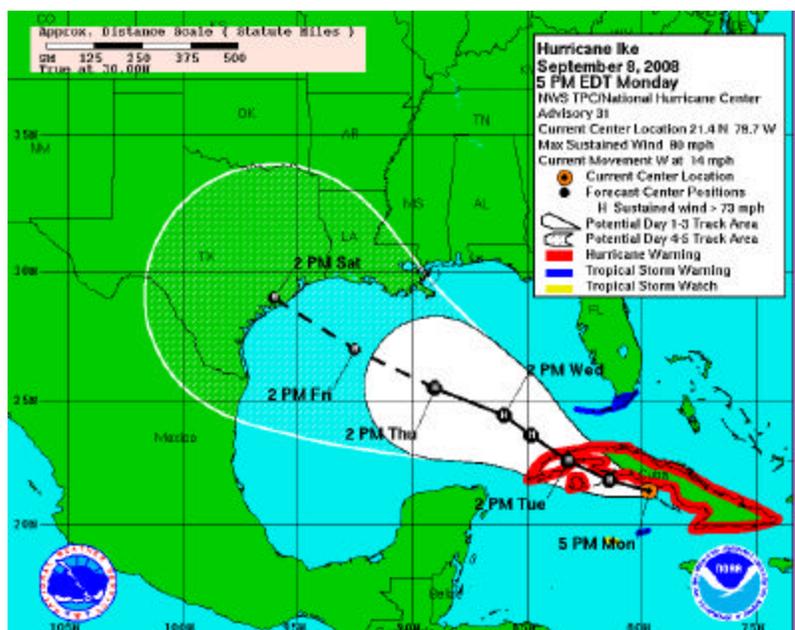
The FEMA assistant administrator for disaster operations said Hurricane Ike appeared headed towards Houston, but upper air currents and water currents could alter its landfall anywhere from

the Texas/Mexican border to Florida. He noted that energy companies in the Gulf are again evacuating platforms that are just being restarted after the passage of Hurricane Gustav, but they are trying to avert complete shutdowns and implement a scaled back alternative that would allow for quicker restarts. FEMA also noted that the electrical grid in Louisiana remained very fragile with temporary fixes there that could be completely erased if the storm heads for that area again.

Raymond James & Associates warned that with domestic natural gas production up 8% year on year and gas prices down by nearly 50% in just over two months, it was lowering its 4q2008 price forecast to \$7.50 per Mcf down from \$10.

National Fuel Gas Supply announced an open season to provide shippers with long-term contracts for firm storage capacity of up to 8.5 bcf/d that will become available after it completes an expansion. The expansion will be phased in over a two-year period, with the first phase available after April 1, 2011.

ConocoPhillips said it was confident that it would be able to find buyers for exports from a proposed Australian LNG project that plans to use coal seam gas as a feedstock, despite its lower calorific value. The company announced today that they were proceeding forward in a



joint venture with Origin Energy that would look to market LNG into the Asian marketplace. The group would look to develop up to 4 LNG trains each with a processing capacity of 3.5 million tons of LNG per year.

Korea Gas Corp, the world's biggest importer of LNG said today that its domestic sales of natural gas fell 14% in August as power producers switched to cheaper coal fired and nuclear generation.

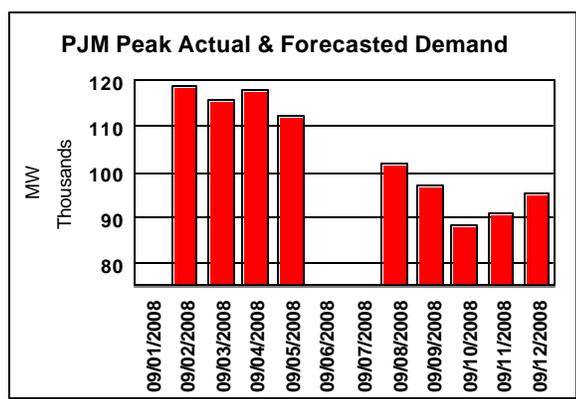
PIPELINE RESTRICTIONS

Marathon Oil Corporation reported that it began evacuating workers from its Ewing Bank A platform in the Gulf of Mexico due to the threat of Hurricane Ike. The platform has a daily production rate of 11,599 b/d of oil and 10.5 million cubic feet of gas per day. The company said that its other platforms located at South pass Block 86 has been shut since July 31st due to mechanical reasons.

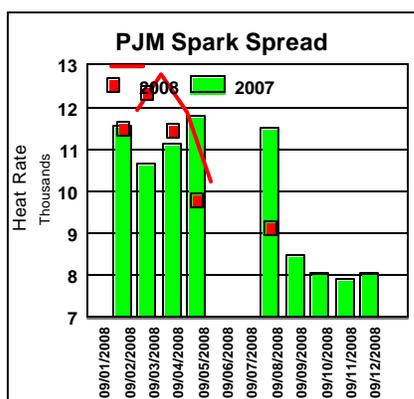
Shell reported that it has brought in about 150 workers from its offshore facilities in the Gulf of Mexico ahead of Hurricane Ike. Some 500 workers remain offshore. Shell said it had begun to bring some previously shut in production back online over the weekend and said it would continue to see minimal production from various facilities until they have to fully shut these facilities once again.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	787,400	\$7.681	\$0.285	\$0.156	\$0.136	(\$0.537)
Chicago City Gate	349,900	\$7.397	\$0.339	(\$0.128)	\$0.119	(\$0.232)
NGPL- TX/OK	535,900	\$7.199	\$0.385	(\$0.327)	\$0.165	(\$0.498)
SoCal	591,800	\$6.732	\$0.320	(\$0.793)	\$0.100	(\$0.816)
PG&E Citygate	809,900	\$7.108	\$0.132	(\$0.417)	(\$0.088)	(\$0.373)
Dominion-South	278,100	\$7.888	\$0.282	\$0.363	\$0.062	\$0.440
USTrade Weighted	13,596,100	\$7.112	\$0.356	(\$0.413)	\$0.14	(\$0.537)

Anadarko said it anticipates removing non-essential personnel from its Gulf of Mexico operations through Tuesday. The company did report that it had restored production at its Boomvang, Gunnison, Nansen, Constitution and Marco Polo platforms. The Independence Hub and Neptune platforms remained shut in pending localized, minor surface repairs and availability of pipelines and infrastructure.



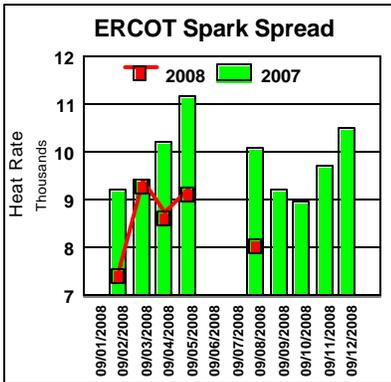
BP's Destin Pipeline said that due to Hurricane Ike, force majeure remained in effect for offshore Gulf of Mexico receipt points until further notice. Its onshore receipt and delivery points remained in operation.



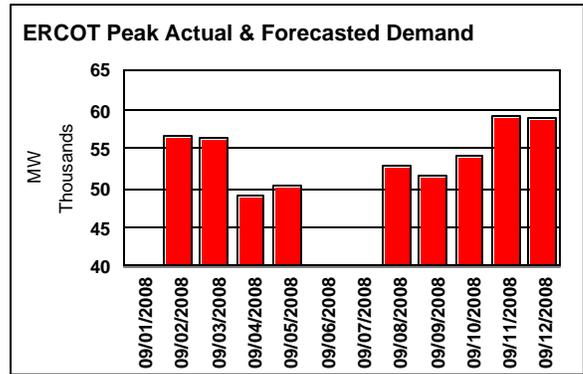
FGT issued an Overage Alert Day for today with a 20% tolerance on fears that hurricane Ike may bring severe conditions and its line pack was lower.

PIPELINE MAINTENACE

Gulf South Pipeline said it is performing scheduled maintenance on its facilities at the Rock Springs interconnect with Transco beginning September 9th and continuing for approximately seven days. The company did not expect the work to affect to customer volumes. The company also reported it will be doing unscheduled work on the Airport Compressor Station, which just returned to service on Sunday. The company also reported that its Montpelier Compressor Station was unavailable at this time due to the loss of power from the affects of Hurricane Gustav.



Alliance Pipeline reported that it would be conducting maintenance work this week at the Wimbledon Compression Station on September 9th. It also would be doing work on its Kerrobert Compression Station



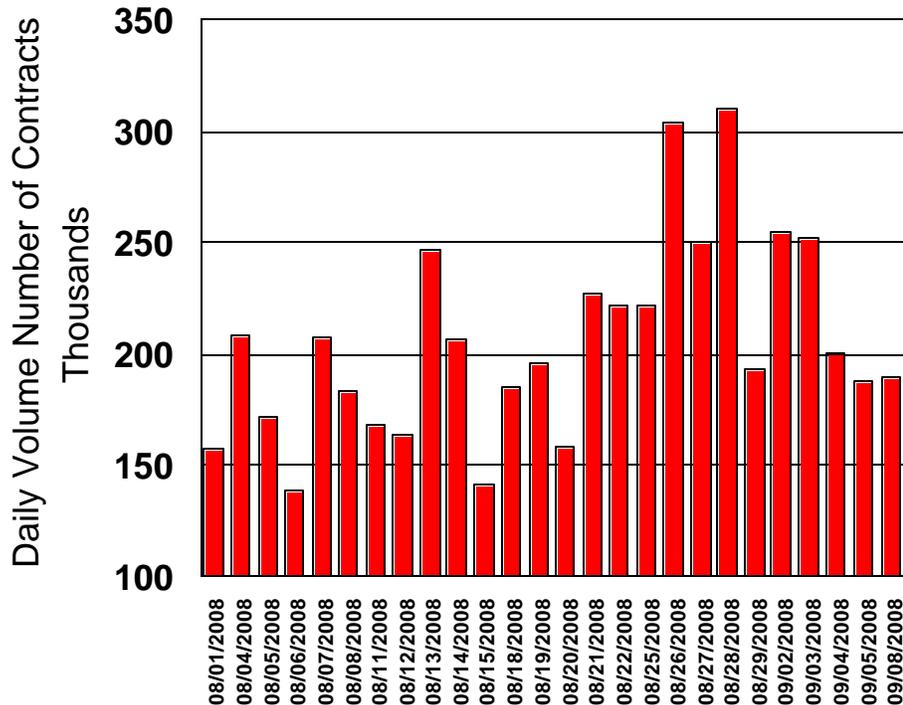
for 24 hours on September 9^h. System throughput (AOS) will be affected and will be determined closer to the outage date. Scheduled maintenance will be done on the AB 21 Teepee Creek Lateral Meter/Compression Station on September 10th and lasting for 10 hours. Station capacity will be reduced to 738 e3m3/day. Also work is scheduled for the Irma Compression Station will be offline on September 11th for 6 hours. Finally work scheduled will require the AB 30 Gold Creek Lateral Meter/Compressor Station for September 11th will last for 12 hours and will reduce station capacity to 600 e3m3/d.

ELECTRIC MARKET NEWS

Entergy reported this morning it still had some 180,000 customers without power in the wake of Hurricane Gustav. The utility expected to have its remaining customers' service restored by the end of the week. The company reported that it had restored power to all 12 of the oil and petrochemical companies affected by the storm.

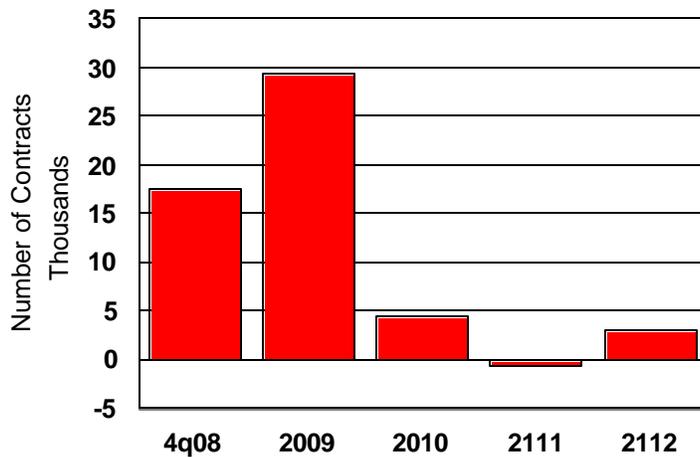
Genscape reported this morning that for the week ending September 4th, U.S. power output dropped

NYMEX Natural Gas Futures and Swaps: Henry Hub Combined Adjusted Volume



NYMEX Natural Gas Open Interest Henry Hub Futures and Swaps(Adjusted)

9/5/08 Change From One Week Earlier



by 1.46% from the previous week and was 2.16% less than the same week a year ago.

MARKET COMMENTARY

The natural gas market for the fourth consecutive trading session posted a higher settlement, an event that this market has not seen since July 1st a time when the bulls were firmly in control of this market and prices were at their pinnacle before the current two month bear market began. But while the future path of Hurricane Ike remains in doubt it appears that the cumulative effect of shut-ins this year in which 61.3 bcf has been lost versus just 14.787 bcf lost last year makes the probability of this year's injection season ending several hundred

bcf behind last year and the year before.

We look for the continued slow rebound in offshore production to continue to hold the natural gas market, even with the recent erosion in crude oil prices, on a relatively firm footing. We see support in the October contract tomorrow at \$7.438 followed by \$7.316, \$7.106, \$7.00, \$6.91 and \$6.83. Resistance we see at \$7.72-\$7.73 followed by \$7.916, \$7.952, \$8.126 and \$8.171. More distant support we see at \$8.412 and \$8.88.

With the slow rebound in natural gas production that we foresee with approach of Hurricane Ike we feel that this also should provide additional support for the March April spread and help push this back out to at least 45-50 cents.

U.S. Natural Gas Inventories

■ End of August
■ End of Injection Season
▲ March-April Spread Settle As of Sept 8th

