



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 10, 2008

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning was looking for Hurricane Ike to make landfall on the middle of the Texas Gulf Coast just north of Corpus Christi, basically unchanged from late yesterday's forecast. But this morning's view showed that intensity of the storm could be a little bit higher with Category 3 level winds of 115 mph or even higher by the time it makes landfall. Some models and other private weather forecasters were pointing at the storm had the potential to make land fall even further north and the NHC by late this afternoon was also agreeing with this northward drift in its track forecast. In addition the NHC was warning that this storm was continuing to intensify and that it could become a Category 4 storm in the next 48 hours and the width of its wind field was continuing to expand.

Generator Problems

MRO- Exelon's 912 Mw Dresden #2 nuclear unit was at 82% of capacity this morning down 16% from yesterday.

ERCOT – Luminant's 545 Mw Sandow #4 coal fired unit returned to service after a brief outage.

The STP Nuclear Operating South Texas nuclear units are being prepared to be taken off line some two hours before the expected arrival of hurricane force winds. The twin reactors provide 7.5% of the state's total power.

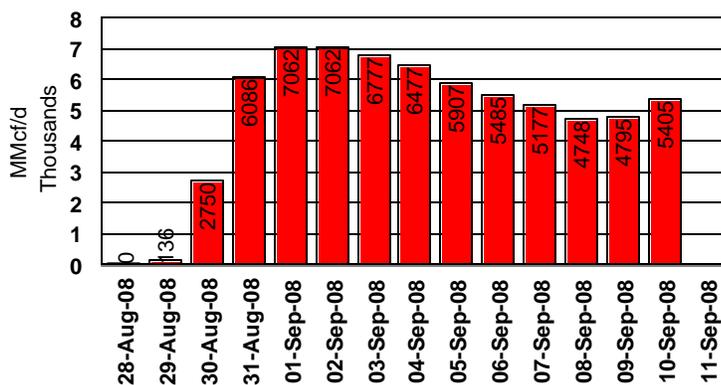
SPP – Entergy restarted its Waterford #3 nuclear today and expected to have it back to full power by the end of the day.

According to the NRC some 95,120 Mw of generating capacity was in operation in the U.S. this morning, some 0.1% more than Tuesday, and 2.4% more than the same day a year ago.

The U.S. Minerals Management Service reported at midday that offshore production of crude oil and natural gas fell to a trickle on Wednesday as companies were again shutting in their offshore production in the Gulf of Mexico in front of the approach of Hurricane Ike. The agency said that 95.9% of the Gulf's 1.3 million b/d crude oil production and 73.1% of its 7.4 bcf/d natural gas output was shut in.

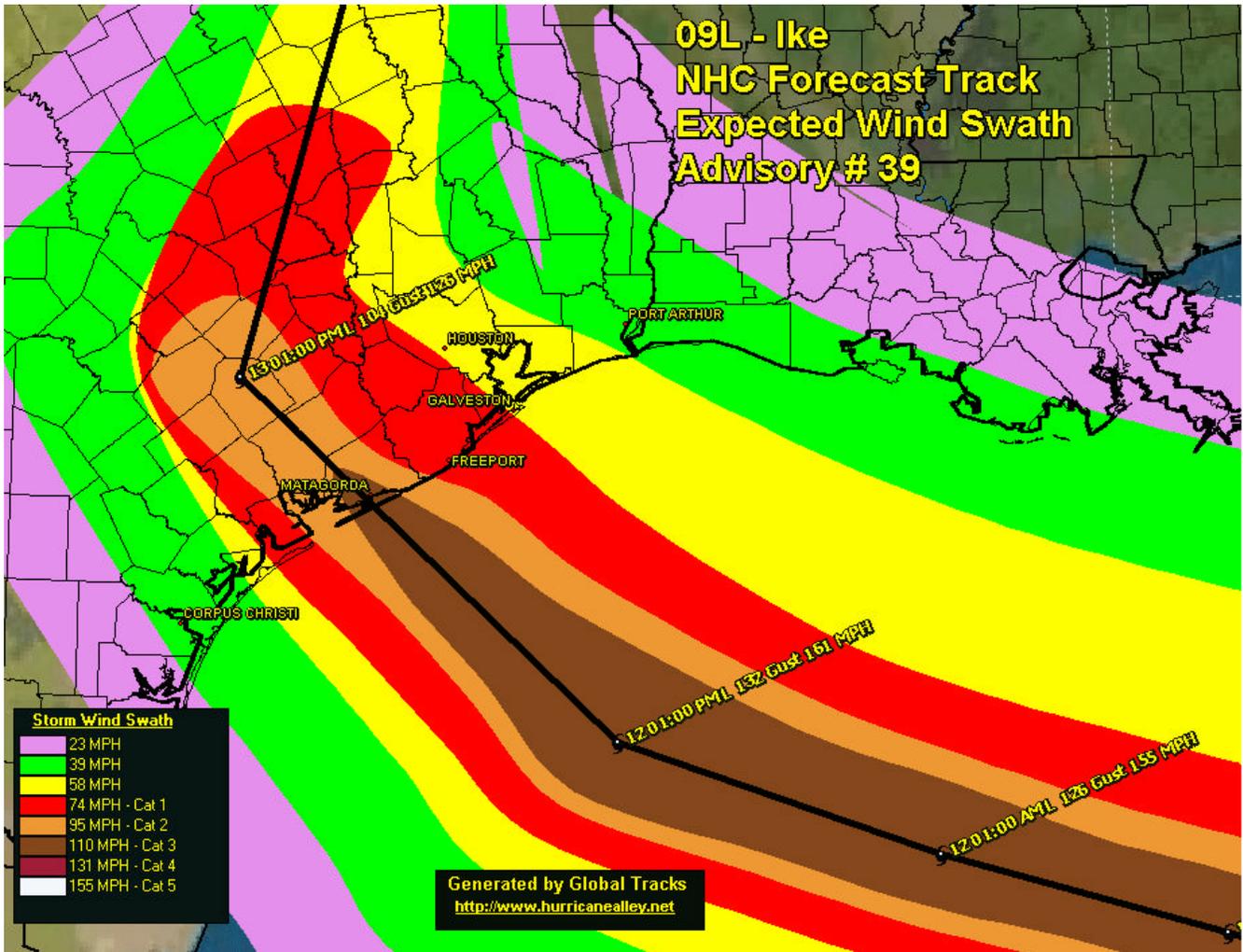
USG Offshore Nat Gas Production Shut-ins

Total 67.867 Bcf Shut In



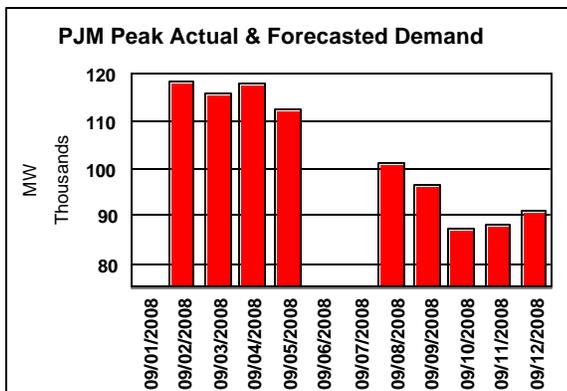
The Freeport LNG import terminal was preparing for a possible shutdown due to Hurricane Ike officials said today. The LNG terminal has not received any cargoes since two commissioning loads in May and is not preparing to receive any until the competitive price situation changes. The facility is designed to withstand sustained winds of 150 mph.

Boardwalk Pipeline Partners announced a binding open season for an expansion

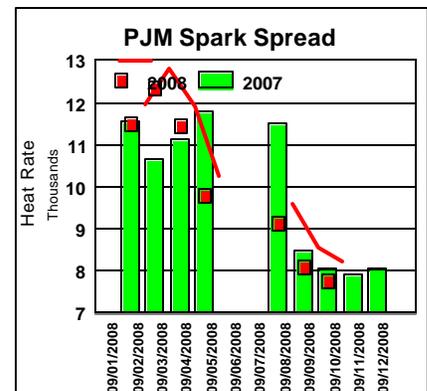


of its Gulf South Pipeline system due to the natural gas production volumes from the Barnett Shale, conventional plays in Northeast Texas and Northwest Louisiana continued to exceed expectations. The company is looking to expand the system by 500,000 Mmbtu/d.

The CME announced late Tuesday night that it is considering contingency plans for extended

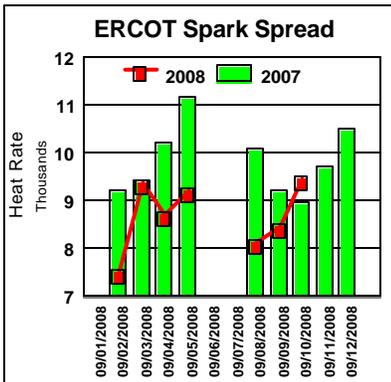


Clearport and Globex Energy trading hours due to the potential impact of Hurricane Ike on the U.S. Gulf Coast this coming weekend. The exchange said it would make a formal announcement no later than 12 noon on September 11th on

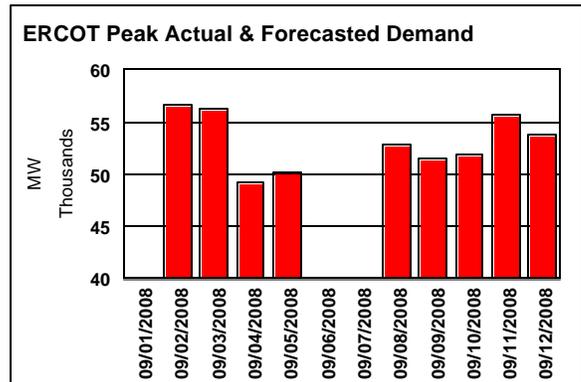


whether to extend Clearport and Globex hours on September 13th and 14th or have a regularly scheduled Clearport and Globex open for NYMEX Energy products on September 14th at 1800 ET. If trading hours are extended Clearport and Globex would begin 0930 ET

with a Pre-Open starting at 0900 ET for trade date September 15th. There would be a halt from 1715-1800 ET on Saturday and Sunday, with a regularly scheduled close on Monday at 1715 ET.



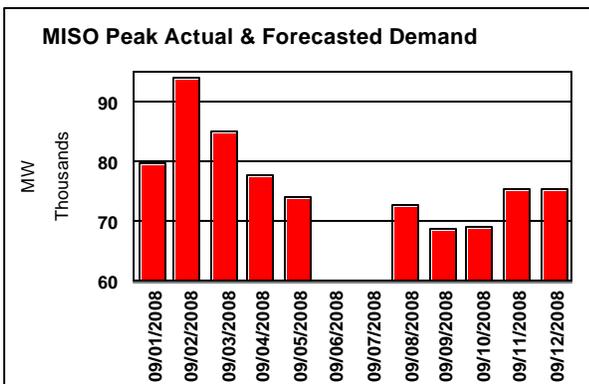
Senator Wyden from Oregon called on the Department of Energy to reverse its June approval of a request by ConocoPhillips and Marathon to export 98.1 bcf of LNG to Japan and other Pacific rim countries. The approval covered a two-year period



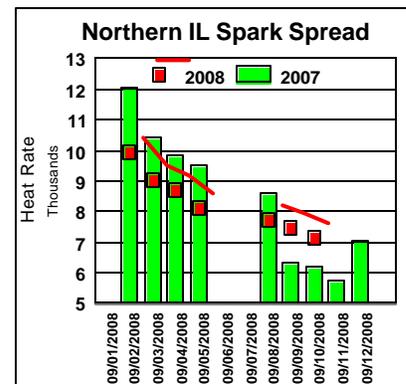
beginning on April 1, 2009.

The FERC approved Sempra Energy's purchase of the midstream natural gas and distribution company, EnergySouth for \$510 million.

Tennessee Gas Pipeline has postponed the Line 523A-100 Line Lowering. The company had identified a breach in the line during its post Hurricane Gustav assessments and as a result has postponed previously scheduled work until further assessments are completed. The line will remain out of service and physical flow will remain suspended at Bay Marchand Dehydration until further notice.



A report prepared for congressional investigators by the portfolio manager Masters Capital Management, released today noted that between January and May 27th index traders poured \$60 billion into commodity



markets, which cause a major price spike in oil prices. The report noted that when congressional hearings began on the topic from May to July, traders pulled \$39 billion from the market. Masters estimated JP Morgan Chase, Goldman Sachs, Barclays and Morgan Stanley control 70% of the commodities swap positions and swap dealers are the largest holders of NYMEX crude oil futures contracts. He noted "these large financial players have become the primary source of the recent dramatic and damaging price volatility." The head of the CFTC is among those that question Masters's data since he does not have direct access to the data necessary to make these calculations. Masters said he extrapolates his estimates from agricultural data, which is publically available to arrive at overall numbers that include oil futures investments. CFTC is scheduled to release its findings on the role of speculators on the markets in the next few days.

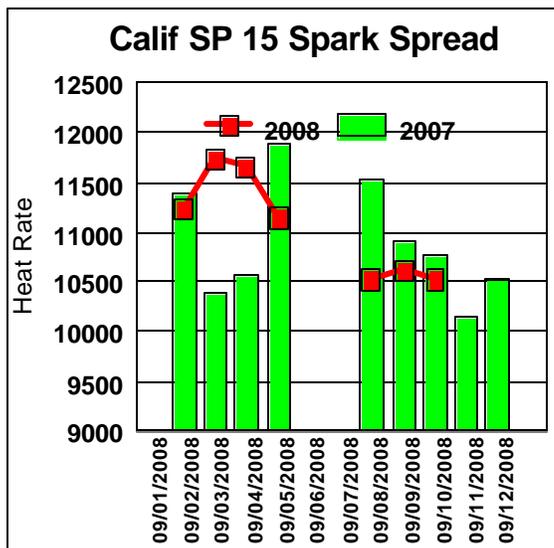
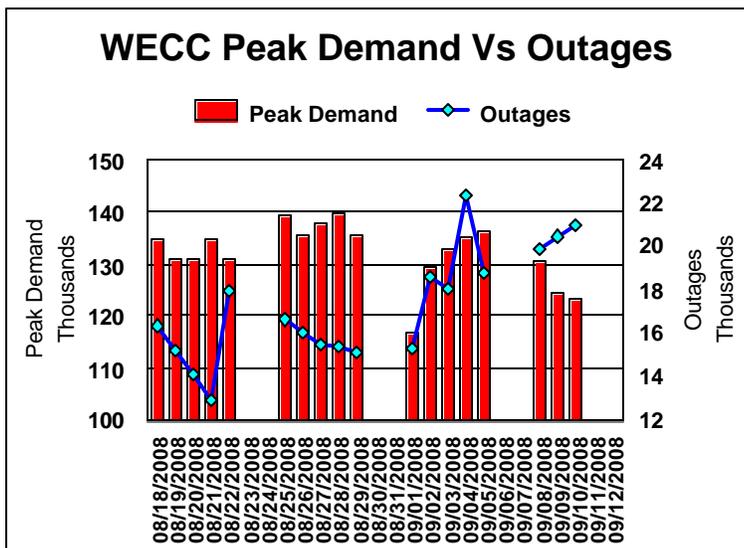
StatoilHydro said today that the leaking gas pipeline between the North Sea Kvitbjorn platform and the processing plant at Kollsnes is now not expected to be repaired before next spring.

BBLCompany reported that a third compressor on the UK-Netherlands gas pipeline is expected to be repaired and back in service by November, meaning that full flow capacity will be available for this upcoming winter.

PIPELINE RESTRICTIONS

Sabine Pipe Line said today that it has issued a critical operational flow order effective at 7 this morning for all natural gas from the Sea Robin interconnect at Henry Hub. The company said the flow order was issued due to the presence of liquid hydrocarbons being delivered at levels that threaten the operational integrity of the pipeline system and the BTU content of the gas stream was exceeding the maximum allowable level of interconnected downstream pipelines. The Sea Robin natural gas processing plant was one of the several plants on the Louisiana coast shut in the wake of Hurricane Gustav. If conditions were not corrected by this evening the company would curtail all gas receipts from Sea Robin.

Shell said today that it expects to begin redeploying personnel to its facilities in the eastern Gulf of Mexico on Friday, September 12th. Redeployment to remaining areas of the Gulf of Mexico will continue on Saturday and Sunday weather permitting.



ExxonMobil said on Wednesday that it was shutting 26,000 b/d of crude production and 130 million cubic feet per day of natural gas production in the Gulf of Mexico.

BP confirmed it had begun shutting its production from oil and natural gas platforms in the Gulf today in anticipation of Hurricane Ike.

The Department of Energy said today that four natural gas pipelines have declared force majeure and shut in their systems in preparation for Hurricane Ike. The four shut in systems are Enbridge UTOS, Stingray Pipeline, Garden Banks Gas Pipeline and Manta Ray Gathering.

BHP Billiton Ltd said that it has shut in its Neptune oil and gas project in the Gulf of Mexico just three days after restarting from the last storm. The project produces 50,000 b/d of crude oil and 50 MMcf/d

FGT issued an Overage Alert Day at 20% tolerance in its Market Area for September 11th as "hurricane weather may bring severe conditions to the Gulf Coast".

PIPELINE MAINTENANCE

Trunkline Gas Company said that there would be several outages on the Kountze 100-1 line during September as part of the completion for Phase II of the Trunkline Field Zone Expansion Project. Starting September 4th and lasting until September 10th capacity will be limited to 650 MMcf/d through the Longview Station. Then on September 11th and lasting for four days work will reduce capacity to 725 MMcf/d at the Longville Station.

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	1,081,200	\$7.651	\$0.369	\$0.378	\$0.452	(\$0.505)
Chicago City Gate	587,900	\$7.286	\$0.319	\$0.013	\$0.434	(\$0.204)
NGPL- TX/OK	916,000	\$7.132	\$0.368	(\$0.141)	\$0.483	(\$0.409)
SoCal	596,100	\$6.497	\$0.287	(\$0.776)	\$0.402	(\$0.869)
PG&E Citygate	651,600	\$6.883	\$0.299	(\$0.390)	\$0.414	(\$0.461)
Dominion-South	291,900	\$7.735	\$0.327	\$0.462	\$0.442	\$0.319
UStTrade Weighted	16,240,700	\$6.969	\$0.337	(\$0.304)	\$0.45	(\$0.505)

Beginning September 5th there will be a 12-hour outage that will limit capacity to 280 MMcf/d through the Kountze Station.

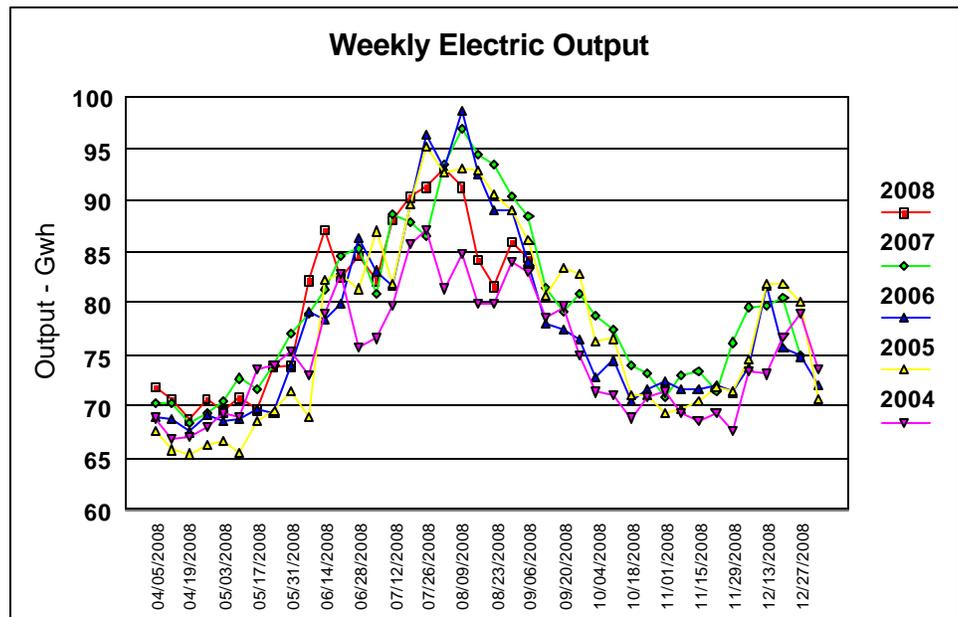
NGPL said stating October 3^d and lasting through October 17th it will be performing work at several LNG facilities impacting its Louisiana Line system. The tie in work will be conducted near Compressor Station 342 located in Cameron Parish, Louisiana and will result in reduced volumes along the Louisiana Line.

Gulf South Pipeline said it would be performing scheduled maintenance at the Vixen Compressor Station starting September 19th and lasting for six days. Capacity will be limited to 1.2 bcf/d. Primary firm capacity could be impacted.

Williston Basin Interstate Pipeline said that it has extended maintenance at the Billy Creek Plant. As a result injections into storage at Billy creek will be zero today. In addition the company will perform maintenance at the Cabin Creek Compressor Station on September 17th. At this time no restriction to the system was anticipated.

ELECTRIC MARKET NEWS

Entergy reported this morning that more than 105,000 of its customers are still without power, more than a week after Hurricane Gustav hit the coast of Louisiana. The company did report though that it has successfully completed restoring power to Louisiana following the passage of Hurricane Gustav.



Governor Rendell of Pennsylvania warned state legislators on Tuesday that he may offer legislation to extend power supply rate caps to protect consumers from skyrocketing electric costs if the legislature

does not approve a plan to phase in rate increases. The rate caps expire beginning in 2010 and as a result consumers may face rate increases of as much as 60%.

The Edison Electric Institute reported that for the week ending September 6th electric production in the United States stood at 84,412 Gwh.down 1.72% from the prior week and some 4.8% less than the same week a year ago.

MARKET COMMENTARY

The natural gas market today posted an inside trading session for the first time in nearly two weeks as traders uncertainty over the direction of Hurricane Ike kept traders noncommittal on the future price direction of natural gas. Traded volume though remained nearly equal to yesterday, with 162,648 lots booked in the futures market with 99,713 in the penultimate contract and 133,100 in the Henry Hub swap contract. Unlike yesterday where there was good interest in the 2009 and 2010 contract months, today's trading interest was concentrated in the 4th quarter of this year, as it accounted for over two thirds of the day's traded volume. Prices basically held their values fairly well despite the continued deflation of oil prices and their march toward the \$100 price level.

This market tomorrow will be driven by the continued updates on the direction of a potentially deadly Category 4 hurricane as it marches toward the Texas Gulf Coast and in all likelihood will overshadow the release of the EIA Storage report. Market expectations for this report appear centered around a 53 –56 bcf injection rate last week, while our expectation is for a bit lower with a 48-50 bcf build, but unless the report is significantly different, the next updated hurricane forecast will have a greater bearing on prices.

We look for prices tomorrow to find support at \$7.25-\$7.23 followed by \$7.078, \$7.02, \$6.93-\$6.90. Resistance we see at \$7.565, \$7.705-\$7.736, \$7.894, and \$7.951. Additional resistance we see at \$8.17, \$8.319 and \$8.88.