



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 18, 2008

NATURAL GAS MARKET NEWS

The National Weather Service this morning released their longer-range temperature forecast. It is looking for temperatures in New England and the Southwest of the nation should see above normal temperatures in October, with the rest of the nation basically at normal temperatures. The forecast continues to look for much of the nation to experience above normal temperatures for this winter.

The National Hurricane Center noted today that a tropical wave had sprung up in the eastern Caribbean Sea early Thursday and it was producing a large area of showers and thunderstorms over the Lesser Antilles. But the NHC said that conditions did not appear favorable for the development for the system for the next couple of days as it moves west-

northwestward. But some forecasters are noting that the wind shear that will be over this system for the next couple of days will greatly diminish allowing this system to begin to strengthen once it is over the central and western Caribbean. As of this evening the Canadian, NOGAPS and to some extent the UKMET computer models are all forecasting that a tropical system will form from this tropical wave. The computer models are also looking at the potential of a tropical depression forming off the coast of Africa early next week, but given that we are getting to the latter part of the hurricane season the possibility of this system making it all the way to the United States seems unlikely.

EIA Weekly Report

| | 09/12/2008 | 09/05/2008 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| Producing Region | 802 | 795 | 7 | 926 |
| Consuming East | 1771 | 1723 | 48 | 1775 |
| Consuming West | 399 | 387 | 12 | 412 |
| Total US | 2972 | 2905 | 67 | 3114 |

*storage figures in Bcf

The DOE reported this morning that 14 natural gas plants with a total capacity of 7.15 bcf/d remain shut in. They noted that 17 natural gas plants with a total capacity of 6.7 bcf/d are operating at reduced or normal levels.

The U.S. Minerals Management Service reported this afternoon that some 37,392 b/d of offshore crude oil production was returned to service over the past day, and as of midday some 1,209,078 b/d

Generator Problems

SERC – TVA's 1100 Mw Browns Ferry #2 nuclear unit was offline today after being at full power on Wednesday.

NPCC – Entergy's 620 Mw Vermont Yankee nuclear power station climbed to 85% of capacity this morning up 30% from yesterday's operating levels.

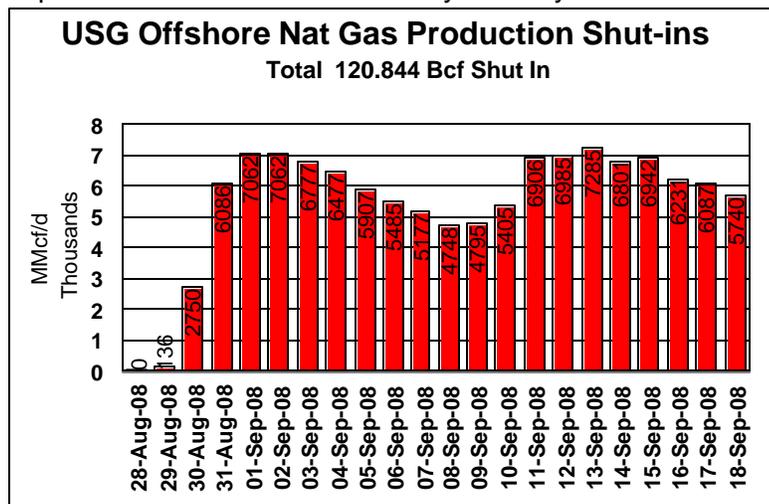
SPP- Entergy decreased production to 98% capacity at its 1207 Mw Grand Gulf #1 nuclear unit. The unit is expected to go off line Sunday for refueling.

MRO – Xcel Energy has cut its 593 mw Prairie Island #2 nuclear unit to 84% of capacity. The unit continues to coast down to a planned maintenance outage.

WECC – APS said its 1270 Mw Palo Verde #3 nuclear unit was off line this morning, down from full capacity on Wednesday.

According to the NRC some 90,445 Mw of generating capacity was in operation in the U.S. this morning, some 1.9% lower than Tuesday, and 2.3% lower than same time a year ago.

of production still remained off line. Shut in natural gas production was estimated at 5.74 bcf/d an improvement of 347 MMcf/d from yesterday's level



The IEA warned that a lack of sufficient investment in new natural gas supplies and delays in bringing new supplies online along with political risks in some producing countries, remain major problems for most gas markets and constitute a threat to long term security of supply. The IEA noted it was concerned about the gas security issue in Europe and the gas storage issue will be a forefront issue in the coming year.

The FERC today gave conditional approval for construction of the West Coast's first LNG terminal. The

Braidwood Landing terminal would be built in Oregon and would have a supply capacity of 1.3 bcf/d for the Pacific Northwest. Additional state and federal approvals are need though before the project can begin construction.

Anadarko Petroleum said Thursday it was repairing surface damage to its Constitution and Marco Polo platforms in the central Gulf of Mexico and planned to restore production as quickly as possible and when pipeline infrastructure permits. The company confirmed that it has completed repairs on the Boomvang, Nansen and Gunnison platforms in the western Gulf and expects to resume production as soon as pipelines and infrastructure permit. Its Independence and Neptune facilities have resumed operations.

| | 12-Sep-08 | 05-Sep-08 | 14-Sep-07 |
|--------------|-----------|-----------|-----------|
| East | 207.1 | 202.0 | 223.8 |
| West | 314.3 | 304.9 | 323.9 |
| Total | 521.3 | 506.9 | 547.7 |

storage figures are in Bcf

Shell said it redeployed 270 offshore personnel primarily to its operations in the Gulf of Mexico Wednesday. The company expects to complete redeployment to all of its Gulf of Mexico assets over the next few days.

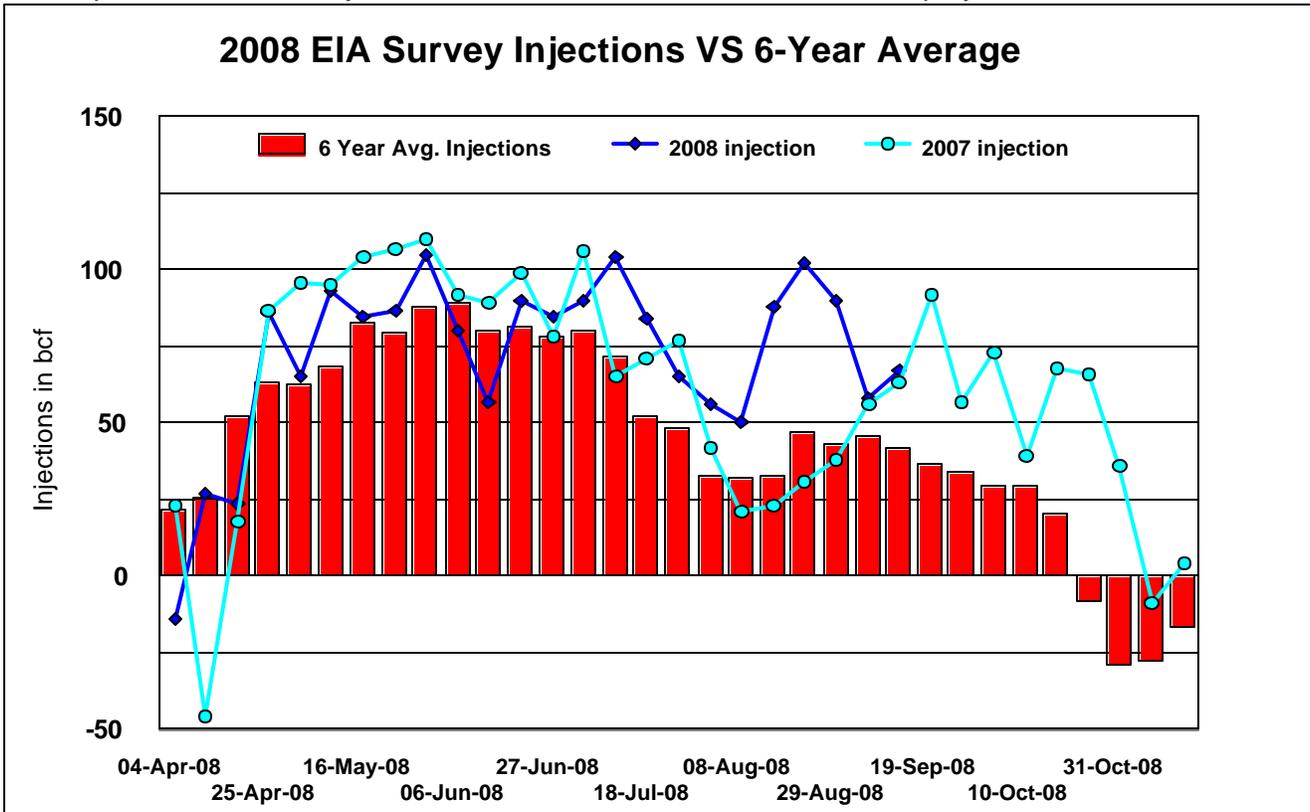
| Natural Gas Cash Market | | | | | | |
|--------------------------|---------------|-----------|---------|------------------------|---------|------------------------|
| ICE Next Day Cash Market | | | | | | |
| Location | Volume Traded | Avg Price | Change | Basis (As of 12:30 PM) | Change | Basis 5-Day Moving Avg |
| Henry Hub | 524,300 | \$8.258 | \$0.439 | \$0.707 | \$0.693 | (\$1.020) |
| Chicago City Gate | 424,100 | \$6.974 | \$0.510 | (\$0.578) | \$0.661 | (\$1.015) |
| NGPL- TX/OK | 571,800 | \$6.463 | \$0.969 | (\$1.088) | \$1.120 | (\$1.650) |
| SoCal | 646,600 | \$6.464 | \$0.365 | (\$1.087) | \$0.516 | (\$1.384) |
| PG&E Citygate | 664,500 | \$6.982 | \$0.416 | (\$0.569) | \$0.567 | (\$0.918) |
| Dominion-South | 223,200 | \$8.238 | \$0.464 | \$0.687 | \$0.615 | \$0.365 |
| UStTrade Weighted | 14,033,000 | \$6.882 | \$0.542 | (\$0.669) | \$0.69 | (\$1.020) |

Reuters reported that gas storage levels in Britain and Belgium have risen to 99% of capacity for the week ending September 15th, up 5% from the previous week. Storage levels in

Germant stood at 96% up 18%.

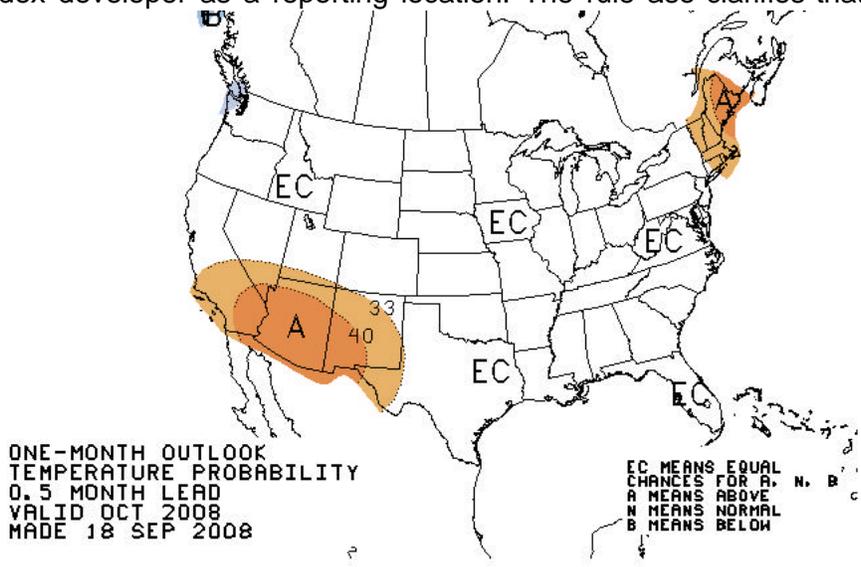
Nicor Inc. reported today that its total exposure to investment bank Lehman Brothers was \$2.6 million. That total, from transactions with the bank and its subsidiaries allows a positive value and a negative

value of trades to set off and partially or entirely cancel each other out. Nicor said that the \$2.6 million total is pre-tax and that only \$400,000 is with Lehman entities in bankruptcy.



The FERC today reaffirmed and clarified its rule establishing reporting requirements designed to provide transparency for information provided by natural gas market participants to price index publishers. The orders require natural gas wholesale market participants to identify themselves and report summary information about their physical natural gas transactions for each calendar year. The order also removes the requirement that data be reported only for specific reportable locations. Participants must report transactions that do not occur at specific location currently designated by an index developer as a reporting location. The rule also clarifies that balancing, cash-out, operational

and other similar transactions must be reported to the same extent as other types of transactions. The rule will exempt from the filing entities that have both reportable sales totaling less than 2.2 Mmbtu and reportable purchases totaling less than 2.2 Mmbtu. The exemption applies only for those entities not holding blanket certificates.



PIPELINE RESTRICTIONS
BP Destin Pipeline said line volumes are sufficient for the

Pascagoula Processing plant to resume normal operations, and as a result the company has lifted its force majeure.

Gulf South Pipeline said effective Thursday, it was lifting its critical notice to shippers on its natural gas pipeline network that been in place since September 12th, which requested customers to stay near scheduled volumes in order to maintain system integrity.

Southern Natural Gas Pipeline Company said its supply impact from Hurricane Ike and Gustav has decreased to approximately 340,000 Mcf/d, down 60,000 Mcf/d from yesterday. Seven additional points have been approved for flow. SoNat's interconnect with Sabine Pipe Line continues to flow at reduced levels and as a result the force majeure remains in effect.

FGT again issued an Overage Alert Day with a 25% tolerance for its Market Area for today.

Tennessee Gas Pipeline said a force majeure for the East Leg, Header, West Leg and Southwest Leg of the Bluewater system remain in place. The company confirmed leaks on its 36 inch and 26 inch lines.

NGPL said that the force majeure remains in effect its Illinois Lateral #2 line.

Enbridge Offshore Pipelines said all six of its natural gas pipelines in the Gulf of Mexico remain still shut in.

PIPELINE MAINTENANCE

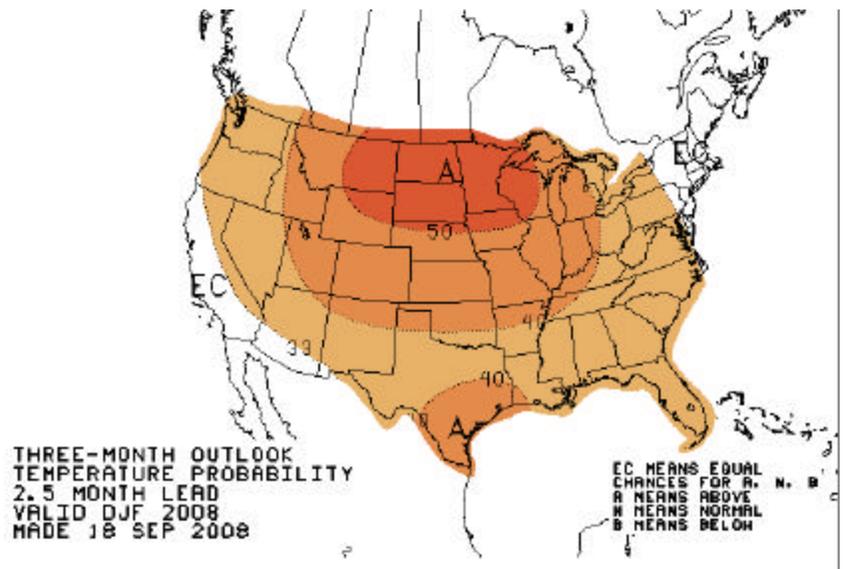
El Paso Natural Gas Company said it will conduct an inspection today for its Leupp #1D unit. The inspection had been scheduled earlier but had been pushed back due to problems on the system.

Alliance Pipeline said mechanical problems were encountered at the Tampico compressor station late Wednesday and it is currently offline for repairs. The station is expected to be unavailable until later this weekend. It is expected to impact system throughput (AOS) by 15%.

CIG said it has experienced an unexpected outage at its Elk Basin Compressor Station on the Big Horn Lateral and has issued a force majeure. Repairs are expected to take until October 27th. The current outage is not expected to impact scheduling.

ELECTRIC MARKET NEWS

MidAmerican Energy Holdings and Constellation Energy today announced the companies have reached a tentative agreement in which MidAmerican will purchase all of the outstanding shares of Constellation Energy for approximately \$4.7 billion.



TNMP, a provider of electrical transmission and distribution services to approximately 115,000 customers in the Gulf Coast region, continues restoration efforts in its service territory and has restored power to 69,000 customers. The company said that most of its repairs to transmission systems and circuits that serve large number of customers have been completed.

First Energy reported that 70,400 of its customers in Ohio and Pennsylvania remain with out electrical service.

Entergy reported this morning that it had restored 62% of customers affected by Hurricane Ike while total outages are now 84% complete.

ERCOT reported that 1.4 million customers remain without power in its service region. High voltage lines remaining out of service have been reduced to 22, including 14 138-kV lines and 8 69-kV lines. About 2150 Mw of generation remains unavailable.

The FERC today approved plans by a group of Western transmission providers for a two year experimental regional transmission pricing initiative intended to encourage more efficient use of the grid and reduce customer costs by expanding access to coordinated transmission service from multiple transmission providers at a single rate. Under the proposal, participating transmission owners would offer customers the option of buying hourly non-firm, point to point transmission service across their transmission systems at a single rate.

ERCOT reported that it is currently tracking 246 active generation interconnect requests totaling more than 105,000 Mw, which includes 52,000 Mw of wind generation. ERCOT said that 59 MW of new wind generation began commercial operations over the past month, bringing total installed wind capacity to 5,871 Mw.

MARKET COMMENTARY

The natural gas market this morning despite breaking through to the upside of a six week trend line was unable to hold onto these early gains and in fact reversed course and plunged back below the \$8.00 level following the release of the EIA storage report which the market took as bearish despite coming in only several bcf higher than market expectations. But after this initial hard sell off the market quickly stabilized and posted a basically uneventful 10 cent trading range for the remainder of the day.

The NYMEX reported at midday that open interest for natural gas futures basis Wednesday's trading plunged by over 21,000 contracts, which has to be seen as weak shorts running for the exits. This leads one to believe that the early buying this morning was additional follow through short covering in front of the storage report.

Even with the slightly bearish storage report, we still feel the overall loss of production at this key period of the injection season will help to support prices. Thus we would look to be a buyer of early winter call spreads on any dips of 25- 50 cents from current price levels. We see support basis the October contract coming in tomorrow at \$7.411, \$7.327 and \$7.248. Additional support we see at \$7.02, \$6.83 and \$6.34. Resistance we see at \$ 8.157, \$8.32 \$8.693, \$8.88 and \$9.066.

