



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 19, 2008

NATURAL GAS MARKET NEWS

The U.S. Mineral Management Service reported at midday that offshore production in the Gulf of Mexico continued to return at a slow pace. The agency estimated that some 48,904 barrels of daily production had been returned from Thursday, leaving 1.16 million b/d still off line. Natural gas production made even a smaller gain over the last 24 hours, with just 164 MMcf/d of natural gas production returned. As of midday Friday there was still 5.576 bcf/d of offshore production still shut in.

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear power unit in Vermont was at 63% of capacity today down 22% from Thursday.

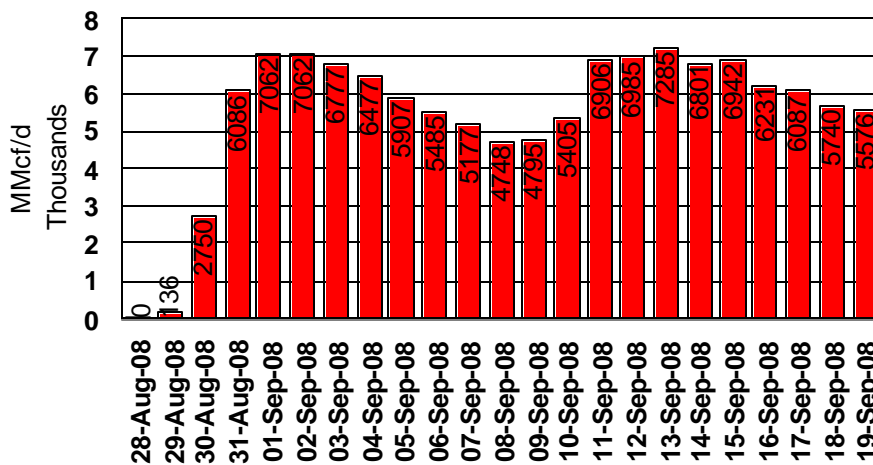
ERCOT – LCRA's 445 Mw Fayette #3 coal fired power unit in Texas was expected to be restarted early Friday.

According to the NRC some 90,324 Mw of generating capacity was in operation in the U.S. this morning, some 0.2% lower than Thursday, and 2.6% lower than same time a year ago.

ExxonMobil reported this morning that its new Adriatic terminal, the world's first offshore LNG terminal arrived at its new location some 10 miles off of the Italian coast in the Adriatic Sea. The terminal is designed to store and regasify LNG to deliver 775 million cubic feet per day when it becomes operational in 2009. The terminal is slated to receive LNG supplies from Qatar's North Field.

USG Offshore Nat Gas Production Shut-ins

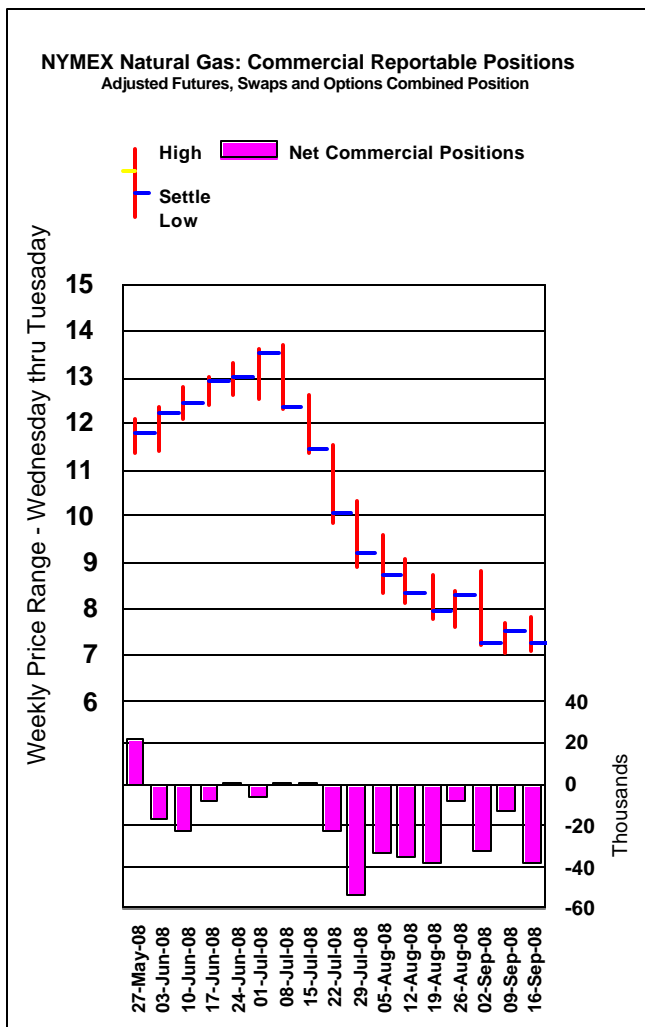
Total 126.420 Bcf Shut In



The National Hurricane Center continues to watch an area of disturbed weather in the eastern Caribbean that is associated with a westward moving tropical wave. While wind shear analysis this morning appeared to indicate some 30 knots of shear over this system preventing any significant development for the near term, the Canadian, NOGAPS and UKMET models continue to forecast that a tropical system will form from this tropical wave next week over the central

and western Caribbean, where waters are extremely warm and conducive for development. But some models take the tropical disturbance northwestward and it would then transfer its energy to the development of a hybrid storm of the U.S. southeast coast next week.

The Department of Energy reported this morning that nine natural gas processing plants along the Gulf Coast with a capacity of 5.23 bcf/d were still shut in, with 19 gas plants with a total capacity of 7.20 bcf/d were operating at reduced or normal levels and 10 gas plants with a 5.03 bcf/d capacity can restart once electricity and gas flows resume.



Northwest Natural Gas Company announced today that it continues to look to expand its gas storage business to counter volatile pricing environment and looks to expand this sector of its business by 10% annually over the next four to five years. The company is currently co-developing the Gill Ranch gas storage project with a capacity of 20 billion cubic feet along with PG&E, outside of Fresno California. The project is scheduled to be operational by the end of 2010.

The IEA reported in its third annual Natural Gas Market Review that it looks for U.S. natural gas prices should average \$10 per Mmbtu this year. As a point of reference the average spot NYMEX natural gas price year to date is \$9.8289.

Anadarko Petroleum said it has partially restored production at its Nansen offshore platform in the western Gulf of Mexico and expects to increase output as pipelines and infrastructure allow. The company said its Boomvang and Gunnison facilities are operational and it expects to restore production once pipeline capacity and onshore facilities are available. It said it is continuing to repair minor damage at its Constitution and Marco Polo platforms.

Baker Hughes reported that for the week ending September 19th the number of drilling rigs looking for natural gas stood at 1,589, down 17 on the week

PIPELINE RESTRICTIONS

NGPL said that two delivery connects on its Louisiana Line, one with Trunkline at Lakeside and another with the Acadian Pipeline at Vermillion, were made available for gas flow yesterday.

Tennessee Gas Pipeline said it is continuing its damage assessment phase from Hurricane Ike. The company estimated current supply loss at this time of 900 MMcf/d. The company continues to have a force majeure for its East Leg, Header, West Leg and Southwest Leg of the Bluewater system.

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

Trunkline Gas Company said the Centerville compressor station in Louisiana remains out of service after it was flooded in the wake of Hurricane Ike. With the station unavailable due to flooding, deliveries to Henry Hub and Centerville area delivery points using physical pipeline capacity may be at reduced delivery pressure. Trunkline also said the Patterson compressor station has returned to service and one unit at its Kaplan compressor station is operational at this time, with physical capacity through the Kaplan station increased to 250,000 Dth/d.

FGT said it has extended its Overage Alert Day with a 25% tolerance for its Market Area today.

Sabine Pipe Line said it reopened another 4 interconnects at its Henry Hub complex as well as three additional points on its Louisiana mainline.

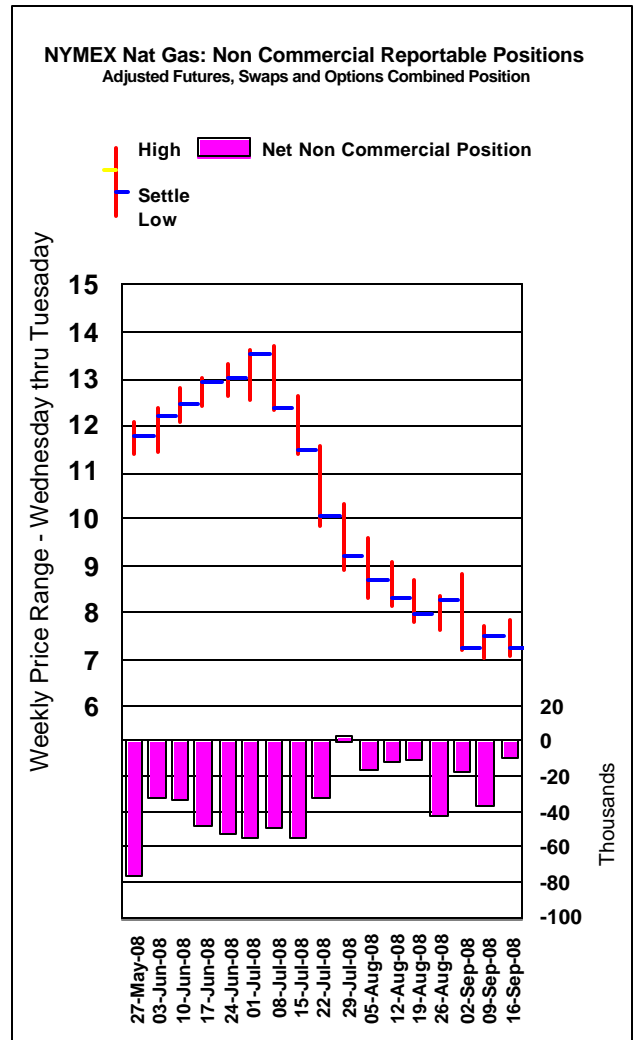
PIPELINE MAINTENANCE

Questar Pipeline said that ML 80 in Utah would need to be taken out of service for three days at the beginning of October. Capacity will be reduced to 110,000 Dth/d. Based on current nominations at this point will require primary to primary nominations at this point by approximately 5%.

CIG said each of its four storage fields would undergo scheduled maintenance during October. During this work, the affected field will be unavailable for injections. Also the company will be unable to schedule any interruptible storage injections.

El Paso Natural Gas said that its Enterprise Waha Plant turbine will be taken down for emergency repairs today and will limit compression capacity to 400 MMcf/d.

Gulf South said it would conduct planned maintenance at the Vixen compressor station today for 4-8 hours. During the work capacity through the station will be limited to 1.35 bcf/d and thus primary firm capacity is expected to be impacted.



ELECTRIC MARKET NEWS

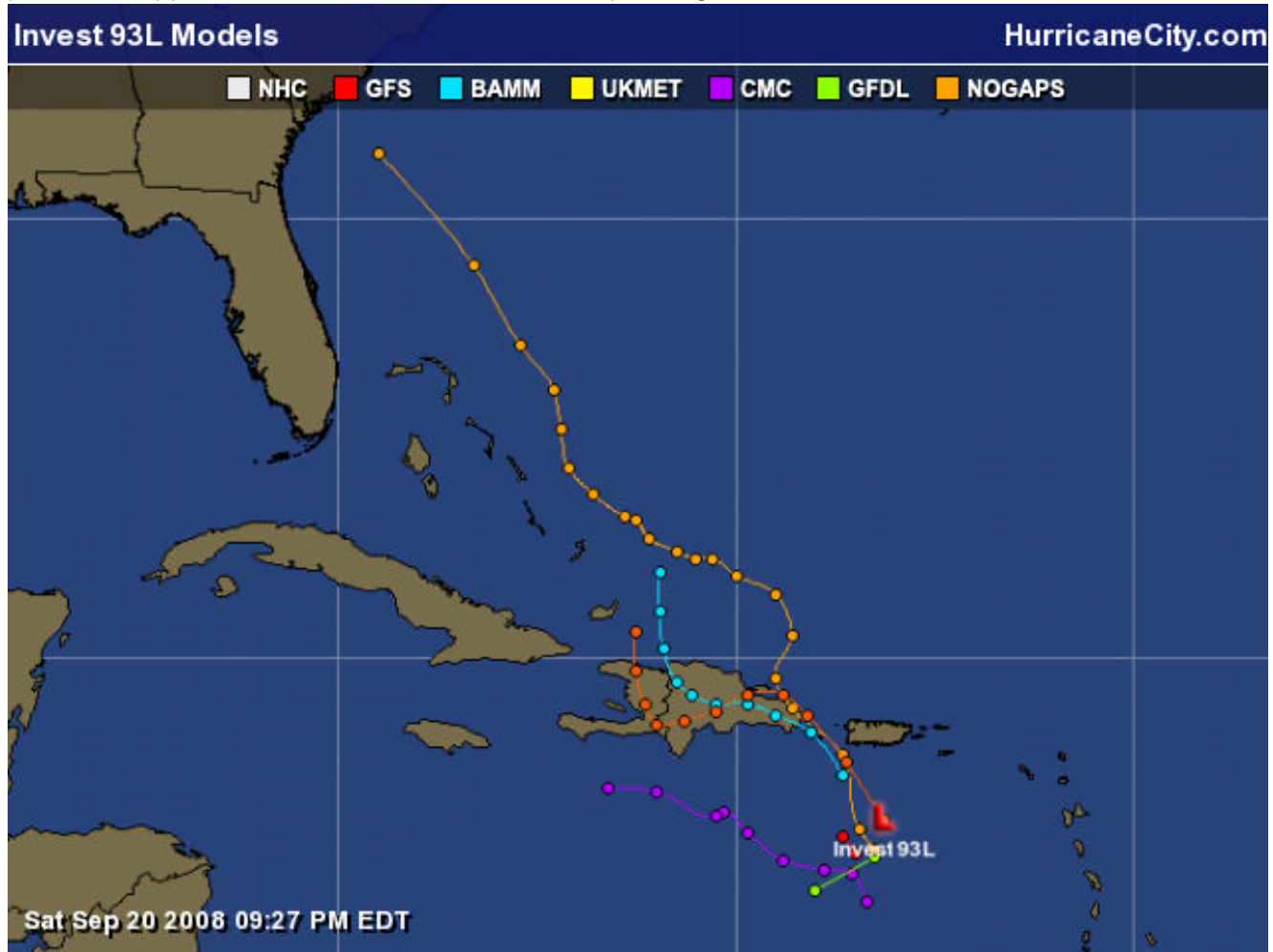
The EIA reported that for the week ending September 13th the U.S. produced 23.259 million tons of coal up 3.9% from the previous week and 5.3% higher than the same week a year ago. Year to date coal production has been running 1.2% above year ago levels.

Entergy said today that it has nearly restored power to all of the 964,000 customers that lost power due to Hurricane Gustav, and has restored power to two thirds of the customers that lost power from Hurricane Ike. It estimated the cost of restoring power to the customers following Hurricane Gustav has been estimated at \$500-\$600 million.

Exelon said FERC's decision on Thursday to dismiss complaints about the Reliability Pricing Model reaffirms the model and supports competitive markets. The RPM is a program administered by PJM to

ensure that electric system reliability is maintained at the lowest possible price. It works by promoting investment in both existing and new generation to ensure a continued, reliable supply of power to customers.

Luminant submitted an application to the NRC for potential expansion of its Comanche Peak nuclear plant. The application seeks to build two nuclear power generation units of 1700 Mw each.



MARKET COMMENTARY

Today's price action was not unusual for a Friday as natural gas posted an inside trading session. What was unusual though was the late rally in the oil markets provide absolutely no lift to natural gas values, which ended up the day settling down for the second straight session. While we remain friendly to this market, especially if restoration of production over the weekend continues go slowly. But technically this market may be susceptible to back slide if prices are able to breach support at \$7.411-\$7.425. Additional support we see at \$7.245, \$7.06-\$7.02 and \$6.83. Resistance we see at \$7.71-\$7.74, \$7.891, \$8.03, \$*.32, and \$8.80-\$8.88.

This afternoon's Commitment of Traders Report for the natural gas futures contract showed little change on the week. But when examining the adjusted combined futures, options and swaps reports one finds that the week was a bit more interesting. Reportable commercials increased their net short position by 25,050 contracts while non-commercials reduced their net short position by over 26,381

lots and now hold a modest net short position of 9,398 contracts their smallest net short position since the end of July.