



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 22, 2008

NATURAL GAS MARKET NEWS

The National Hurricane continued to monitor an area of broad low pressure near Puerto Rico, but based on current computer track guidance models it appears this system will not be a threat to the Gulf of Mexico but rather the mid Atlantic states by the latter part of the week.

The U.S. Minerals Management Service reported this afternoon that as of midday they estimated that 164,000 b/d of production had returned to the market when compared to Friday's levels. As of midday there still was some 995,684 barrels of daily production still shut in in the Gulf of Mexico. Natural gas production estimated that was still shut in was placed at 4.849 bcf/d, a reduction of 727 MMcf/d from Friday's operation levels.

The U.S. Department of Energy said Monday that eight natural gas processing plants, accounting for just under 30% of the capacity in the path of Hurricane Ike remain off line. There were 39 major natural gas processing plants in the path of the storm and 22 have now resumed operations with a total capacity of 8.73 bcf/d. Eight plants are awaiting to be restarted once power is restored or upstream gas flows are sufficient. As of midday 11 of the 26 major natural gas pipelined in the region remain completely shut in. The rest of the pipelines report that

Generator Problems

NPCC – OPG's 535 Mw oil and gas fired Unit #4 at the Lennox oil and natural gas fired power station returned to service Monday. The unit went off line last Thursday.

OPG also reported that its 490 Mw coal fired Unit #3 at the Nanticoke power station returned to service.

Entergy's 535 mw Vermont Yankee nuclear plant was back to full power, up 37% from Friday's operating levels.

PJM- FirstEnergy's 873 Mw Beaver Valley #2 nuclear unit is operating at 83% capacity this morning off 17% from Friday.

WECC – Transalta's 406 Mw Unit #4 at the Sundance power plant in Alberta shut on Sunday.

Southern California Edison's 1080 Mw San Onofre #3 nuclear unit was down 20% from Friday at 75% of capacity this morning.

APS 1,270 Mw Palo Verde #3 nuclear unit was at 98% of capacity this morning after being taken off line on Friday.

SERC – TVA's 1121 Mw Watts Bar #1 nuclear unit tripped off line on Saturday due to a turbine trip.

Duke Power's 1100 Mw McGuire #1 nuclear unit was off line this morning after running at full power on Friday. It appeared the unit has entered into its scheduled refueling and maintenance outage.

SPP – Entergy's 967 Mw River Bend nuclear power reactor started to exit an outage and ramped up to 2% power.

Entergy's 1207 Mw Grand Gulf #1 nuclear unit was taken off line for scheduled repairs and refueling. The unit had been at 98% of capacity on Friday.

MRO – Xcel Energy shut the 545 Mw Unit #2 at the Prairie Island nuclear power plant for refueling outage.

AEP's 1029 Mw Cook #1 nuclear unit was shut over the weekend due to a fire in a turbine building.

According to the NRC some 86,356 Mw of generating capacity was in operation in the U.S. this morning, some 4.4% lower than Friday, and 4.6% lower than same time a year ago.

portions of their systems are operating at reduced gas flow.

The CFTC and the U.S. Bankruptcy court approved the purchase by Barclays Capital of various trading units of Lehman Brothers.

Williams reported today that it has filed an application with the FERC to expand its Transco natural gas pipeline to serve southeastern U.S. markets. New service from the Mobil Bay South project would be available in 2Q2010 and would provide 253,500 Dth/d of southbound, year round firm transportation capacity on the Mobil bay Lateral.

Anadarko Petroleum said today it has restored oil and natural gas production at its Boomvang and Nansen offshore platforms and has restored oil production from its Gunnison platform in the western Gulf of Mexico. The company also reported that its Marco Polo platform in the central Gulf is operational and that it is continuing to repair minor surface damage at its Constitution platform.

Chesapeake Energy Corporation said it would reduce its drilling capital spending budget from now until the end of the year-end 2010 by 17%, or \$3.2 billion, in response to a 50% drop in natural gas prices since June 30th. The company said it also is concerned about the “possibility of an emerging U.S. natural gas surplus” in before unlocking increased demand from the transportation sector.

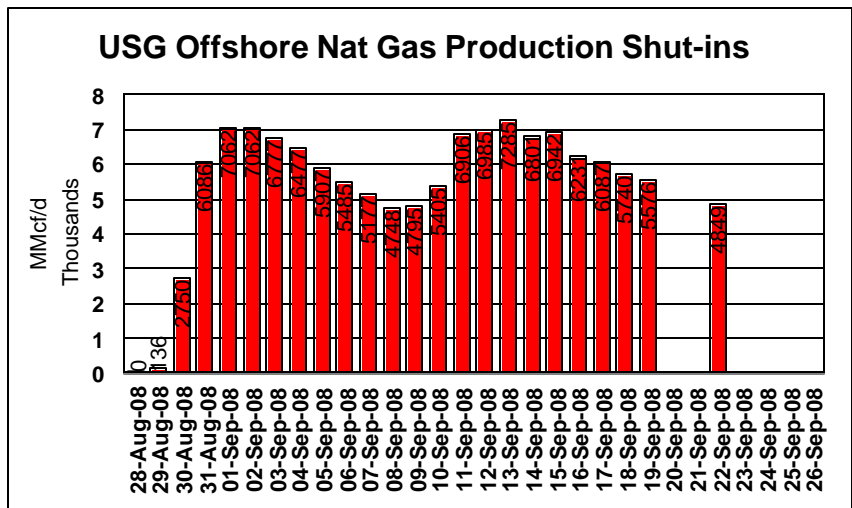
Gas flows at the Sage natural gas terminal in the UK this morning dropped to zero for two hours before bouncing back to 35 million cubic meters per day late in the day. Operators gave no reason for the short-term disruption.

PIPELINE RESTRICTIONS

Sabine Pipeline said today that it was rescinding its declaration of force majeure at one additional receipt point and would accept nominations at the Texas Mainline high pressure interconnect for intraday natural gas flows begiing at 5 PM CDT. This was the 12 receipt point were a force majeure declaration has been cancelled.

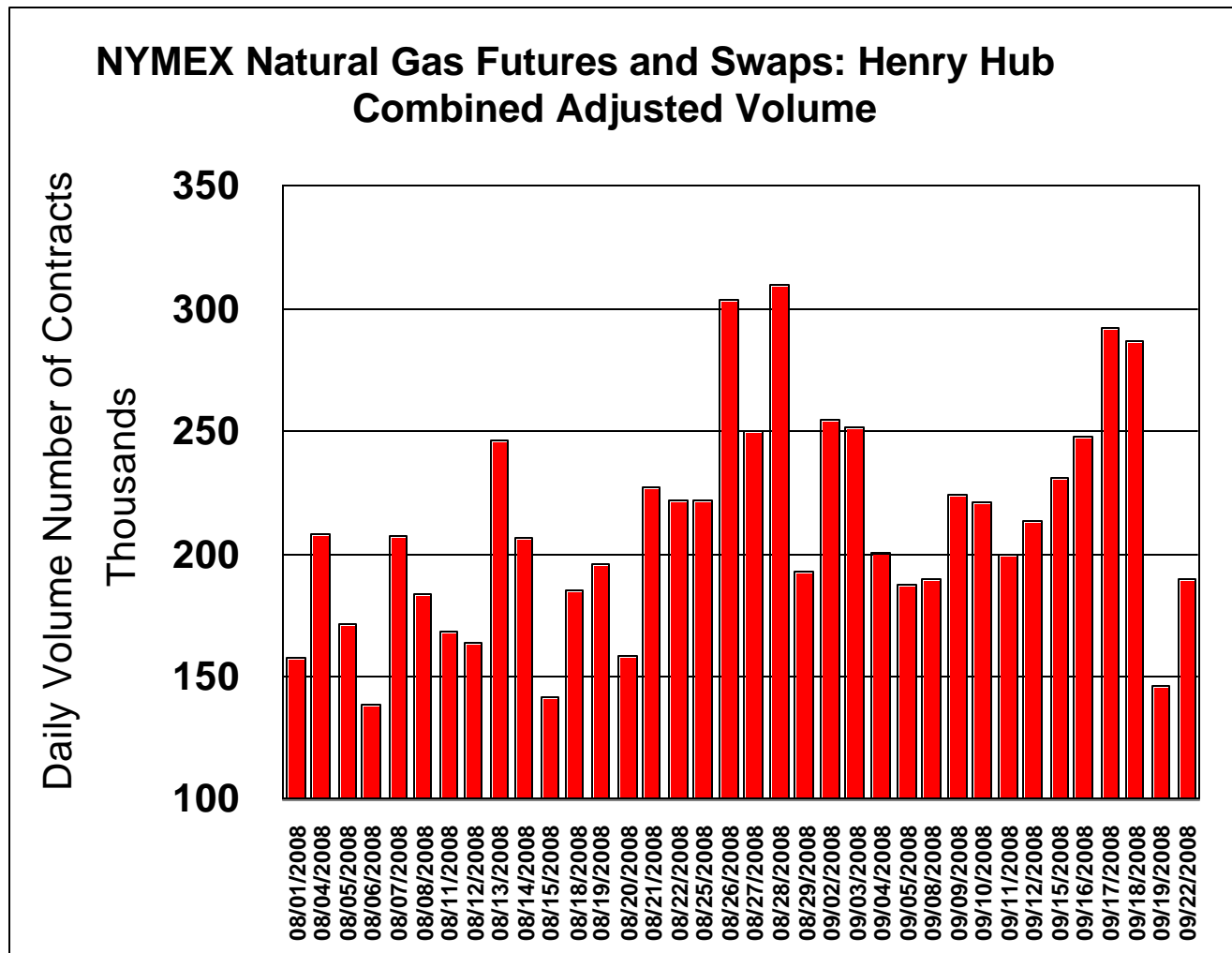
Enbridge's its repairs on its Mississippi Canyon natural gas pipeline in the Gulf of Mexico following Hurricane Ike were completed over the weekend and it was lifting the force majeure declared on the line back on August 30th. It began accepting nominations for Gas flow this past Sunday. The line carries 800 MMcf/d of gas per day.

Northwest Pipeline Company said that it will continue to have very limited balancing flexibility until the Bottom Hole test at Jackson Prairie is completed and customers begin withdrawing gas out of the facility. The company is currently experiencing high line pack in its system. As a result the company is requesting operational assistance from its customers to stay on rate or draft the system slightly.



NGPL said that tie-ins on Segment 23 of the Louisiana Line has been postponed until further notice. The work had been scheduled for October 3-17th. The work had been scheduled for tie in work at several LNG facilities and would have forced the reduction on capacity on the line during the work.

SoNat said that full service at its interconnect with Sabine Pipeline will be variable no sooner that this evening, due to material delays. The company will only approve up to 35,000 Dth/d flow until repairs are made. As a result a Force majeure will remain in effect. The company has estimated that both Hurricanes have now resulted in a loss supply of 500,000 Mcf/d.



FGT once again issued an Overage Alert Day at 25% tolerance in its Market Area for today.

PIPELINE MAINTENANCE

Alliance Pipeline said that inspections and maintenance would require the Towner Compression Station to be offline for 12 hours each day on September 23 and 24th. System throughput (AOS) may be impacted but will be determined closer to the outage. The company also noted that inspections and maintenance would require its Irma Compression station to be offline for 30 hours starting September 23rd. Other work planned for this week will be at the Blueberry Hill Compression Station Unit #1 and #2 and a routine inspection at the AB 21 Teepee Creek lateral Meter and Compression Station.

ELECTRIC MARKET NEWS

Iso New England announced that effective this past Thursday, Lehman Brothers Commodity Services has been suspended as a result of its inability "to cure a payment default."

The Department of Energy reported that as of late this morning a total of 877,338 electricity customers remained without power, with the vast majority of these customers, some 797,982 in Texas.

TNMP said that about 84,000 customers had power by Friday morning, leaving 115,000 of its Gulf Coast customers with out power. The company felt it could take two more weeks before full power is restored across its service territory.

Entergy said that more than 214,000 customers impacted by Hurricane Ike now have power, leaving some 178,000 customers still with out power. The company noted that its Lewis Creek power plant is fully operational allowing the company to energize many transmission and power lines in the company's western service area.

First Energy this morning reported that 12,700 customers are still without power in their service area.

Constellation Energy received a new competitive offer from Electricite de France (EDF) International SA that would be \$8.50 per share more than the bid from MidAmerican Energy.

MARKET COMMENTARY

The natural gas market today took a back seat to the financial markets and the oil market. While prices escalated throughout the day the market still was unable to break above Friday's highs and as a result saw its price discount to crude oil grow throughout the day and finish the day back at levels not seen since the first week of September. Volume was a bit better than Friday's inside trading session but still behind recent trading sessions.

This market appears will continue to take a back seat to the financial market news and the direction of the crude oil market as it acts a negative correlation asset to the the U.S. dollar. But it appears that this market could remain in \$7.00-\$9.00 trading range for the final month of the injection season. We see resistance tomorrow at \$7.75 followed by \$7.815, \$7.972, and \$8.20-\$8.215. More distant resistance is seen at \$8.32 and \$8.88. Support we see at \$7.431, \$7.361, \$7.204 and \$7.02.