



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 26, 2008

NATURAL GAS MARKET NEWS

The National Hurricane center this morning while watching the movement of Tropical Storm Kyle up the eastern seaboard of the U.S. did note there were two other areas across the tropics that had less than a 20% chance of additional development. One was an area of disturbed weather in the Bay of Campeche that is slowly moving eastward toward the Yucatan peninsula. While there are some signs of organization, this system is expected to move inland over the Yucatan before significant development can occur. The other system is an area of unsettled weather located about 1000 miles west-southwest of the Cape Verde Islands. While upper level winds are currently favorable for slow development, they are expected to become less favorable during the next couple of days.

Enterprise Products Partners said detailed inspection of some of its facilities in the Gulf of Mexico have revealed more damage than originally expected. The company noted that assessments still were moving forward. They said its Independence Trail pipeline and Hub System is operating normally. It noted its Viosca Knoll gathering system and the Falcon pipeline are operating normally. But it also noted throughput on the western portion of VKGS is restricted due to pipeline damage suffered from hurricane Gustav. But the company noted that it discovered a 42-inch diameter segment of pipe that is part of the High Island offshore system has been severed. Deliveries of natural gas through the Anaconda pipeline have been suspended in part due to the loss of a third party platform at Eugene Island 371.

The U.S. Minerals Management Service reported at midday that slow progress continued to be made in restoring the shut in production in the Gulf of Mexico. As of this morning some 746,459 b/d of crude oil production was offline, a 23,949 b/d improvement from Thursday. Natural gas production saw just 266 MMcf/d of production returned leaving 3.909 bcf/d still off line.

Generator Problems

NPCC – OPG's 490 Mw coal fired Nanticoke Units # 1 and #7 were taken off line today for short-term maintenance work.

The Portlands natural gas fired power plant in Ontario was shut last weekend for planned maintenance and is expected to remain off line until June 2009.

ERCOT – Texas Utilities Electric 1150 Mw Comanche Peak #1 nuclear unit was at 92% capacity this morning down 1% from Thursday, as the unit is coasting down to a planned maintenance outage.

MRO – Exelon's 1120 Mw LaSalle #2 nuclear unit dropped to 62% of power, the unit was at full power on Thursday.

SERC – TVA's 1121 Mw Watts Bar #1 nuclear unit ramped up to 81% of capacity Friday, up 51% from yesterday.

TVA's 1100 Mw Browns Ferry #2 nuclear unit was back to full power this morning, up 8% from yesterday.

Progress Energy's 710 Mw Robinson #2 nuclear unit was offline early Friday, down 75% from yesterday as it was coasting down for its month long refueling outage.

WECC – SCE's 1070 Mw San Onofre #2 nuclear unit was at 99% of capacity this morning up 34% from yesterday.

SPP –Energys 967 River Bend nuclear unit dropped to 65% of capacity down 27% from yesterday.

According to the NRC some 86,330 Mw of generating capacity was in operation in the U.S. this morning, down 0.3% from Thursday, and 3.4% lower than same time a year ago.

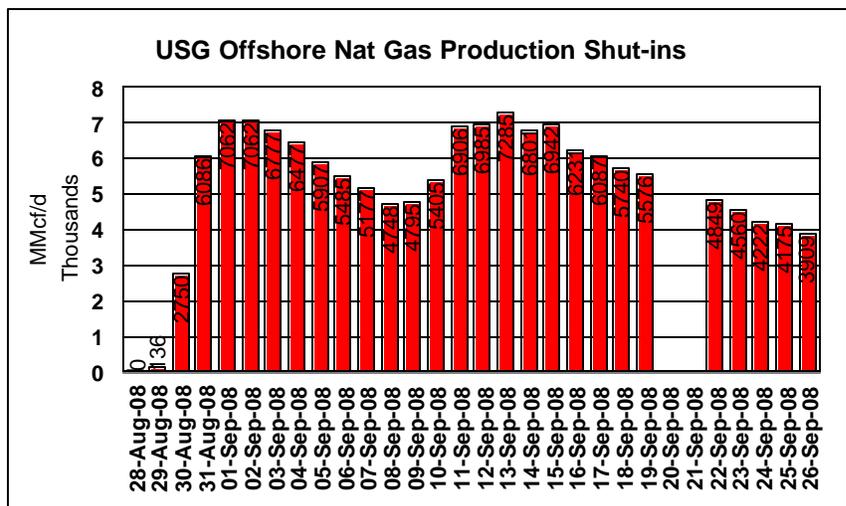
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	841,200	\$7.418	(\$0.214)	\$0.063	(\$0.018)	(\$1.077)
Chicago City Gate	489,000	\$6.394	(\$0.416)	(\$0.962)	\$0.054	(\$1.012)
NGPL- TX/OK	820,300	\$6.170	(\$0.459)	(\$1.185)	\$0.011	(\$1.226)
SoCal	563,700	\$5.186	(\$0.675)	(\$2.170)	(\$0.205)	\$152,836.878
PG&E Citygate	652,600	\$6.335	(\$0.234)	(\$1.021)	\$0.236	(\$1.102)
Dominion-South	253,900	\$7.374	(\$0.256)	\$0.019	\$0.214	\$0.036
UStTrade Weighted	16,244,800	\$6.171	(\$0.488)	(\$1.184)	(\$0.02)	(\$1.077)

The DOE reported this morning that two more natural gas processing plants came back into service over the past 24 hours. As a result there is now 26 natural gas processing

plants with 10.02 bcf/d of capacity are running at normal or reduced levels.

Waterborne Energy, a Houston based consultant, said today that US LNG imports in September and October are expected to reach 5 and 6 year lows, due to low gas prices and strong demand in Asia. Only three of the eight operating LNG terminals in the United States are expected to receive any LNG in September, compared to last year when every terminal was receiving imported LNG.

Shell Oil said today that it expected the vast majority of its crude oil production in the Gulf of Mexico that was shut in due to Hurricane Gustav and Ike will be back on line within two weeks. Currently he noted that only 39,000 b/d out of 350,000 b/d of crude production is online.



TORP Technology said today that it is confident that its LNG terminal in the Gulf of Mexico will be built despite opposition this week expressed by the National Marine Fisheries Service. The proposed terminal, with the capacity to supply 1.4 bcf/d of natural gas, will provide gas through pipelines to Alabama, Mississippi and Louisiana. Alabama's governor has until October 10th to veto the project. The project, if given the go ahead is expected to be operational by 2013.

Baker Hughes reported today that for the week ending September 26th some 1559 drilling rigs were search for natural gas in the United States, down 30 from last week.

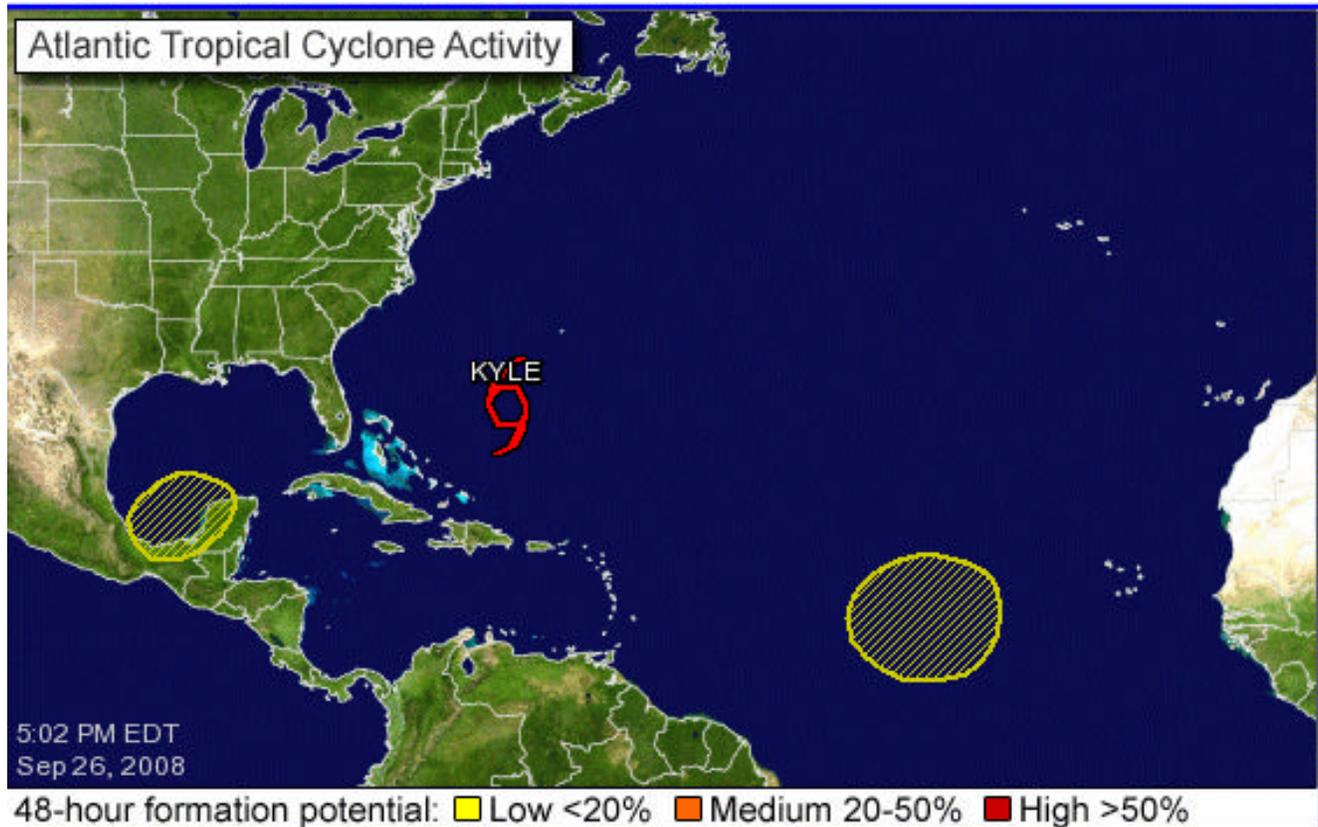
The Commerce Department reported this morning that GDP expanded at a 2.8% rate in the period of April through June, a bit less than the 3.3% growth rate it estimated a month ago. The Economic Cycle Research Institute, an independent forecasting group, said its Weekly Leading Index fell to 122.2 in the week ending September 19th, its lowest reading since April 25, 2003. In addition last week's number was revised slightly lower as well. Its annualized growth rate plunged to negative 12.3%, matching low recorded back on June 6, 1980.

PIPELINE RESTRICTIONS

NGPL said that work has been completed on the Illinois Lateral and the force majeure impacting Shippers capacity through Station 110 has been lifted effective September 28th.

Tennessee Gas Pipeline said today that its initial assessments have shown it experienced damage from Hurricanes Gustav and Ike to its Gulf of Mexico pipeline system. The company has begun the process of assessing damages and prioritizing repair initiatives

PG&E California Gas Transmission issued a system wide OFO on its California natural gas pipeline for Saturday, September 27th, because of high inventory levels.



PIPELINE MAINTENANCE

Trunkline Gas Company announced there would be an outage on the Kountze 100-2 Line between Kountze Station and Gate Valve 41-2 for testing beginning October 20th. The outage is expected to last ten days. Capacity into Longville is expected to be limited to 950 MMcf/d. The company also reported that its Cypress Station would be operating at reduced levels in order to perform electrical work and check a valve. The work is expected to last five days and will be done concurrent to the Kountze testing. Capacity will be limited to 270 MMcf/d through Cypress.

Northern Natural Gas said that it will be conducting unplanned maintenance on the Dehy system at the Spearman, Texas Compressor station. The unit maintenance will limit the capacity of the station to 25,000 Mmbtu/d on October 8th.

Gulf South Pipeline said that it has completed the scheduled maintenance on the Hall Summit Compressor Station Unit #2. The work began back on September 23rd.

ELECTRIC MARKET NEWS

The EIA reported that 22.559 million tons of coal was produced last week in the United States down 3% from the previous week but 11.6% better than the same week a year ago. Year to date coal production has been 1.2% higher than a year ago.

FirstEnergy filed with Pennsylvania regulators to allow its two subsidiaries in the state to phase in future generation rate increases over time. The plan would offer residential and small business customers the option to pre-pay an amount equal to about 9.6% of their electric bills in 2009 and 2010 before rate caps expire at the end of 2010. The pre-payments will earn 7.5% interest and be returned to customers as monthly credits on their bills in 2011 and 2012. The company serves over 1.13 million customers in the state.

Genscape reported today that it estimated that for the week ending September 25th, coal consumption nationally was down 4% from the week before and down 10% from the same week a year ago.

MARKET COMMENTARY

The October natural gas contract expired down 25 cents this afternoon with much of this decline being recoded in the final 30 minutes of trading. The back months also settled down by a similar amount despite receiving news of the continued snails pace of returning shut in production from the Gulf of Mexico. It appeared that with the lack of weather related demand coupled with a gloomy economic forecast, helped to weigh on the natural gas market.

This afternoon's Commitment of Traders Report showed that for the week ending September 23rd, the commercial sector decreased their net short position by 27,001 lots in the combined adjusted futures, options and swaps contracts basis Henry Hub. This was their smallest net short position since mid summer. Meanwhile the non-commercial sector grew its net short position on the week by over 25,500 lots.

We continue to feel the slow pace in returning shut in production from the Gulf of Mexico should help to support prices next week, especially if the dark gloomy storm clouds of financial disaster can lift over the weekend with a strong economic support package coming out of Washington. But if political gridlock continues into next week, the fears of economic recession may help to drive prices lower.

We see support in the November contract Monday to be found at \$7.385-\$7.363, followed by \$7.10, \$7.02 and \$6.901. Resistance we see at \$7.825, \$7.98 \$8.023 and \$8.287. More distant resistance we see at \$8.32 and \$8.60.

