



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 29, 2008

NATURAL GAS MARKET NEWS

The tropical Atlantic basin remains basically quiet today. The tropical wave that moved across the Yucatan Peninsula over the weekend, currently is encountering relatively strong upper level wind shear as it heads towards Florida over the next few days. The only other tropical wave of interest to the energy markets is one in the middle of the Atlantic, which has the potential to strengthen as it moves westward into a more favorable atmosphere in coming days.

The U.S. Minerals Management Service said today that offshore oil and gas production from the Gulf of Mexico continued to rebound over the weekend. Some 122,670 b/d of production had returned to service this morning versus Friday's operating levels, leaving 48% of the crude oil production still shut in or 623,789 b/d. Natural gas production still shut in this morning totaled 3.509 bcf/d, an improvement of 400 Mmcf/d from Friday's levels.

Private weather forecaster WSI Corp said today that they expect the Northeast and north central U.S. will have warmer than normal October and November temperatures, before colder than normal temperatures move into the regions by December. It noted that the company sees a recurrence of La Nina conditions, that of a cooling of ocean surface temperatures in the Pacific, that could lead to "a very cold winter" for much of the country.

South Korea's state run Korea Gas Corp has signed a preliminary agreement with Gazprom, to import 10 billion cubic meters of gas per year over the next 30 years starting in 2015. The gas could be delivered via a pipeline that will be built through North Korea, but if that route cannot be secured then Gazprom would provide the gas via LNG

Generator Problems

NPCC – OPG's 490 Mw coal fired Unit #6 at the Nanticoke power was shut today for short-term maintenance.

ERCOT – The LCRA planned to shut the 598 Mw coal fired Unit 2 at the Fayette coal fired power station was taken off line today to fix a boiler tube leak.

Luminant's 750 Mw coal fired Unit #3 Monticello power plant was taken off line today to fix a tube leak. Repairs are expected to last until September 30th.

Texas Utilities 1150 Mw Comanche peak #1 nuclear unit was shut down to begin a planned refueling outage.

MRO – Exelon's 1118 Mw LaSalle #1 nuclear unit was cut to 1% power early Monday. The unit had been at full power on Friday.

Xcel Energy's Monticello was restarted this weekend and was back to 78% of capacity as of this morning.

SERC – Duke Power's 846 Mw Oconee #2 nuclear unit returned to service and was at 87% power early Monday. The unit had been taken off line back on September 24th.

TVA's 1121 Mw Watts Bar nuclear unit has ramped up to full power on Monday, up 19% from Friday.

WECC – PG&E's 404 Mw Unit #3 at the Helms Pumped Storage hydropower station in California was shut Sunday for planned maintenance.

Operators at APS 1247 Mw Unit #3 at the Palo Verde #3 nuclear unit manually shut the unit on Saturday due to a high vibration with a turbine. The unit had been at full power at the time of the shutdown.

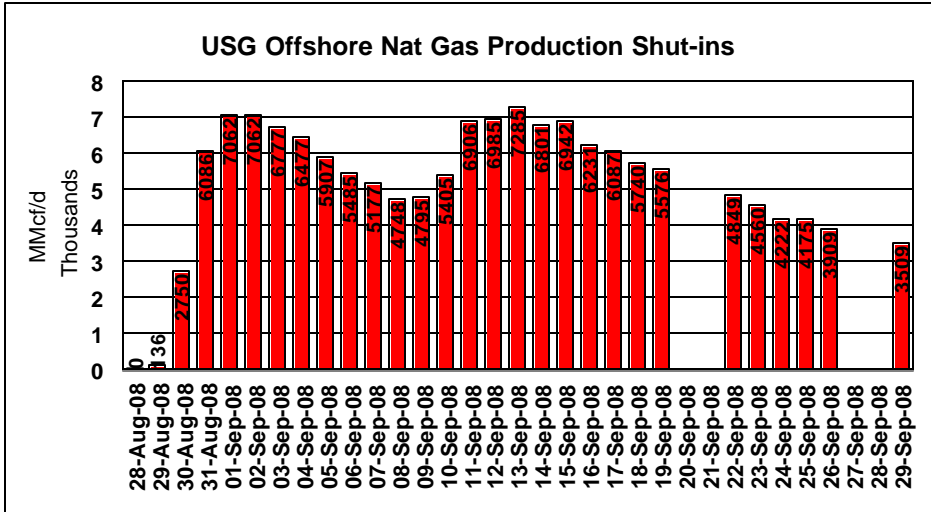
SPP – Entergy's 966 Mw River bend #1 nuclear unit was at full power this morning up from 62% on Friday.

According to the NRC some 84,917 Mw of generating capacity was in operation in the U.S. this morning, down 1.6% from Friday, and 0.5% higher than same time a year ago.

shipments. A final determination would be made by 2010.

PIPELINE RESTRICTIONS

Crosstex Energy said today that the majority of its assets in Texas and Louisiana sustained minimal physical damage as a result of Hurricane Ike. Most of the company’s facilities along the Gulf Coast are resuming or have resumed operations. However the Sabine plant had sustained some damage and is still being assessed. It is expected that the plant will not be operational for at least 46 weeks. In addition several offshore production platforms and pipelines transporting gas to the Pelican and Bluewater processing plants were damaged by the storm and it is currently unclear when offshore production will return in full.



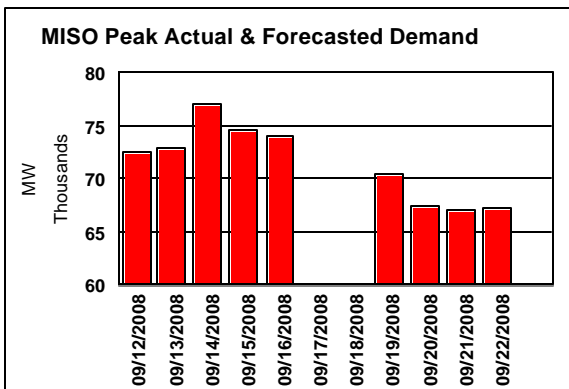
PIPELINE MAINTENANCE

FGT said it would be performing unscheduled maintenance on one of three units at Station 7 starting October 15th. The maintenance work is expected to run through November 15th. Scheduled volumes through the facility will be cut by 90,000 Dth/d to 375,000 Dth/d.

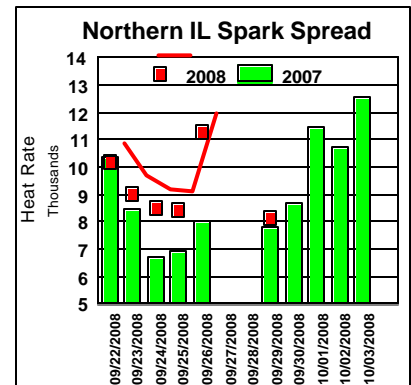
NGPL said a force majeure event occurred at its Gage

County, Nebraska compressor station, due to a “breakage to machinery”. The company was in the process of repairing the problem and hoped to have the unit back in service by Wednesday

Texas Gas Transmission said that its Youngsville East segment will be reduced from 535,000 to 475,000 Mmbtu/d due to maintenance. The work is expected to last until mid October. The reductions are expected to impact firm primary deliveries in the Youngsville East Segment.



Alliance Pipeline said inspections and maintenance require Unit #2 at the Blueberry Hill Compression Station to be off line for 12 hours on September 30th. Capacity at Constraint Point #2 will



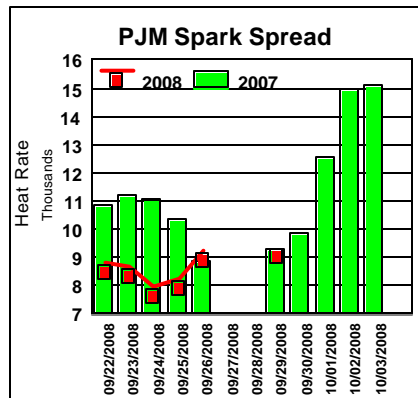
be lowered to 10912 e3m3 for September 30th. The company also reported that routine inspection will require AB47 Carson creek lateral Meter/Compressor Station Unit #1 to be unavailable for 10 hours on October 1st. Station capacity will be reduced to 335 e3m3 per day

Kern River said maintenance that is scheduled for October 1st through October 3rd for its Oak Spring compressor station could impact operational capacity at the Muddy Creek, Coyote Creek and Veyo compressors for October 3rd.

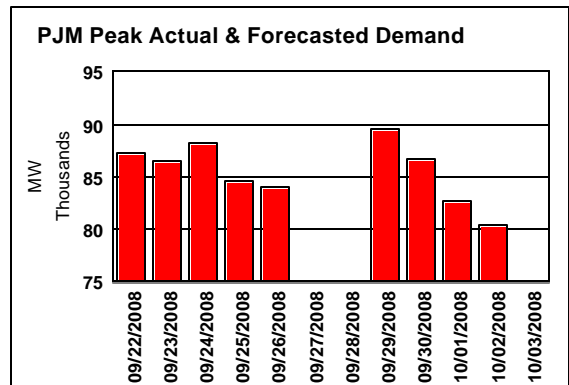
Gulf South said it would conduct planned maintenance at the Kiln compressor station for eight hours on September 30th. Capacity could be reduced by as much as 100,000 Dth/d during the work.

ELECTRIC MARKET NEWS

Permits for the right to emit carbon dioxide from power plants in the U.S. Northeast sold for \$3.07 per ton in a U.S. greenhouse gas auction today as reported by the Regional Greenhouse Gas Initiative. The auction price was lower than the \$4.50 to \$4.00 per ton that contracts on the permits had been trading at in recent weeks on the futures markets. The RGGI said that all of the more than 12.5 million permits that had been offered have been sold and that 59 participants had been involved. Several



states did not participate in the first auction, as they had not finalized rules in time to participate in the first auction. The next auction will be held on December 17th.



Centerpoint Energy said this morning that it had restored power

to over 2 million of its customers or 94% of its customers that had lost power as a result of Hurricane Ike. The company still hopes to have the remaining customers service back by the end of the week.

TNMP reported Saturday that it had completed restoration of electrical service from all of the 115,000 customers that were impacted from Hurricane Ike.

The IEA said today that renewable energy could supply half the world's electricity and halve greenhouse gas emissions by 2050, but governments urgently need to adopt effective policies to accelerate their deployment. In 2005 renewables accounted for 18% of global power generation. The IEA noted that significant "non-economic" barriers, including obstacles to grid access and poor

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	1,139,900	\$7.130	(\$0.287)	(\$0.167)	\$0.115	(\$1.059)
Chicago City Gate	509,700	\$6.443	\$0.049	(\$0.854)	\$0.108	(\$0.980)
NGPL- TX/OK	767,400	\$6.113	(\$0.057)	(\$1.184)	\$0.001	(\$1.225)
SoCal	893,600	\$5.601	\$0.416	(\$1.696)	\$0.474	(\$1.858)
PG&E Citygate	824,700	\$6.397	\$0.062	(\$0.900)	\$0.120	(\$1.071)
Dominion-South	167,700	\$7.142	(\$0.233)	(\$0.156)	(\$0.174)	(\$0.008)
UStTrade Weighted	16,331,100	\$6.228	\$0.057	(\$1.069)	\$0.12	(\$1.059)

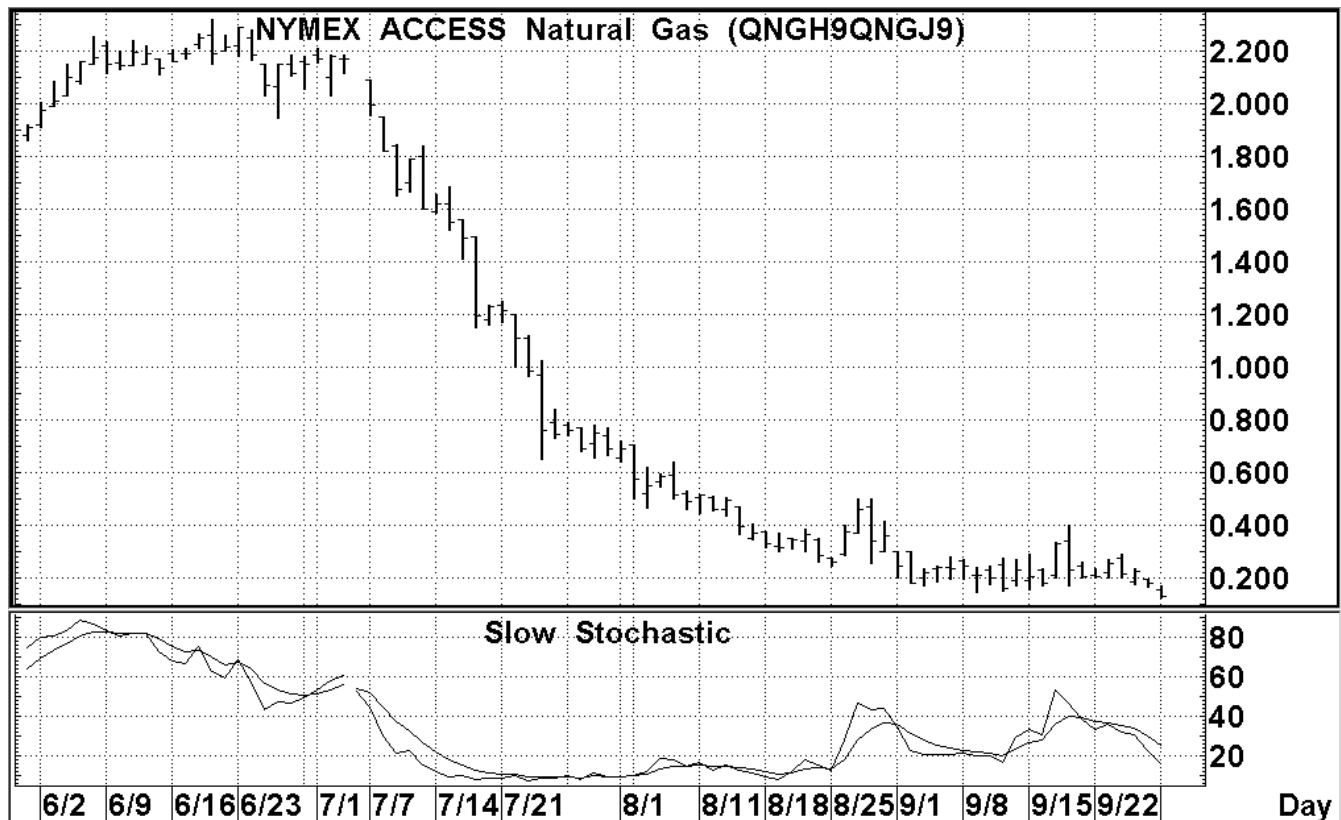
electricity market design, have been hampering the speedy expansion and integration of renewable energy into mainstream use.

Genscape reported that for

the week ending September 25th fell 3.4% from the previous week and 11.3% less than the same week a year ago.

MARKET COMMENTARY

The natural gas market today while working lower over night in concert with other commodity markets as a result of negative economic news received a technical shove to the downside just before the floor session opened. As the lows from the middle of this month were breached this morning at \$7.385 basis the November contract, basically dropped another 20 cents before finding support. What was truly amazing though was while the rest the energy markets remained under severe pressure in the trading session the natural gas market moved into a relatively stable sideways 15 cent trading range for much of the remainder of the day. As a result natural gas was able to recapture over \$1.00 per mmbtu in value from crude oil during the trading session.



The March April natural gas spread though could not hold support from mid-month at 14.5-15.2 cents and set new low today at 12.4 cents. The market while settling at 13 cents, still revisited the sub 13 cent level after the close. Prices for this spread are seasonally running some 10-30 cents below the prior two years, despite working gas stocks running some 200 bcf behind those inventory levels. While there does not seem to be much chart support for this spread until the it moves into negative territory possibly down to 5 cents, we feel fundamentally that this spread is oversold but feel no one can step in front of this downward price move until at least the trend indicator like daily stochastics move back towards the upside. In addition taking a bullish position may need to be taken even then through a CSO call spread.

The natural gas market appears will remain directly influenced by general financial market news and its spill over effect on the commodities markets. With tomorrow being the last day of the third quarter, there will be continued talk of hedge fund redemptions and its impact on position liquidation. Without any tropical impact for the foreseeable future on this market, weather related demand at this time of

year appears to be a non-issue. We see support tomorrow at \$7.179, \$7.14 and \$7.03-\$7.02. Additional support we see at \$6.838 and \$6.52. Resistance we see at \$7.54, \$7.60, \$7.665 and \$7.75. Additional resistance we see at \$7.805 and \$8.30.