



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 2, 2008

NATURAL GAS MARKET NEWS

The Natural Gas Supply Association said today that they see U.S. natural gas production this winter will average 57.5 bcf/d, some 8% higher than last winter and as a result should keep prices "relatively stable" this winter. The trade association sees demand being "flat" with most of the expected 2.4% increase in consumption this winter coming from power generation.

The credit crisis claimed a victim in the natural gas industry today as Georgia natural gas marketer Catalyst Energy Group and two affiliates filed for Chapter 11 bankruptcy protection after it lost a required credited line and contracted fuel supply.

Barclays Capital said today that the U.S. credit crisis could lead to more natural gas producers, especially those with speculative-grade debt ratings to reduce capital expenditures and scale back drilling programs.

Chesapeake Energy and Petrohawk Energy have already announced plans to cut capital expenditures and reduce drilling. Barclays said it is looking for natural gas prices to average \$8.00 per Mmbtu in the fourth quarter of this year, and then moving to \$8.35 in 2009 and back to an average price of \$8.00 in 2010.

The National Hurricane Center this morning saw nothing of an immediate concern across the tropical Atlantic basin. Private weather forecasters though continue to note a large disorganized area of showers over the northern and northwestern Caribbean. Further development of this system currently

Generator Problems

ERCOT – Luminant's 575 Mw coal fired Unit #2 at the Big Brown power station was expected to return to service today. The unit was taken off line on Monday.

Luminant's 750 Mw coal fired Unit #3 Monticello power plant returned to service on September 30th.

South Texas 1250 Mw Unit #2 nuclear unit was at 87% capacity this morning, down 1% from Wednesday as it continues to coast down to its refueling outage scheduled to begin October 5th.

MRO – Exelon's 1225 Mw Byron #2 nuclear unit was at 99% of capacity this morning up 5% from yesterday.

Xcel Energy's Monticello nuclear unit returned to full power today up 12% from yesterday.

Exelon's 1163 Mw LaSalle #1 nuclear unit, which was taken off line this weekend, was being restarted today and was at 3% capacity.

Exelon's 912 Mw Dresden #2 nuclear unit reconnected to the grid Wednesday and was at 97% power this morning.

Exelon's 855 Mw Quad Cities #2 nuclear unit was at 51% capacity down 46% from yesterday.

WECC – APS 1270 Mw Palo Verde #3 nuclear unit was up to 76% capacity this morning as the unit continues to ramp up.

SCE's 1080 Mw San Onofre #3 nuclear unit was at 65% capacity, down 10% from Wednesday.

According to the NRC some 86,366 Mw of generating capacity was in operation in the U.S. this morning, up 0.8% from Wednesday, and 3.87% higher than same time a year ago.

is being prevented by an area of dryer air that has moved across Florida and into the southern Gulf of Mexico. But by the weekend conditions may turn favorable for additional development and an area of low pressure could emerge from this area by early next week.

EIA Weekly Report

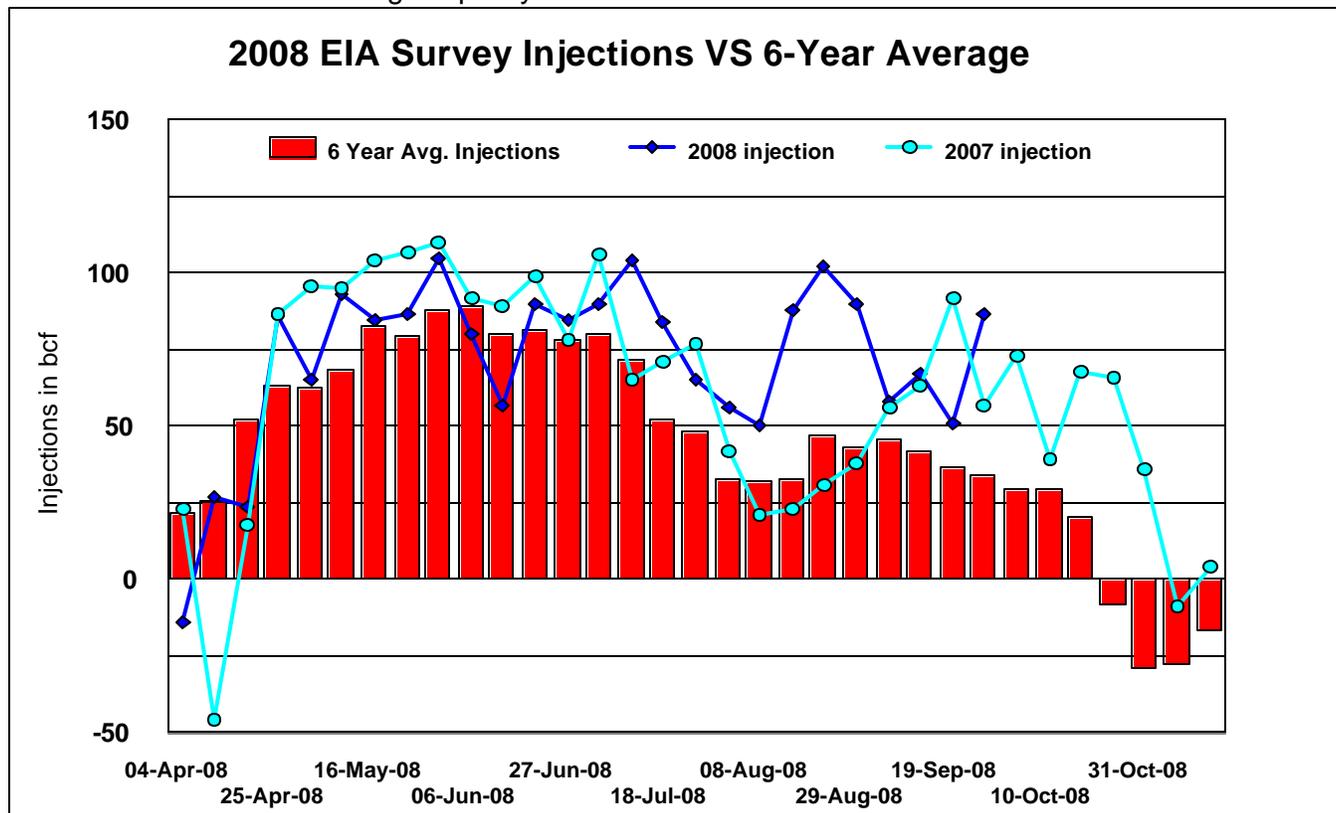
	09/26/2008	09/19/2008	Net chg	Last Year
Producing Region	832	808	24	961
Consuming East	1855	1804	51	1855
Consuming West	423	411	12	431
Total US	3110	3023	87	3247

*storage figures in Bcf

The U.S. Minerals Management Service reported this afternoon that small progress continues to be made in returning shut in production in the Gulf of Mexico. Crude oil production shut in stood at 714,501 b/d, down 49,794 b/d from yesterday. In natural gas

production some 119 MMcf/d of production returned over the past 24 hours leaving some 3.413 bcf/d of production still off line.

Tres Palacios Gas Storage facility began commercial operations today. The 12 bcf storage facility in Matagorda County, Texas will see two additional storage caverns will come online in 2009/2010 which will add another 24 bcf of storage capacity.



PIPELINE RESTRICTIONS

Sea Robin Pipeline said yesterday that repairs to its offshore Gulf of Mexico facilities damaged by Hurricane Ike could take until mid-December or longer if delayed by more weather problems. The company's East Cameron 265 platform, which was toppled during the storm, caused significant damage to its West Leg system. The company does not plan to replace the toppled platform, but does intend to make repairs to the pipeline. The company said that producer platform EI 330A. was also toppled during the storm, but the pipeline company said that while its J leg piping suffered significant damage it was looking to reconnect this segment to service as soon as possible.

Enbridge Offshore Pipelines said it remains under force majeure and is not accepting nominations at this time.

Canadian Gas Association

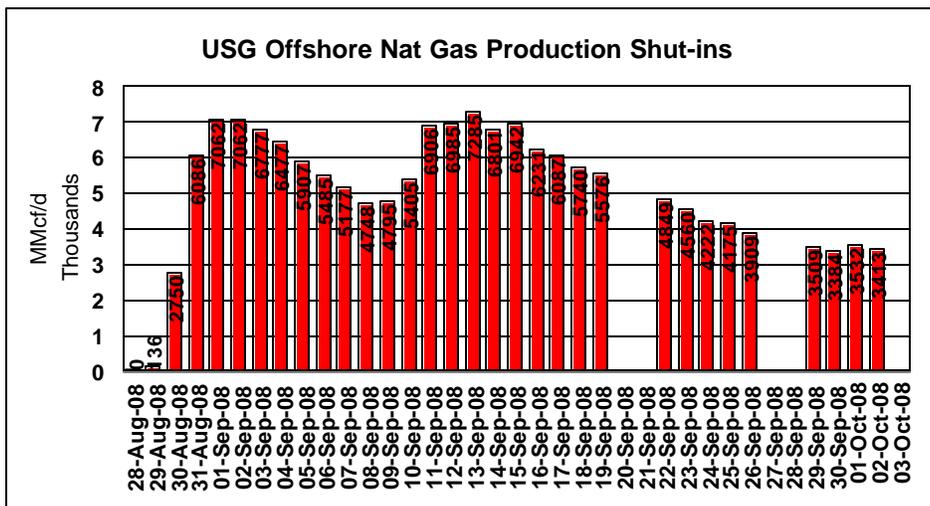
Weekly Storage Report

	26-Sep-08	19-Sep-08	28-Sep-07
East	220.1	212.5	235.0
West	327.2	320.8	332.3
Total	547.3	533.3	567.3

storage figures are in Bcf

Trunkline Gas Company said late yesterday that its T-27 platform was toppled during Hurricane Ike and it cause serious damage to a segment of the pipeline from Ship Shoal 274 to Ship Shoal 139. The company expects to complete repair work on the segment in two phases. The first will cap the segment in Ship Shoal 274 to allow flows to resume from receipt points downstream of Ship Shoal 274 and upstream of T-25. The

second will reconnect location 80261 in Ship Shoal 274 and install a tie in valve for a future reconnection to Tarpon Transmission. The first phase is expected to take until November 24th to complete and the second phase completion date would be determined later.



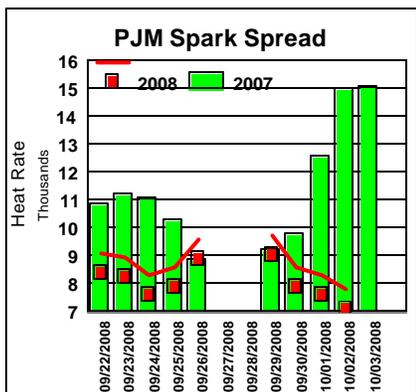
PG&E California gas transmission issued a customer specific OFO for today.

PIPELINE MAINTENANCE

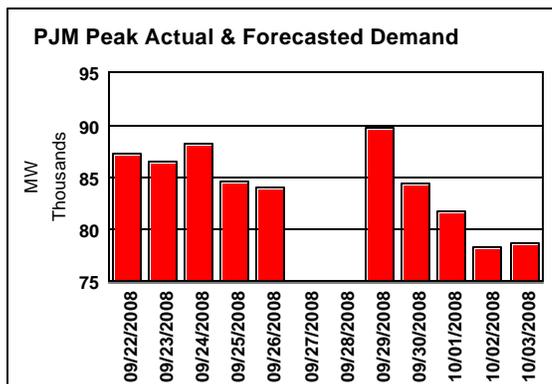
KMIGT said it has rescheduled planned work for CIG Arrowhead and WIC Rockport, moving ahead maintenance to October 9th and 10th from October 14-15th. Due to a tie in of the Colorado Greely Lateral, receipt nominations

at CIG Arrowhead and WIC Rockport will be unavailable for October 9-10th. AOR/IT, secondary out of path and Primary in path quantities will not be scheduled.

NGPL said compressor station 242 (Cameron Parish) remains shut down and is not available for



service. Repairs are underway and are likely to take at least two weeks. The company said it would modify its scheduling restrictions at certain delivery points effective immediately.

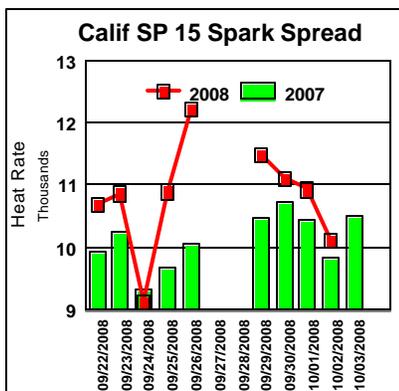


Sabine Pipe Line said effective today it was lifting the force majeure it had in effect at three points at Port

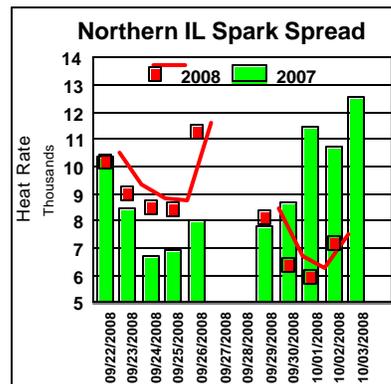
Neches compressor station: KinderMorgan Texas/Jefferson, Houston Pipeline/Jefferson and KinderMorgan Tejas Pipeline/Jefferson.

Alliance Pipeline said it was conducting regularly scheduled maintenance at the Kerrobert Compression Station today and the station would be off line for 3 hours, but the company did not expect system throughput to be affected.

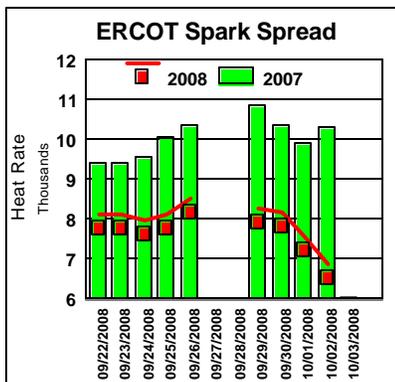
ELECTRIC MARKET NEWS



Pennsylvania utility regulators approved PPL's fourth solicitation for power the utility is seeking for 2010 for residential and small commercial accounts that do not choose their own power provider. PPL said it has now obtained two-thirds of the power needed in 2010, when its generation supply rate caps expire. The company is estimating that it appears that the average residential customer will see an increase in their power bills in 2010 by 36.1%. Pennsylvania consumers have the option to shop for electricity supply rather than buy the default service from their local power company.



The EIA reported today that U.S. coal production totaled approximately 22.7 million for the week ending September 27th, up 0.8% from the previous week and up 0.5% from the same week a year ago.



LADWP reported that it set a new October usage record yesterday, with 5709 Mw of recorded demand. This was the second day in a row a new October record was set.

Calpine announced today that it was drawing approximately \$725 million under its \$1 billion Senior Secured Revolving Facility under Exit Financing, which expires on March 29, 2014. The company said it was a proactive financial decision to preserve its liquidity by increasing its cash position during the current period of uncertainty in the capital markets. With this draw the company said it estimates it will have an estimated \$1.265 billion of corporate unrestricted cash on

hand to start the 4Q2008..

MARKET COMMENTARY

Despite a relatively firm cash market, the natural gas market was slammed lower this morning following the

release of the EIA Storage Report, which came in 10-12 bcf higher than most market expectations. The market though quickly found support down near yesterday's lows, which was also basically a 62% of the price rebound recorded this week. While the market retraced 50% of the post report sell off, the

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	852,500	\$7.640	\$0.231	\$0.078	\$0.205	(\$1.117)
Chicago City Gate	484,300	\$7.287	\$0.166	(\$0.275)	\$0.447	(\$0.659)
NGPL- TX/OK	627,200	\$6.989	\$0.176	(\$0.573)	\$0.457	(\$0.968)
SoCal	571,000	\$6.217	\$0.183	(\$1.345)	\$0.464	(\$1.735)
PG&E Citygate	621,300	\$7.113	\$0.351	(\$0.449)	\$0.632	(\$0.868)
Dominion-South	181,100	\$7.749	\$0.211	\$0.187	\$0.492	(\$0.076)
USTrade Weighted	15,849,500	\$6.531	(\$0.076)	(\$1.031)	\$0.20	(\$1.117)

market was unable to hold onto these gains given the continued price erosion from the oil markets as the dollar posted yet another strong gain on the day.

This market though continues to show a surprising bit of resiliency as despite the hard sell off in the oil markets it has been able to recapture some \$2.00 per Mmbtu in value from crude oil over the last week. One has to wonder that barring a collapse in oil prices that takes crude below the \$90.00 level that natural gas can be pushed out of a month long trading range that has been effectively a dollar trading range. This may very well continue through the end of the injection season at the end of this month, as traders await the first signs of what real heating demand will be during the start of the new heating season next month.

We see support in this market tomorrow at \$7.45-\$7.43, followed by \$7.332, \$7.183, \$7.14 and \$7.02. Additional support we see at \$6.932 and \$6.832. Resistance we see at \$7.58-\$7.62 followed by \$7.732, \$7.83, \$7.93. Additional key resistance we see at \$8.13-\$8.177.