



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 6, 2008

NATURAL GAS MARKET NEWS

The National Weather Service said today that it looks for temperatures across most of the U.S. will be above normal in December through February, except for the Northeast and coastal California, where forecasters say there is an equal chance for above or below normal temperatures. Meanwhile private weather forecaster AccuWeather said today that they are looking for this winter as a whole, population weighted basis will be much colder than last year because of much colder temperatures over the east. They are looking for the coldest December in the last three years. While January temperatures should moderate they see colder than normal temperatures returning in February and March.

The National Hurricane Center this morning reported that a tropical depression had formed in the Mexican offshore oil production area of the Bay of Campeche. While it was expected to strengthen into a tropical storm before marking landfall in 36 hours, its projected westward path is expected to keep it far from U.S. production areas. While the NHC is watching a second area of disturbed weather in the eastern Atlantic some 400 miles southwest of the Cape Verde Islands this system is not expected to show any signs of further development over the near term due to unfavorable upper level winds. In addition several computer models have this system eventually will curve out to sea away from the mainland by next week anyway. But some computer models are raising the warning flag that a tropical system could form in the western Caribbean early next week that could be a threat to the U.S. mainland eventually.

The U.S. Minerals Management Service report this afternoon that some 25,366 b/d of crude production had been returned to service from Friday leaving still some 600,679 b/d of crude production still shut in

Generator Problems

ERCOT – STP Nuclear's 1280 Mw South Texas #2 nuclear unit was shut over the weekend for planned refueling and maintenance. The unit had been at 87% of power on Friday.

LCRA planned to restart its 445 Mw Fayette coal fired Unit #3.

SERC – TVA's 1155 Mw Browns Ferry #2 nuclear unit had a generator that malfunctioned and as a result the unit was shut down over the weekend.

NPCC – OPG's 494 Mw coal fired Lambton #1 and #3 units were taken offline today while a third unit, Unit #4 returned to service.

MRO – Exelon 1163 Mw LaSalle #1 nuclear unit was at full power this morning, up from 23% on Friday.

FPL Energy's 516 Mw Point Beach #1 nuclear unit was off line today for planned refueling operations. The unit had been at full power on Friday.

Exelon's 1225 Mw Byron #2 nuclear unit has been shutdown for planned refueling and maintenance. The unit had been at 99% power on Friday.

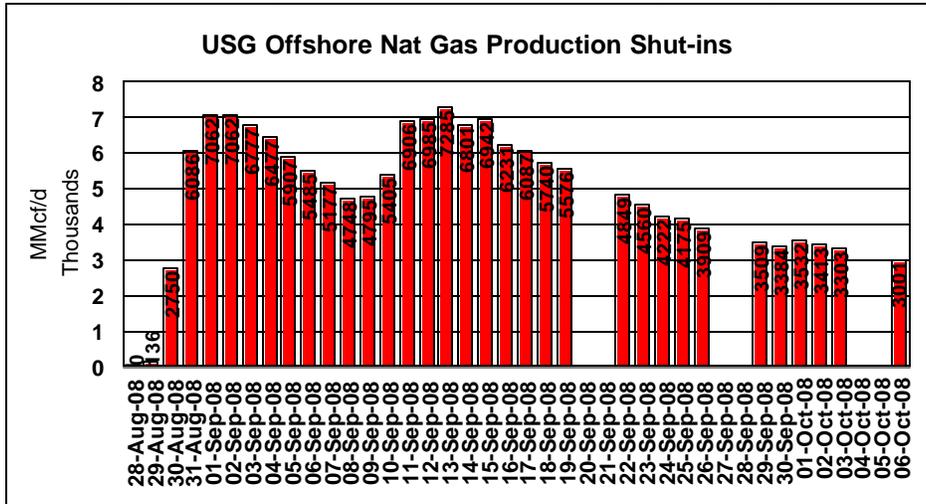
WECC – APS 1314 Mw Palo Verde #1 nuclear unit was shut early Monday. The unit had been at full power on Friday.

SCE's 472 Mw natural gas fired Mountainview Units #3 and #4 were shut for planned maintenance on Sunday.

According to the NRC some 79,778 Mw of generating capacity was in operation in the U.S. this morning, down 8.7% from Friday and 5.8% less than same time a year ago.

from Hurricane Ike. Natural gas production in the Gulf of Mexico that was estimated still shut in as of this morning was 3.001 bcf/d, some 302 MMcf/d less than Friday.

The American gas Association said today that while U.S. natural gas supplies will be plentiful this winter, gas heating costs for households will increase 10-30% when compared to last winter, in part due to higher priced gas that has been put in storage throughout the injection season.



Devon Energy reported that it has restored 60% of its offshore oil and gas production. It noted that 30,000 boepd of its pre-storm output of 50,000 boepd output had been restored. Another 5,000 boepd were expected to return during the fourth quarter as repairs are made to production and transportation facilities. But 1,200 boepd would be curtailed indefinitely after

Hurricane Ike toppled platforms in the Eugene Island area. The remaining production was expected to return in 2009.

Three LNG tankers are expected to arrive and offload at Spanish ports this week.

Russian exports of natural gas to Europe are projected to reach 161 billion cubic meters in 2008 and are expected to reach 165.1 bcm in 2009 and 166.6 bcm in 2010.

Bernstein Research said today that delays in LNG production projects due to escalating costs and a shortage of construction expertise will keep the global natural gas market tight for the next 15 years.

The company sees the supply demand balance will tighten over the next 12 years, as incremental regasification (import) capacity is likely to outpace liquefaction

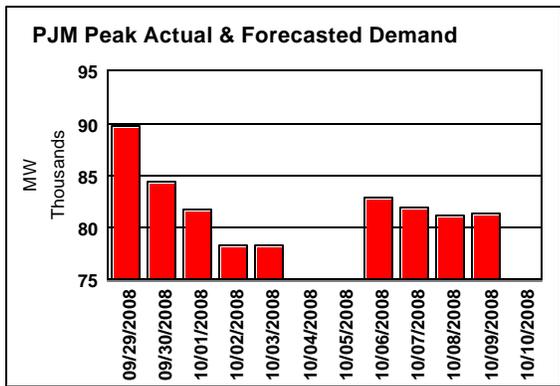
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	653,300	\$6.870	(\$0.292)	(\$0.113)	\$0.317	(\$1.233)
Chicago City Gate	495,800	\$6.473	(\$0.127)	(\$0.510)	\$0.295	(\$0.559)
NGPL- TX/OK	562,700	\$6.248	(\$0.147)	(\$0.735)	\$0.274	(\$0.842)
SoCal	426,100	\$4.837	\$0.547	(\$2.146)	\$0.968	(\$2.013)
PG&E Citygate	586,800	\$6.485	(\$0.105)	(\$0.498)	\$0.316	(\$0.746)
Dominion-South	253,200	\$6.977	(\$0.156)	(\$0.006)	\$0.265	(\$0.104)
UTrade Weighted	14,434,100	\$5.725	(\$0.104)	(\$1.258)	\$0.32	(\$1.233)

capacity. The company estimates the costs will rise from this year's average of \$600 per tonne of LNG capacity to around \$1750 per tonne by 2020.

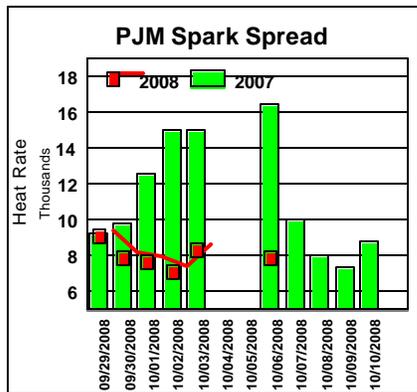
PIPELINE RESTRICTIONS

Questar reported that due to increasing field pressures related to increased inventories, the company has reduced injection capacity at Clay Basin to 330 Mdth/d until further notice.

Discovery Gas transmission said it has suffered a critical failure on an 18-inch lateral line, which ultimately resulted in the curtailment of all offshore gas, receipts. The damage occurred when the South Timbalier Block 200 lateral, which tied to the 30 inch mainline at ST 231 was severed and displaced from its previous location. The repairs on the 18 inch lateral are expected to take 30 days once the 30 inch line repairs are finished.

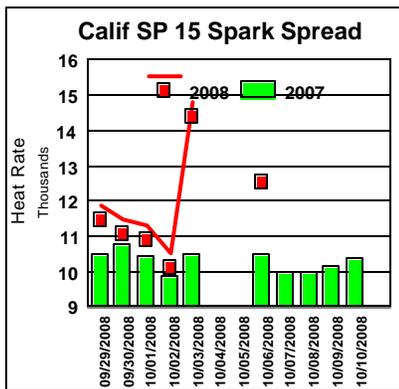


NGPL said that until further notice, Columbia Gulf-Chalkley in Cameron Parish, Louisiana in Segment 23 has limited capacity available for deliveries. Limited ITS/AOR and secondary out of path firm transports are available.



PIPELINE MAINTENANCE

Gulf South said it will be performing scheduled maintenance on Index 266 near Keatchie, Louisiana from October 11-13th. Capacity out of East Texas/Area 8 will be reduced for the duration of the maintenance work.

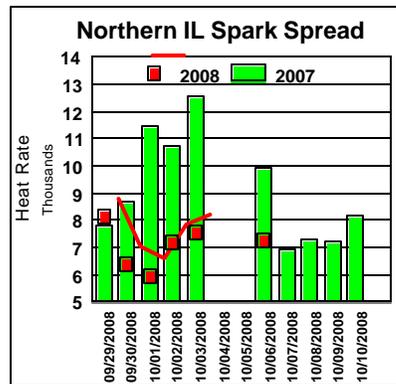


Questar Pipeline said that it has experienced unexpected mechanical damage on Unit #2 at Oak Spring compressor station. As a result, capacity on ML 104 will remain at 300,000 Dth/d until further notice.

Gulf South said it will be performing scheduled maintenance at the Kiln Compressor Station Unit #2 beginning October 7th. The work is expected to last 8 hours and capacity during the work could be reduced by as much as 100,000 Dth.

Alliance Pipeline said the Fairmonth compressor station would be off line

for four hours on October 8th for maintenance work. System capacity (AOS) should be impacted. The company also reported maintenance will require Unit #2 at the Windfall Compression Station to be off line for 8 hours on October 8th. The company also noted that scheduled maintenance would require AB 21 Teepee Creek Lateral Meter/Compressor Station to be unavailable for 96 hours starting today. This will reduce station capacity to zero.

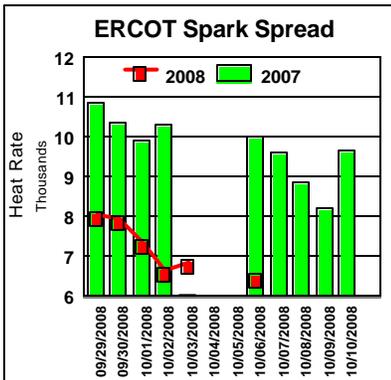


Southern Natural Gas Pipeline said it has scheduled a shut in test at the Muldon Storage Field starting October 7th and lasting through October 13th.

ELECTRIC MARKET NEWS

Power producer Reliant Energy said today that it was exploring "strategic alternatives" a week after it cut its profit forecast and said it had raised \$1 billion to support its business.

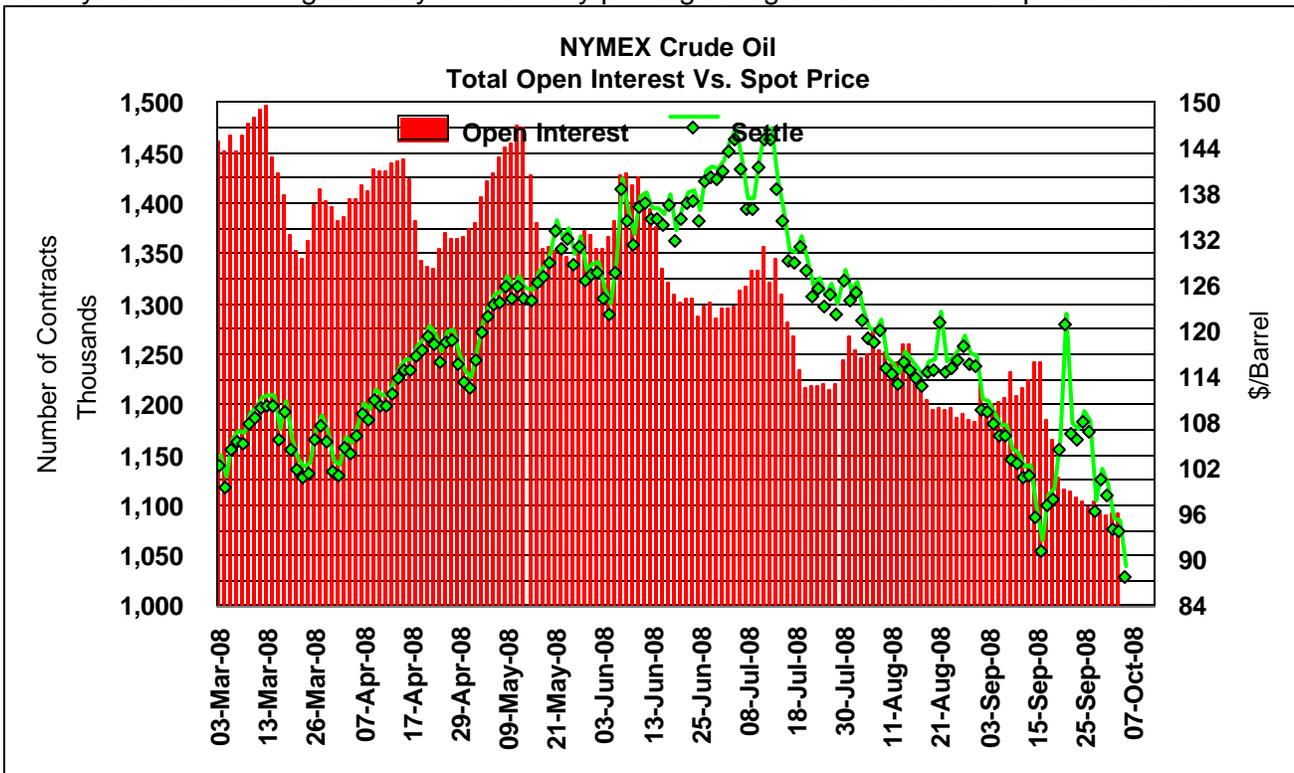
Genscape reported that for the week ending October 2nd, U.S. power production rose by 4.09% from the previous week but was still some 3.42% less than the same week a year ago. The company estimated the recovery of service after Hurricane Ike was in part responsible for the rebound.



The NRC voted to deny a petition by a coalition of groups seeking to suspend the agency's reactor license renewal process. The groups are opposed to the license renewals for the Oyster creek, Indian point, Pilgrim and Vermont Yankee nuclear plants.

MARKET COMMENTARY

The contagion of doom and gloom that swept across the financial markets, spilled into the energy markets as well. The natural gas market while not matching the price collapse of the oil markets was under pressure as well as prices early this morning breached the lows at \$7.14 from last week and technical selling seemed to be triggered just before the opening of the floor session. This selling continued through the morning as the spot price broke below the \$7.00 price level for the first time since late December, before stabilizing around the spot lows of last December at midday. Volume was significantly better today posting its highest level since September 25th.



While there has been much discussion over the past several weeks of the continued flight of money out of commodity index funds that has not been fully reflected in the open interest numbers in natural gas as it has been in crude oil. Crude oil open interest has been trending lower for the past four months and open interest in the crude futures contract stands at some 24% less than a year ago. Natural gas open interest though is still some 16.8% higher than a year ago while open interest has been relatively static over the past week. This leads us to believe that the commodity funds have not been as aggressive in exiting natural gas as they may have been in other commodities.

There is no doubt that this market will continue to be driven by the global macro economic news of the financial health of the worlds equity and credit markets for probably the remainder of this week. But key technical points to keep an eye out for would be the follow: Support we see at \$6.82 followed by a gap in the spot continuation charts from last year at \$6.643-\$6.474. Additional support we see at \$6.131. Resistance we see at \$7.181. \$7.25. \$7.38, \$7.527 and \$7.706. More significant resistance we see at \$7.938 and \$8.117.

