



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 14, 2008

NATURAL GAS MARKET NEWS

Gazprom reported that its top managers recently visited Alaska to meet with state officials as well as ConocoPhillips to explore potential partnering opportunities. The Russian gas giant noted that expertise it could offer to Alaska as climatic conditions at its traditional gas production areas in northern Russia are similar to those in Alaska. Gazprom has reported that in June it had approached ConocoPhillips and BP on joining their Denali pipeline project, but has also expressed interest in the rival pipeline project backed by TransCanada and the state of Alaska.

Generator Problems

NPCC- OPG's 490 Mw Nanticoke 5 coal fired power plant was shut early Tuesday.

Energy's 813 Mw FitzPatrick nuclear unit was back to full power this morning, up 3% from Monday.

Exelon's 636 Mw Oyster Creek nuclear reactor is coasting down to its planned maintenance and refueling outage. The unit was at 97% power and is expected to go offline on October 21st.

ERCOT -AEP's 528 Mw Welsh 3 coal fired power plant was expected to be restarted today.

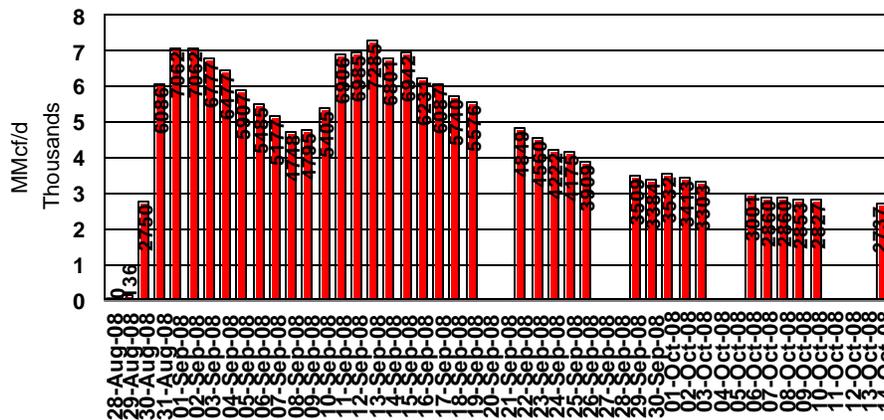
SERC - Southern Nuclear's 888 Mw Farley #2 nuclear unit was coasting down to a planned outage set to start on October 19th. The unit was at 86% capacity this morning.

WECC - Intermountain Power Project's 900 Mw coal fired Unit #1 returned to service late on Monday. The unit went offline on Sunday.

FRCC - FPL's 693 Mw Turkey Point #4 nuclear unit was at 10% power this afternoon as it began to exit a brief outage. The unit had reconnected to the grid.

The NRC reported this morning that some 80,745 Mw of nuclear generating capacity was online this morning, up 0.1% from Monday and some 2% better than the same day a year ago.

USG Offshore Nat Gas Production Shut-ins



Barclays Capital lowered their price forecast for natural gas in 2009 from \$8.50 to \$7.00 per Mcf. As a result of lower gas and oil prices they expect spending on exploration in North America to drop by 15% in 2009 from 2008 levels.

At mid morning the National Hurricane Center classified the tropical system in the western Caribbean as now as Tropical Depression 16.

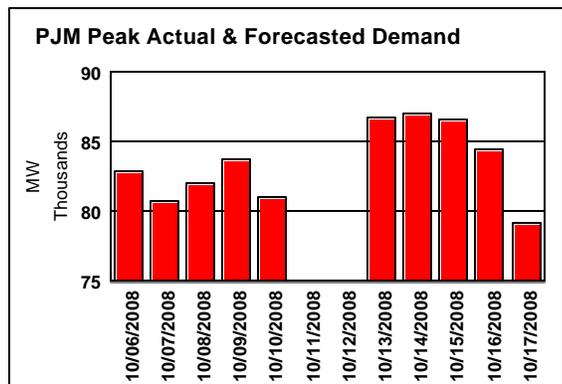
The system was expected to strengthen into a tropical storm before making landfall. The NHC noted that the track guidance models expect the storm to turn westward and the system will move over eastern Honduras, while a couple of models keep the system offshore longer and then have it moving ashore in Belize. But some of the track computer models have that once this storm makes initial landfall in Central America it could then just as quickly turn northward/northeastward and move back over water.

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	741,400	\$6.738	\$0.122	(\$0.036)	\$0.045	(\$1.260)
Chicago City Gate	527,800	\$6.432	\$0.219	(\$0.342)	\$0.150	(\$0.523)
NGPL- TX/OK	727,900	\$6.200	\$0.196	(\$0.574)	\$0.127	(\$0.725)
SoCal	424,200	\$3.172	(\$1.151)	(\$3.602)	(\$1.220)	(\$2.797)
PG&E Citygate	441,700	\$6.392	\$0.060	(\$0.382)	(\$0.009)	(\$0.422)
Dominion-South	201,000	\$6.905	\$0.233	\$0.131	\$0.164	(\$0.039)
UStTrade Weighted	14,236,300	\$5.583	\$0.114	(\$1.191)	\$0.04	(\$1.260)

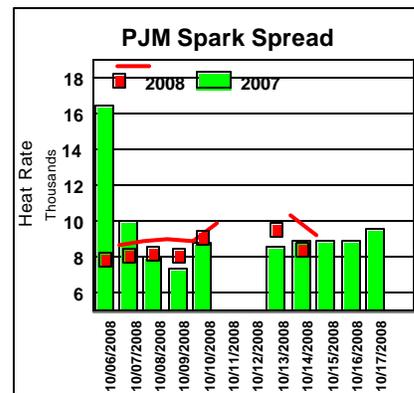
Total reported that despite a small explosion and fire in a laboratory at its gas import facility at the St. Fergus gas terminal, natural gas flows through the facility remain

unaffected.

The U.S. Minerals Management Service reported this afternoon that as of this morning some 506,201 b/d of Gulf of Mexico crude oil production remained off line, some 56,715 b/d of production less than Friday's level. Natural gas production saw some 90 Mmcf/d of production return since Friday, but still some 2.737 bcf/d of offshore production remained shut in.



Senator Tom Harkin said Congress should enact stronger regulation over OTC swaps and derivatives as a step toward fixing the financial turmoil in the U.S. economy. Harkin today said that financial instruments like credit default swaps and the



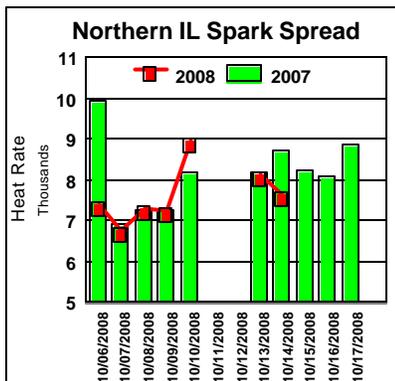
leveraging of investments as "casino capitalism" operating outside of federal regulation. He said it was nearly impossible to know if swaps are traded at fair value or if market participants hold adequate reserves.

PIPELINE MAINTENANCE

Northwest Pipeline said that due to a problem with the Lava Hot Springs replacement engine, the company has been forced to postpone the work originally scheduled for October 14-15 to November 5-6th. The company also said that it is performing an engine exchange at the Buhl compressor station beginning October 14th. This engine exchange, which was originally scheduled to take place in September, was moved to lessen the system impacts during REX maintenance this past month.

Williston Basin Interstate Pipeline said it will be forming maintenance at the Manning Compressor Station on October 22nd and that the maximum delivery capacity to point # 01010 Northern Border-Manning will be approximately 127,000 Dth/d for that day.

Alliance Pipeline said that it is working to correct mechanical issues encountered on Unit #1 at the Whitecourt Meter/Compressor Station on October 12th, but at this time it is unclear when the unit will return to service. Station capacity has been lowered to 515 e3m3.



Gulf South Pipeline said it has completed scheduled maintenance at the Vixen Compressor Station on the Expansion Turbine Units #1000 and #2000. The maintenance began on October 10th and limited capacity on the line to 1.2 bcf/d.

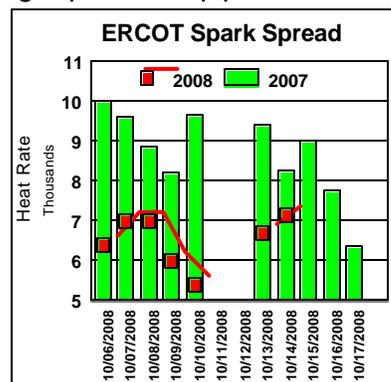
PIPELINE RESTRICTIONS

Northern Natural Gas said it has lifted a force majeure on the Palmyra North Nomination Group after completing repairs to a pipeline leak that was discovered this past Saturday.

Questar Pipeline said that it is posting an OFO for its Clay Basin Storage Shippers.

ELECTRIC MARKET NEWS

Genscape reported that coal inventories at U.S. power plants rose 2.4% last week, but supplies in the eastern U.S. were at “historically low” level heading into the winter. Overall U.S. utilities held 5.1% more coal stocks than a year ago with 53 days of average coal burn. Low stocks in the eastern U.S. are a result of coal exports running some 36% above year ago levels.



Constellation Energy announced it has resumed building Hillabee natural gas fired power plant. The partially completed 774 Mw generating unit was purchased by Constellation from Calpine in February of this year. Construction had been suspended in 2003. The facility, which is 80% complete, is now expected to begin commercial operation by late 2009.



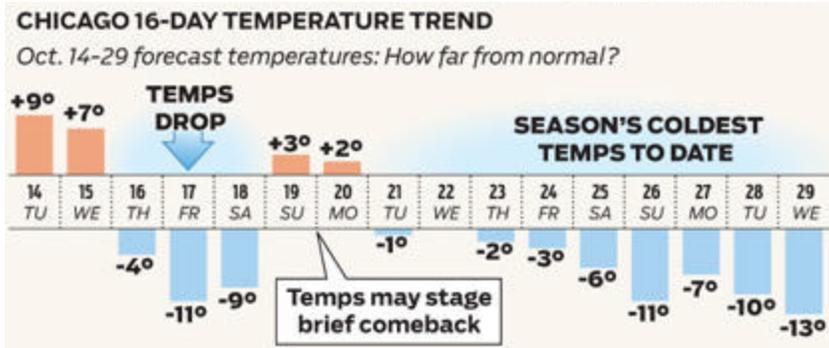
Suez Energy Resources North America reported that monthly power prices for November delivery across ERCOT fell to new 52 week lows as gas weakened.

MARKET COMMENTARY

The natural gas market continues to be the best performing commodity out the various energy contracts. It continues to see its value relative to crude oil improve, regaining some \$3.00 per Mmbtu of value in just the last three weeks. Today the market was able to settle higher in the November contract for the third time out of the last four trading sessions. The continued slow pace in returning shut in natural gas production from the Gulf of Mexico, coupled with

approaching colder than normal temperatures for the mid section of the country and this morning's flare up of yet another tropical system in the Caribbean all appeared to help prices. While some of the gains at midday were lost by the end of the day as updated tropical weather forecasts appeared to be diminishing the potential threat outside of Central America from Tropical Depression 16.

Technically the natural gas market appears ready to receive a boost from trend indicators such as the 9 day stochastics which appear ready to turn higher tomorrow for the first time in nearly three weeks, as flat prices appear to have demonstrated a triple bottom at the \$6.52-\$6.51 over the last week. Meanwhile the March April spread appears to be demonstrating a bottom placed last Wednesday when the daily stochastics crossed to the upside on a day when a new low was posted but was still able to settle higher.



We see minor support starting tomorrow at \$6.70 followed by \$6.64-\$6.63, and \$6.542. Significant support we see at \$6.51-\$6.47, followed by \$6.44, \$6.321. Resistance we see at \$6.83, \$6.93 and \$7.022. Additional resistance we see at \$7.306, \$7.552, \$7.80 and \$7.874.

