



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 20, 2008

NATURAL GAS MARKET NEWS

Spectra Energy said today that in response to market interest for increased access to emerging Appalachian Basin natural gas supplies, it was launching a second open season in less than a year to further expand its East Tennessee Natural Gas system.

EarthSat this morning in its latest 10-day temperature outlook said that below normal temperatures are expected in the eastern half of the country. Meanwhile private forecaster WSI said it looks for temperatures across the eastern United

Generator Problems

NPCC – OPG's 490 Mw Nanticoke coal fired Unit #5 power plant returned to service this morning. The unit had been shut since October 14th.

Entergy's 620 Mw Vermont Yankee nuclear power station was shut on October 19th for its scheduled refueling outage. The unit had been at 96% capacity on Friday.

Bruce Power's Bruce #7 nuclear unit returned to service today.

ERCOT – Luminant's 545 Mw Sandow #4 coal fired power plant was shut on Monday to fix a tube leak.

Texas Utilities 1150 Mw Comanche Peak #1 nuclear unit was at 92% power this morning up from 23% recorded on Friday.

SERC – Southern's 1149 Mw Vogtle #2 nuclear unit has been restarted and was at 17% power this morning.

Southern's 888 Mw Farley #2 nuclear unit was taken off line on Sunday for maintenance and refueling.

FRCC – FPL shut its 839 Mw St. Lucie #1 nuclear unit early Monday for refueling.

PJM – Exelon's 1112 Mw Peach Bottom #2 nuclear unit has started to exit from its recent refueling outage and stood at 14%.

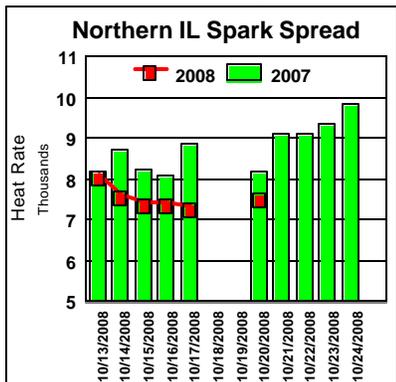
PSEG 1130 Mw Salem #2 nuclear unit returned to full power this morning. The unit had been at 67% power on Friday.

The NRC reported this morning that some 79,663 Mw of nuclear generating capacity was online this morning, down 1.8% from Friday and down 0.4% more than the same day a year ago.

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	690,700	\$6.979	\$0.215	\$0.005	\$0.621	(\$1.047)
Chicago City Gate	653,600	\$6.991	\$0.476	\$0.017	\$0.439	(\$0.253)
NGPL- TX/OK	950,900	\$6.557	\$0.314	(\$0.417)	\$0.277	(\$0.560)
SoCal	349,400	\$5.090	\$1.761	(\$1.884)	\$1.724	(\$2.741)
PG&E Citygate	429,600	\$6.665	\$0.210	(\$0.310)	\$0.173	(\$0.390)
Dominion-South	358,900	\$7.322	\$0.494	\$0.348	\$0.457	\$0.098
USTRade Weighted	16,935,200	\$6.253	\$0.658	(\$0.721)	\$0.62	(\$1.047)

States to be warmer than normal for the next three months, with December showing the highest likelihood for a cold snap, with the best chance for a

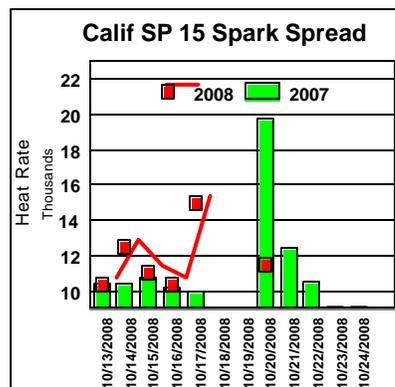
prolonged cold snap just prior to New Year, with mild conditions prevailing after that. They noted that neither ocean temperatures in the Atlantic nor the snow cover build up at Arctic latitudes are suggestive of sustained cold and snowy weather in the East this upcoming winter.



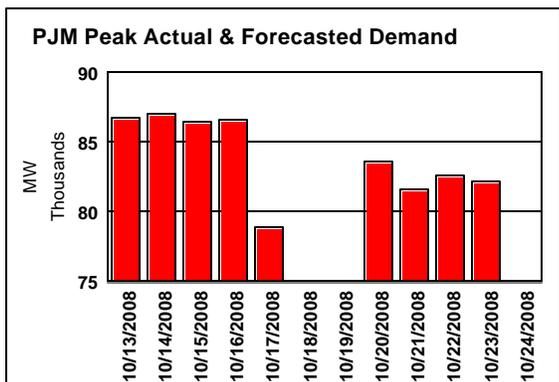
The FERC has dismissed an application for construction of the Quoddy Bay LNG terminal in Maine because of insufficient information submitted by the developer.

The Northern California Gas Authority, a financing conduit for public power sector generators, was placed on "watch for a downgrade" by Moody's Investor Services,

following the credit agency's down grade of Morgan Stanley. Some \$758 million of series A and B 2007 bonds held by the gas authority are tied to Morgan Stanley and other Wall Street firms currently caught in the credit squeeze.



The FERC on Friday issued a favorable environmental review of SG Resources Mississippi proposal to expand the working gas capacity of its high-deliverability salt dome natural gas storage facility in Greene County, Mississippi by approximately 16 bcf. This expansion would raise the capacity of the facility to 40 bcf.

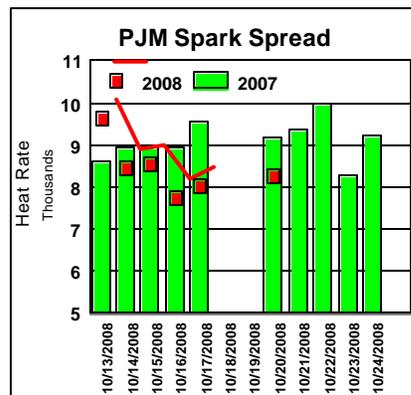


The FERC also gave a green light to Bobcat Storage to begin service pipeline facilities that will connect to its salt dome natural gas storage project in St. Landry Parish, Louisiana.

South Korea's imports of LNG fell in September on a year on year basis for the first time since April. The Korean International Trade Association said that imports fell as a result of declining crude oil prices during the month. It noted that the average LNG price paid during the month was \$15.91

per Mmbtu, versus \$9.64 per Mmbtu paid a year ago.

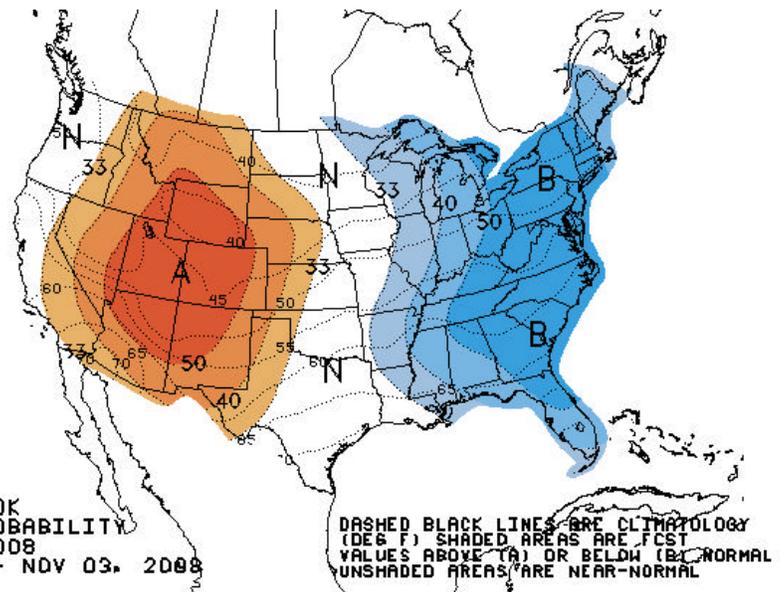
ENI is seeking Indonesian government approval of its plan to build a floating LNG terminal in the Bukat area of the Tarakan Basin. The oil and gas reserves in this region are near the disputed territorial region between Indonesian and Malaysian governments and thus the company was seeking the full support of the government.



The National Hurricane Center said today there is a 20% chance that the current tropical disturbance in the northwestern Caribbean Sea could post further development and become a tropical depression within the next 48 hours. Three of the main forecasting models have the system becoming a tropical storm by the end of the end of the week as the system heads for the eastern Gulf of Mexico and ultimately Florida.

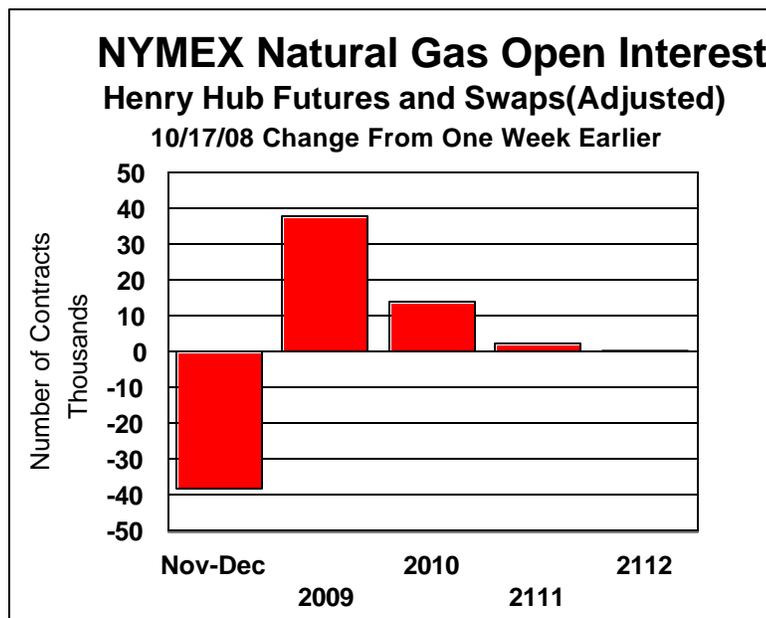
PIPELINE MAINTENANCE

Alliance Pipeline said that it will be conducting inspections and maintenance work on its Unit #1 at the Blueberry Hill Compressor Station on October 21st. The unit will be offline for 12 hours and capacity will be lowered to 10912 e3m3 at Constraint Point #2 as a result. The company also reported that its Windfall Compressor Station Unit #3 will undergo routine inspection and maintenance on October 21st. The unit will be off line for 36 hours. But since the station has redundant compression system throughput will not be impacted. The pipeline will also be conducting maintenance work on its Alberta Lea and Alameda Compression Stations but no system impact is expected.



ELECTRIC MARKET NEWS

Exelon today offered \$6.2 billion for NRG Energy. The offer comes after NRG losing half its market value over the past two months. NRG is the second biggest power producer in Texas and thus would give Exelon more generation capacity outside its Illinois and Pennsylvania operating bases.



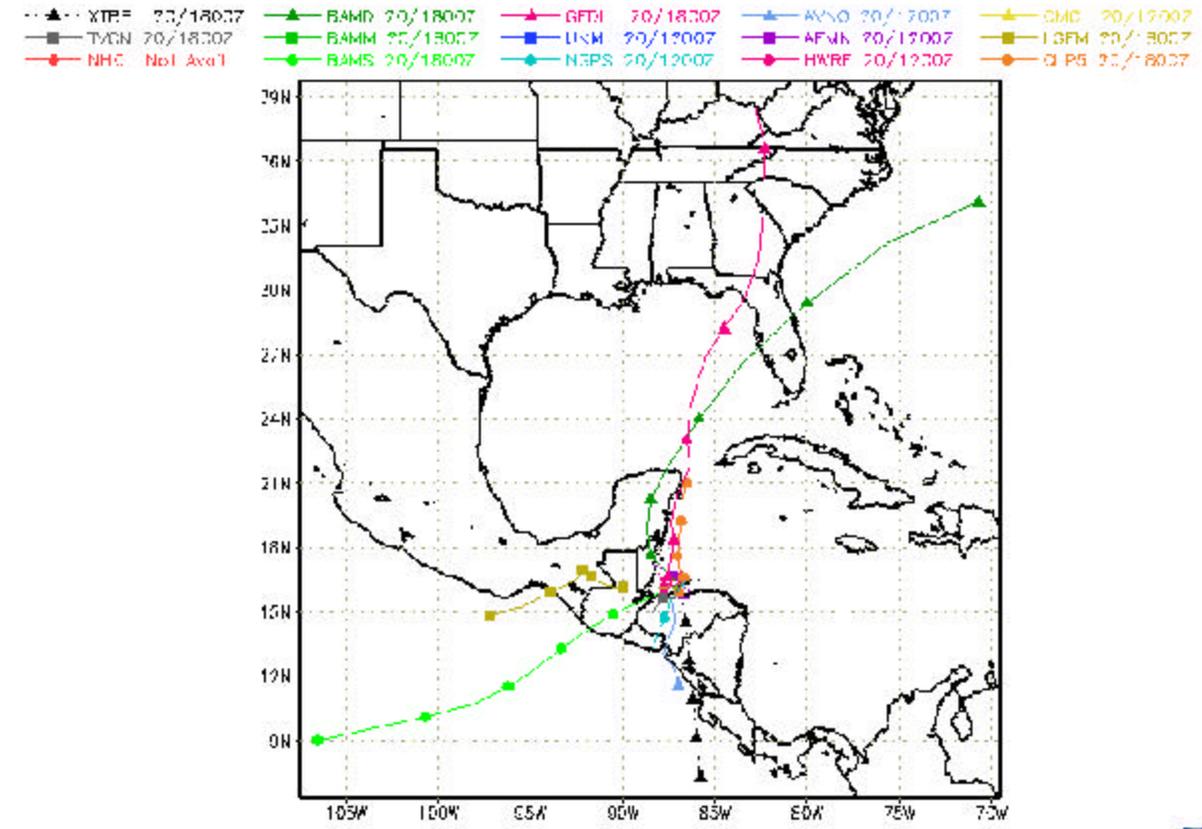
A new report from VaasaETT Global Energy Think Tank said that retail power price caps in 13 European Union countries have effectively prevented price competition in the European market. While retail power customers are free to switch power providers since July of last year, only 4% of the customers have done so versus a switching rate of 13% recorded by retail customers in Australia and North America.

MARKET COMMENTARY

The natural gas market posted an outside trading session for the second time out of the last three trading sessions. Natural gas started out the day stronger as near term heating demand was expected to be higher than normal

given the colder than normal temperatures expected for the Midwest and the eastern United States over the next two weeks. This anticipated weather demand helped to firm the cash markets again today and the November futures contract traded above \$7.00 for the first time in nearly two weeks. But

by the afternoon while oil prices were holding onto their gains and were hovering near their highs as the stock market was rebounding, natural gas prices moved lower retracing 62% of the prior three day gains and ended the session lower, driven in part to a bearish longer term private weather forecast.



storm_91
 20-Oct 19:51 EDT
 weather@wind.com

NHC Advisories and County Emergency Management Bulletins supersede this product.
 This graphic should complement, not replace, NHC discussions.
 If anything on this graphic causes confusion, consult the entire product.
 For full info, see <http://my.sfwmd.gov/sfwmd/corn-on-firm-ages/weather/plots.htm>



Open interest in the Henry Hub futures and swaps contract on Friday posted the first increase out of the last three trading sessions. While growth continues to be recorded in the calendar 2009 months, strong interest has been demonstrated in the Calendar 2010 months as well.

Given the continued expectations for colder than normal temperatures for the next 1-2 weeks and the apparent pause in the bearish plunge in the financial markets, we feel comfortable in remaining mildly supportive for natural gas prices. We continue to look to be a modest buyer of the natural gas call spreads. We still like the November \$7.00-\$7.00 call spread which tonight settled at a new low of 13.1 cents, with just over a week to go before expiration.

We see support in the November futures contract tomorrow at \$6.68 followed by \$6.587, \$6.433, \$6.183 and \$6.10. Resistance we see at \$6.991, \$7.087, \$7.187. Additional resistance we see at \$7.24, \$7.364, \$7.395 and a key trend line resistance at \$7.938.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.