



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 31, 2008

NATURAL GAS MARKET NEWS

Economic news continued to be gloomy today. The Institute for Supply Management-Chicago business barometer fell to 37.8 from 56.7 in September, the lowest reading since 2001. A reading below 50 indicates business contraction. Meanwhile the University of Michigan's Surveys of Consumers said its final reading of its Index of Consumer Confidence plunged to 57.6 in October from 70.3 in September. The group noted that there has only been four monthly surveys that have recorded double digit declines, and all have resulted from severe economic dislocations, with losses accelerated by fear and panic. The Index dates back to 1952.

Generator Problems

NPCC – Atco's 580 Mw Brighton Beach natural gas fired power station in Ontario was shut early Friday.

SPP – Entergy's 1207 Mw Grand Gulf #1 nuclear unit was back on line this morning after tripping off line last weekend.

MRO – Xcel Energy's 545 Mw Prairie Island #2 nuclear unit was shut October 30th during start up operations due to a failure in the rod control system. The unit had only reached 1% capacity. The unit has been off line since September 19th.

Exelon's 912 Mw Dresden #3 nuclear unit is preparing for its scheduled refueling and maintenance outage slated for November 3rd.

ERCOT –Luminant's 575 Mw coal fired Unit #1 Big Brown power station was expected to be restarted Friday morning. The unit had been taken off line on October 30th due to a unit trip due to a air preheated.

The NRC reported this morning that some 78,787 Mw of nuclear generating capacity was online this morning, up 0.2% from Thursday and down 4.8% more than the same day a year ago.

The Canadian Energy Board released their annual heating season forecast and they call for natural gas prices will trade in a moderate range of \$6.00 to \$9.00 per Mmbtu this winter.

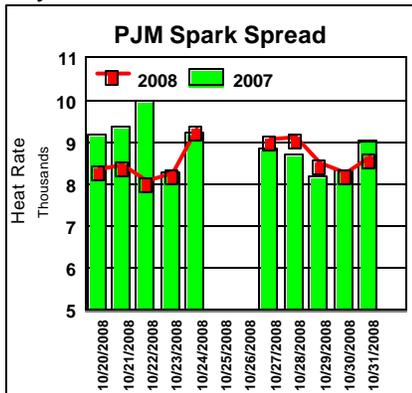
The CEO of Chesapeake Energy said that given lower natural gas prices and budget cutbacks by E&P

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	851,400	\$6.178	(\$0.566)	(\$0.325)	(\$0.928)	(\$0.688)
Chicago City Gate	1,043,800	\$6.046	(\$0.360)	(\$0.457)	(\$0.487)	\$0.093
NGPL- TX/OK	622,800	\$5.628	(\$0.501)	(\$0.876)	(\$0.628)	(\$0.503)
SoCal	382,900	\$3.284	(\$0.869)	(\$3.219)	(\$0.996)	(\$2.259)
PG&E Citygate	710,100	\$5.952	(\$0.324)	(\$0.551)	(\$0.451)	(\$0.326)
Dominion-South	289,200	\$6.436	(\$0.632)	(\$0.067)	(\$0.759)	\$0.588
UStTrade Weighted	17,371,700	\$5.064	(\$0.801)	(\$1.439)	(\$0.93)	(\$0.688)

companies, that 300-500 drilling rigs for natural gas will likely be taken out of service this coming year.

Distrigas' Methania LNG tanker will remain at sea for another

two weeks while the company looks for a buyer for its cargo before heading back to Zeebrugge. The cargo has been moored off the coast of southwest England, while the owners have searched for a buyer.



Norway's giant Ormen Lange gas field is now producing gas from six wells, after three new wells were brought on line this month. No production volumes were given for the new producing wells, but Shell simply said they are being ramped up slowly. The field is scheduled to reach its capacity of 70 mcm/d by the end of 2009.

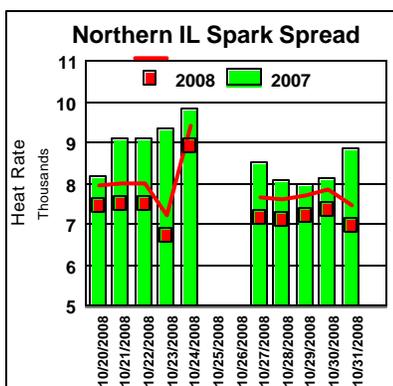
The FERC granted approval to Leaf River for a Certificate of Public Convenience and Necessity authorizing it to develop and operate a salt dome natural gas storage facility and the associated pipeline infrastructure. The company hopes to begin construction shortly on

the 32 bcf facility. The facility would have a 1 Bcf/d injection capacity and a 2.5 bcfd withdrawal capacity.

Baker Hughes reported that for the week ending October 31st some 1,529 rigs were looking for natural gas in the United States, down eight on the week.

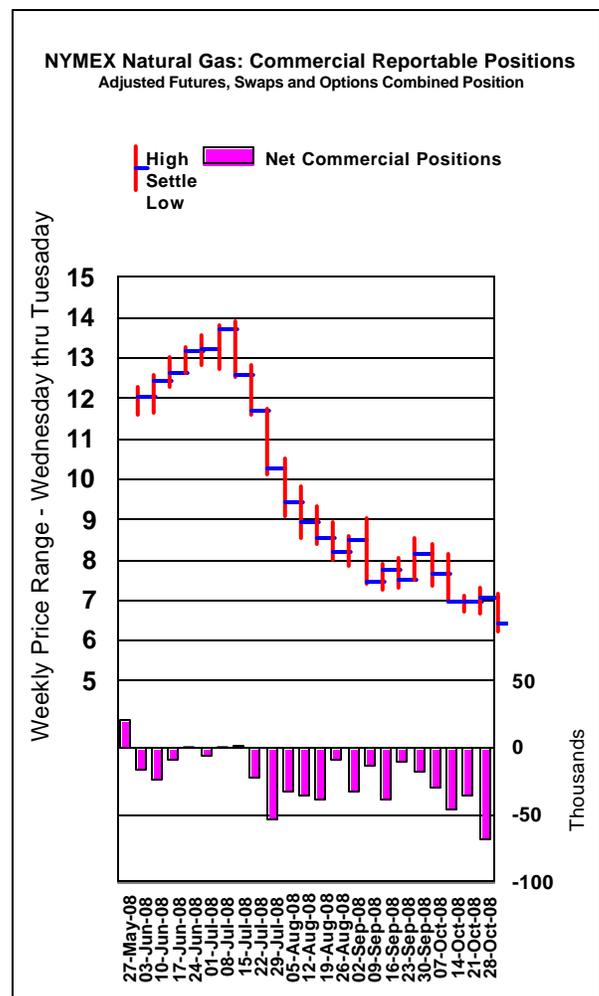
The FERC has approved a revision to the Alliance Pipeline's tariff, which allows the company to waive gas quality specs on a first come, first served basis. This waiver is seen enabling Pecan Pipeline in North Dakota to flow dense phase rich gas outside the liquefiable hydrocarbon specification. The company does not expect this will have any significant operational impact on its system and the combined gas stream to the Chicago market will remain within Alliance's FERC tariff gas quality specifications.

The NYMEX reported that 1451 contracts went to delivery in the November natural gas market. On the delivery side BP was responsible for the majority with 777 lots,

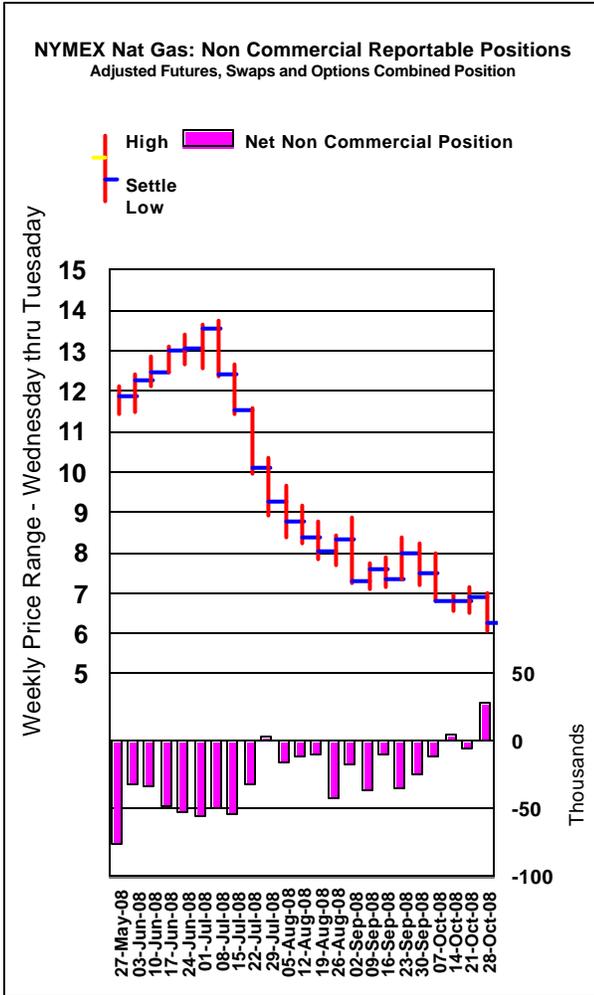


responsible for the majority with 777 lots, Newedge 102 lots, NFI 87 lots, and Citigroup 485 lots. Acceptances were led by Newedge 1,077 lots; Goldman Sachs 180 lots, Citigroup 92 lots, BNP 60 lots and JP Morgan Chase 42 lots.

Chevron reported that its U.S. production of natural gas in the 3Q2008 averaged 1.431 bcf/d, down 16% from a year ago.



PIPELINE MAINTENANCE



NGPL said that effective for today's gas day and until further notice, Midwestern Kankakee is at capacity for deliveries. ITS/AOR and Secondary transports are at risk of not being fully scheduled. The company also said that until further notice it is at capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. ITS/AOR and Secondary out of path Firm transports are at risk of not being fully scheduled. Withdrawals from South Texas Storage Point will be included for purposes of scheduling.

Northern Natural has declared an OFO for Carlton Resolution until further notice.

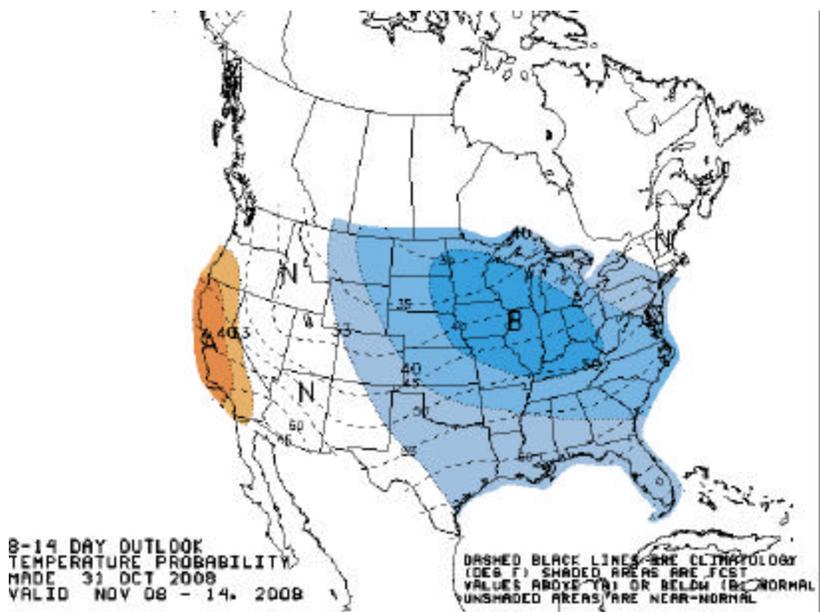
CIG said that pipeline load factors and imbalance condition continue to make it have an Operational Warning in effect. It said daily injection rates have continued at or near the operational limits of the storage fields which further limits the company's ability to absorb imbalances.

PIPELINE RESTRICTIONS

Trunkline Gas Company reported that beginning November 12th there will be an outage at the Kountze Compressor Station to perform ESD upgrade and electrical work. Estimated duration of the work is expected to be two days and capacity will be limited to 200 MMcf/d through Kountze and 850 MMcf/d through Longville.

Sabine Pipe Line said it will be performing quarterly inspections and maintenance on the south booster station of the Henry Hub beginning on December 2nd. The inspections are expected to be completed by December 19th. For the duration of the work, the overall compression capabilities of the Henry Hub booster station may be at times reduced by 20%.

Cheyenne Plains Gas Pipeline said that its Yuma Compressor Station would be out of service November 6th for eight hours. Volumes at the unit will go down to zero during the outage. The company also said that its Niobrara Compressor Station was taken out of service yesterday and will remain off line through November 21st. The volume at NIO



will go to zero during this outage.

ELECTRIC MARKET NEWS

Genscape reported this morning that U.S. coal burn index rose 2% during the week ending October 30th, but fell 2% from the same week a year ago.

Bruce Power LP announced plans to build a new nuclear plant next to its Nanticoke coal fired generation facilities which are scheduled to be shuttered by 2014. The Ontario energy minister though said the government does not support Bruce Power's proposal for a new nuclear unit.

AEP said today that its 1029 Mw Cook #1 nuclear unit, which was shut September 20th, could return to service in the late first quarter of next year or beginning of the second quarter. The unit was shut back on September 20th after turbine vibrations resulted in damage to the main turbine.

A study released by Credit Suisse Group said that low-emissions coal fired power technology or clean coal technology will most likely need a \$15 billion in further investment and 10 years more of research and development to be ready for commercial use. The IEA estimated earlier this month that spending on carbon capture and storage is not sufficient to achieve the Group of Eight industrialized countries goal of developing 20 large plants by 2010.

The FERC on Friday granted a request by Southern Indiana Gas & Electric for financial incentives for a proposed transmission between Indiana and Kentucky. The incentives would be for the Gibson-Brown-Reid project a 70 mile 345 kV line. The project is slated to come on line in June 2011.

Xcel Energy and enXco said today that they plan to build 351 Mw of wind capacity in Minnesota and North Dakota by the end of 2011, increasing the utility's wind power resources by more than 109%

MARKET COMMENTARY

Despite plunging cash values today across the country as warmer temperatures were taking hold in much of the Midwest and eastern United States for the next week, the futures market this morning failed to move in tandem to the downside; but rather held its own and then began to drift higher as it was dragged upward by escalating oil prices especially after 2 PM. While longer term forecasts remain supportive, this market over the past two days appears quite comfortable in remaining in the trading range that was established earlier this week and it looks might remain in the \$6.00-\$7.00 trading range next week as well. We see specific support Monday at \$6.70, \$6.465, \$6.33, \$6.24, \$6.146 and \$5.963. Resistance we see at \$6.90, \$6.967, \$7.15, \$7.33 and \$7.42.

This afternoon's Commitment of Traders Report showed that non-commercials dramatically added longs by 34,206 to reach a net long position of 28,450 lots on a combined adjusted basis in the Henry Hub futures and swaps contracts, for the week ending October 28th.