



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 7, 2008

NATURAL GAS MARKET NEWS

Southern California Edison on Thursday launched a request for offers for long term natural gas financial hedge products. The utility said that it is seeking offers for a limited quantity of financial natural gas products of up to 59 months for its tolling generation agreements, Mountainview power plant, new peaker plants and gas exposure related to energy purchased under qualifying facility contracts. In addition SoCal Edison said that the California Department of Water Resources is seeking offers for financial natural gas products with durations of 15 months for its contracts managed by SoCal Edison. The financial products being solicited are fixed for floating swaps, call options and call spreads.

Cheniere Energy reported a loss of \$67.4 million in the third quarter of this year up from a loss of \$53.5 million in the same period a year ago. The company's operations posted a \$39.1 million loss in Q3 2008, improved from a \$47.3 million loss in Q3 2007 primarily because of lower LNG receiving terminal and pipeline development expenses, lower general and administrative expenses and a \$3.1 million gain from marketing and trading activities. The company noted that construction of the first 2.6 bcf/d send out capacity and 10.1 bcf of storage capacity phase of Sabine Pass was completed and the terminal was placed into service during the most recent quarter. This was the company's third LNG terminal in service. Hurricane Ike damaged construction facilities and materials that were associated with the 1.4 bcf/d expansion that is currently underway. The company noted that the work while delayed was 84% complete and is now expected to be completed by Q3 2009.

Secure Energy has made a firm transportation service agreement with Natural Gas Pipeline to ship up to 67,000 Mmbtu/d of natural gas from Secure's Decatur, Illinois Gasification Plant, beginning August 1st.

Generator Problems

NPCC – OPG's 494 Mw coal fired Lambton #1 power unit exited its outage Friday morning. The unit had been off line since November 3rd.

ERCOT – Luminant's 750 Mw Martin Lake #2 coal fired power generator, which tripped off line yesterday, was expected to be restarted Friday.

STP's 1250 Mw South Texas #2 nuclear unit was at 99% capacity this morning up 22% from yesterday.

MRO – Ameren Corp's 1190 Mw Callaway reactor started to exit from its recent refueling outage and ramped up to 1% today. The unit had been shut since October 10th.

Excel Energy's 593 Mw Prairie Island #2 nuclear unit was at 83% capacity this morning up 11% from Thursday.

SERC – Carolina Power & Light said that its 895 Mw Robinson nuclear unit was still off line this morning at 5% of capacity, up just 4% from Thursday.

The NRC reported that some 80,184 Mw of nuclear generating capacity was online this morning, up 0.5% from Thursday and but down 1.7% from the same day a year ago.

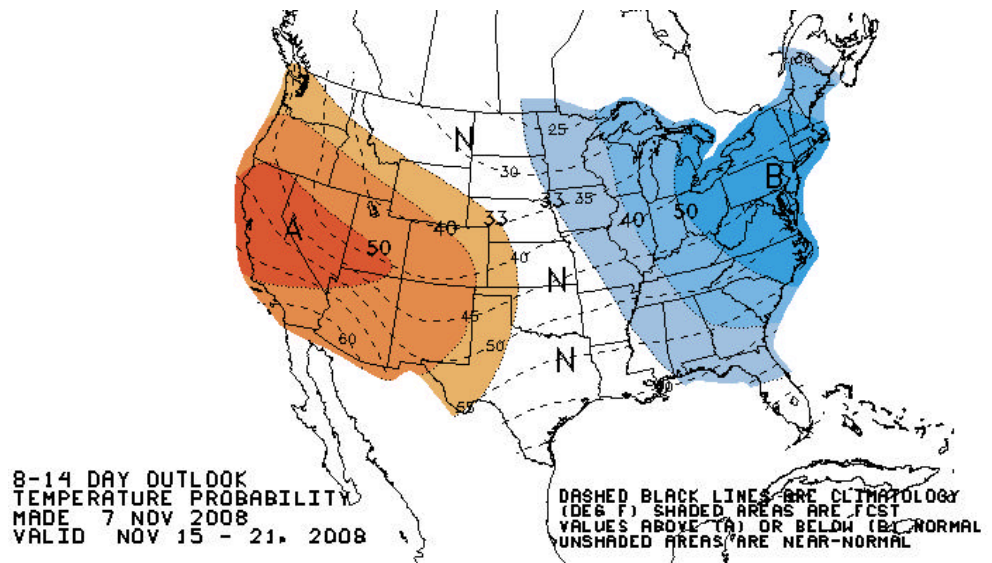
The Dutch Economy Minister today said that the Netherlands are actively moving forward in building closer contacts with LNG exporters as it seeks to develop alternative energy sources to strengthen its negotiating power with large energy exporters such as Russia. The minister noted that the Dutch are

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	914,800	\$6.601	(\$0.434)	(\$0.183)	(\$0.404)	(\$1.080)
Chicago City Gate	827,100	\$6.354	(\$0.057)	(\$0.430)	\$0.076	(\$0.835)
NGPL- TX/OK	894,800	\$6.085	(\$0.075)	(\$0.699)	\$0.058	(\$1.157)
SoCal	328,800	\$4.573	(\$1.056)	(\$2.211)	(\$0.923)	(\$2.325)
PG&E Citygate	295,600	\$5.993	(\$0.413)	(\$0.791)	(\$0.280)	(\$0.801)
Dominion-South	294,200	\$6.661	(\$0.436)	(\$0.123)	(\$0.303)	(\$0.133)
UStTrade Weighted	14,983,800	\$5.818	(\$0.537)	(\$0.966)	(\$0.40)	(\$1.080)

currently building a LNG terminal in Rotterdam harbor that is expected to be fully operational by 2011 and are looking to build two additional terminals at other ports in the nation. These

actions the government feels will allow the Dutch to emerge as an energy hub trading point in northwestern Europe and thus increase its bargaining position in supply negotiations. The Netherlands are Western Europe's third largest natural gas producer after Norway and Britain, and it would look to use its exhausted natural gas fields for gas storage and its pipeline network to continue to export gas across the continent.

The FERC said today that its staff has prepared a Draft Environmental Impact Statement for Algonquin Gas Transmission's Hubline East to West Project. The proposed project would consist of approximately 31.4 miles of pipeline in Massachusetts and Connecticut and the construction of a new 10,310 Hp compressor station



Baker Hughes reported that for the week ending November 7th the number of drilling rigs searching for natural gas stood at 1,539, down 13 on the week.

Former Federal Reserve Chairman Alan Greenspan said today that he sees U.S. gross domestic product declining significantly in the fourth quarter of this year. Meanwhile the Labor Department reported this morning, US October payrolls fell by a much larger than expected 240,000 jobs as the unemployment rate increased to its highest in more than 14 years. The national unemployment rate increased to 6.5% from 6.1% in September, the highest level since March 1994. So far this year, 1.2 million US jobs have been lost, 651,000 of them in the past three months alone.

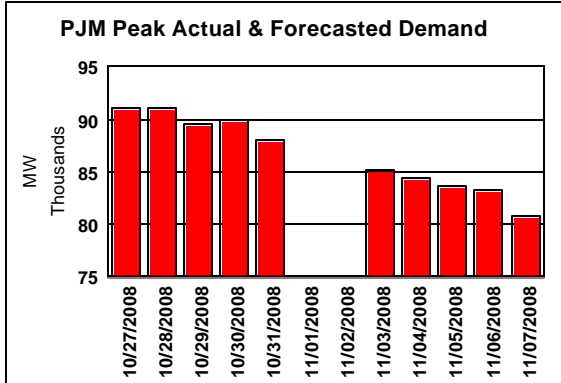
NATURAL GAS RESTRICTIONS

Northern Natural Gas said effective for November 8th an OFO would go into effect at Carlton Resolution.

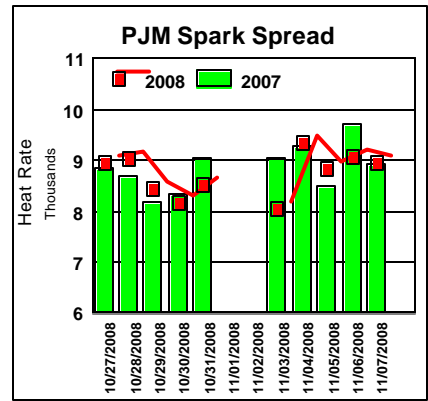
NATURAL GAS PIPELINE MAINTENANCE

El Paso Natural Gas Company said its #3 component exchange work at its Rio Vista Compressor Station has been pushed back from November 10-14th to November 30th through December 4th.

Gulf South Pipeline said that it will be performing scheduled meter facility maintenance at Clarke County (to Destin) beginning November 12th for two days. Based on current nominations the company does not anticipate any affect to nominations.

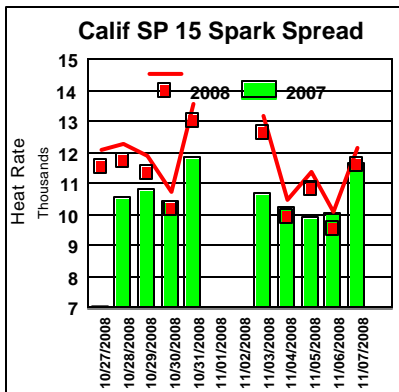


Panhandle Eastern Pipeline said there would be an outage at Liberal Compressor Station Unit 319 in order to perform an annual inspection on November 11th. The outage is expect to last three days. Capacity through the



station will be limited to 800 MMcf/d. In addition there will be a three-day outage at Liberal Compressor Station Unit 318 for annual inspections. Capacity through the unit will be limited to 800 MMcf/d.

Kern River Gas Transmission said its Bird compressor station experienced a force majeure event interrupting gas flow on November 5th and 6th. The event resulted in the shut in wells in the Pinedale field. The company also said that SoCalGas has declared an OFO Friday evening, which will limit all nominations to the transportation service access quantity. When injection capacity falls below 850 MMcf/d, confirmations of firm storage injection nominations will be reduced.



ELECTRIC MARKET NEWS

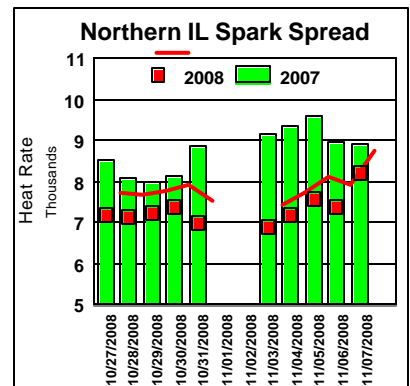
The Midwest Independent System operator filed court papers on Friday seeking the right to cancel debts with Lehman Brothers Holdings tied to trades that were frozen when the investment bank filed for bankruptcy. A spokesman for MISO said Lehman owed the grid operator money, but could not say how much was owed. He said Lehman had more than enough cash in collateral to cover the bill.

MISO in its filing said it was “trying to complete its ordinary business practices” adding that its contract with Lehman should excuse it from an automatic stay that prevents creditors from seizing funds at bankrupt companies.

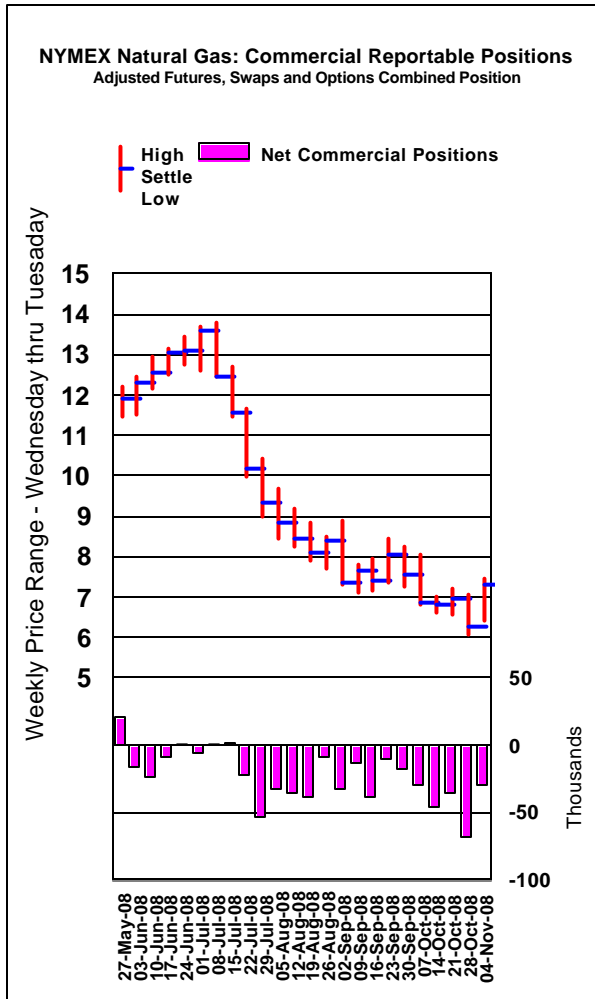
Genscape reported today that U.S. coal burn index fell 2% this week and dropped 5% from the same week a year ago.

MARKET COMMENTARY

Moderating temperature forecasts being released today, coupled with negative economic news appeared to keep the market on the



defensive throughout the day despite oil prices finally mustering a higher close. Natural gas futures though posted its third consecutive lower settlement and retraced more than 57% of the up move that the market recorded from earlier in the week. By the end of the day prices basically had moved back to the midpoint of an trading range that the December contract has been effectively stuck in for the past month \$7.36-\$6.24.



This afternoon's Commitment of Traders Report showed that overall open interest in the Henry Hub futures and swaps contracts basis futures and options dropped by over 95,600 contracts for the week ending November 4th. While the non-commercial sector saw its net position move back to a net short position, the group appears to have moved to this position with the liquidation of longs rather than new shorts being added. Overall this trader sector reduced their open positions (longs and shorts) by a over 70,000 contracts on a gross basis. Commercials also seemed to be reducing their overall positions as well, but in their case it seemed to be short covering as they moved to lighten their positions in front of the start of the heating season, and possibly their perception that natural gas is undervalued at the lower \$6.00 price level a this point of the year. It appears that in the recent few months the commercial sector also has been more of a driving force in these markets than the non-commercial or commodity funds have been.

We would look for economic news and weather as the major factors to set price direction next week. If weather forecasts continue to moderate early next week then market could move back into the lower half of its trading range of the past month. But if there is growing consensus that the second half of November and into December will in fact be colder than normal then this market could move back and challenge the

highs of the past month. We see resistance starting Monday at \$6.85, followed by \$6.91, \$6.969, \$7.04-\$7.06, \$7.11, \$7.16 and \$7.36. Support we see at \$6.668, \$6.566, \$6.464 and \$6.413. More distant support we see at \$6.33 and \$6.24.

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