



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 11, 2008

NATURAL GAS MARKET NEWS

BG Group reported that it would import two LNG cargoes this week to be delivered at the Lake Charles terminal. These two cargoes would be the third and fourth cargoes imported to the terminal this year. The terminal has a capacity of 1.2 bcf/d, has received only 8.5 bcf of LNG so far this year, compared to the 249.65 bcf delivered last year.

Gazprom said today it had agreed to supply Ukraine with a minimum 55 billion cubic meters of Russian gas next year and that the prices would be agreed in the near future. The parties said that there was a general understanding on the price for 2009 and it is expected that these negotiations will be concluded in the near future. The volumes agreed upon were in line with Ukraine's current gas imports.

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear unit was at 67% power early Tuesday up 44% from Monday.

OPG's Pickering #1 nuclear unit returned to service today.

PJM – PSEG Nuclear's 1100 Mw Salem #2 nuclear unit was at 98% power this morning up 11% from Monday.

MRO – AmerenUE continues to ramp up its 1190 Mw Callaway nuclear plant. The unit was at 80% this morning, up 10% from yesterday.

SERC – Duke Energy's 846 Mw Oconee #3 nuclear unit ramped up to full power this morning, up 75% from yesterday.

Carolina Light & Power said its 895 Mw Robinson nuclear unit is at full capacity, up 12% from yesterday.

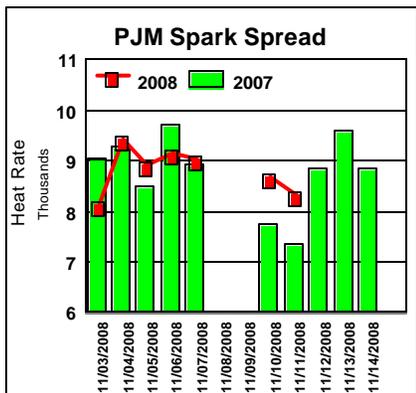
The AGA said today that while it does not oppose FERC's decision to incorporate the North American Energy Standards Boards business practices for interstate natural gas pipelines, it noted that while these will make the pipeline grid more efficient, these standards need to be implemented in a more

timely basis. They noted that this review process has taken entirely too long; the review process began back in 2004 and the final incorporation will not occur until 2009. The group

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	1,143,700	\$7.021	(\$0.045)	\$0.195	\$0.071	(\$0.724)
Chicago City Gate	639,500	\$6.998	(\$0.094)	\$0.172	\$0.179	(\$0.414)
NGPL- TX/OK	711,600	\$6.628	(\$0.112)	(\$0.198)	\$0.161	(\$0.727)
SoCal	391,500	\$5.356	(\$0.366)	(\$1.470)	(\$0.093)	(\$1.684)
PG&E Citygate	257,500	\$6.489	(\$0.192)	(\$0.337)	\$0.081	(\$0.592)
Dominion-South	328,600	\$7.267	(\$0.175)	\$0.441	\$0.099	\$0.137
USTrade Weighted	16,065,000	\$6.373	(\$0.202)	(\$0.453)	\$0.07	(\$0.724)

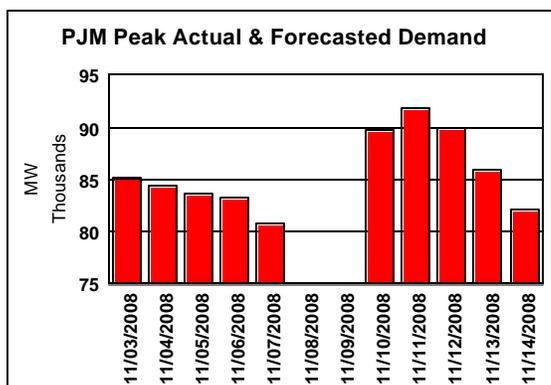
noted that any process that takes five years to complete is inadequate and needs to be reformed.

Chesapeake Energy announced today that it had executed an agreement with StatoilHydro for that company to acquire a 32.5% interest in Chesapeake's Marcellus Shale assets in Appalachia for \$3.375 billion.

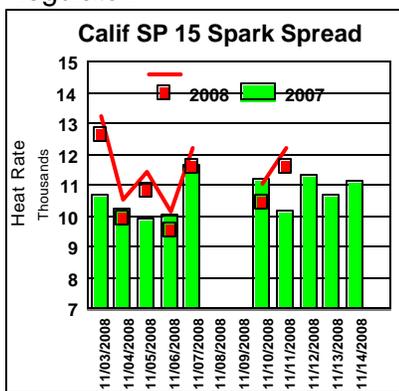


Bentek Energy reported that it looks for market disruptions to occur in June 2009 with the completion of the REX East pipeline into Lebanon, Ohio. They noted that upon completion of this leg, approximately 1.6 bcf/d of Rocky Mountain gas will slam into Lebanon at the same time increased production from mid-continent unconventional shale and tight sand gas is flowing east and Appalachia producers are ramping up production from Marcellus shale. The company noted that neither the pipeline delivery capacity into the region or the demand growth in the Northeast is adequate enough to absorb all of these new supplies. Benetek warned that even if sufficient additional pipeline capacity is built in the Northeast,

the rate of demand growth in the Northeast is limited, not nearly enough to absorb the more than incremental 5 bcf/d that could be flowing eastward by 2011. The company also noted that the start up of the Millennium pipeline this quarter should put downward price pressure on a number of premium Northeast markets, tightening spreads between upstream markets and key pricing hubs at TETCO M3, Algonquin City-gate, Iroquois Z.2; Transco Z 6 NY and Transco z 6 (non-NY)



The acting chairman of the CFTC today called for "courageous regulatory reform" in the United States that would include scrapping the CFTC, the SEC and various banking regulators and replacing them all with an entirely new regulatory body with a different framework to avoid future meltdowns. He sees the creation of an objectives-based regulatory regime under three new primary authorities: a Systemic Risk Regulator, a Market Integrity Regulator and an Investor Protection Regulator.

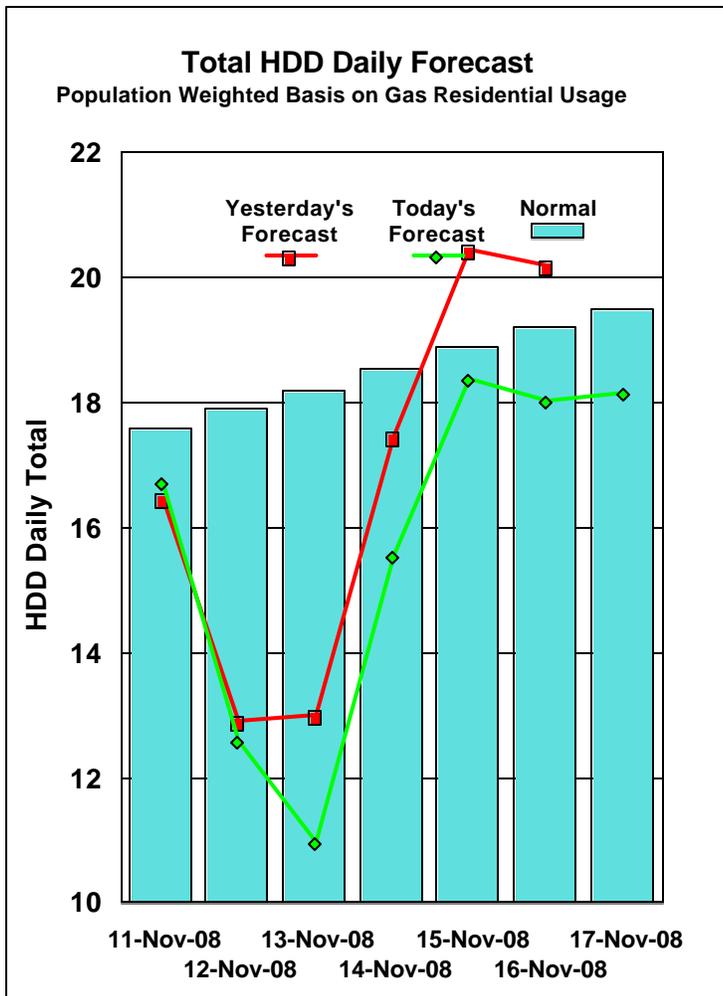


The Capacity Center, which has tracked the capacity release deals of 53 interstate pipelines, reported that capacity trading in the secondary market overall showed an increase in the last three months compared to the same time a year ago with above maximum rate trades under the new FERC Order 712 no-cap rules contributing more than one-third of the gain in the number of transactions.

Pennsylvania Governor Ed Rendell's office said today that the governor may propose next year a wellhead tax on oil and gas production in an attempt to help deal with the budget crisis that many state governors are facing.

According to LNG ship tracking data from AISLive, the British Emerald LNG tanker chartered by BP was due to arrive at the UK's Isle of Grain facility on November 20th. The ship is believed to be carrying LNG from Trinidad.

NATURAL GAS RESTRICTIONS



CIG said that effective today, it was lifting the Operational Warning Condition. The company noted that in conjunction with lifting of the Operational Warning, exceptions to the Confirmation Balancing process will be reinstated and capacity to support interruptible storage injections will be provided on an as needed and as available basis.

NGPL said effective for today's gas day and until further notice, Columbia Gulf Chalkley is at capacity for deliveries. ITS/AOR and secondary firm transports are at risk of not being fully maintained. The company also reported that effective today and until further notice it is at capacity for deliveries going southbound through Segment 9 (located in Lea County, New Mexico) ITS/AOR and secondary out of path firm transports are at risk of not being fully scheduled.

NATURAL GAS PIPELINE MAINTENANCE

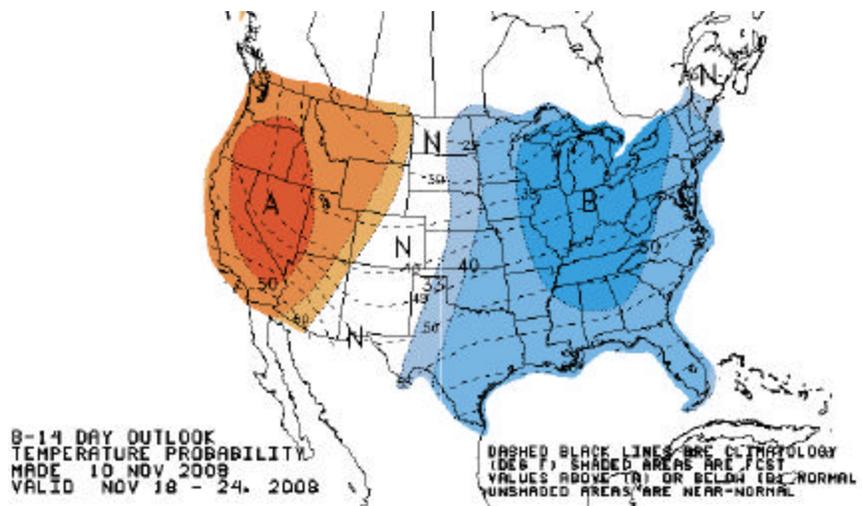
Gulf South Pipeline said that scheduled maintenance at the Bistineau Compressor Station Unit #3 will be extended through November 12th. The work began back on June 16th and originally had been scheduled to be completed by mid-September, but has been extended several times since.

ELECTRIC MARKET NEWS

Genscape reported that U.S. coal stocks rose nearly 2% last week over the previous week and stood some 5.7% over the same week a year ago. Current stocks equate to 57 days of forward coal burn and some 3 days higher than a year ago.

Exelon Corp said it has no plans to increase its bid for NRG Energy.

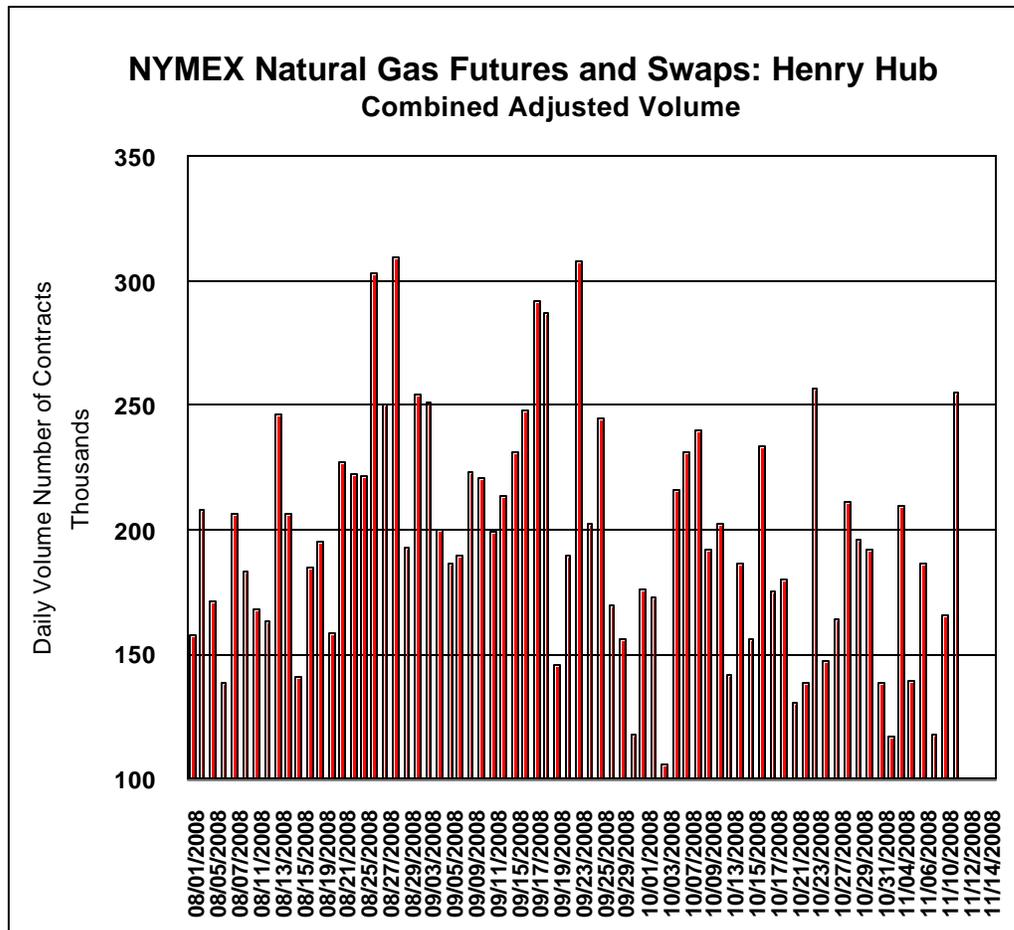
U.S. Senator Dorgan from North Dakota said today that he plans to introduce legislation early next year calling for the creation of a "nationwide electric transmission super highway." Dorgan said he supports T. Boone Pickens plan for establishing a national transmission grid to move growing wind and solar energy from remote regions of the



country to population centers.

MARKET COMMENTARY

The natural gas market was a few pennies weaker this morning as moderating near term temperature forecasts (the 8 day temperature outlook) helped to put the market on the defensive. Prices through the morning and into midday continued to erode basically erasing all of yesterday's gains as well as retracing nearly 62% of the rally from October 27th through November 4th. Volume for today's price action was outstanding with over



255,500 lots traded on a combined adjusted basis. Much of the activity was centered in the first four months of the Henry Hub swaps contract, which appears could have been centered on commodity fund activity. The last time we saw total adjusted volume reach this level was the sell off in the natural gas market back on October 23rd when prices dropped over 40 cents on the day and prices broke through the sideways trading pattern the market had been in for the prior two weeks.

Open interest numbers released at midday appears to show that yesterday's price action was driven in part by short covering as total open interest in the futures contract dropped by 8867 contract with almost all the decline registered in the December contract.

We feel that if there is yet another wave of gloomy economic news tomorrow then this market will continue its downward path and breach critical support we see at \$6.68-\$6.70. We would look for additional support levels below at \$6.51-\$6.50, \$6.33, \$6.295 and \$6.24. More distant support we see at \$5.92. Resistance we see at \$6.765-\$6.77, \$6.875, \$6.934, \$7.08-\$7.096 and \$7.30-\$7.36. More distant points we see at \$7.445 and \$7.66

It is interesting though that despite the sell off in flat price in the market, the March - April spread continues to be mired in a pennant formation of the past couple weeks with declining highs but increasing lows. We see a need for prices in this spread to gain traction either below 5.2 cents or 9.2-10.8 cents.

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