



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 12, 2008

NATURAL GAS MARKET NEWS

The EIA today in its November Short Term Energy Outlook lowered its outlook for domestic production of natural gas. It now estimates that production in the fourth quarter of this year will average 58.65 bcf/d down 2.3% from its estimate last month. Production for next year, 2009, was pegged at 59.65 bcf/d a 2.2% reduction in last month's estimate. The agency placed consumption of natural gas in the 4Q2008 at 64.74 bcf/d a 0.1% increase in last month's estimate. The increase appears to be driven by a jump in the estimate for residential usage, up by 2.5%, with commercial demand is seen up 0.1%, while industrial usage is expected to be down 1.4% more than expected from last month. The EIA appears to have taken into account the decline in the economy for next year as they see overall demand being 0.2% less in 2009 from 2008. This revision is a drop of 3.2% from last month's estimate. The EIA now sees spot Henry Hub prices in the 4Q2008 averaging just \$7.09 down from last month's estimate by 19.1%. The agency sees 2009 prices averaging \$6.82 a price level that was revised downward by 16.5%

Generator Problems

NPCC – OPG's 494 Mw coal fired Lambton #1 power unit was shut for short-term maintenance.

Entergy's 535 Mw Vermont Yankee nuclear plant was at 67% power this morning. The unit has been ramping back up from the restart this past weekend.

MRO – Ameren's 1190 Mw Callaway nuclear unit tripped off line yesterday after being at 97% of capacity. The unit tripped off line due to a feed water pump trip.

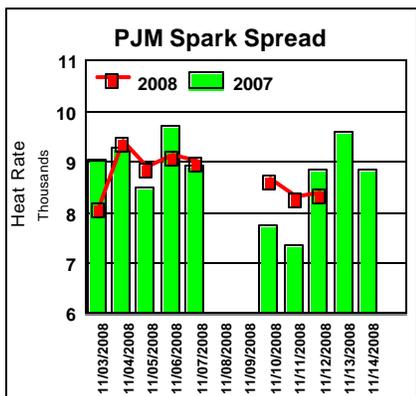
The NRC reported this morning that 80,962 Mw of nuclear generation capacity was on line, down 1.5% from yesterday and 4.71% less than the same time a year ago.

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	828,900	\$6.650	(\$0.370)	\$0.206	(\$0.332)	(\$0.658)
Chicago City Gate	815,200	\$6.544	(\$0.454)	\$0.100	(\$0.072)	(\$0.134)
NGPL- TX/OK	422,400	\$6.148	(\$0.481)	(\$0.296)	(\$0.099)	(\$0.462)
SoCal	357,100	\$4.395	(\$0.961)	(\$2.049)	(\$0.579)	(\$1.679)
PG&E Citygate	287,200	\$6.115	(\$0.374)	(\$0.329)	\$0.008	(\$0.477)
Dominion-South	245,900	\$6.819	(\$0.447)	\$0.375	(\$0.065)	\$0.243
USTrade Weighted	15,926,100	\$5.659	(\$0.714)	(\$0.785)	(\$0.33)	(\$0.658)

The IEA said today that demand for natural gas globally will grow at a slower pace over the next two decades as high prices have made consumers opt for cheaper but dirtier fuel.

Demand for natural gas, mostly for power generation, is likely to rise by just over half by 2030 from 2006, lifting its share of primary energy demand from 21% to 22%. The agency sees inter-regional gas

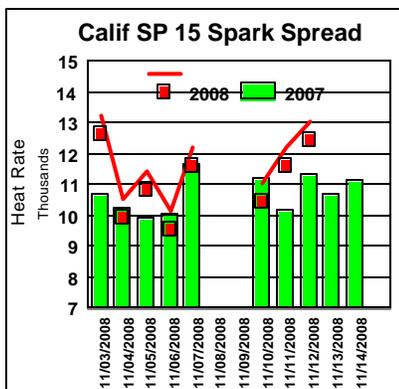
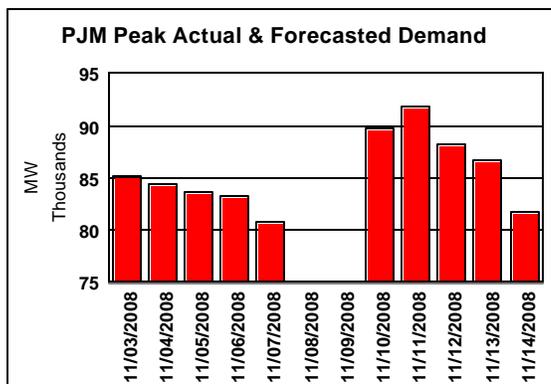
trade should more than double to 1 trillion cubic meters in 2030 from 441 billion cubic meters in 2006, with the share of LNG rising to 69% from 52%. While the North American market is basically self-sufficient, it is likely to become a major importer as its demand outpaces production. The IEA sees flows of LNG from Africa and the Middle East to Europe and North America will eventually overtake the flows eastward. The agency also sees Africa overtaking Russia as the biggest gas supplier for Europe by 2030. The IEA estimates that by 2030 exports from Russia and the FSU are only expected to increase to 156 bcm, while flows from Africa are seen rising much faster to reach 261 Bcm.



The Associated Press reported today that as a result of declining energy prices, T. Boone Pickens has cut back the spending on his campaign for renewable energy as well as put on hold his plan to build a 2700 turbine wind farm in West Texas. Pickens said he was confident that oil prices would be back above \$100 a barrel within a year, making his plans more viable.

Norway's Prime Minister said Wednesday that his country planned to increase exports of natural gas to Europe as many European customers are anxiously looking to diversify their natural gas supplies away from Russia. Norwegian authorities have recently estimated that gas exports could rise between 125 billion to 140 billion cubic meters per year by 2020 up from around 100 bcm currently.

Owners of the Bobcat natural gas storage facility said today that the 5.4 bcf facility has completed its first week of commercial operations. The facility is 45 miles from Henry Hub in St. Landry Parish. The company plans to have its second phase of development completed by the third quarter of 2009 which should add another 10.2 bcf of storage capacity.



The Elba Island LNG terminal reportedly has been shut since October 29th due to expansion work. The facility is expected back on line by November 23rd. The facility has a capacity of 1.2 bcf/d.

Texas Eastern Transmission notified the FERC this week that it has placed into service the remainder of its TIME II pipeline and compression expansion project, which will provide up to 150,000 Dth/d of new transportation service to the New Jersey market area.

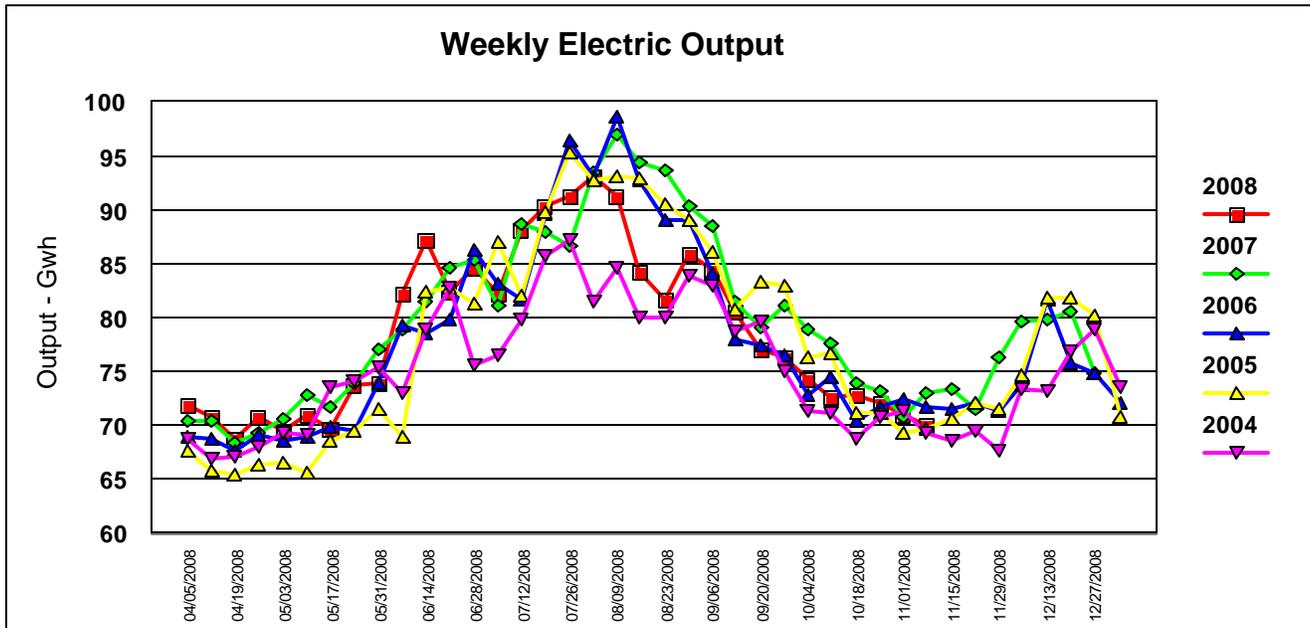
Due to the Veteran's Holiday this week, the EIA Natural Gas Storage Report release will be delayed until Friday morning.

NATURAL GAS RESTRICTIONS

Tennessee Gas Pipeline said it was required to bump 100% of flowing interruptible services for the remainder of the gas day today. In addition the company was required to restrict through approximately 40% of all Supply to market Evening Cycle nomination increases pathed through Station 40 excluding Carthage.

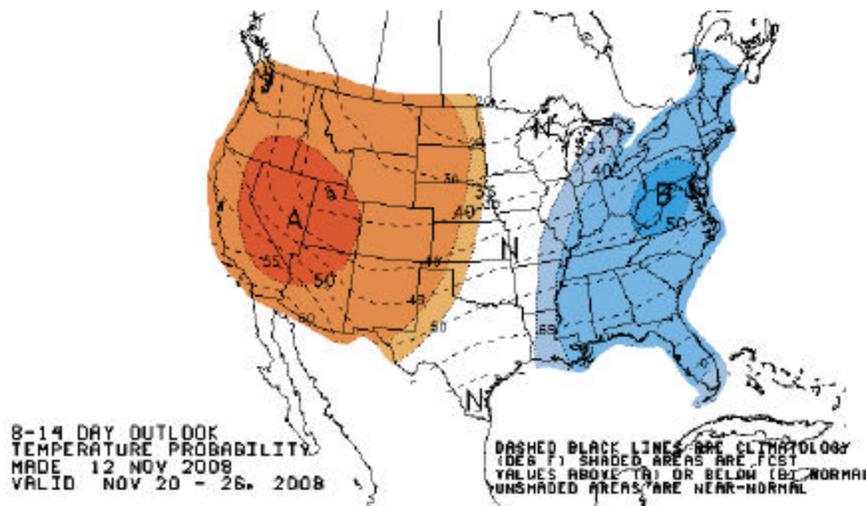
CIG said it was concerned about the performance of the Echo Springs Interconnect and may place an underperformance cap on the point for Cycle 3 for today's gas day and for Cycle 1 for Thursday's gas day.

Questar Pipeline said that due to high inventory levels at Clay Basin, effective for Gas Day November 13th, it will not accept any imbalance payback to the pipeline. In addition, nominations and actual volumes delivered must align on the pipeline so that injections into the Clay Basin balancing account are limited.



ELECTRIC MARKET NEWS

The IEA said today that renewable energy would overtake gas to become the second largest source of electricity behind coal by 2015. The agency saw renewable based electricity growing substantially over the coming decades, benefiting from high fossil-fuel prices, declining investment costs and government support. The agency sees coal remaining the world's main source of power until 2030, with nuclear power losing market share during the period.



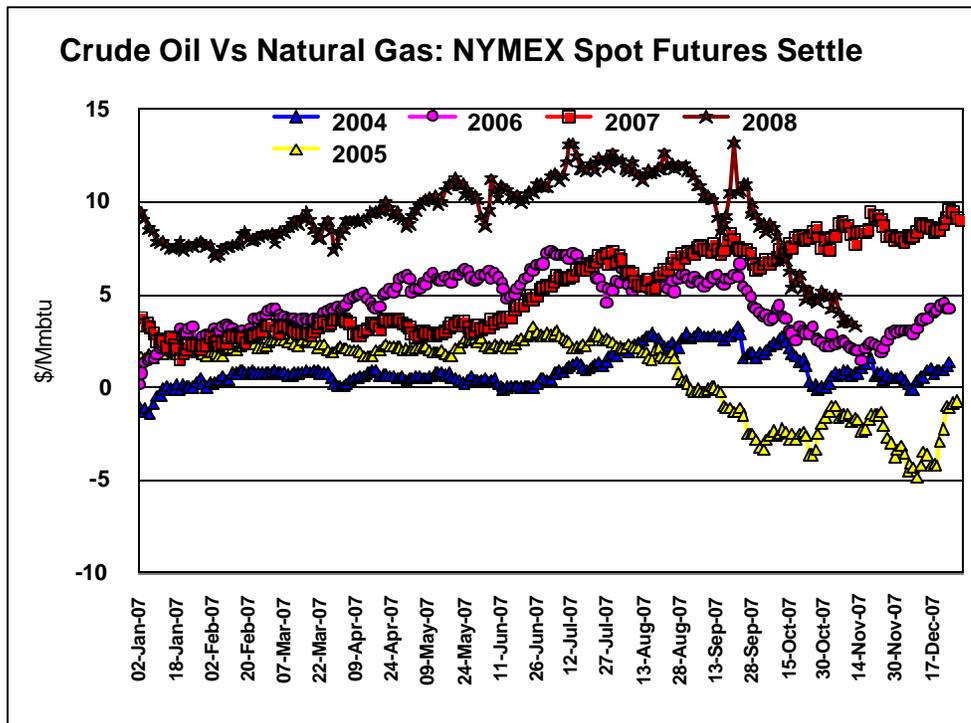
The Edison Electric Institute reported that for last week, electric production in the United States stood at just 70,004 Gwh, down 1.23% from the prior week and some 4.21% less than the same week a year ago.

The EIA said today that weak economic growth and new power generation from other sources would push coal burn at U.S. power plants down 0.4% in

2009. It noted that while coal demand from power plants rose 1,3% in the first six months of this year, slowing economic conditions and poor power demand this summer should result in annual growth being flat for the year.

MARKET COMMENTARY

The natural gas remained on the defensive today as the economic news coming out Washington once again depressed Wall Street and that spilled over into the commodities markets. The natural gas market though still performed better than the oil markets as it continued to regain value to crude oil prices, settling tonight at the smallest discount to crude oil since May 18th of last year. Volume was good today but off from the high levels of yesterday, with 2009 contract months still attracting over 50% of the day's activity.



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Open interest reported at midday showed that combined adjusted open interest in the Henry Hub futures and swaps contracts grew by over 11,000 contracts, with most of these gains coming in the swap contract. This appears to have been fresh sellers coming into the market that appears to have been commodity fund based.

Prices today found support at the lows from October 30-31 and we would look for this to be a key support level again tomorrow. But if the bearish economic news continued to leak out of Washington and Wall Street, this market appears will challenge its next level support at \$6.24 followed by \$6.092, \$5.99, \$5.82 and \$5.66. Resistance we see at \$6.675, \$6.705, \$6.821, \$6.935-\$6.945, \$7.102 and \$7.36.

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