



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 13, 2008

NATURAL GAS MARKET NEWS

The U.S. Labor Department this morning reported that the number of U.S. workers filing new claims for jobless benefits rose last week to 516,000, the highest level since the weeks following September 11, 2001. The figures were much higher than market expectations, which had been looking for 484,000 claims.

George Soros, Chairman of the Soros Fund Management testifying before Congress today said that he sees a deep recession is now inevitable and the possibility of a depression cannot be ruled out. He looked for redemptions to decimate the hedge fund community, which will result in these funds reducing their portfolios by 50-75%. He called for future financial engineering to be regulated and new products approved by regulators. Hedge fund manager Kenneth Griffin told Congress that hedge funds provide liquidity to "millions of retail investors". Hedge fund manager Paulson told the Congressional committee that there needs to be more stringent leverage requirements on banks and financial institutions. He noted that every hedge fund that had financial problems in recent years used too much leverage. Meanwhile Senator Grassley said he would reintroduce his legislation in the new Congress, which will require hedge funds to register with the CFTC.

CFTC Commissioner Chilton, who is rumored to be a potential chairman of the CFTC under the Obama administration, said he supports the CFTC aggressively overseeing the clearing of credit default swaps.

Generator Problems

NPCC – Constellation Energy's 1140 Mw Nine Mile Point #2 nuclear unit was shut early Thursday. The unit had been at full power on Wednesday.

OPG's 535 mw oil and gas fired Lennox #3 power plant was taken off line this morning for short term maintenance.

PJM – PSEG's 1174 Mw Salem #1 nuclear unit started to exit its recent refueling outage and ramped up to 1%. The unit has been off line since October 14th.

Dominion Resources 910 Mw North Anna #2 nuclear unit exited its outage and ramped up to 29% early Thursday.

ERCOT – AEP's 528 Mw coal fired Welsh #2 power plant was expected to be restarted over the next few days. The unit was taken off line for unplanned maintenance work last week.

SERC – TVA's 1127 Mw Sequoyah #2 nuclear unit started to exit its outage and was at 2% power this morning. The unit was shut on November 3rd due to a problem with a feed water pump.

Duke Power's 1100 Mw McGuire nuclear #1 unit exited its refueling outage and had ramped up to 29%. The unit had gone off line on September 20th for a refueling outage.

MRO – Ameren's 1190 Mw Callaway nuclear plant has exited its outage and had ramped up to 37% by early Thursday morning. The unit tripped off line on November 11th.

FPL's 514 Mw Point Beach #1 nuclear unit started to exit its refueling outage and had ramped up to 2% of power by this morning. The unit had been off line since October 4th.

The NRC reported this morning that 81,031 Mw of nuclear generation capacity was on line, up 0.1% from yesterday and 6.11% less than the same time a year ago.

Atmos Pipeline and Storage has filed an application with the FERC for it to gain authorization to build a 25 bcf high-deliverability storage facility in Fort Necessity in northeastern Louisiana.

The Brazilian energy minister today said that Brazil has enough natural gas in one of its subsalt offshore fields to become a not only self sufficient in natural gas but a net exporter.

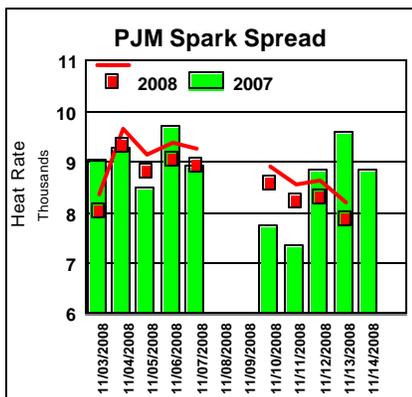
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,019,400	\$6.313	(\$0.338)	\$0.096	\$0.105	(\$0.682)
Chicago City Gate	863,100	\$5.987	(\$0.557)	(\$0.230)	(\$0.330)	(\$0.079)
NGPL- TX/OK	712,200	\$5.660	(\$0.488)	(\$0.557)	(\$0.261)	(\$0.422)
SoCal	485,800	\$4.535	\$0.140	(\$1.682)	\$0.367	(\$1.758)
PG&E Citygate	564,300	\$5.660	(\$0.455)	(\$0.557)	(\$0.228)	(\$0.486)
Dominion-South	304,000	\$6.368	(\$0.451)	\$0.151	(\$0.224)	\$0.237
USTrade Weighted	16,956,400	\$5.537	(\$0.122)	(\$0.680)	\$0.10	(\$0.682)

PIPELINE RESTRICTIONS

The ANR Pipeline said that it has lifted all capacity restrictions for the Eunice to Patterson deliveries in Louisiana in the Southeast Area Fuel Segment.

NGPL reported there is a gas quality problem at the receipt from FREEDOM/NGPL Gathered Gas Woodward and until further notice this point will be unavailable. The company also reported that until further notice, Columbia Gulf Chalkley is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled.

Northern Natural Gas said that effective Friday Carlton Resolution will be at 50% capacity. The company issued an OFO for the location on Tuesday.



PIPELINE MAINTENANCE

Gulf South reported that it has unscheduled maintenance at Index 818 (42-inch Expansion) starting November 18th and lasting for three days. The point is located east of the Harrisville Compressor Station and will be shut in and unavailable for service. The following locations will be affected and unavailable for service; Rock Springs/Scott MTN (to Transco 85) Clarke County (to Destin); Tennessee Heidelberg (to Tenn); Destin FGT Interconnect; Destin – Gulfstream Interconnect; Destin – Chevron Pascagoula; Destin – Plant Daniels; and Destin – Southern Pines Injection.

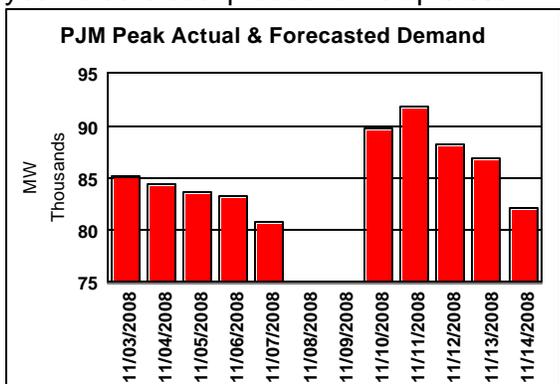
Questar Pipeline said that it would complete the installation of a new tap filter/separator at NPC beginning November 17th and lasting until November 19th. During this period no physical withdrawal will be allowed.

CIG reported that while attempting to place the Niobrara compressor back into service additional major problems were found. The station is now expected to be down through November 26th.ng

ELECTRIC MARKET NEWS

The New York ISO reported today that New York State has sufficient resources to meet electricity needs of the 2008-2009 winter season. NYISO forecasts New York’s winter peak usage will reach 25,293 Mw. The forecast is 272 Mw higher than last winter’s peak, which was recorded on January 3rd.

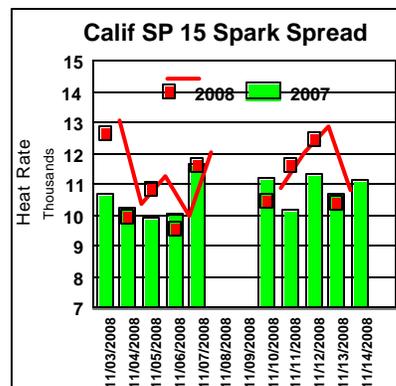
The EIA reported today that for the week ending November 6th some 22.962 million tons of coal was produced, up 0.7% from the prior week and some 1.1% higher than the same week a year ago. For year to date coal production is up 3.6%.



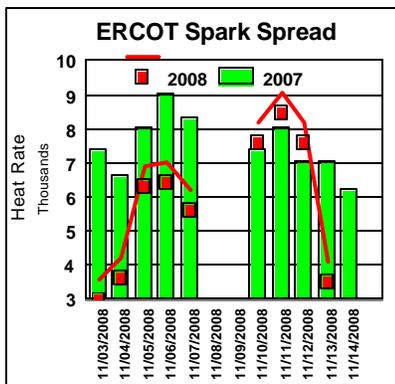
Bloomberg reported today that AES Corp is struggling to find sellers of forward carbon-dioxide contracts in the U.S. boosting trading risks. The manager of the company's greenhouse gas market risk said that the trading volumes in markets of Regional Greenhouse Gas Initiative carbon dioxide allowances in 10 northeast states are too low to offset the risk of price surges. She noted that she has been unable to find banks, which are increasingly risk adverse due to the credit crisis, that are willing to sell the contracts forward to help lock in profits as AES sells its power 1-3 years forward. She called on

regulators to consider setting aside some allowances for power stations in the program, selling futures contracts and holding bigger auctions. The Chicago Climate Futures Exchange reported that U.S regional emission allowances for December 2009 slid to a record \$3.20 a ton on October 2nd. Yesterday they closed at \$4.00, 16% of the equivalent allowance in the EU, the world's biggest greenhouse gas market.

KCP&L Greater Missouri Operations has asked the Missouri Public Service Commission to approve its joining of the Southwest Power Pool, which would take operational control of the utility's transmission system. The PSC last month rejected the company's request to join MISO, saying it made more sense for the company to join the SPP since its sister company was already a SPP member.



Commerce Energy, an U.S. retail energy marketer said it has reached a tentative agreement with Toronto based Universal Energy Group, for that company to acquire a large equity stake in Commerce and provide Commerce with enough credit to stay in business. Commerce sells natural gas and power to 156,000 retail customers in several states. Commerce which reportedly was losing \$20 million in the fiscal fourth quarter, compared to a \$1.1 million gain the the same period last year, was facing credit facilities with Wachovia Finance and AP Finance that was set to expire on December 22nd. Both lenders had notified Commerce that the facilities would not be renewed.

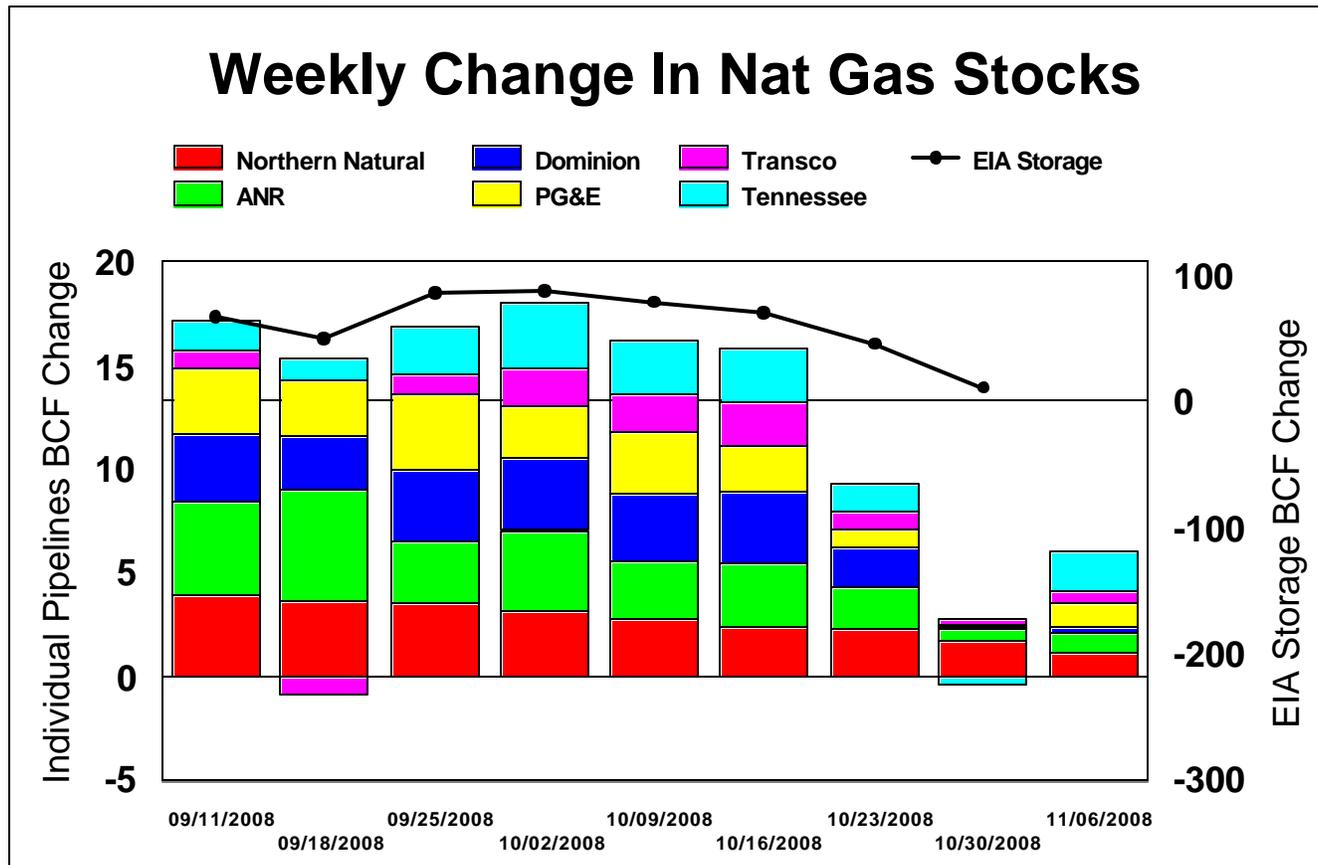


MARKET COMMENTARY

The natural gas market today posted its third weaker session in a row. The natural gas market along with the equities and oil markets this morning appeared to be placed on the defensive with the negative economic news coming from the jobs report that showed larger than expected job losses last week. While the sell off lasted until midday, the stock market's rebounded in the afternoon helped the energy markets bounce off their lows, but the rebound in natural gas could not keep pace with the oil markets and as a result fell short into

reaching positive territory. Weaker cash prices in both gas and power prices did not help either. Volume though was excellent today with the futures trading nearly 195,000 futures traded and 235,944

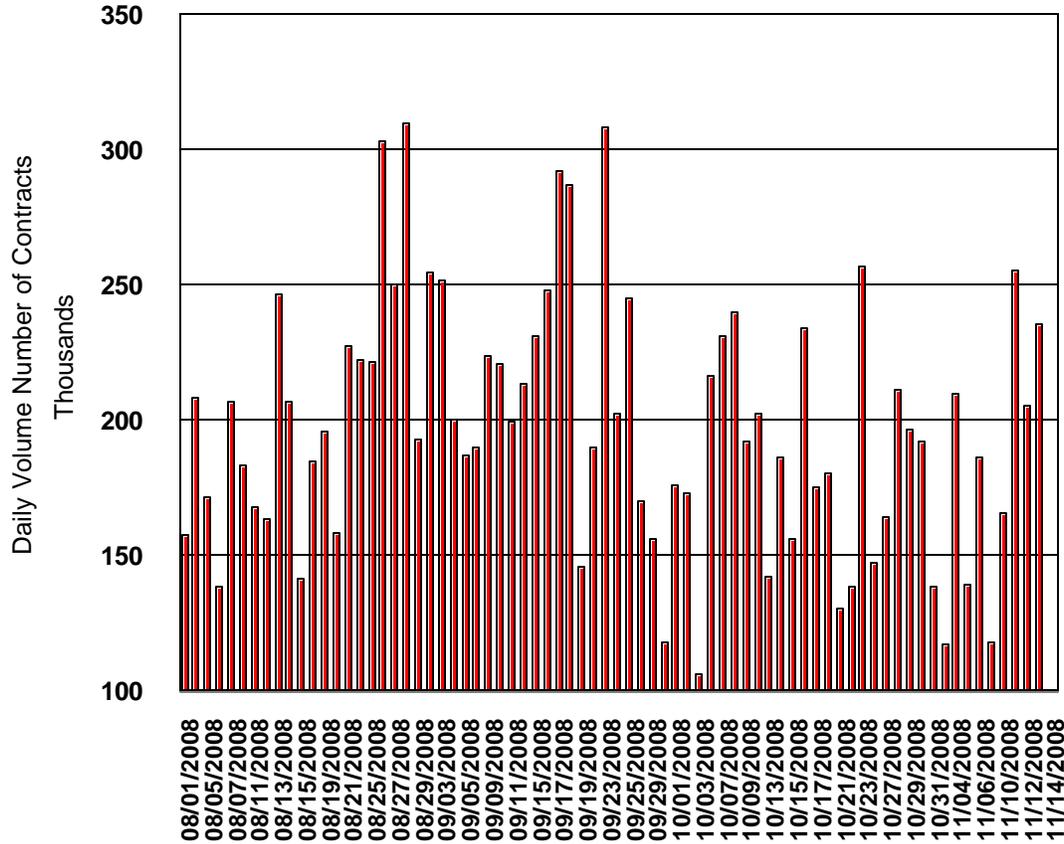
lots booked on a combined adjusted basis between futures and swaps. The majority of the trading focus today was in the spot and 2009 contract months.



Market expectations for tomorrow's EIA Storage Report appear to be running between 35-60 bcf build with the consensus of opinion centering around a 45 bcf build. Our estimate though appears to fall outside of the industry range with our pipeline model calling for a 30 bcf build in stocks on the week. For the same week a year ago stocks rose an adjusted 4 bcf, while the five year seasonal average is for a build of 23 bcf.

This market clearly has recorded some technical damage today as the December contract broke below the lows it recorded two weeks ago at \$6.24 and appears ready to once again challenge the \$6.00 price level. If this market does not receive the supportive inventory number that we are looking for we would look for it to challenge the recent spot contract low at \$5.99, Additional support we see at \$5.89, \$5.70 and \$5.618, Resistance we see at \$6.55, \$6.696, \$6.84, \$7.13 and \$7.36.

NYMEX Natural Gas Futures and Swaps: Henry Hub Combined Adjusted Volume



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