



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 18, 2008

NATURAL GAS MARKET NEWS

The FERC on Monday gave approval to Columbia Gas Transmission to begin service on a 18.5 mile segment of the Millennium Pipeline project in Steuben and Chemung counties in New York.

Gazprom today urged European consumers to decide on how they wish to receive natural gas from Russia as the country continues to expand its natural gas exports by a projected 4.7% this year. Exports to Europe are expected to reach 161 billion cubic meters this year. Gazprom is considering more LNG plants in addition to its Arctic Shtokman project, as well as building new pipelines to Europe via the Black and Baltic Seas. Meanwhile Gazprom said it is considering U.S. majors ExxonMobil and ConocoPhillips for its LNG projects in the Arctic Yamal region. Gazprom noted that Conoco could gain access to gas deposits in Yamal in exchange for Gazprom being able to join gas projects in Alaska. Gazprom said it hopes to produce the first 15 billion cubic meters of gas in 2011 from the field, gradually bringing output up to 250 bcm a year or almost half its total output.

Poland's Prime Minister said today that they hoped Qatar would provide it with LNG for its planned LNG port starting in 2013. Poland is seeking to build an LNG terminal at the northwestern port of Swinoujscie in order to diversify its energy supplies.

AGA said today that it believes that under FERC's new standards of conduct, local distribution companies should be able to make off-system sales of non-affiliated pipelines without being subject to all the independent functioning and transparency requirements of the standards of conduct, as LDCs were able to under FERC's prior standards of conduct. The AGA said the FERC should revise its

Generator Problems

NPCC – Constellation Energy's 1140 Mw Nime Mile Point #2 nuclear unit returned to full power by early tuesday. The unit on Monday was at 75% capacity.

SERC – Progress Energy's 710 Mw Robinson #2 nuclear unit started to exit its recent outage and had ramped up to 2% capacity this morning. The unit had been shut yesterday due to a high turbine vibration.

Progress Energy's 937 Mw Brunswick #2 nuclear unit ramped up to 94% of capacity on Tuesday. The unit had been at 23% capacity on Monday after exiting its recent outage.

WSCC – APS' 1314 Mw Palo Verde #1 nuclear unit has restarted and was at 12% power this morning. The unit has been off line since October 4th for refueling.

SPP – Entergy's 1266 Mw Grand Gulf nuclear power station dropped to 65% power early Tuesday, the unit on Monday had been at full power.

CalISO reported today that some 11,065 Mw of generation was off line of which 51% were non-gas generating assets.

The NRC reported this morning that 84,601 Mw of nuclear generation capacity was on line, down 0.1% from Monday and 7.7% less than the same time a year ago.

regulations either to specifically exempt from the definition of gas marketing sales that do not involve the use of transmission capacity of an affiliated pipeline or to expand the LDC exemption to include off-system sales that do not involve the use of transmission capacity of an affiliated pipeline.

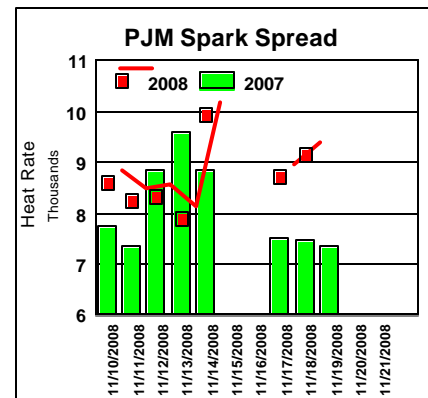
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,173,700	\$6.743	\$0.195	\$0.125	\$0.106	(\$0.597)
Chicago City Gate	856,200	\$6.583	\$0.118	(\$0.035)	\$0.005	(\$0.056)
NGPL- TX/OK	554,000	\$6.004	\$0.054	(\$0.614)	(\$0.059)	(\$0.492)
SoCal	364,800	\$5.268	\$0.224	(\$1.350)	\$0.111	(\$1.781)
PG&E Citygate	646,000	\$6.203	\$0.129	(\$0.415)	\$0.016	(\$0.482)
Dominion-South	427,200	\$7.450	\$0.243	\$0.832	\$0.130	\$0.465
UStTrade Weighted	18,382,900	\$6.326	\$0.219	(\$0.292)	\$0.11	(\$0.597)

The CFTC announced today its filing of a five count complaint against David Lee, a former trader of the Bank of Montreal with mis-marking and mis-valuing the bank's natural

gas options book and deceiving the bank. The complaint also charges Optionable, Inc and its former senior executives with deceiving the Bank of Montreal.

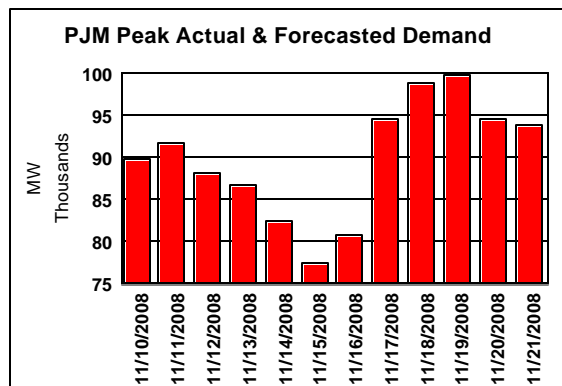
NOAA's National Climatic Data Center said today that the combined global land and ocean surface average temperatures for October 2008 was the second warmest since records began in 1880.

The Marcellus Shale Committee this week noted that there has been less than 300 wells drilled so far in the Marcellus Shale play in Pennsylvania. But the study noted there has been a positive impact on Pennsylvania from its oil and gas industry in recent years and this contribution will only increase as the Marcellus Shale production is expanded.



PIPELINE RESTRICTIONS

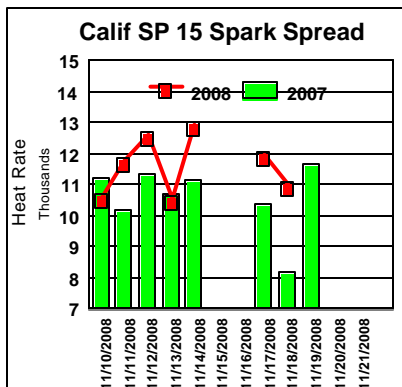
Transco said it anticipates significant market load in conjunction with below normal temperatures forecasted for most of its market area. In order to maintain operational flexibility, manage day-to-day operations and within the day market volatility, effective November 19th, Transco will not allow any due-to-shipper imbalance nominations. Due-from-shipper nominations will not be allowed.



Northwest Pipeline said it is lifting the Underrun Entitlement for receiving parties located north of Kemmerer compressor station. The company though reported it will be performing an engine exchange at the Lava Hot Springs compressor unit today and Wednesday. As a result of the work, primary firm nominations requests through the facility have exceeded the available capacity of 558,000 Dth/d. Based on a design capacity of 648,000 Dth/d, the Daily Deficiency Volume is 90,000 Dth/d and should continue through Wednesday.

Rockies Express Pipeline said that effective for today's gas day and until further notice, it has capacity available for deliveries to NNG Gage.

NGPL said it has resolved a gas quality problem at the receipt from FREEDOM/NGPL Gathered Gas Woodward in Oklahoma. The company also reported that effective today and until further notice it has limited capacity available for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22.

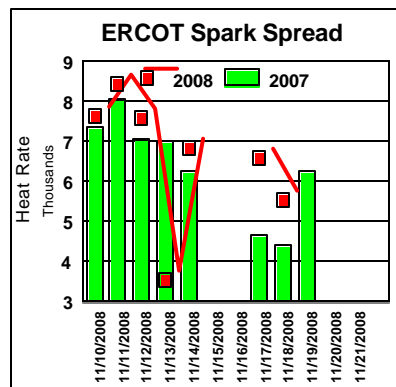


PIPELINE MAINTENANCE

KMIGT said it would continue to perform maintenance at its Casper Compressor Station through November 26th. Capacity through Segments 45 and 730 will be limited to 163,000 Dth/d during the work.

CIG said it continued to evaluate the level of damage at its Cheyenne Plains Jumper Compressor Station following the unexpected outage

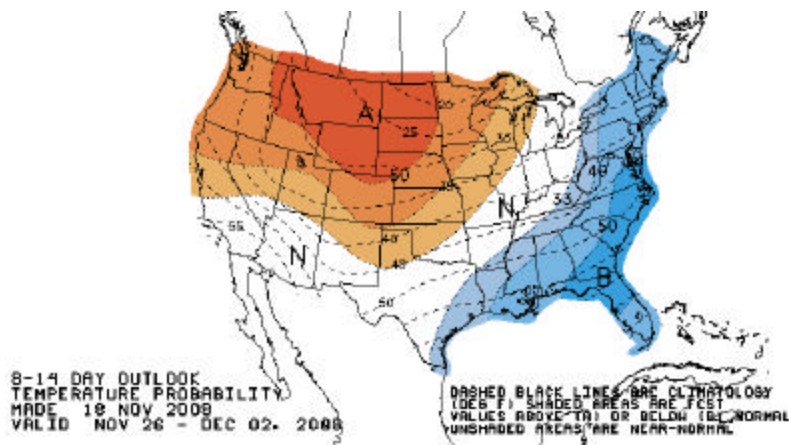
last week. At the time of the outage a preliminary estimate for the outage duration was November 24th, but this might be extended. During the outage capacity through Red Cloud will continue to be reduced from 225 MMcf/d to 100 MMcf/d. Firm capacity is currently fixed at 132 MMcf/d.



ANR Pipeline said it will be performing unplanned pipeline maintenance in the Southeast Area fuel segment. Effective immediately, the Miami # d1/Arco receipt location will be shut in until further notice.

Kern River Gas Transmission said that due to favorable pipeline conditions, it has completed the maintenance on the Goodsprings Unit #1 ahead of schedule, eliminating one of the three days of capacity restrictions at the Goodsprings compression station.

TranColorado Gas Transmission said it would be performing maintenance at its Redvale Compressor Station on November 19th. Capacity through Segment 220 will be limited to 362,000 Dth and capacity through Segment 240 will be limited to 412,000 Dth. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.



ELECTRIC MARKET NEWS

The IEA said today that carbon capture and storage should be part of any global deal to curb emissions of heating trapping carbon dioxide beyond 2012. The agency said that carbon capture and storage should fall under Clean Development Mechanism rules, which provides emission credits to the developed world rules, which provides emission credits to the developed world for bringing cleaner technology to poorer countries.

Genscape reported today that U.S. coal inventories at U.S. power plants rose 1.1% over last week and 5.8% over the same week a year ago. These stocks equated to a 58 days of forward burn, up one from last week and three more days of supply than a year ago.

NRG Energy called on U.S. lawmakers to support federal legislation to establish a cap and trade program. Company officials noted that government action is needed to put a price on carbon and without it carbon abatement will not happen.

NYMEX Natural Gas Options Most Active Strikes for November 18, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	12	8	P	7	11/21/2008	0.513	555	71.21
ON	12	8	P	6	11/21/2008	0.018	479	69.98
ON	12	8	C	6	11/21/2008	0.534	350	70.29
LN	4	9	P	4	03/26/2009	0.0292	4300	53.22
LN	1	9	P	6	12/24/2008	0.2581	3650	66.23
LN	12	8	C	6.75	11/21/2008	0.0753	2533	68.98
LN	12	8	P	6.25	11/21/2008	0.0603	2425	69.56
LN	12	8	P	6.5	11/21/2008	0.1524	2121	69.02
LN	3	9	C	9	02/24/2009	0.2498	2050	61.16
LN	12	8	C	7.5	11/21/2008	0.003	1933	73.52
LN	12	8	P	6	11/21/2008	0.0179	1750	70.21
LN	12	8	C	7	11/21/2008	0.0291	1694	70.60
LN	12	8	P	6.3	11/21/2008	0.0742	1550	69.44
LN	12	8	C	7.75	11/21/2008	0.0009	1500	75.06
LN	12	8	C	6.6	11/21/2008	0.1243	1395	67.91
LN	5	9	C	15	04/27/2009	0.0215	1300	54.79
LN	4	9	C	15	03/26/2009	0.0124	1300	57.91
LN	12	8	C	6.5	11/21/2008	0.1684	1285	67.18
LN	4	9	P	5	03/26/2009	0.1777	1250	56.40
LN	10	9	P	5	09/25/2009	0.3335	1200	56.02
LN	12	10	C	10	11/23/2010	0.9273	1200	20.76
LN	1	11	C	10	12/28/2010	1.0114	1200	18.77
LN	12	8	P	6.4	11/21/2008	0.1085	1075	69.21
LN	12	8	C	7.25	11/21/2008	0.0099	1046	72.14
LN	12	8	P	5	11/21/2008	0.0001	1041	93.52
LN	12	10	C	8.4	11/23/2010	1.3814	1000	12.79
LN	12	10	P	8.4	11/23/2010	1.3957	1000	45.23
LN	12	9	C	8	11/23/2009	1.3107	1000	33.24
LN	12	9	P	8	11/23/2009	1.3886	1000	54.27
LN	1	9	P	6.75	12/24/2008	0.6198	900	68.69
LN	12	8	P	6.75	11/21/2008	0.3093	900	71.10
LN	7	9	C	15	06/25/2009	0.0589	800	52.08
LN	9	9	C	15	08/26/2009	0.1383	800	52.79
LN	3	9	C	10	02/24/2009	0.1497	800	62.61
LN	10	9	C	15	09/25/2009	0.1775	800	52.13
LN	8	9	C	15	07/28/2009	0.0972	800	52.30
LN	6	9	C	15	05/26/2009	0.0291	800	51.30

The DOE today awarded the last of its seven grants for large-scale carbon capture projects.

NERC said today that the outlook for electric reliability in North America this winter is generally good. Generation and demand side resources are expected to exceed target planning levels in all regions.

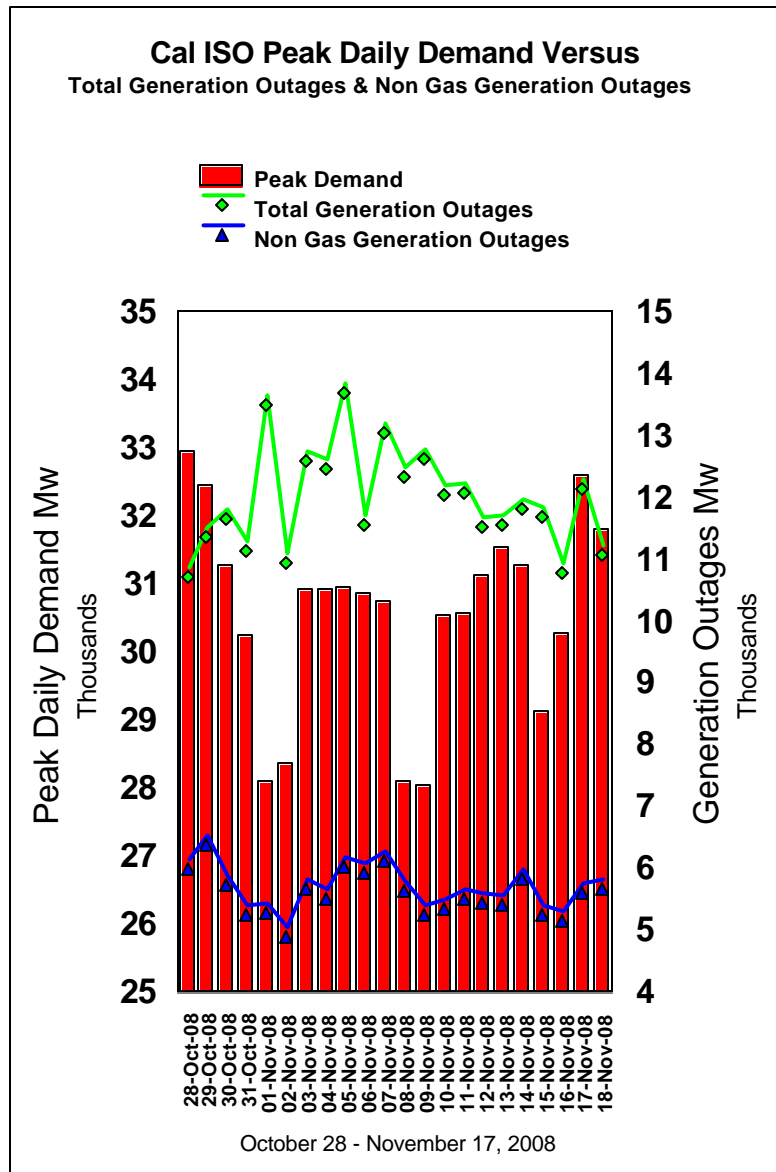
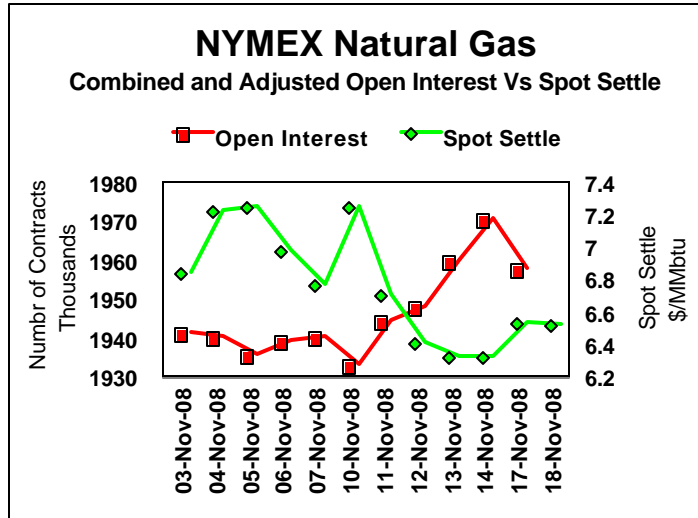
The FERC has given conditional approval to incentive rates for the Maine Power Connection Project sponsored by Central Maine Power Company and Maine Public Service Company. The project would provide the first direct connection between northern Maine and ISO New England, ending northern Maine's dependence on its interconnection with New Brunswick to reach markets in the U.S.

A report released by energy investment bank Simmons & Company looks for U.S. coal exports to drop by 15% and domestic supply will exceed demand in 2009 as a result of the global economic slowdown. The report looks for exports to fall to 65 million down more than 13% from last year. The bank noted that bottlenecks in Australian rail and port operations contributed to the jump in U.S export demand by 15 million tons this year. The bank noted that the slowing global economy could be seen in China

where that nation's industrial production grew at the slowest pace in seven years. The report noted that with slowing power demand in China, utility coal stocks there have increased from less than 10 days of supply in July to more than 20 days at the end of September, still far lower than U.S. power plant stocks levels of 55-58 days of forward supply.

LADWP reported that it continued repair work on the Pacific DC Intertie. Market estimates were that the line would remain out of service until November 29th.

ERCOT officials told Texas legislators that it



has postponed once again a new electric transmission pricing system in Texas. The nodal market redesign had been originally scheduled earlier this year for implementation next month but had been postponed due to software delays from vendors and problems integrating disparate pieces of the project. ERCOT officials said that the earliest launch date would now not be until 2010 and only if more than \$100 million in funding is approved

MARKET COMMENTARY

The natural gas market opened better this morning helped in part by stronger cash prices as the first real winter heating demand took hold. This was reflected in the cash market on ICE as it posted its most active day since mid August, with the Henry Hub location posting its highest volume day since mid July. But the general economic malaise that hung over the markets and depressed oil prices appeared to drag natural gas prices back into negative territory by the close, even though the December natural gas contract posted higher highs and higher lows for the past three trading sessions.

It will be interesting to see if today's price action was again driven by weak shorts jumping out of the market as weather forecasts for the 8-14 day period

continue to show below normal temperatures gripping the eastern United States, despite talk last week of a moderation of temperatures across most of the nation for the Thanksgiving period. Open interest reported at midday showed that this appears to be the case yesterday as over 12,600 futures positions were reduced in open interest on a combined adjusted basis in the Henry Hub contracts, with all of this contraction taking place really in the futures contracts.

This market feels like it will not be able to break out in either direction until after Thursday's EIA Storage report at the earliest, but we feel the general economic gloom will for the near term keep the market on the defensive and as a result we would be a short term seller on any price upward surge toward the \$7.00 level looking for a price contraction back to the \$6.25-\$6.30 area. We see resistance tomorrow at \$6.68-\$6.70 followed by \$6.84-\$6.86 and \$6.979. Additional resistance we see at \$7.25 and \$7.36. Support we see at \$6.456, \$6.379 and \$6.30. Additional support we see at \$6.241, \$6.07-\$6.05 and \$5.99.

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