



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 19, 2008

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service today said that modest improvement continued to be made in returning shut in production from the Gulf of Mexico. As of this morning the agency saw some 212,216 b/d of crude production was still shut in, this is 16.3% of total crude oil production from the Gulf of Mexico and an improvement of 32,816 b/d from last week. Natural gas production on the week saw a 257 MMcf/d improvement leaving some 1.805 bcf/d still off line or 24.4% of total natural gas production.

The Canadian government today said it would seek to reduce various regulatory barriers to make it easier to build natural gas pipelines in the high reserve area of the northern territories.

Distrigas' Methania LNG tanker reportedly was headed back to Zeebrugge today after the company failed to secure a buyer for the

Generator Problems

PJM – Exelon's 619 Mw Oyster Creek nuclear unit has exited its refueling outage and was at 23% power this morning. The unit was shut back on October 25th.

SERC – Progress Energy's 710 Mw Robinson #2 nuclear unit was shut early Wednesday. The unit yesterday had been restarted and was at 2% capacity. The unit originally tripped off line on Monday due to a turbine vibration.

WSCC – EPCOR/Trans Alta 450 MW Unit #3 at the Genesee coal fired power station in Alberta returned to service November 18th.

APS 1270 Mw Palo Verde #1 nuclear unit was still offline this morning as the unit was running at 13% capacity. The reactor was restarted yesterday after being shut in late October for scheduled maintenance.

SPP – Entergy's 1207Mw Grand Gulf #1 nuclear unit was at 87% capacity this morning up 22% from yesterday.

CalISO reported today that some 10,674 Mw of generation was off line of which 51% were non-gas generating assets.

The NRC reported this morning that 85,086 Mw of nuclear generation capacity was on line, up 0.6% from Tuesday and 7.6% less than the same time a year ago.

cargo after a month at sea.

Colorado State University forecasters today said that the 2008 Atlantic hurricane season showed above average activity as predicted. The

Natural Gas Cash Market

ICE Next Day Cash Market

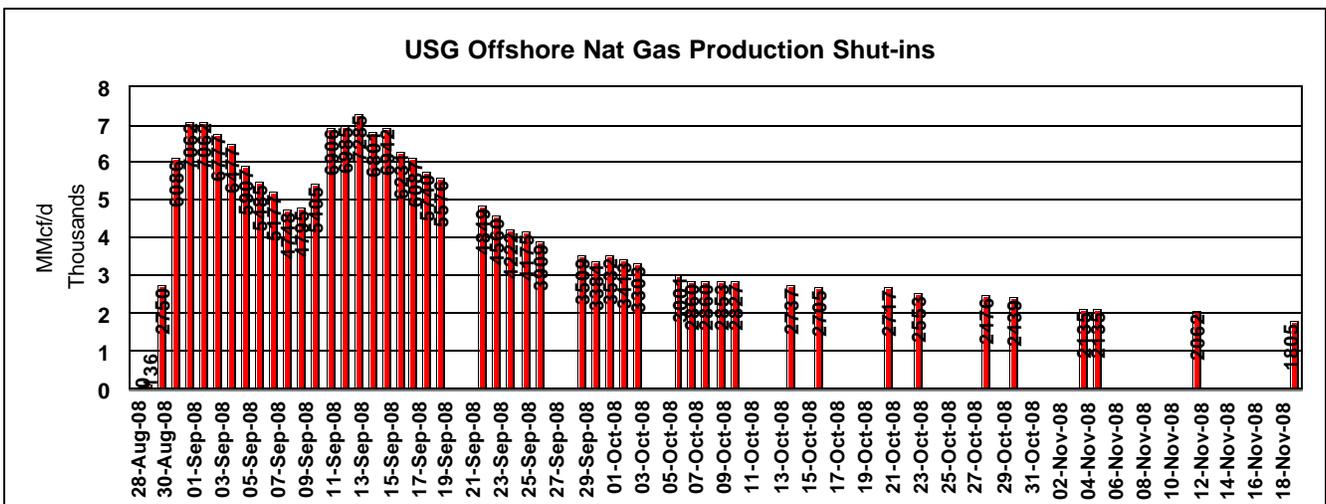
| Location | Volume Traded | Avg Price | Change | Basis | | Basis 5-Day Moving Avg |
|-------------------|---------------|-----------|---------|------------------|-----------|------------------------|
| | | | | (As of 12:30 PM) | Change | |
| Henry Hub | 1,028,500 | \$6.763 | \$0.020 | (\$0.041) | (\$0.113) | (\$0.521) |
| Chicago City Gate | 1,117,800 | \$6.787 | \$0.205 | (\$0.017) | \$0.019 | (\$0.079) |
| NGPL- TX/OK | 681,200 | \$6.076 | \$0.072 | (\$0.728) | (\$0.114) | (\$0.578) |
| SoCal | 413,200 | \$5.417 | \$0.149 | (\$1.387) | (\$0.037) | (\$1.648) |
| PG&E Citygate | 457,400 | \$6.264 | \$0.061 | (\$0.540) | (\$0.125) | (\$0.525) |
| Dominion-South | 361,300 | \$7.499 | \$0.048 | \$0.695 | (\$0.138) | \$0.529 |
| USTRade Weighted | 17,974,700 | \$6.398 | \$0.073 | (\$0.406) | (\$0.11) | (\$0.521) |

group had initially predicted 15 named storms, eight hurricanes and four major hurricanes. In August the group increased their forecast to 17 storms, 9 hurricanes and five major hurricanes. While the season ends at the end of this month, there has been so far 16 named storms, eight hurricanes of which 5 were major storms.

BG Group's Golar Freeze LNG tanker reportedly was diverted from its original U.S. destination last week and now was heading towards southern Europe.

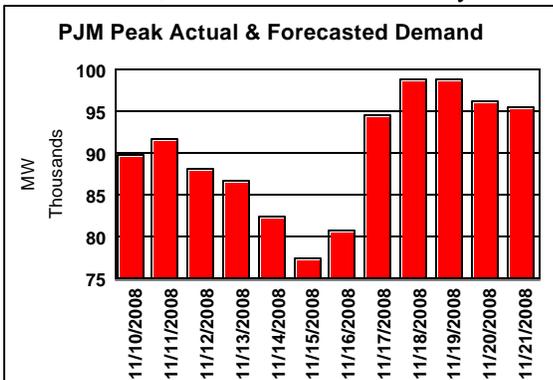
National Grid reported that the Al Khuwair LNG tanker has successfully unloaded the largest LNG cargo to ever reach Britain and has left the Isle of Grain terminal. The tanker reportedly discharged nearly 50 million therms of LNG.

The U.S. Commerce Department continued to release poor economic news today. This morning the agency reported that construction starts of new U.S. homes fell to a record low in October, as did new applications for building permits. The agency said housing starts fell 4.5% to a seasonally adjusted annual rate of 791,000 units. New applications for building permits dropped 12% to 708,000.



PIPELINE RESTRICTIONS

Rockies Express Pipeline said that effective for today's gas day and until further notice, it is at capacity for deliveries through Segment 650 (Rock Springs to Wamsutter). Based on the current level of nominations, AOR/IT and secondary out of path quantities are at risk of not being fully scheduled.



NGPL said that effective for today and until further notice, Florida-Vermillion is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled. The company also reported that effective today and until further notice, it is at capacity for gas going northbound through Segment 11. ITS/AOR and secondary out of path firm transports are at risk of not being fully scheduled.

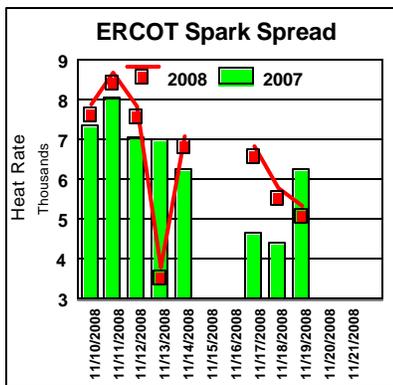
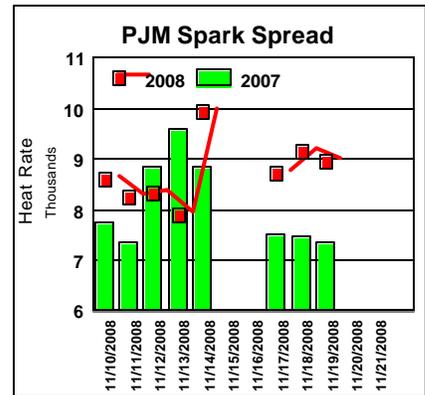
KMIGT said effective today and until further notice, it is at capacity for received quantities from Burlington

Resources Lost Cabin. Based on the current level of nominations, IT/AOR and secondary quantities are at risk of not being scheduled.

NNG said that effective November 20th it is issuing an OFO order at Carlton Resolution.

PIPELINE MAINTENANCE

Sea Robin Pipeline said that it is planning to begin repairs on its East Cameron 265 platform, which had toppled during Hurricane Ike causing significant damage to Sea Robin's West leg. The company said that while it does not intend to replace the toppled platform, it would make subsea repairs to return this segment to service as soon as possible. It currently hopes to have the segment back in service by December 31st. The company also announced that due to unscheduled maintenance on Index 818 it is declaring a force majeure for Expansion Capacity Allocation Area 19 until further notice.

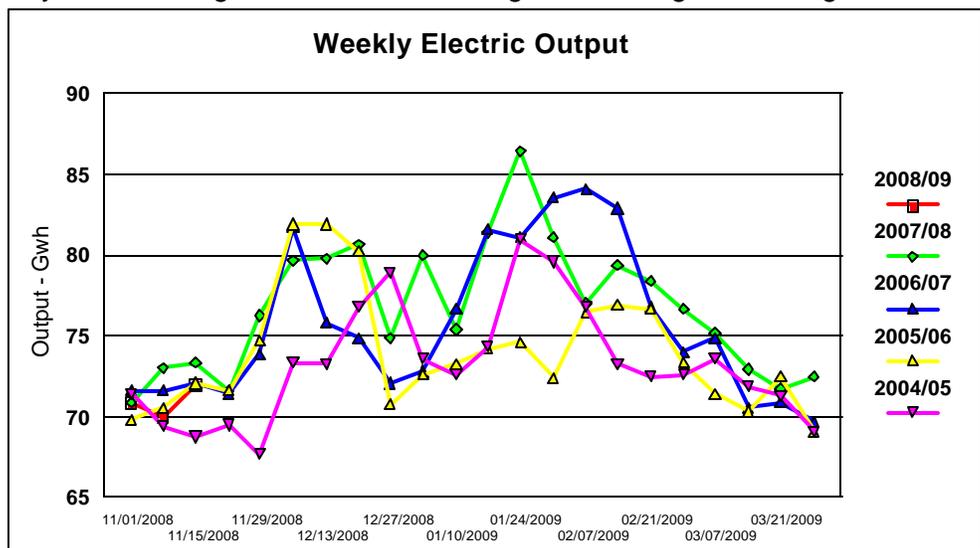


TransColorado Gas Transmission said that it will be performing maintenance at its Mancos Compressor Station on December 3^d. Capacity through Segment 220 will be limited to 365,000 Dth/d and capacity through Segment 240 will be limited to 405,000 Dth/d. Other work that is planned next month is for its Whitewater Compressor Station on December 23rd. That would limit capacity on Segment 220 to 362,000 Dth/d and capacity through Segment 240 will be limited to 412,000 Dth/d. Work at the Redvale Compressor Station will be done on December 30th and that will result in capacity at Segment 220 being limited to 362,000 Dth/d and capacity through Segment 240 will be limited to 412,000 Dth/d.

CIG said the damaged unit at the Cheyenne Plain Jumper Compressor Station will be out of service through December 12th. Capacity at Red Cloud will be reduced from 225 MMcf/d to 100 MMcf/d

ELECTRIC MARKET NEWS

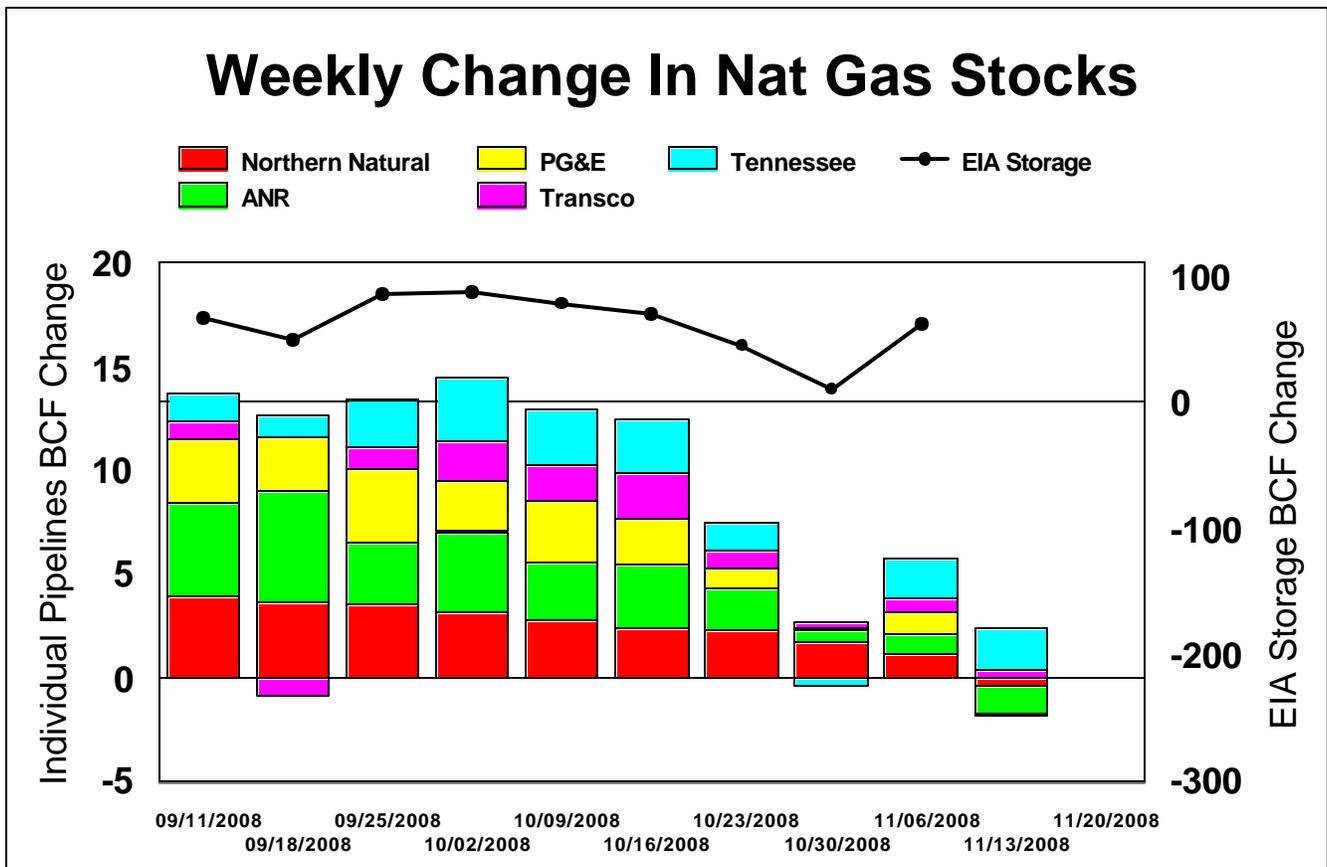
Canada's Conservative government today in a policy shift said that it would work to develop a North America-wide cap and trade system seeking to limit emissions of greenhouse gases. The government prior had supported a climate change policy that centered on cutting the intensity of emissions rather than imposing outright curbs. The government also said it was looking to set an objective that 90% of Canada's electricity needs by 2020 should be met "by non-emitting sources such as hydro, nuclear, clean coal or wind power".



The Edison Electric

Institute reported that for the week ending November 15th, electric production in the U.S. totaled 71,948 Gwh, up 2.78% from the prior week but some 1.96% below the same week a year ago. Over the past 52 weeks electric production in the U.S. is running 0.6% behind the prior 52 week period.

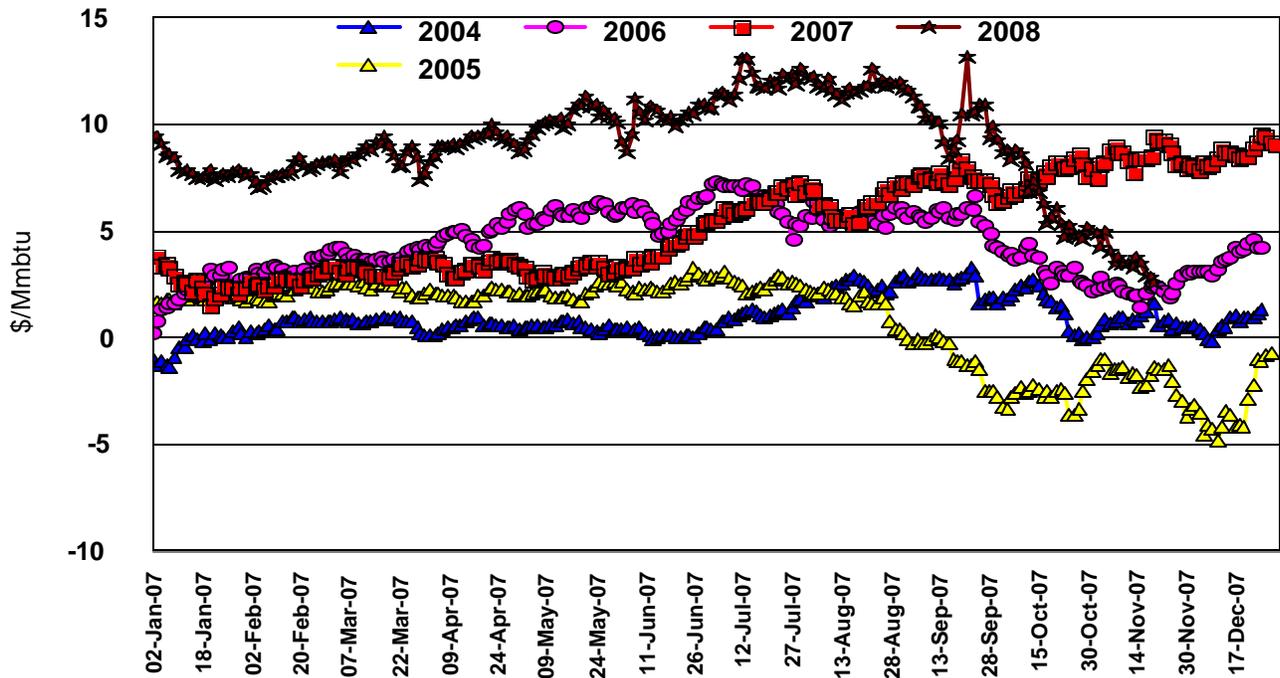
Late yesterday the president of the California Public Utilities Commission said the agency should approve SDG&E's Sunrise Powerlink. The project is a \$1.9 billion high voltage power line designed to carry new renewable power supply to San Diego after the state raised its target to cut greenhouse gas emissions. Earlier this week the governor of the state committed the state to increasing the amount of electricity consumed from renewable sources like wind and solar to 33% by 2020 from the current 20% goal. The head of the PUC said that the "lack of transmission is the single biggest barrier to meeting renewable power goals and thus lowering greenhouse gas emissions."



MARKET COMMENTARY

Despite the continued steady stream of negative economic news coming out of Washington, which continues to erode equity and oil prices, the natural gas market appeared focused on supportive weather forecasts. The market started off stronger this morning as new weather forecasts continued to show that not only was the current cold snap going to continue but on the extended 8-14 day outlook the colder than normal temperatures would in fact not be just confined to the eastern U.S. but was backing back into the Midwest west as well. While cash market values were stronger today as well they did not keep pace with the bullish bias of the futures markets and as a result basis differentials actually came in a bit. Futures posted yet another trading session in which prices recorded a higher high and a higher low. Over the last four trading sessions as the season's first winter weather was felt across much of the country, prices have been able to retrace 62% of the sell off from last week that took prices down from the mid \$7.00 level to nearly breaking below \$6.00 in the December contract.

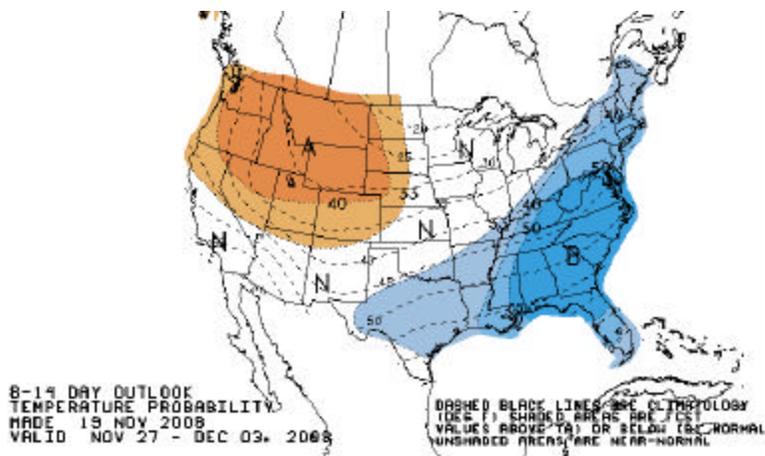
Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle



Natural gas settled the day nearly up a quarter dollar in price, despite crude oil settling down yet again at \$53.62, off 77 cents. As a result spot natural gas futures have seen its discount to crude oil prices continue to erode and as of the close tonight was just \$2.50 Mmbtu less than crude oil, the lowest level since February 20th of last year. Volume was good today, as the highest volume for the trading week was recorded, at just over 195,000 contracts on a combined adjusted basis. Much of the focus was centered in the December contract as well as the Calendar 2009 months. While open interest reported at midday was relatively flat basis Tuesday's trading it will be interesting to see tomorrow, if the rapid run up this morning was yet another wave of weak shorts running for the exits on the basis of the bullish weather forecasts this morning.

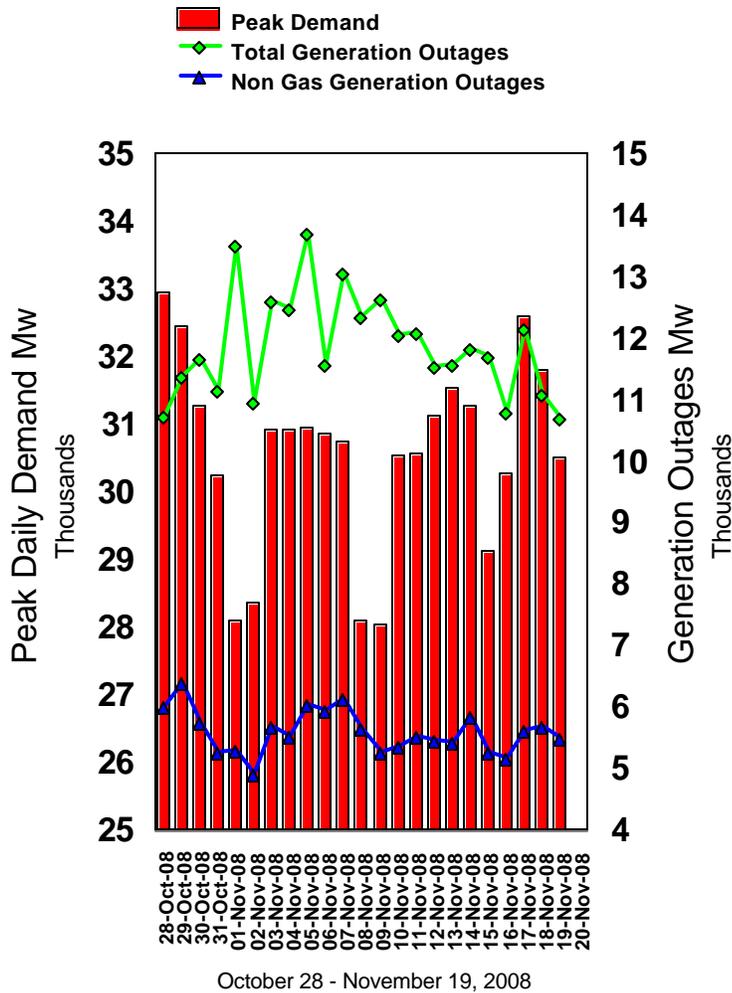
Market expectations for tomorrow's EIA Storage Report are looking for a very modest drawdown of 1-2

bcf on the week. Our estimate based on our pipeline storage model does not deviate too much, as we are looking for only a 2-3 bcf build in stocks. We continue to look at last week's storage report as a bit of an outlier in our model. Stocks for the same week a year ago were unchanged with the five year average showing a 2 bcf decline.



While we continue to feel on a macro level that this rally in natural gas will be difficult to maintain as the oil market appears headed south of the \$50 per

**Cal ISO Peak Daily Demand Versus
Total Generation Outages & Non Gas Generation Outages**



barrel level and the stock market and general economic indicators continue to point to further contraction in economic and industrial activity in the U.S. over the next several months, it appears that the bulls are eager to embrace the first cold spell of the winter. The bulls could gain further support short term by the fact that the 9-day slow stochastic's have crossed to the upside for the first time in eight trading sessions. Further buying could be triggered if today's high is breached and a serious assault can be made on the 40 day moving average, which tonight was at \$7.00. The December contract has not traded above this moving average since July 11th, despite a serious effort to breach this level, in five of six trading sessions starting back on November 4th through November 11th. While we do not like to bet against weather forecasts we feel a move towards the \$7.00 level would warrant a conservative approach of looking to buying the \$6.50-\$5.50 put spread basis the January contract at 20-22 cents, given the inability of this market to continue to disconnect from the economic realities of the global market at a time there is still more than ample supplies of natural gas.

Tomorrow we see resistance basis the December contract at \$6.90, \$6.96-\$7.00, \$7.06 and \$7.30. Support we see

at \$6.50, \$6.42, \$6.268 and \$6.109. More distant support we see at \$6.05 and \$5.99.

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