



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 25, 2007

NATURAL GAS MARKET NEWS

What was forecast to be a week of above-normal temperatures throughout most of the U.S. began Monday with warming trends in some areas as advertised, but not enough heat to keep prices from continuing to fall at most points. Friday's 21.8-cent slide by July futures also had bearish implications for Monday's cash market. Short-term forecasters continue to see no tropical storms developing through the majority of this week, if not longer.

A Senate panel found that found that U.S regulators were powerless to stop "excessive speculation" by Amaranth because the fund exploited an unregulated electronic exchange (ICE) to "dominate" and "distort" natural gas markets in 2006. Senator Levin (D-MI), Chairman of the Senate Permanent Subcommittee on Investigations, released a report showing their findings. To stop price manipulation and excessive speculation, the report recommends that Congress close the Enron loophole, which would enable the CFTC to police both markets. It recommends that the CFTC strengthen its policies to stop excessive speculation. It also recommends that Congress provide increased CFTC funding to authorize the CFTC to collect user fees from commodity markets to help pay the expense.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that it has extended its Overage Alert Day notice due to the 90-degree weather forecasted for Florida today; the Overage Alert Day tolerance is set at 25%. FGT will not interrupt previously scheduled Market Area ITS-1 service.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for gas flow on June 26. PG&E issued the restriction because of high inventory on the system. The OFO was eased yet to a 5% tolerance and Stage 2 noncompliance charge of \$1.00/Dth.

Westcoast Energy said that the Pine River Gas Plant had a failure of its No. 3 Train recycle compressor. This failure has caused No. 3 Train shutdown and the Pine Rover Gas Plant is currently processing at severely reduced rates. Spectra personnel are currently attempting to make repairs and return No. 3 to service. Spectra Energy is activating a RGT Constraint of 60% Firm Service to control production in the RGT system until No. 3 Train can be returned to full service.

Generator Problems

ECAR – FirstEnergy's 1,260 Mw Perry nuclear unit restarted and is operating at 20% capacity. The unit was taken offline on Friday for weekend maintenance.

FRCC – FPL's 760 Mw Turkey Point #3 nuclear unit returned to full power following work over the weekend. Turkey Point #4 continues to operate at full power.

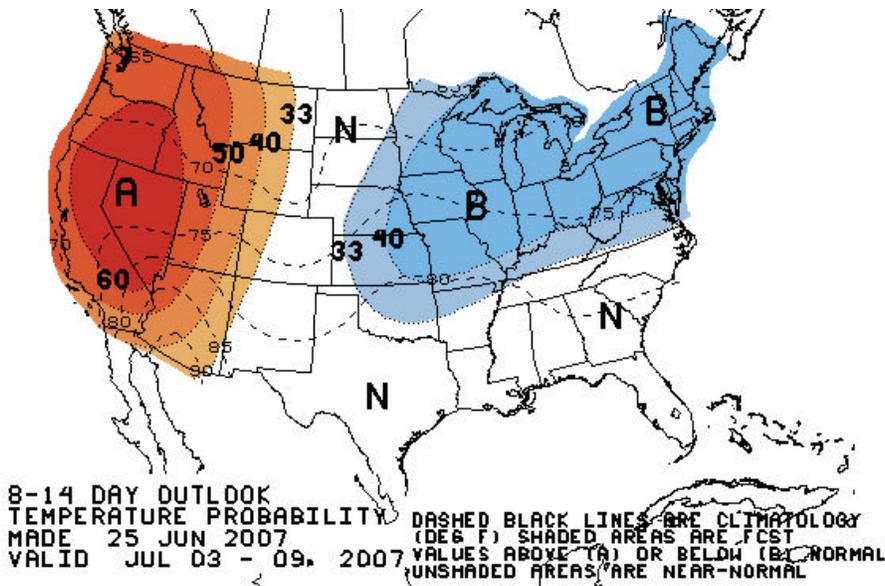
MAIN – We Energies' 516 Mw Point Beach #1 nuclear unit restarted and has returned to 98% capacity. Point Beach #2 continues to operate at 100% capacity.

Dominion Resources' 591 Mw Kewaunee nuclear unit reduced output to 45% capacity over the weekend. The unit was operating at full power on Friday.

SERC – TVA's 1,155 Mw Browns Ferry #1 nuclear unit shut from full power over the weekend. Browns Ferry #2 and #3 continue to operate at full power.

WSCC – Energy Northwest's 1,200 Mw Columbia Generating nuclear station exited refueling outage and ramped up to 20% over the weekend.

The NRC reported that 92,961 Mw of nuclear capacity is on line, up 0.06% from Friday, and off 2.35% from a year ago.



PIPELINE MAINTENANCE

ANR Pipeline said over the weekend that unplanned maintenance at Sandwich Compressor Station on the ML-7 will affect its system. Due to a crankcase failure, ANR began unplanned engine repairs at its Sandwich CS. At this time, ANR will only accept Firm Primary nominations through the Sandwich East-CFTP and the Sandwich North-CFTP. At this time, it is anticipated this operational restriction will continue through July 4. Due to higher line pressure along the Southwest Mainline from the Sandwich CS outage creating an incompatibility between

Cheyenne Plains and ANR Pipeline located in Kansas in Southwest Area Fuel Segment, the receipt capacity at Greensburg CCP Receipt must be limited to 164,000 Dth/d until further notice. Finally, due to the high pressure because of a downstream engine outage at Sandwich, ANR must limit receipt capacity at the Marshfield Viking Interconnect to 240,000 Dth/d until further notice. Based on current nominations at Viking-Marshfield, it is anticipated that the above reductions will result in the curtailment of IT and Firm Secondary nominations.

Northern Natural Gas Company said that it will be conducting required pipeline pigging activity on the Marquette 16-inch Main Line from Iron River to Bessemer starting today and running through July 15. No interruption of service at delivery locations is anticipated during this maintenance process; however, inlet pressure fluctuations at delivery points may be experienced.

Northwest Pipeline said that based on the results from the May pig runs, Northwest will perform five unplanned anomaly investigations just south of the Muddy Creek Compressor Station. These anomaly investigations will take place starting June 26 and are expected to continue through June 29. Northwest must reduce the northbound capacity through the Muddy Creek North Constraint Point to 615,000 Dth/d.

PG&E California Gas Transmission said that alignment maintenance at the Hinkley compressor and line replacement on 300-A line will reduce capacity on the Baja Path system to 825 MMcf/d (75%) through June 27.

TransColorado Gas Transmission said that it will be performing maintenance in Segment 310 June 27. Capacity through the segment will be limited to 335,000 Dth/d. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled. As this maintenance project progresses, additional quantities may become available for the Intraday 2 cycle. TransColorado will post this increase if it becomes available.

ELECTRIC MARKET NEWS

The U.S. DOE announced that it has selected the Commonwealth of Massachusetts Partnership in Massachusetts, and the Lone Star Wind Alliance in Texas, to each receive up to \$2 million in test equipment to develop large-scale wind blade test facilities, accelerating the commercial availability of wind energy.

MARKET COMMENTARY

The natural gas market showed early weakness as it opened Sunday night, gapping lower from Friday's low and breaching the psychological 7.00 level. The front month July contract, which expires on Wednesday, traded to a low of 6.91 as continued weakening fundamentals with regards to the 11-15 temperature outlook and total lack of tropical storms fuels technical selling. The session's early weakness found some support in a recovering oil

complex, trading to a high of 7.039 by midday and maintaining a 6.98-7.02 range until weak longs exited the market sent natural gas back to its lows ahead of the close. The July contract settled down 19 cents at 6.94.

The spot chart continuation low of 6.80 continues to be the downside target in the short term, however as the Commitment of Traders report showed on Friday, the record amount of short fund positions keeps this market subject to a short covering rally as market players look to the this week's EIA report, where early expectations call for a build of between 60 and 90 Bcf. Current estimates look more bullish compared with a 92-Bcf five-year average injection for this week and a 68 Bcf build reported for the same week last year. A number anywhere within the range would begin to cut into the year-on-five-year-average surplus and may even preserve the year-on-year deficit, which has been on the decline for seven straight weeks. With options expiring tomorrow and futures on Wednesday, we expect significant volatility as the market looks to find some balance. We see support at 6.876, 6.828, 6.80 and 6.747. We see further support at \$6.62, 6.50 and 6.40. We see resistance at \$7.04, \$7.086, 7.134 and 7.20. We see further resistance at 7.48-7.50 and 7.60.