

W The Windham Group



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 10, 2007

NATURAL GAS MARKET NEWS

The EIA today released their latest Short Term Energy Outlook and it calls for U.S. domestic production of natural gas in 2007 to total 18.59 tcf and in 2008 to reach 18.98 tcf. These estimates are an increase of 0.4% and 1.06% respectively over month earlier estimates. Net imports of natural gas also posted increases from a month ago, as 2007 is now estimated at 3.51 tcf, up 0.6% and in 2008 at 3.76 tcf, up 0.5%. Demand in 2007 is now estimated at 22.75 tcf up 0.2% from last month's estimate, with 2008 seeing demand grow by 1.14% over the prior year. Electrical demand was also revised up over the last month and is now pegged at 3888.3 billion kwh in 2007, up 1.8% from last year and in 2008 is expected to expand by 1.9% to 3944.4 billion Kwh.

Generator Problems

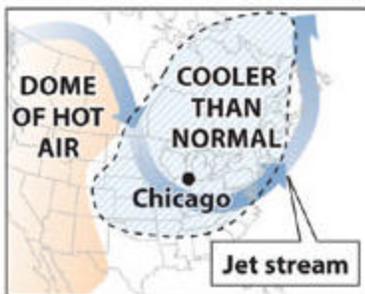
SERC – Dominion's 925 Mw North Anna #2 nuclear unit returned to full power by this morning, following a reactor trip back on June 29th.

ERCOT – AEP's 528 Mw Welsh #1 coal fired power plant was expected to return to service between July 10-14th. The unit was taken off to fix a biuler leak yesterday.

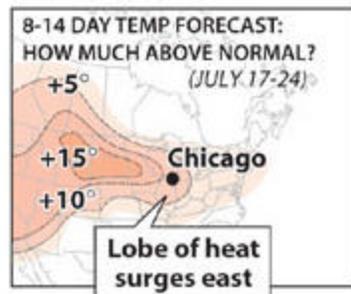
The NRC reported that 96,242 Mw of nuclear capacity is on line, up 0.66% from Monday, and up 0.17% from a year ago.

PEMEX reported that an explosion occurred in the state of Queretaro on a 36-inch natural gas pipeline this morning. The line runs from Mexico City to the western city of Guadalajara. The natural gas line was shut down as well as a 14-inch LPG line and a 16-inch crude oil pipeline.

LATER THIS WEEK AND THE COMING WEEKEND
Heat relief—but not for long



HINTS AT SUMMER'S HOTTEST AIR IN THE 1-2 WEEK RANGE



WGN-TV/Thomas Valle, Karen Braun, Anita Nallpareddy

Centrica reported that it has restarted gas production at its Morecambe North field in the U.K. Gas production is ramping up and is likely to reach close to a maximum flow rate of 5 million cubic meters a day early Wednesday. The field had been shut for planned maintenance for the past eight weeks.

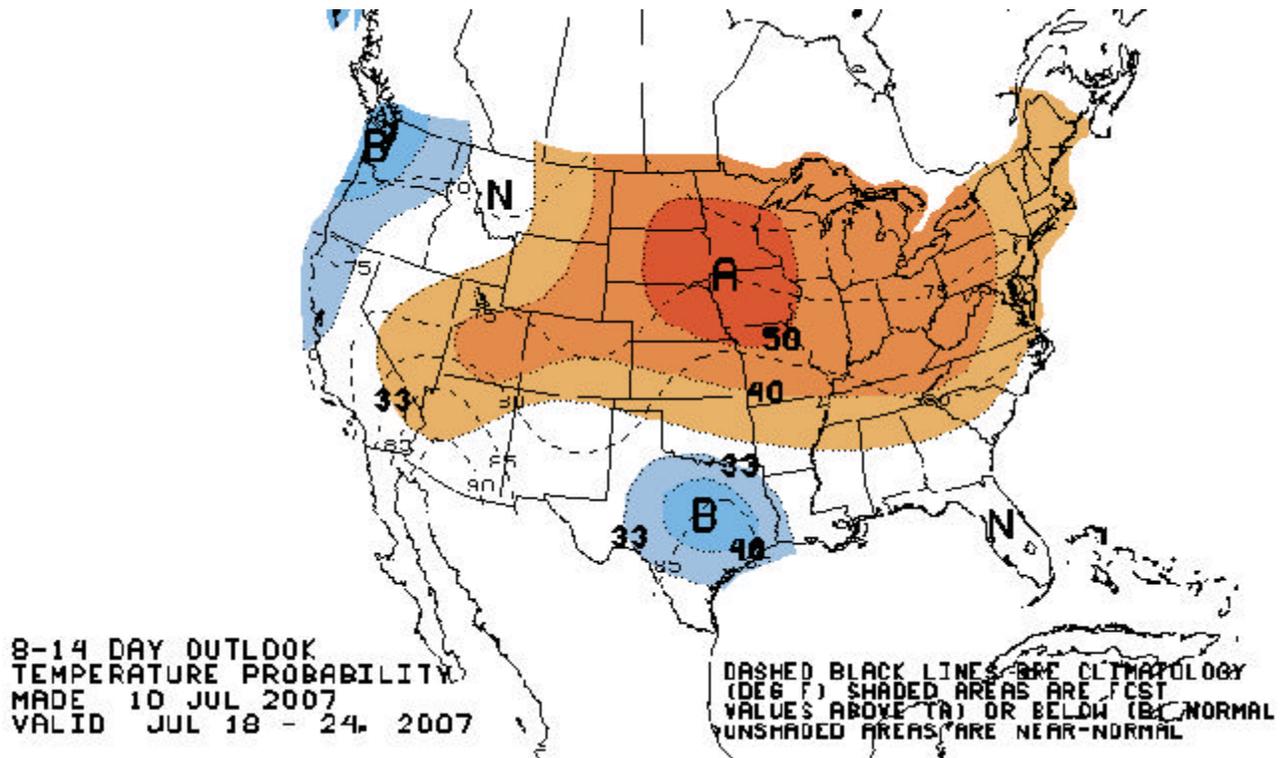
The tropical Atlantic remained quiet today, with just a few tropical waves moving through the area with little or no chance of development.. Typically only one tropical system in July will develop into a named storm and that usually occurs only every other year.

Dolphin Energy has imported the first gas processed at its own plant in Qatar to the United Arab Emirates. The company expects the flow to reach 2 Bcf/d in early 2008. The 364 km pipeline for gas exports to the UAE was completed last year. Once full exports begin Dubai will be taking between 600-800 mmcf/d.

AES Corp has filed a complaint in Maryland courts seeking a Baltimore County ordinance to be overturned that bans the construction of a LNG facility along its part of the Chesapeake Bay.

The FERC today approved Cameron LNG LLC's request to move up an interim expansion of its LNG terminal facility, which is under construction in Hackberry, LA..

Congressional staff members today said that Senator Levin is moving forward with a plan to introduced legislation that would make ICE a self regulatory organization like the NYMEX and probably will attach the bill to Senator Feinstein's Oil and Gas Traders Oversight Act, which is currently in the Agriculture Committee. Levin reportedly is seeking to install regulations that will establish new record keeping and reporting requirements for over the counter energy markets, notably the InterContinental Exchange.



PIPELINE MAINTENANCE

Columbia Gas Transmission Company said that due to pigging operations along its line between Banner and Corinth compressor stations, the Delhi Constraint Point is being reduced to a total capacity of 1806000 dth. This reduction is effective July 11th and until further notice.

Northwest Pipeline said that maintenance along the Pleasant View to La Planta segment originally scheduled to begin July 11th has been pushed back to July 13th and will continue through September 7th. During the work available capacity through the Pleasant View Compressor Station will be reduced by 34,000 Dth/d to 318,000 Dth/d.

Gulf South Pipeline said that maintenance at the Clarence Compressor Station Unit #3 has been completed.

ELECTRIC MARKET NEWS

The Midwest ISO declared a Maximum Generation Emergency Alert Energy Control Area effective from 1200 EDT through 2000 EDT on Tuesday July 10th. The reasons for the alert were near peak load projects coupled with unplanned generation outages.

Idaho Power reported that its repair crews had been able to return to service one of the two transmission lines damaged by a range fire over the weekend. The 345 kV transmission lines feed east from the Midpoint Sunstation near Shoshone to another transmission substation in eastern Idaho.

The chairman of the U.S. Senate Energy and Natural Resources Committee said he would introduce legislation today that would take an economy-wide, market based approach to capping U.S. emissions of greenhouse gases. Political observers believe the bill will call for actual cuts in greenhouse gas emissions of 15% from current levels by 2030.

MARKET COMMENTARY

The natural gas market began the morning trading session a few pennies better and began to drift higher throughout the morning. The market was able break through Monday's highs by midday as updated weather forecast models were released and it appeared that the cool down east of the Rockies later this week will be of limited duration and that above normal temperatures will return to this area once again next week. As a result prices were able to end the day up for the first time in seven trading sessions and post the strongest one-day gain since June 4th. Volume was excellent with 139,245 futures contracts changing hands on the day.

Well it appears to us that the natural gas market may finally have put in a short term bottom, as prices were unable to breach the \$6.36 level for the second straight session, and basis today's trading action the daily stochastic indicators convincingly turned to the upside and have climbed back to levels not seen in the past three weeks. Typically the day following an inside trading session can be explosive in the natural gas market, and today was no different. But we do not expect tomorrow's trading to post similar gains as today but rather should see prices to settle down a bit, but we do think it should have an upside bias for the next several days. We see resistance at \$6.839, followed by \$6.87, \$6.976 and \$7.045. More distant resistance we see at \$7.21, \$7.256 and \$7.467. Support we see at \$6.529, \$6.362, \$6.294 and \$6.188.