



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 6, 2007

NATURAL GAS MARKET NEWS

The tropical Atlantic remains very quiet again today, outside of the continued threat to the U.S. southeast coast for a potential storm this weekend. Forecasters though are watching a new tropical wave coming off the coast of Africa. Environmental conditions around this wave and ahead of it are favorable for development and thus it could become a tropical depression by Monday. The future track of this tropical system is uncertain as an upper level trough of low pressure is forecast to move into the central and eastern Atlantic over the next several days. The GFS model forecasts that this will pull the system north and eventually recurve it out to sea. The European model forecasts that the trough of low pressure will miss the storm and it will continue tracking west so that by September 16th it will be located 400 miles east of the Bahamas.

Generator Problems

NPCC – Entergy's 535 Mw Vermont Yankee nuclear unit was at 51% of capacity this morning.

PJM – Exelon's 1112 Mw Peach Bottom #2 nuclear unit dropped to 60% of capacity this morning, after running at full power yesterday. The reduction was due to testing.

FERC – FPL's 839 Mw St. Lucie #1 nuclear unit was at 77% of capacity, up 2% from yesterday.

The NRC reported that 95,480 Mw of nuclear capacity is on line, down 0.46% from Wednesday, but up 0.54% from a year ago.

PetroChina agreed to a potential \$37 billion deal with Woodside Petroleum as it sought to secure its second long term supply of LNG. Under the deal PetroChina will buy 2-3 million tones of LNG a year over a 15-20 year period. Woodside said if the contract is confirmed, it would be Australia's largest export deal, with revenues of up to \$37 billion.

EIA Weekly Report

| | 08/31/2007 | 08/17/2007 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| Producing Region | 903 | 902 | 1 | 850 |
| Consuming East | 1696 | 1657 | 39 | 1710 |
| Consuming West | 406 | 410 | -4 | 406 |
| Total US | 3005 | 2969 | 36 | 2966 |

*storage figures in Bcf

Gas Storage Europe said today that gas storage levels in Northwest Europe stood at 89% full as of September 3rd, at 11.493 bcm.

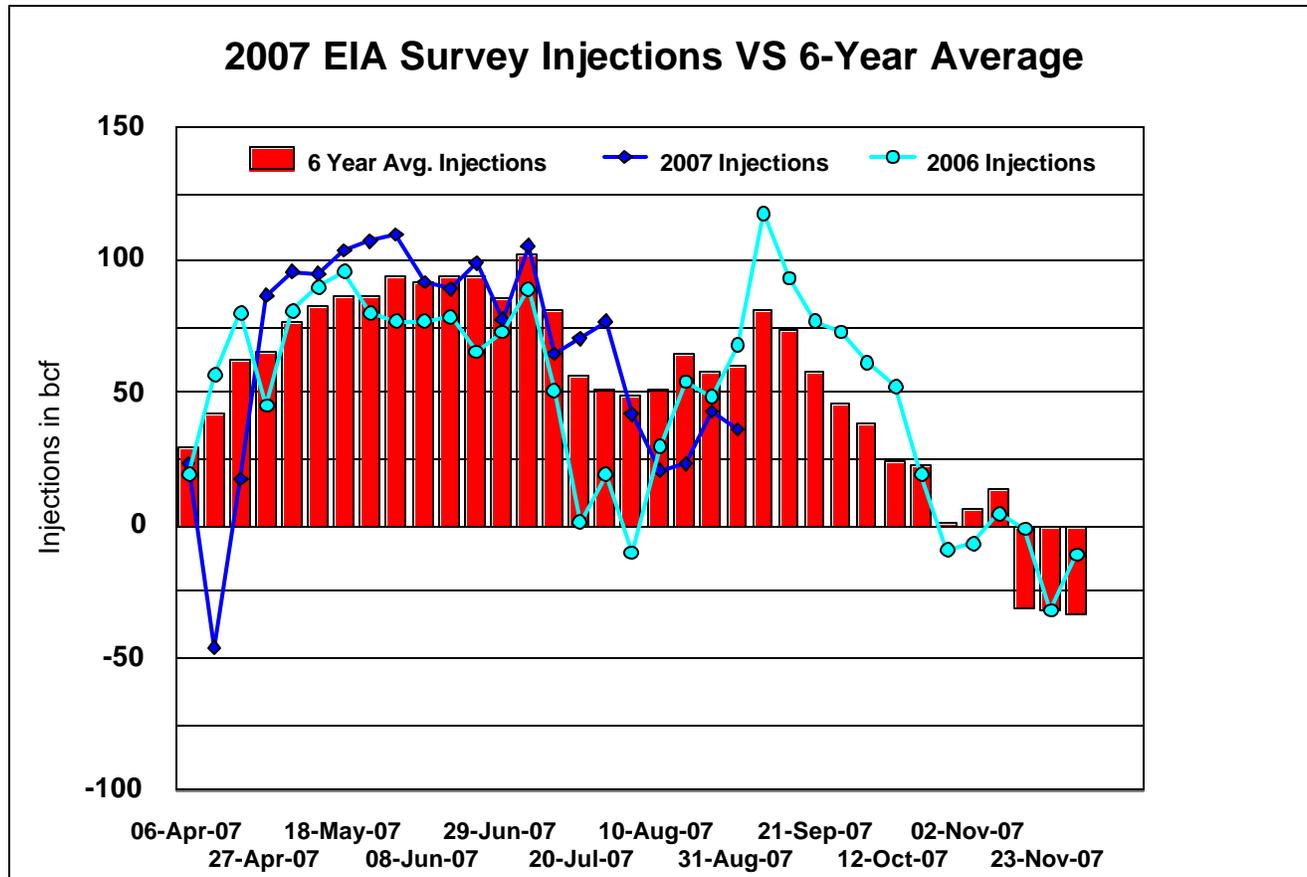
Britain's largest storage site, Rough is scheduled to be shut for two weeks beginning September 7th for a two-week maintenance period.

Daniel Masters, the co-founder of Global Advisors confirmed that the company was shutting down two of its three funds due to the funds "poor performance" and request from investors for the redemption of their investments. The two funds Global Advisors Commodity Investment, was down roughly 13% this year, and Global Commodity Index Plus. The third fund, The Global Commodity Systematic, will remain open. Global Advisors managed as \$400-\$500 million as recently as the middle of 2005. The chief operating officer said that there was not one commodity or trading strategy that was responsible for the losses at the Global Advisor fund. The officers confirmed though that the fund had exited all of its natural gas positions last week.

Spectra Energy said today that it would expand its Texas Eastern Transmission pipeline system in order to bring Rocky Mountain supplies to the U.S. Northeast market. The Northern Bridge proposed project would transport up to 500 million cubic feet per day of supplies to the northeast by late 2009. The company said it would be holding a binding open season to gauge interest for capacity beginning today and running through September 28th. The company this week also announced the expansion of its Maritimes and Northeast Pipeline system was underway to double capacity.

The restart of Chevron's 11,000 b/d Erskine oil and associated gas fields in the British North Sea has been pushed back until this weekend. The field had been expected to be restarted on September 5th, following the restart of the CATS gas pipeline last Friday.

The U.S. Climate Prediction Center reported today that the La Nina weather anomaly is gathering strength and



will possibly strengthen over the next three months. During this period, potential impacts over the continental U.S. include wetter than normal conditions over the southwestern states. Forecasters though are unsure given the late arrival of this condition if it will have much of an impact on the current hurricane season by suppressing wind shear condition in the tropical Atlantic that can help potential hurricanes form.

Work at Anadarko's giant natural gas hub in the Gulf of Mexico, the Independence Hub, has been hampered for the last two months by fluke ocean current, or the "loop current. Despite starting some wells ahead of schedule in July, and as a result allowing production to reach 250 mmcf/d, it is still well short of the target production level of 1 bcf/d. Officials though say all four connection from the hub to outlying fields have finally been completed.

| Canadian Gas Association | | | |
|--------------------------|-----------|-----------|-----------|
| Weekly Storage Report | | | |
| | 31-Aug-07 | 24-Aug-07 | 01-Sep-06 |
| East | 213.8 | 210.7 | 209.9 |
| West | 317.2 | 316.0 | 200.7 |
| Total | 531.0 | 526.6 | 410.6 |

storage figures are in Bcf

Sempra's CFO said today that it may be nearly impossible for a second West Coast LNG terminal to work economically when compared to the expansion of the 1 bcf/d Costa Azul facility Sempra Energy plans to open next year in North Baja California. This terminal should help drive down west coast prices, and given the ability to expand this terminal to 2.5 bcf/d it gives Sempra a significant advantage over other LNG import projects being proposed for the region.

Crossroads Pipeline launched an open season for firm transportation service from any existing receipt points to any existing delivery points on its 202 mile gas pipeline from northern Indiana into northwestern Ohio.

PIPELINE MAINTENANCE

Northern Natural Gas said that the Oakland Unit #20 Marrs Turbine will be down September 7th and continuing through September 16th for bi-annual compressor maintenance and inspections.

| 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 | 1,276,400 | \$6.019 | \$0.218 | \$0.102 | \$0.157 | (\$0.223) |
| Chicago City Gate | 504,500 | \$5.955 | \$0.144 | \$0.269 | \$0.121 | (\$0.065) |
| NGPL- TX/OK | 583,200 | \$5.788 | \$0.158 | \$0.102 | \$0.135 | (\$0.224) |
| SoCal | 1,446,500 | \$5.817 | \$0.235 | \$0.131 | \$0.212 | (\$0.189) |
| PG&E Citygate | 988,400 | \$6.081 | \$0.130 | \$0.395 | \$0.107 | \$0.097 |
| Dominion-South | 603,800 | \$6.186 | \$0.240 | \$0.500 | \$0.217 | \$0.143 |
| Transco Zone 6 | 276,500 | \$6.494 | \$0.155 | \$0.808 | \$0.132 | \$0.408 |

Deliveries east of Oakland may be impacted depending on quantities nominated.

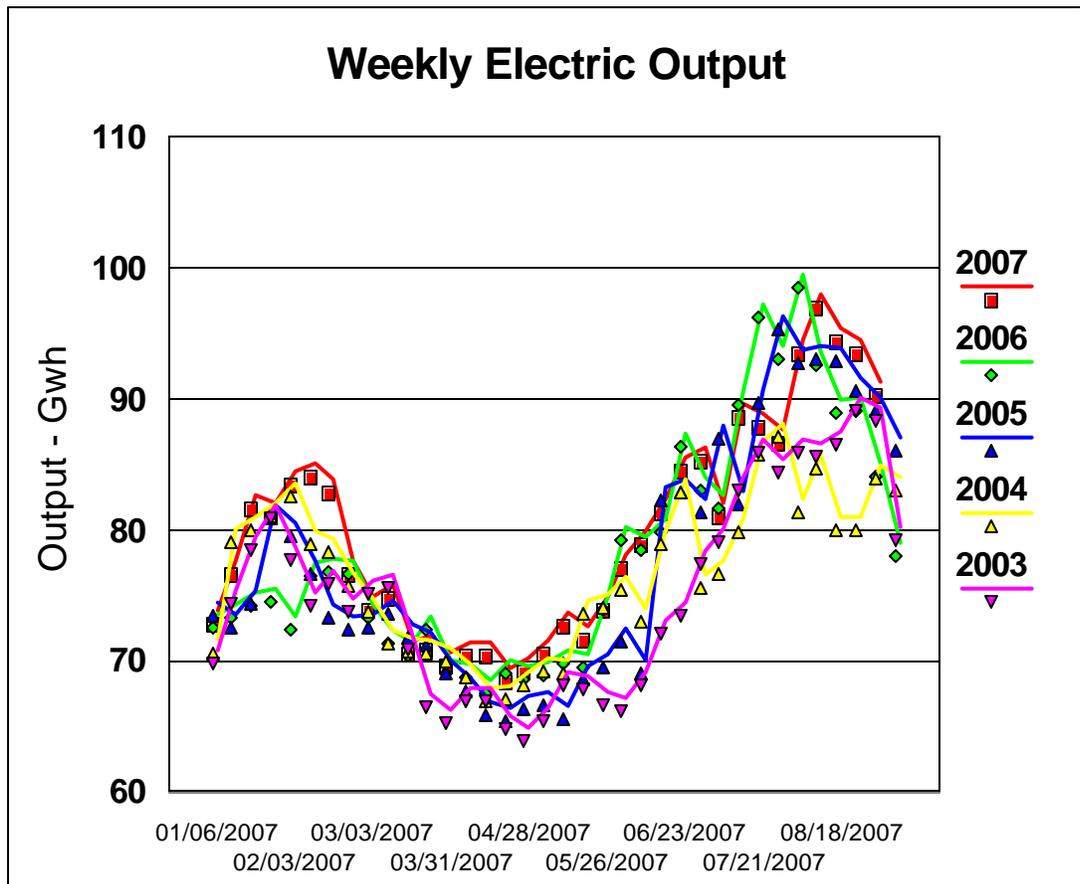
Williston Basin Interstate Pipeline said that planned maintenance will be performed Friday at the Saco Compressor Station. Maximum capacity at the station will be approximately 22,750 dkt/d.

FGT said it will perform two unscheduled maintenance on the largest compressor at Station #8. This outage starting today will last through Saturday. Scheduled volumes will be reduced by 17%. Unscheduled maintenance will also be performed on one of two units at the FGT/Tennessee Carnes Interconnect just upstream of FGT Compressor Station #10. This outage is expected to last through Saturday as well and reduce capacity by up to 50%.

ELECTRIC MARKET NEWS

BrightSource Energy said today that it filed for a construction permit from California regulators to build a 400 Mw solar power plant in the Mojave Desert. The project would be built in three stages, with the first done by 2010.

The CEO of the coal company Peabody Energy said Thursday that coal use grew by 30% in the last few years and future demand for new power plants will push coal usage higher despite opposition by environmental



groups. He noted that nine new coal fired power plants were under construction this year in the U.S. In all some 15,850 Mw of new capacity is under construction or recently came on line. Another 6,100 Mw of potential power plants should begin construction in the next two years, with the majority of the plants burning coal from the Powder River Basin or the Illinois Basin, where Peabody has big operations. He noted that globally coal consumption in the period of 2001-2006 increased by 30%, while natural gas use rose by 16%, hydro 15% and oil and nuclear usage up by 9% and 4% respectively. He also noted that the per capita electricity use in China is just one-tenth the U.S. level and India's one-thirtieth, so the potential for growth is significant.

The Edison Electric Institute reported that for the week ending September 1st U.S. electric production stood at 90,365 Gwh, down 3.42% from the prior week but nearly 7% higher than the same week a year ago. Year to date electric production has been running 2.1% higher than a year ago.

The EIA reported that for the week ending September 1st total coal production reached 22.517 million tons down 0.5% from the week prior but up 0.2% from a year ago.

MARKET COMMENTARY

The natural gas market today while receiving a positive storage report, given that it was 10 bcf less than most market expectations, still fell victim to the pressure on oil prices it seemed. As a result the price gains recorded earlier in the day from stronger cash market values were erased by the afternoon and as a result the market settled lower for the first time out of the last three trading sessions as prices nearly gave back 62% of the gains of the week. Volume though was good but could not keep pace with the oil markets as 130,651 lots were traded on the day.

We see that without weather it is difficult for this market to sustain itself above the \$6.00 price level, given the fact that inventories currently stand at over 3 tcf. With still two months of the injection season left to go. We see support tomorrow at \$5.55 followed by \$5.433, \$5.291, \$5.259, and \$5.00. Resistance we see at \$5.868, \$6.02, \$6.161 and \$6.303.