



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 27, 2007

NATURAL GAS MARKET NEWS

EIA said on Friday it did not foresee the establishment of an oil style cartel by gas producing countries at least over the medium term, since much of the world's gas trade is sewn up in long term contracts. EIA's Guy Caruso said that unless there is a true spot market for LNG, a cartel would not be practical. He sees the spot market being limited to the 10-20% that producers are willing to sell on the short-term market.

The Bank of Montreal said on Friday that its second quarter results will significantly be impacted by a pretax commodity trading loss of C\$350 million to C\$450 million. The company noted that changing conditions in the energy market hurt its positions in natural gas. The company noted that the natural gas market became more illiquid while volatility fell in recent months, leaving it with a big mark to market trading loss, from out of the money options. The bank also said it changed the way it estimated the portfolio's market value. The bank said that it would conduct a "thorough review" and take steps to reduce the chances of a similar occurrence. The traders involved are still with the bank the company reported. The bank warned investors that more related losses could be coming but that they would be "substantially lower" than the losses announced on Friday.

Algeria's Energy Minister Khelil said Friday that Algeria is negotiating a 20% hike in the price it charges Spain's Gas Natural. The price hike would cover two existing contracts, which together supply some 9 billion cubic meters of gas per year to Spain via a pipeline that runs through Morocco. Algeria also sells LNG to Spain. The price increase, which would be phased in over 6 months, would affect 30% of the total gas used in Spain.

Williams said on Friday that it began an open season to gauge interest for a Colorado hub connection project on its Northwest natural gas pipeline. Shippers may contract for long-term firm transportation service from the Greasewood and Meeker hubs in Pio Blanco County, Colorado. Williams said it is looking at building a 33-mile lateral that would tie the Greasewood and Meeker hubs to Northwest's mainline near Sand Springs. There is an anticipated in service date of 2010. The open season will run through May 31st.

According to a recent study by the University of Kansas the massive Hugoton natural gas field in southwestern Kansas and northern Oklahoma, which has been in decline for the past 10 years, could remain viable through 2050 as long as the integrity of 40-70 year old wells are maintained.

Generator Problems

SERC – TVA's 1118 Mw Browns Ferry #2 nuclear unit returned to full power late on Friday.

SPP – Entergy's 966 Mw River Bend nuclear power plant was at 74% of capacity up 24% from Thursday.

MAPP – 538 Mw Prairie Island #2 nuclear unit was at 41% down from full power from yesterday.

Xcel Energy's 600 Mw Monticello #1 nuclear unit began operations after a 6 week refueling outage. The unit was at 2% of power this morning.

ERCOT – Unit #2 at the coal fired Limestone Electric generating Station was expected to be restarted this afternoon and ramped up over the weekend.

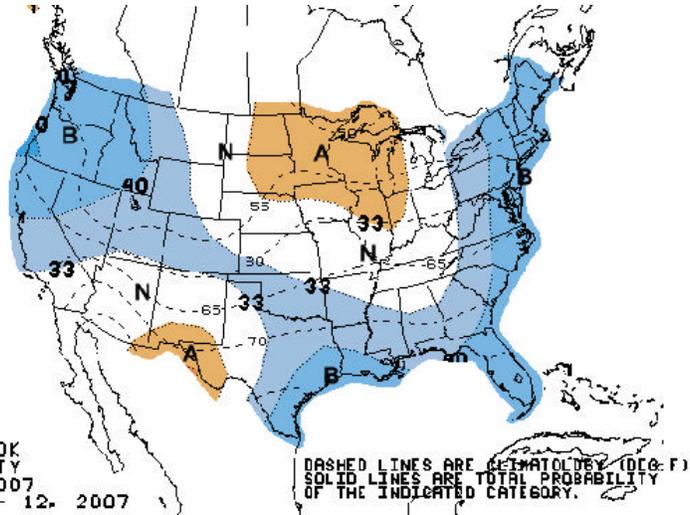
PJM – Exelon's 1134 Mw Limerick #2 nuclear unit has exited its outage and was at 33% of power early Friday morning.

PSEG's 1174 Mw Salem #1 nuclear unit was at 63% of power as it continues to ramp up from its recent outage.

The NRC reported that 78,931 Mw of nuclear capacity is on line, up 0.42% from Thursday, but off some 0.88% from a year ago.

Cheniere Energy said it will start operations at its new import site at its Sabine Pass terminal in April 2008. The company has sold half the regasification capacity at the terminal to Total and Chevron, while retaining the right to market the remaining 2 bcf/d of capacity

The U.S. Department of Commerce reported today that U.S. economic growth during the first quarter was the weakest in four years, as it grew by only 1.3%, or nearly half of the 4Q06 rate of growth.



Baker Hughes reported that for the week ending April 27th, there were some 1,460 drilling rigs operating in the U.S. looking for natural gas, down 13 from the previous week. Total oil and gas rigs operating in Canada for the week was down 17 to 81, some 69 less rigs than a year ago.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it anticipates its unscheduled maintenance at the Montpelier

Compressor Station Unit #4 to be completed by May 2nd. The project was originally expected to be completed by March 15th but had been extended to May 5th.

PIPELINE RESTRICTIONS

FGT said Friday that it issued its second alert in as many days to natural gas shippers as warm weather forecast for the state was expected to boost demand on its pipeline system.

Tennessee Gas Pipeline reported this morning that upstream of Station 823 on the 507A, K and F lines the company restricted through approximately 26% of Supply to Market Secondary Out of Path nominations. The company noted that due to decreased nominations the company would accept increases for nominations pathed from meters located on the Carthage Line Lateral as well as increases for nominations pathed for delivery to the Leidy Delivery meters.

East Tennessee Natural Gas said that effective immediately the company has limited operational flexibility to manage any due pipe make-up or due shipper creation effective immediately. As a result the company warned it may need to issue a Balancing Alert OFO.

| Natural Gas Cash Market | | | | | | |
|--------------------------|---------------|-----------|-----------|------------------|-----------|-------------|
| ICE Next Day Cash Market | | | | | | |
| Location | Volume Traded | Avg Price | Change | Basis | Change | Basis 5-Day |
| | | | | (As of 12:30 PM) | | Moving Avg |
| Henry Hub | 1,209,500 | \$7.440 | (\$0.118) | (\$0.808) | (\$0.491) | (\$0.431) |
| Chicago City Gate | 425,200 | \$6.920 | (\$0.310) | (\$0.875) | (\$0.635) | (\$0.455) |
| NGPL- TX/OK | 698,600 | \$6.712 | (\$0.316) | (\$1.083) | (\$0.641) | (\$0.714) |
| SoCal | 881,800 | \$6.690 | (\$0.327) | (\$1.105) | (\$0.653) | (\$0.622) |
| PG&E Citygate | 481,400 | \$7.210 | (\$0.154) | (\$0.585) | (\$0.479) | (\$0.239) |
| Dominion-South | 237,500 | \$7.862 | (\$0.189) | \$0.067 | (\$0.514) | \$0.438 |
| Transco Zone 6 | 104,700 | \$7.985 | (\$0.287) | \$0.190 | (\$0.612) | \$0.647 |

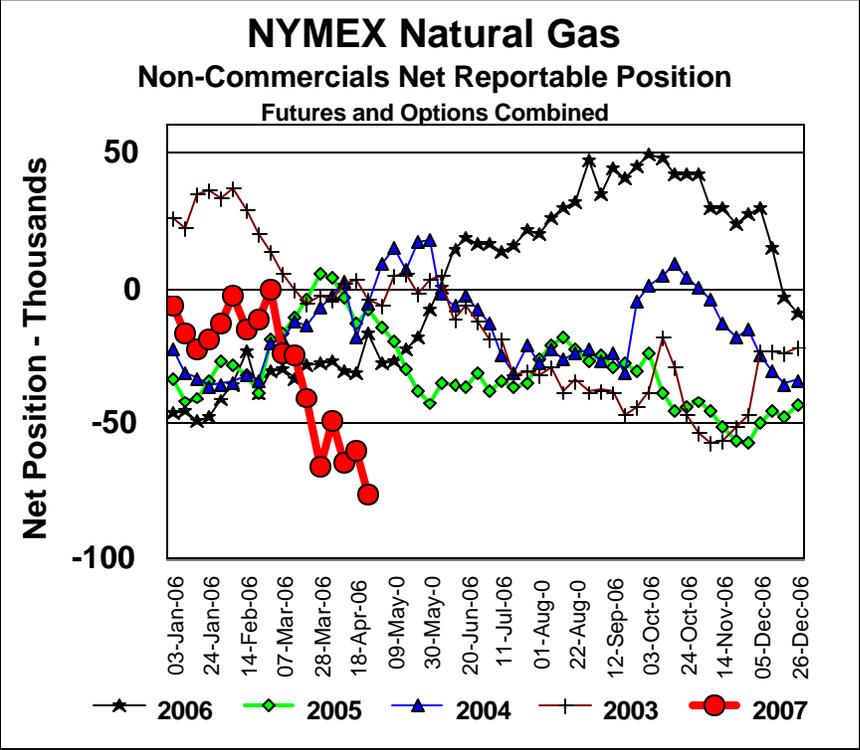
TransCanada said that its Alberta System Tolerance was changed to 0/-4 effective Friday morning.

Southern Natural Gas Pipeline said it was probable it would call a Type 6 OFO for Friday through the weekend.

NGPL said that it was at capacity for deliveries at ANR-Lake Arthur as well as at Columbia Gulf- Chalkey. It also noted that all Louisiana Line Segments, (25,23 and 24) are at capacity for eastbound transports it is at capacity for eastbound deliveries

ELECTRIC MARKET NEWS

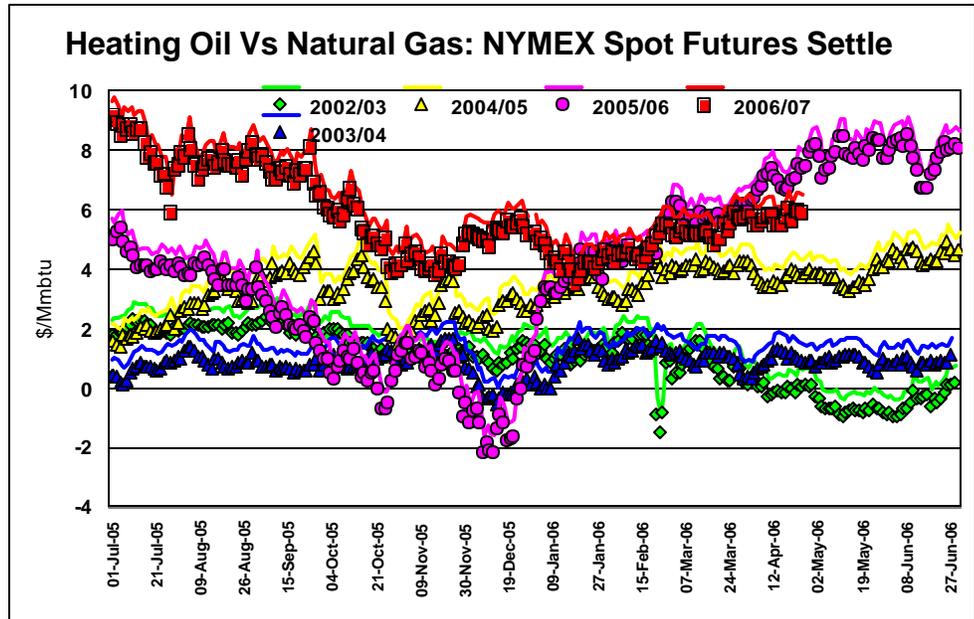
The Texas House of Representatives passed a bill on Friday that would limit the amount of electric generation companies can own in the state. The bill would limit companies from owning more than 20% of installed generation available in the ERCOT region, or more than 40% within smaller power zones. The Texas Senate passed a similar type of legislation earlier in the month but the House bill excludes renewable power, megawatts sold under long term contracts to third parties and new nuclear and clean coal generation. The House bill unlike the Senate bill creates a regulatory “escape” process that would not force power plant sales by either TXU or NRG Energy. TXU currently owns 22% of generation in Texas and 44% in the north Texas zone.



Allegheny Energy said that the recent capacity auction in the PJM Interconnection will add \$10 million to its 2007 pre-tax earnings. The company expects upcoming capacity auctions to continue to add to its earnings

MARKET COMMENTARY

An unusual event occurred today in that the day after expiration coupled with being a Friday, one would normally find a quiet and potentially inside trading session, that was not the case today, as an outside trading session was recorded.



While the market started the day session out a few pennies lower and broke below yesterday's lows, the bear's were soon to be on the defensive and running for cover. As the oil markets began to run to the upside on the news of the thwarted terrorist attacks on Saudi oil facilities natural gas market moved higher as well. The natural gas market received an additional boost to the upside as the market learned of the Bank of Montreal's natural gas position problems. In addition once the prior three day resistance was

breached at \$7.79-\$7.80 the market moved another 10 cents higher and fell just short of closing the gap in the charts from two weeks ago at \$7.882-\$7.903. Final volume on the day was good with over 93,500 lots traded of which less than 14% was booked via the open outcry trading session.

| NYMEX Nat Gas Options Most Active Strikes for April 27, 2007 | | | | | | | | |
|--|-------|------|----------|--------|------------|--------|--------|-------|
| Symbol | Month | Year | Call/Put | Strike | Exp Date | Settle | Volume | IV |
| LN | 6 | 7 | C | 8 | 05/25/2007 | 0.2696 | 4,840 | 37.41 |
| LN | 6 | 7 | C | 9 | 05/25/2007 | 0.0593 | 2,755 | 41.61 |
| ON | 6 | 7 | P | 7 | 05/25/2007 | 0.064 | 2,487 | 39.53 |
| LN | 3 | 8 | P | 6 | 02/26/2008 | 0.1584 | 2,100 | 47.67 |
| LN | 8 | 7 | P | 8 | 07/26/2007 | 0.6051 | 2,060 | 46.03 |
| LN | 8 | 7 | C | 8.25 | 07/26/2007 | 0.5946 | 2,000 | 36.85 |
| LN | 3 | 8 | P | 7.5 | 02/26/2008 | 0.5068 | 1,900 | 49.27 |
| LN | 12 | 7 | P | 9.5 | 11/27/2007 | 1.1552 | 1,900 | 49.93 |
| ON | 6 | 7 | P | 7.5 | 05/25/2007 | 0.193 | 1,689 | 39.45 |
| ON | 7 | 7 | P | 6.5 | 06/26/2007 | 0.055 | 1,600 | 39.72 |
| ON | 6 | 7 | C | 8 | 05/25/2007 | 0.27 | 1,495 | 40.00 |
| ON | 6 | 7 | P | 6.5 | 05/25/2007 | 0.017 | 1,435 | 41.03 |
| LN | 6 | 7 | C | 8.5 | 05/25/2007 | 0.1298 | 1,300 | 39.68 |
| LN | 6 | 7 | C | 7.7 | 05/25/2007 | 0.406 | 1,300 | 36.12 |
| LN | 6 | 7 | P | 7 | 05/25/2007 | 0.0636 | 1,250 | 40.84 |
| LN | 9 | 7 | P | 5 | 08/28/2007 | 0.0199 | 1,250 | 47.18 |
| LN | 6 | 7 | C | 7.75 | 05/25/2007 | 0.3797 | 1,155 | 36.29 |
| LN | 7 | 7 | C | 9 | 06/26/2007 | 0.1919 | 1,150 | 38.53 |
| LN | 1 | 8 | C | 15 | 12/26/2007 | 0.4247 | 1,125 | 46.83 |
| LN | 2 | 8 | C | 15 | 01/28/2008 | 0.5106 | 1,125 | 46.74 |
| LN | 3 | 8 | C | 15 | 02/26/2008 | 0.5561 | 1,125 | 47.77 |
| LN | 8 | 7 | C | 9 | 07/26/2007 | 0.3581 | 1,050 | 39.38 |
| LN | 1 | 8 | C | 17 | 12/26/2007 | 0.2855 | 1,025 | 49.41 |
| LN | 2 | 8 | C | 17 | 01/28/2008 | 0.3591 | 1,025 | 49.35 |
| LN | 3 | 8 | C | 17 | 02/26/2008 | 0.4113 | 1,025 | 50.60 |

This afternoon's Commitment of Traders Report showed that for the week ending April 24th, the non-commercial sector increased their net short futures position by 1855 lots, and the combined net futures and options position by 16,417 contracts, to a new record short position.

While we feel that the moderate weather patterns expected over much of the nation over the next two weeks, yielding limited heating and cooling demand, coupled with expectations for strong injection levels to be reported over next several weeks, that this market should remain on the defensive. But if the bulls are successful in breaching the \$8.137 level then we feel stops will be touched off and could force the sizeable short positions of the commodity funds to be liquidated.

We look for initial resistance Monday to be found at \$7.897-

\$7.903, followed by \$8.01 and \$8.13-\$8.137. More distant resistance we see at \$8.374. Support we see at \$7.80 followed by \$7.65, \$7.535, \$7.464, \$7.41 and \$7.29 .

NYMEX Nat Gas: June July Spread

Price Vs Volume Traded

Trade Weighted Settle: -16.09

