



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 8, 2007

NATURAL GAS MARKET NEWS

The EIA Short-Term Energy Outlook for May resoundingly echoed an increase in natural gas consumption and production. Colder weather through the first 4 months of the year compared with last year has prompted a rise in expectations for total natural gas consumption in 2007. This winter saw 13% more heating degree days and as a result, total consumption was up more than 10% in the first quarter of 2007. Forecasts for Q2 and Q3 consumption increased by 1.65% and .41% respectively from last month's outlook. In annual terms, natural gas consumption is expected to rise by 3.4% in 2007 and by 0.9% in 2008. The EIA further said that dry gas production increased by 1.3% year-over-year in the first quarter of 2007. Total dry gas production is projected to increase by 0.9% this year and 1.4% next year. Forecasts for Q2 and Q3 supply versus last month's outlook increased .36% and .18% respectively. LNG is estimated to have reached 180 Bcf in the first quarter, more than 60% above the corresponding period last year. LNG shipments are projected to remain strong throughout the forecast period, reaching 790 Bcf in 2007 and more than 1,000 Bcf in 2008. The average Henry Hub natural gas spot price increased from an average of \$7.32 in March to an April average of \$7.83. The Henry Hub spot price is expected to average \$7.84 in 2007, 90 cents above the 2006 average, and \$8.16 in 2008.

Both AccuWeather and Colorado State University issued forecasts for the 2007 hurricane season today. AccuWeather said the 2007 season will bring 13 to 14 named storms, of which six or seven could strike the United States, with Florida and the U.S. Gulf Coast being at significant risk. Joe Bastardi, forecaster for AccuWeather, said that the chances a storm would cross over oil-producing parts of the Gulf of Mexico were 2.5 to 3 times higher than normal this year. According to Colorado State University, there is a 49% chance that a hurricane packing winds of 111 miles per hour or higher will hit the Gulf Coast. The average chance for a major hurricane to hit the region is 30%

Generator Problems

SERC – Entergy's 966 Mw River Bend nuclear unit ramped up to 82%. Yesterday, the unit was operating at 16% power.

Southern Nuclear's 1,215 Mw Vogtle #2 nuclear unit increased output to 95% capacity today. Vogtle #1 remains at full power.

NPCC – Entergy's 535 Mw Vermont Yankee nuclear unit reduced output to 96% as it prepares for a planned refueling outage.

PJM – PSEG's 1,100 Mw Salem #1 nuclear unit increased production to 90% capacity today. The unit was at 85% yesterday.

MAIN – Wisconsin Energy's 512 Mw Point Beach #1 nuclear unit exited a refueling outage and ramped up to 64% power by early today. Yesterday, the unit was operating at 14%. Point Beach #2 continues to operate at full power.

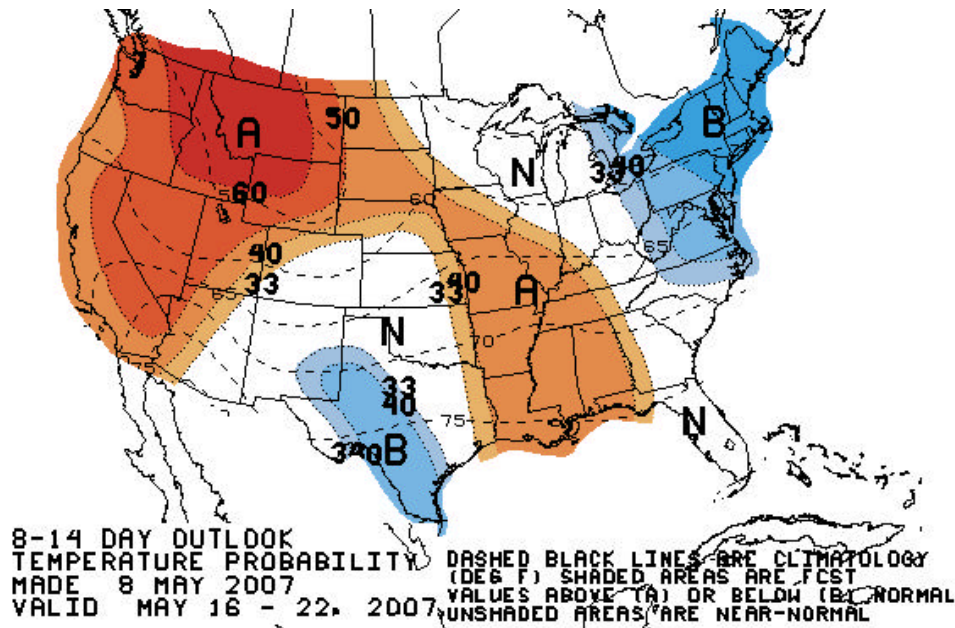
Exelon's 912 Mw Dresden #2 nuclear unit restarted and is warming up offline at 4%. Dresden #3 is operating at 98% power.

Exelon's 1,225 Mw Byron #2 nuclear unit increased output to 82% from 80% as it returns from a refueling outage. Byron #1 is currently running at full capacity.

Exelon's 1,162 Mw LaSalle #2 nuclear unit reduced output to 85%. LaSalle #1 continues to operate at full power.

WSCC – Southern California Edison's 525 Mw Mountainview #4 natural gas-fired power station returned to service today. The unit had been shut since May 4.

The NRC reported that 83,921 Mw of nuclear capacity is on line, up 1.08% from Monday, and up 4.82% from a year ago.



Up to 25% of U.S. manufacturers are considering shifting their domestic operations offshore if rising chemical costs -- as well as rising costs for natural gas, a feedstock important to many -- are not controlled, according to a report by the National Association of Manufacturers.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effectively Timely Cycle 9:00 AM CT, it anticipates restricting Terminus SW Loop Line through approximately 86% of supply to market secondary out of the path nominations pathed

from meters located on the line. In addition, Tennessee will not accept any supply to Market increases pathed from meters located on the Sta 820C1 terminus sw loop line. Tennessee also said that effective Cycle 1 9:00 AM CT today, due to reduced nominations, Tennessee will accept increases for nominations pathed from meters located on the Carthage Lint Lateral.

Texas Eastern Transmission Corp. has scheduled and sealed nominations flowing through Fagus. Increases in nominations for receipts sourced between Little Rock and Fagus for delivery downstream of Fagus will not be accepted.

TransColorado Gas Transmission said that Segment 220, Segment 250 and Segment 310 are listed as IT/AOR/Secondary At Risk, as is PIN 36100 Questar Greaswood.

KM Interstate Gas Transmission said that effectively today and until further notice, KMIGT has several restrictions for its system. Segment 340 Ulysses, Segment 45/730 Casper, Segment 620-790 Rockport and Segment 775 (Herndon to Solomon River) are at AOR/IT/Secondary at Risk. In addition, effective today and until further notice, SSC Grant, CIG Weld, PEPL Grant, NNG Milligan, WBI Bridger and Petr Dev Newton are at IT/AOR/Secondary At Risk.

Natural Gas Pipeline Company said that effective today and until further notice, Natural has limited capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. Limited ITS/AOR and Secondary out-of-path transports are available. However, effective today and until further notice, all Louisiana Line Segments (25, 23 and 24) have capacity available for eastbound transport volumes.

Williston Basin Interstate Pipeline Company said that there will be two points in capacity constraint for today's Timely Cycle. Penalties will be imposed at Northern Border-Manning and Northern Border-Glen Ullin.

PIPELINE MAINTENANCE

National Fuel Gas Supply Corporation said that the planned shut down Lamont Station for maintenance has been cancelled. The project was originally set to begin Wednesday and expected to last one day.

Southern Natural Gas Pipeline said that based on the best information available at this time the project start date on the Mississippi Canyon 397 line has changed to May 9 and is anticipated to last approximately two weeks. Southern will be performing maintenance on the Mississippi Canyon 397 line, which is located in offshore Louisiana upstream of out Toca Compressor Station.

ELECTRIC MARKET NEWS

The California Independent System Operator issued a notice to restrict generation maintenance operations today through 6 PM. Hot weather over much of the state has increased demand for electricity, which hit a high for this year of 36,300 Mw on Monday and is forecast to rise to 36,400 Mw today.

Duke Energy Corp. said it plans to build two natural gas-fired plants in North Carolina and sees higher costs for its planned coal-fired plant. Duke plans to seek approval to build 1300 mw of natural gas-fired plants on existing sites in North Carolina. The company also said it sees slightly higher cost for the company's proposed 800 Mw coal-fired power plant in North Carolina.

MARKET COMMENTARY

The natural gas market opened 9.4 cents lower pressured by low seasonal demand and bearish storage forecasts. The market traded to a low of 7.59 as market players expect a bearish storage report. However, early weakness in the oil complex gave way to a bit of a short covering rally as market players cite continued geopolitical tensions and the EIA reported increased consumption forecasts, and as a result natural gas received an overflow of buying and lifted off its lows, returning to its early morning highs of 7.703. The market was able to shrug off the effects of the oil correction, and fell back into the close to settle down 14.2 cents at 7.637.

Early expectations for this week's inventory report call for a build of between 85 Bcf to 100 Bcf, bearish compared to the five-year average injection of 65 Bcf and the year-ago build of 81 Bcf. We continue to look at the daily trend crossing at 7.565 as a key support point. With the oil complex backed off its highs, we feel that a test of this support line will come this week. Although, with the hurricane forecasts calling for an above average season and summer cooling demand around the corner, a break of the upward trend from January will be tough to realize. We see further support at 7.48, 7.40, 7.30 and 7.15. We see resistance at 8.00-8.04, 8.20 and 8.68.