



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 15, 2007

NATURAL GAS MARKET NEWS

A federal judge Monday dismissed the FTC's lawsuit seeking to block Equitable Resources proposed purchase of Dominion Peoples. The judge ruled that the FTC must defer to Pennsylvania regulators who approved the \$970 purchase back in April.

Russia's top advisor on EU relations said today that the new Central Asian gas pipeline network that will bring gas into Europe via Russia's pipeline network, is a good deal for Europe since it will lead to the creation of additional routes for the supply of gas into the EU. Meanwhile the IEA said that the new Caspian pipeline was not a "catastrophic move" as some U.S. officials said yesterday.

The IEA said Tuesday that global energy prices remained high and were a threat to economic growth. The group warned that more attention should be paid to potential problems in world gas markets. The governing board of the agency called "on the IEA to advise on emergency response mechanisms and policies for gas markets and their potential international implication, as we have seen an increase in the supply tension and evidence of a lack of transparency."

The U.S. Coast Guard today issued its final rule on establishing a permanent security zone around the Elba Island LNG terminal. The final rule will become effective June 14th. The Coast Guard had noted in January that the expansion of the facility had "inadvertently" created a "safe refuge off the Savannah River with unrestricted access to lng berths. As a result the LNG facility and arriving LNG vessels were put at risk of sabotage.

The FERC's chief administrative law judge today moved to end the probe into whether certain former Enron attorneys and consultants were guilty of misconduct. He noted that he found no one guilty of any misconduct or any improper action that would warrant any kind of action by the FERC.

The FERC today issued a favorable environmental review of the U.S portion of the proposed Sonora Pipeline LLC's Burgos Hub Export/Import Project.

Lehman Brothers said today that U.S. LNG imports were up 41%

Generator Problems

SERC – Progress Energy's 710 Mw Robinson #2 nuclear unit was at 67% of capacity this morning up 47% from Monday's level.

NPCC – Constellation Energy's 497 Mw Ginna nuclear unit dropped to 67% of capacity Tuesday morning, down some 18% from Monday's operating level.

OPG's 490 Mw Unit #7 at the Nanticoke coal fired power plant was taken off line early Tuesday for short-term maintenance.

WECC – Southern California Edison's 1080 Mw San Onfre #3 nuclear unit was at 77% of capacity, up 55% from Monday.

ECAR – Entergy's 778 Mw Palisades nuclear power station had restarted and was at 60% of capacity this morning. The unit had dropped off line back on May 8th due to low steam generator water level.

FirstEnergy's 1235 Mw Perry nuclear unit was shut early Tuesday. Operators had just restarted the unit on Monday following a refueling outage that began back on April 2nd. The plant was automatically shut during testing due to a lowering water level. At the time of the shutdown the unit had reached 30% of capacity.

SPP – Entergy's 836 Mw Arkansas Nuclear One #1 nuclear unit was still ramping higher and was at 78% of capacity Tuesday. The unit was at 46% power on Monday.

MAPP – OPPD's 492 Mw Fort Calhoun nuclear unit was back to full power this morning, up 20% from Monday.

The NRC reported that 86,345 Mw of nuclear capacity is on line, up 1.98% from Monday, and up 0.62% from a year ago.

in April compared to a year ago and remain on track to grow by 60% or more in 2007. Lehman analysts said that this is a sign that global LNG may be coming of age

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline reported this morning that at Station 850it restricted through approximately 99% of Supply to market Secondary Out of Path nominations. It also reported that at Niagara River Meter it restricted

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	1,039,700	\$7.678	(\$0.139)	(\$0.404)	\$0.020	(\$0.395)
Chicago City Gate	498,200	\$7.667	(\$0.087)	(\$0.258)	(\$0.025)	(\$0.181)
NGPL- TX/OK	860,300	\$7.412	(\$0.117)	(\$0.526)	(\$0.055)	(\$0.459)
SoCal	890,800	\$7.413	\$0.479	(\$0.539)	\$0.541	(\$0.731)
PG&E Citygate	568,100	\$7.694	\$0.134	(\$0.230)	\$0.196	(\$0.263)
Dominion-South	566,300	\$8.212	(\$0.157)	\$0.347	(\$0.095)	\$0.379
Transco Zone 6	314,100	\$8.305	(\$0.090)	\$0.448	(\$0.028)	\$0.448

through approximately 14% of Supply to Market Secondary Out of Path nominations. At the Leidy Meters the company anticipates restricting approximately 49% of Supply to Market Secondary Out of Path nominations. The company also noted that due to reduced

nominations it would be able to accept increases for nominations pathed from meters located on the Carthage Line Lateral as well as increases sourced from the Niagara Meter.

ANR Pipeline reported that due to third party construction activity at Eugene Island 371, for the next several days, gas upstream of EI 371 will be shut in.

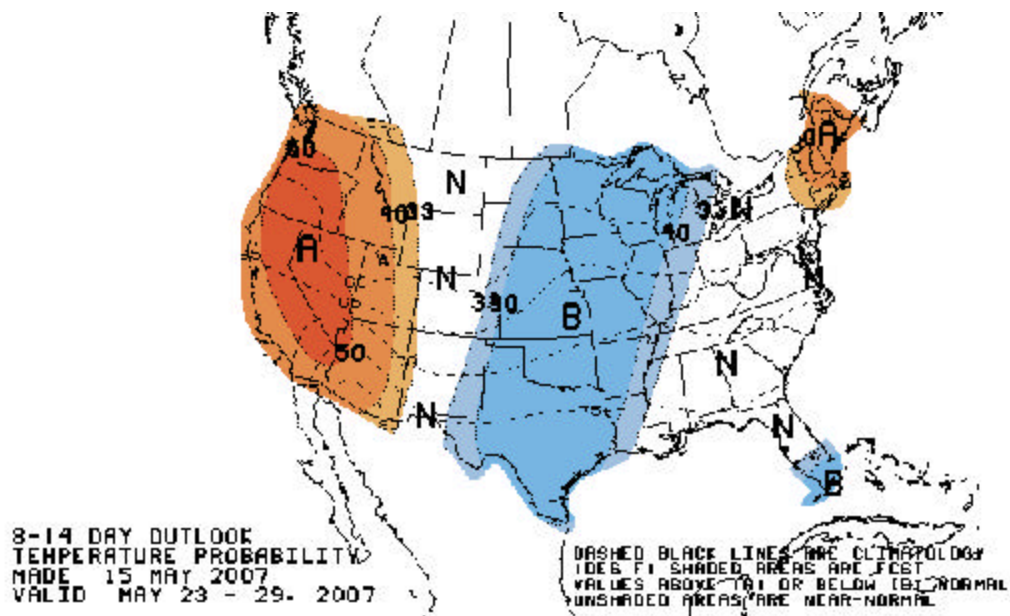
TransColorado said that effective today and until further notice, the pipeline has capacity available for delivered quantities to El Paso Blanco.

Williston Basin Interstate Pipeline said that 01010 Northern Border-Manning will be in capacity constraint for today's Timely Cycle.

Gulf South Pipeline said that it has scheduled available capacity and was implementing scheduling reductions for today and Nomination Cycle for Index 311.

NGPL said that effective today and until further notice it is at capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into

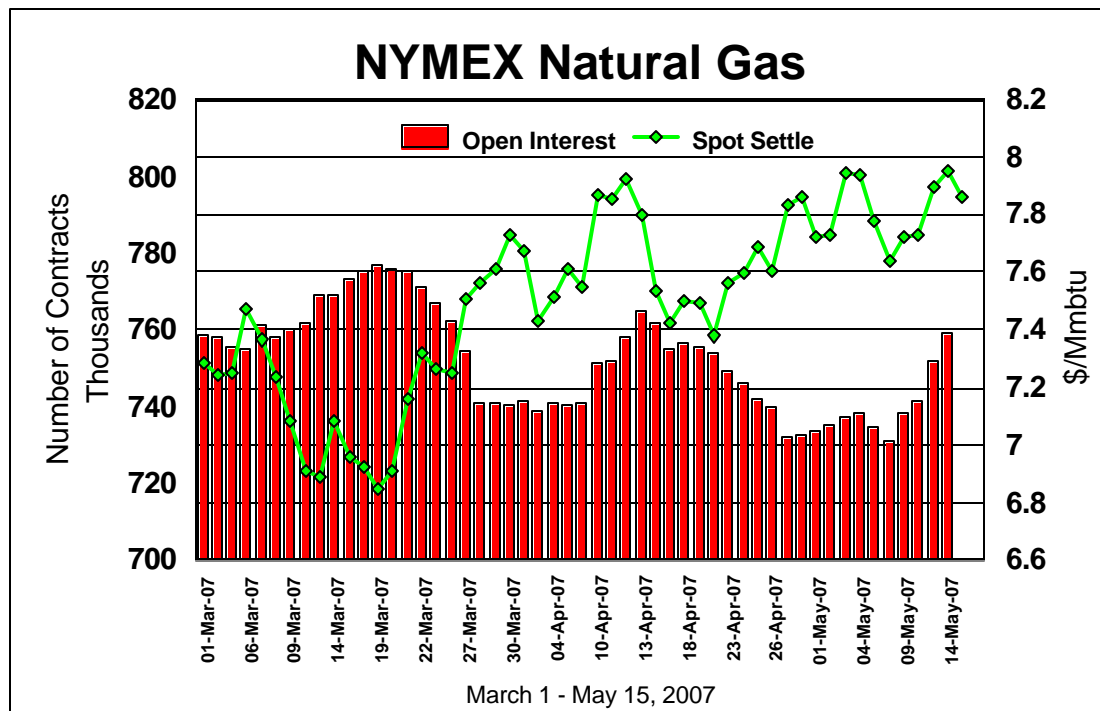
Segment 22. ITS/AOR and Secondary out of path transports are at risk of not being fully scheduled. Also all Louisiana Line Segments are at capacity for eastbound transports. The company also noted that Segment 13, 14 are at capacity.



PIPELINE MAINTENACE

The Alliance Pipeline said that due to the need for corrective maintenance it will have to take its Estlin Compression Station off line for six hours on May 17th. System throughput may be impacted.

National Fuel Gas Supply announced that it has delayed the start date of the TGP maintenance project on the Niagara Spur Line. The project will now begin on May 21st and last for 6 weeks. As a result capacities through



NFG Niagara Meter #010902 could be reduced by 25% and fluctuate on a daily basis.

Trunkline Gas noted that there will be an outage for hydrostatic testing on the Johnsonville 100-2 line from gate Valve 117 to 118 beginning May 16th. The work is expected to last 19 days, but no anticipated impact is expected for shipper nominations.

Westcoast Energy reported that it will be swinging blinds on Sulfur Trains 10 & 11 on May 16th and will require gas flow to be reduced to approximately 200 Mmcf/d for about 6 hours. The work was originally scheduled for May 15th.

Southern Natural Gas Pipeline said that repairs to its sub-sea connection between Main Pass 313 and the 20-inch South Pass 62 line have been completed. As a result the company will begin accepting nominations at Point Code 021300 Main Pass 313; Chevron; Point Code 021310 Main Pass 313- Chevron Redelivery. The return to service of the Viosca Knoll 989 – BP point is dependent on repairs to the BP line

ELECTRIC MARKET NEWS

Calpine Corp announced today that it had reached a settlement of virtually all major cross border disputes between its U.S and Canadian subsidiaries. The proposed settlement should resolve more than \$250 million of intercompany claims in the Canadian insolvency proceedings and about \$1.1 billion of claims in Calpine's bankruptcy case in the U.S. The proposed agreement though must receive approval from Canadian and U.S. bankruptcy courts as well as the board of directors and some creditors.

MARKET COMMENTARY

As temperatures began to moderate across the mid section of the country today and the expectations for moderating temperatures moving eastward tomorrow, natural gas cash prices moved lower this morning and appeared to drag futures prices lower as well. The market remained in negative territory throughout the day session and settled near its opening levels off 7-8 cents. Volume today was relatively light as only 72,000 lots changed hands the smallest volume in the past three trading sessions. Open interest though continued to show gains, growing by nearly 7,000 contracts, in what appears to have been continued new buying through Monday.

We remain comfortable in approaching this market with a short-term bearish bias. We look for today's lows to be challenged tomorrow as near term cooling demand remains limited at a time of rebounding nuclear generation. We see support at \$7.815 followed by \$7.794, \$7.749 and \$7.683. Resistance we see at \$7.925-\$7.936, \$8.00, \$8.046 and \$8.137.

