



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 22, 2007

NATURAL GAS MARKET NEWS

Government forecasters at NOAA today called for a 75% chance that the 2007 Atlantic hurricane season will be more active than normal with 13-17 tropical storms and as many as 7-10 of these becoming hurricanes. Of the storms reaching hurricane strength they feel that 3-5 will be major ones or Category 3 or higher (winds of over 110 mph). A normal season sees 11 tropical storms with six of these storms reaching hurricane strength. While NOAA's top forecaster said it is not possible to predict how many storms will make landfall in the U.S., similar seasons have seen 24 storms hit the U.S. Atlantic and Gulf coasts.. He noted that La Nina conditions could develop in the eastern Pacific in the next 1-3 months, adding to the likelihood of an above average hurricane activity. AccuWeather this spring forecasted 13-14 tropical storms with 6-7 hurricanes, while Colorado State has predicted 17 tropical storms with nine becoming hurricanes. London based Tropical Risk has predicted 16.7 tropical storms and 9.2 hurricanes. WSI late today issued their 2007 seasonal tropical outlook and it called for 15 named tropical storms with eight becoming hurricanes and four hurricanes reaching a Category 3 or better. They pointed to very warm tropical Atlantic temperatures and a relatively benign vertical wind shear environment due to the lack of an El Nino event for this active season. Colorado State forecasters are expected to post their updated 2007 tropical forecast on May 31st.

The EIA estimates that global consumption of natural gas should increase by nearly 2% annually through 2030, to 163 tcf from 100 tcf consumed in 2004. The agency estimates that by 2030 the largest source of U.S. incremental gas supply "by far" is expected to come from LNG, which is expected to jump by 50% from 2004 levels.

WSI forecasters this week are calling for the June-August period to be warmer than normal, with real heat taking hold across the country in the second half of the summer.

NYMEX noted that Friday, May 25th will be a normal trading day and no markets will close early ahead of the Memorial Day holiday. On Monday May 25th the floor will be closed with Globex trading for the trade date of May 29th starting Sunday evening at 6 PM EDT. The EIA reported that its weekly oil inventory report will be released on May 31st, one day later than normal, while the Natural Gas Inventory report will be released as usual on Thursday May 31st.

Generator Problems

NPCC – Constellation Energy's 620 Mw Nine Mile Point #1 nuclear unit had exited its maintenance outage this morning and was at 1% of capacity. The unit was taken off line back on May 17th.

SERC – TVA restarted Unit #1 at the Browns ferry Nuclear plant. Operators will gradually increase power in the reactor over the next several days. Testing will take place over the next several weeks before operators plan on reconnect the unit to the power grid.

ECAR – FirstEnergy Nuclear's 946 mw Davis-Besse nuclear plant was back to full power this morning, up 20% from Monday.

ERCOT – TXU's 575 Mw Big Brown coal fired Unit #1 was expected to be restarted over today and tomorrow. The company took the unit off line back on April 20th for maintenance.

TXU's 545 Mw Unit #4 at the Sandow coal fired power station was expected to be taken off line between May 22-23rd for scheduled work.

SPP – Entergy's 966 MW River Bend power plant was at 90% of capacity down 10% from yesterday.

MAPP – NPPD's 800 Mw Cooper nuclear plant has been restarted but remained offline as it was at only 9% of capacity. The unit was taken off line May 19th.

The NRC reported that 85,428 Mw of nuclear capacity is on line, up 0.36% from Monday, and up 4.82% from a year ago.

PIPELINE MAINTENANCE

Trailblazer Pipeline announced it will be running a Caliper pig on Segment 40 on June 5th. ITS/AOR and Secondary out of path transports will be unavailable in Segment 40. The associated capacity reduction through the affected area will require the company to initially schedule Primary Firm and Secondary in path transports at a minimum of 41% of MDQ for each contract for the segment, if each contract is scheduled at full applicable contract levels through the segment and east of Station 603. The actual scheduling percentage will depend on the level of nominations on that day. The company also noted that it will be running a cleaning pig at Station 601 in Segment 20 on June 5th. And no additional capacity reduction is anticipated. On June 7th the company is scheduling tie-ins for two plants and may require a reduction in capacity. AOR /ITS and Secondary are at risk.

Panhandle Eastern Pipeline said it has extended the maintenance outage at its Montezuma Station until June 8th. The project began back on May 7th. Capacity will be limited to 1350 Mmcf/d.

Northern Natural Gas said it will conduct required integrity testing of the main electrical circuits at the Waterloo, Iowa Compressor Station on May 24th. During the testing all horsepower at the station will need to be off line. The company does not anticipate any affect to firm volumes transported on the East Leg during the project. Alternate Firm and IT deliveries are subject to allocation though.

ANR Pipeline said that due to an engine failure, the company began unplanned engine repairs at its Sardis Compressor Station along the SE Mainline. The total SEML capacity will be reduced by 250 MMcf/d through May 25th. Based on anticipated nominations, the reduction will result in the curtailment of interruptible services.

National Fuel Supply said that it will perform maintenance work on the Niagara Spur Line that will result in capacity on the line being reduced by 33% to 285,145 Dth/d beginning May 23rd.

TransColorado Gas Transmission said it will be performing maintenance in Segment 310 from Red Mesa to Blaco on June 13 and June 27th. Capacity through Segment 310 will be limited to 203,000 Dth/d and 300,000 Dth/d respectively. Based on the current level of nominations, AOR/IT secondary and primary FT quantities are at risk of not being scheduled. The company also said it would perform maintenance at its Mancos Compressor Station on June 27th. Capacity through Segment 250 will be limited to 397,000 Dth/d. Based on current level of nominations, AOR/IT, Secondary & primary FT quantities are at risk of not being scheduled.

Northwest Pipeline said it will perform annual inspections at the Buhl Compressor Station today through May 23rd. Capacity will be cut by 87,000 Dth/d to 496,000 Dth/d.

Gulf South Pipeline said that scheduled maintenance on the Goodrich Compressor Station Unit #4 has been extended to July 9th. The project which may reduce capacity by as much as 50,000 Dth/d was originally been slated to be completed by June 9th.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that due to reduced nominations today, it was accepting increases for nominations pathed from meters located on the Cartgae Line Lateral.

Williston Basin Interstate Pipeline said that 01010 Northern Border – Manning has been lifted from pipeline Capacity Constraint for delivery effective Evening Cycle.

KMIGT said that effective today and until further notice Segment 340 Ulysses, Segment 620-790 Rockport, Segment 773 (CO/KS to Herndon CS) and Segment 775 (Herndon to Solomon River) are at AOR/IT/Secondary At Risk. In addition, SCC Grant, CIG Weld, PEPL Grant, NNG Milligan, WBI Bridger and Petr Dev Newton are at IT/AOR Secondary at Risk. SSC Grant is also at Primary At Risk.

ELECTRIC MARKET NEWS

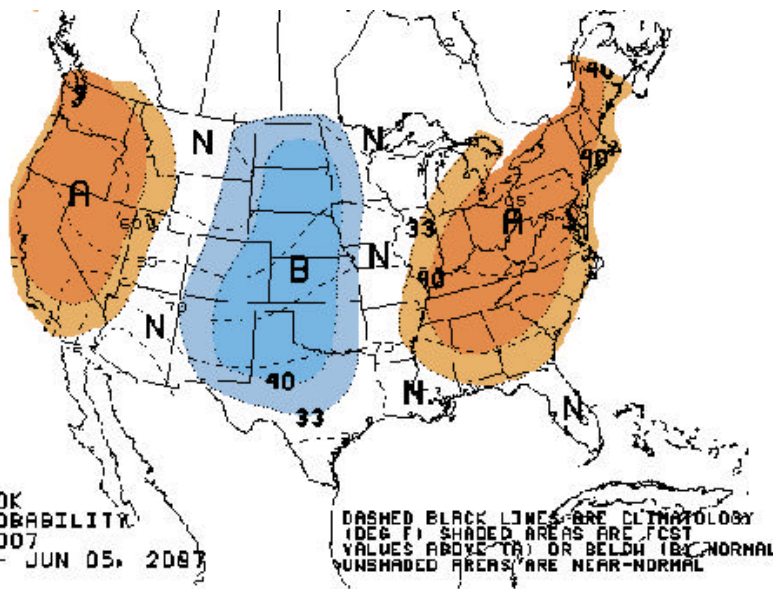
Genscape reported that coal supplies at U.S. power plants last week rose 2.64 million tons, or 1.8%. More than 147 million tons of coal was on hand at power plants as of May 21st some 27% higher than the same week a year ago. These supplies represent 53 days of forward supply, up one day from the previous week and up 11 days from the same week a year ago.

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	1,216,500	\$7.602	(\$0.062)	(\$0.482)	(\$0.007)	(\$0.472)
Chicago City Gate	465,200	\$7.404	(\$0.084)	(\$0.452)	\$0.003	(\$0.353)
NGPL- TX/OK	871,600	\$7.139	(\$0.101)	(\$0.717)	(\$0.014)	(\$0.621)
SoCal	1,087,200	\$7.294	(\$0.127)	(\$0.562)	(\$0.040)	(\$0.631)
PG&E Citygate	669,400	\$7.578	(\$0.091)	(\$0.278)	(\$0.004)	(\$0.268)
Dominion-South	573,900	\$8.182	(\$0.002)	\$0.326	\$0.085	\$0.312

The Attorney General of California today warned that electric utilities and other industries in the state would have to make disproportionately large emissions reductions if the Bush administration denies the state's request for a Clean Air Act waiver to

implement its "clean-cars" law. California officials gave the EPA an October 24th deadline to grant the waiver, other wise the state will be forced to file a federal lawsuit against the EPA. State officials said the clean cars law would require automakers to begin reducing greenhouse gas emissions on vehicles they sell in the state beginning in 2009. Automakers would have to cut emissions 30% below current levels by 2016. But if EPA declined to grant the waiver, the state would be forced to make other industrial sectors, such as the power industry to "eat and absorb the cuts that should rightfully come from the auto industry".

Former New York State Governor Pataki predicted today that the United States will have in place within two



years a cap and trade program designed to reduce greenhouse gas emissions across all sectors of the economy. He noted in an industry speech, "The debate on climate change is over. Al Gore has finally won."

EIA in its International Energy Outlook 2007, released late yesterday noted that coal is the world's fastest growing energy source, due in part to rising oil prices. The agency estimated that coal's share of

total world energy may climb to 28% in 2030, from 26% in 2004. Consumption is seen growing by 2.2% annually. The fuel could overtake oil to become the largest source of carbon dioxide emissions by 2010. It noted that China, India and the U.S. combined will account for 86% of the increment in world coal demand by 2030.

The Chairman and CEO of ConEd told shareholders yesterday that the company which invested \$1.9 billion in infrastructure improvements in 2006, will invest nearly \$10 billion more in its electric, gas and steam systems over the next five years.

BPA on Monday notified six Northwest investor owned utilities that due to the recent uncertainty created by federal court rulings, BPA must immediately suspend payments that reduce rates for these utilities residential and small farm customers. The payments average some \$28 million per month. Recent court rulings found certain BPA actions in entering residential exchange settlements with investor owned utilities were not consistent with the Northwest Power Act. Through the residential exchange, BPA distributes financial benefits of the Federal Columbia River Power System to ratepayers served by these utilities.

NYMEX Natural Gas Options Most Active Strikes for May 22, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	10	7	C	13	09/25/2007	0.1838	5,100	58.14
LN	10	7	C	15	09/25/2007	0.0972	4,100	60.97
LN	10	7	P	5	09/25/2007	0.0396	2,650	54.60
LN	6	7	P	7.5	05/25/2007	0.0163	2,375	38.22
LN	7	7	P	7	06/26/2007	0.0606	2,250	40.07
LN	7	7	P	7.75	06/26/2007	0.2675	2,000	41.03
LN	10	7	P	6	09/25/2007	0.1476	1,900	54.19
LN	6	7	C	8	05/25/2007	0.038	1,880	37.95
LN	7	7	P	6.5	06/26/2007	0.0169	1,550	40.76
LN	8	7	C	8.5	07/26/2007	0.4125	1,550	38.40
LN	3	8	C	13	02/26/2008	0.7523	1,500	45.00
LN	7	7	P	8	06/26/2007	0.3863	1,500	41.56
LN	7	7	P	7.5	06/26/2007	0.1748	1,454	40.62
LN	4	8	C	20	03/26/2008	0.0288	1,400	41.09
LN	12	7	P	9.5	11/27/2007	1.0914	1,350	50.31
LN	8	7	C	8.25	07/26/2007	0.5052	1,250	37.49
LN	9	7	P	5	08/28/2007	0.0133	1,250	49.49
LN	5	8	C	20	04/25/2008	0.0253	1,200	38.88
LN	6	8	C	20	05/27/2008	0.0255	1,200	36.53
LN	7	8	C	20	06/25/2008	0.0364	1,200	36.40
LN	8	8	C	20	07/28/2008	0.0535	1,200	36.63
LN	8	7	C	12	07/26/2007	0.027	1,200	48.87
LN	9	8	C	20	08/26/2008	0.078	1,200	37.45
LN	10	8	C	20	09/25/2008	0.1238	1,200	38.93
LN	6	7	P	7.7	05/25/2007	0.063	1,115	38.49
LN	7	7	C	8.5	06/26/2007	0.193	1,079	37.14
ON	7	7	P	5.5	06/26/2007	0.001	1,050	44.60
LN	1	9	C	10	12/24/2008	1.4557	1,000	17.41
LN	11	7	P	6	10/26/2007	0.0805	1,000	47.57
LN	2	8	P	7	01/28/2008	0.232	975	46.75
LN	9	7	C	9	08/28/2007	0.4977	975	43.71
LN	9	7	P	8.25	08/28/2007	0.81	950	51.80
LN	9	7	C	8.25	08/28/2007	0.7548	950	41.32
LN	10	7	C	12	09/25/2007	0.2606	950	56.63
LN	3	8	P	8.5	02/26/2008	0.833	945	50.85
LN	6	7	P	7.6	05/25/2007	0.0339	920	38.34
LN	6	7	C	8.5	05/25/2007	0.0009	903	39.99
LN	8	7	P	7	07/26/2007	0.1442	900	43.84
LN	11	7	P	8	10/26/2007	0.5641	900	49.71
LN	11	7	P	7	10/26/2007	0.239	900	47.76
LN	6	7	C	7.85	05/25/2007	0.0847	875	37.18
LN	6	7	P	7.85	05/25/2007	0.1337	820	39.03
LN	7	7	C	11	06/26/2007	0.0043	800	43.53
LN	8	7	C	8.75	07/26/2007	0.335	800	39.21

Officials at Idaho Power noted that new full scale underground mining operations at the Jim Bridger Mine, that supplies the Jim Bridger Power Plant, will extend the life of the mine by 20 years. The new underground mining could supply the plant with as much as 700,000 tons of coal per month. Currently the mine provides the power plant with 80% of its coal supply and this could move to 100% in the future.

MARKET COMMENTARY

The natural gas market started the morning lower and basically remained on the defensive for much of the trading session due in part to significantly lower oil prices. The bears though were unable to significantly breach the \$7.80 level which seemed to act as significant support, possibly in part by the bulls as they viewed this area as a point to do a little bargain hunting buying based on the release of two supportive tropical weather forecasts today. In addition the cash market was not under the same pressure as the futures market as prices at major trading points were off 1-10 cents today. Total trading volume on ICE for next day cash trading was at its highest volume level since February 14th.

We feel that this market is losing its luster for the bears. Despite a significant down day for the oil market the natural gas market seems unwilling to post significant declines. We continue to feel that with the hurricane season starting officially on June 1st, this market will see further speculative longs coming into this market in coming weeks on any price dips. With the

continued background discussion of the potential development of a tropical system over the next 10 days in the western Caribbean or Gulf of Mexico makes us feel that five month trendline which tomorrow is found at \$7.698 should act as major support. We see additional support at \$7.58 and \$7.387. Resistance we see at \$7.874, \$7.981 and \$8.02. More distant resistance we see at \$8.22.

