



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Karen Palladino & Zachariah Yurch
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR MAY 23, 2007

NATURAL GAS MARKET NEWS

The Natural Gas Supply Association said today that if hurricanes steer clear of the Gulf of Mexico, the U.S. wholesale natural gas market this cooling season should be similar to last year. The president of the trade association though noted that the due to the relatively narrow margin of error in terms of supply availability, the still fresh memory of Hurricanes Katrina and Rita is still keeping the market a "little jittery". This fear premium coupled with a slow but steady expansion of the economy is likely to offset any downward price pressure from reduced air conditioning load, especially since the hottest regions of the country are still projected to be those that are most dependent of natural gas fired power generation. The NGSA projects average weekly storage demand of about 59.5 bcf, not enough to change the outlook from last year's average rate of 57.2 bcf. The group sees total available supply to average 60.7 bcf/d, almost no change from last year's 60.5 bcf/d.

The heads of the Independent Petroleum Association of America, the Interstate Natural Gas Association of America and the Natural Gas Supply Association, in a letter to Congress said that they oppose H.R. 2337, saying the enactment of the measure would mark a "step backward for American natural gas supply development at just the time when the country needs new natural gas resources the most." The legislation would repeal or moderate key measures of the Energy Policy Act of 2005.

A research paper by the Woods Hole Oceanographic Institution published in the journal *Nature* said that hurricanes over the past 5,000 years appear to have been controlled more by El Nino and African monsoons than warm sea surface temperatures. The study found that tropical sea surface temperatures as warm as present are apparently not a requisite condition for increased intense hurricane activity. Intense hurricanes made landfall during the latter half of the Little Ice Age, a period of cooling during the 14th to mid 19th centuries.

BP on Wednesday announced it had abandoned plans to build a carbon capture and storage plant in Scotland, following a government energy review that delayed a subsidiary award. The company had planned to build a power plant

Generator Problems

NPCC – Constellation Energy's 620 Mw Nine Mile Point #1 nuclear unit was at 85% of power up 84% from yesterday.

Dominion Energy has returned to full power its 1131 Millstone #3 nuclear unit. The plant restarted over the weekend and was at 94% of capacity yesterday.

SERC – Southern's 860 Mw Farley #2 nuclear unit continued to ramp higher from its return from its recent refueling outage and was up to 48% of capacity. The unit had been off line since April 9th before returning to service yesterday.

ERCOT – TXU's 565 mw Monticello coal fired Unit #1 had been restarted today. The unit had been taken down May 13-14th for planned work.

Operators at TXU's 545 mw Sandow coal fired Unit #4 have the unit down for maintenance work and installing catalytic reduction systems.. The unit was taken off line on Tuesday and could be completed by Friday morning.

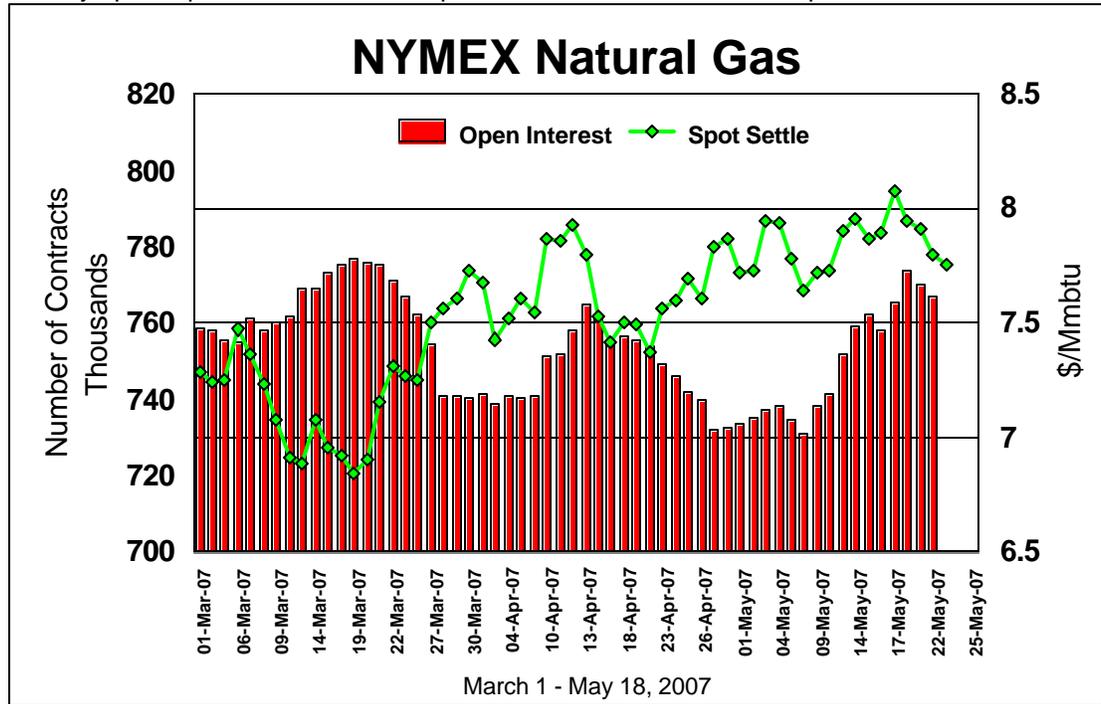
SPP – Entergy's 966 Mw River Bend nuclear plant was taken off line earlier today. The unit had been operating at 90% of capacity on Tuesday.

MAIN – Exelon's 867 Mw Quad Cities #1 nuclear unit started to return to service and was at 1% of power this morning. The unit had been off line since May 4th for refueling.

MAPP – NPPD's 760 Mw Cooper nuclear unit was back connected to the grid and at 51% of capacity. The unit which was restrted yesterday was at 9% of capacity in the morning.

The NRC reported that 85,838 Mw of nuclear capacity is on line, up 0.48% from Monday, and up 5.17% from a year ago.

that would burn natural gas from the North Sea, and then pump the resulting carbon dioxide back into a depleted oil field. But the company noted with the government delay in review of the project, the cost of sustaining the empty oil field into 2008 without the guarantee government approval was too costly. The company said it had already spent up to \$50 million and up to 70 staff members over the past 18 months.



Germany's leading natural gas importer said today that it will continue to seek lessen its dependence on pipeline gas, as it continues to increase its bookings of more capacity at the Isle of Grain LNG terminal between 2010-2011. The company late last week secured annual regasification capacity of around 1.7 billion cubic meters of

gas at the facility in a joint deal with Britain's Centrica and Spain's Iberdrola. The company is also still evaluating an LNG project at Wilhelmshaven. Final approval of the project is pending and its timing will depend on the cost structure and regulatory framework.

PIPELINE MAINTENANCE

Panhandle Eastern Pipeline said that there will be an outage at the Pleasant Hill Compressor Station to perform annual inspection of Unit # 1018 beginning June 4th and expected to last five days. Capacity will be limited to 1300 Mmcf/d through Houstonia.

ANR Pipeline said that due to an engine failure, ANR will continue unplanned engine repairs at its St. John Compressor Station in Indiana. Effective immediately, the total St John's W-E capacity will be reduced leaving 1190 Mmcf/d through May 25th.

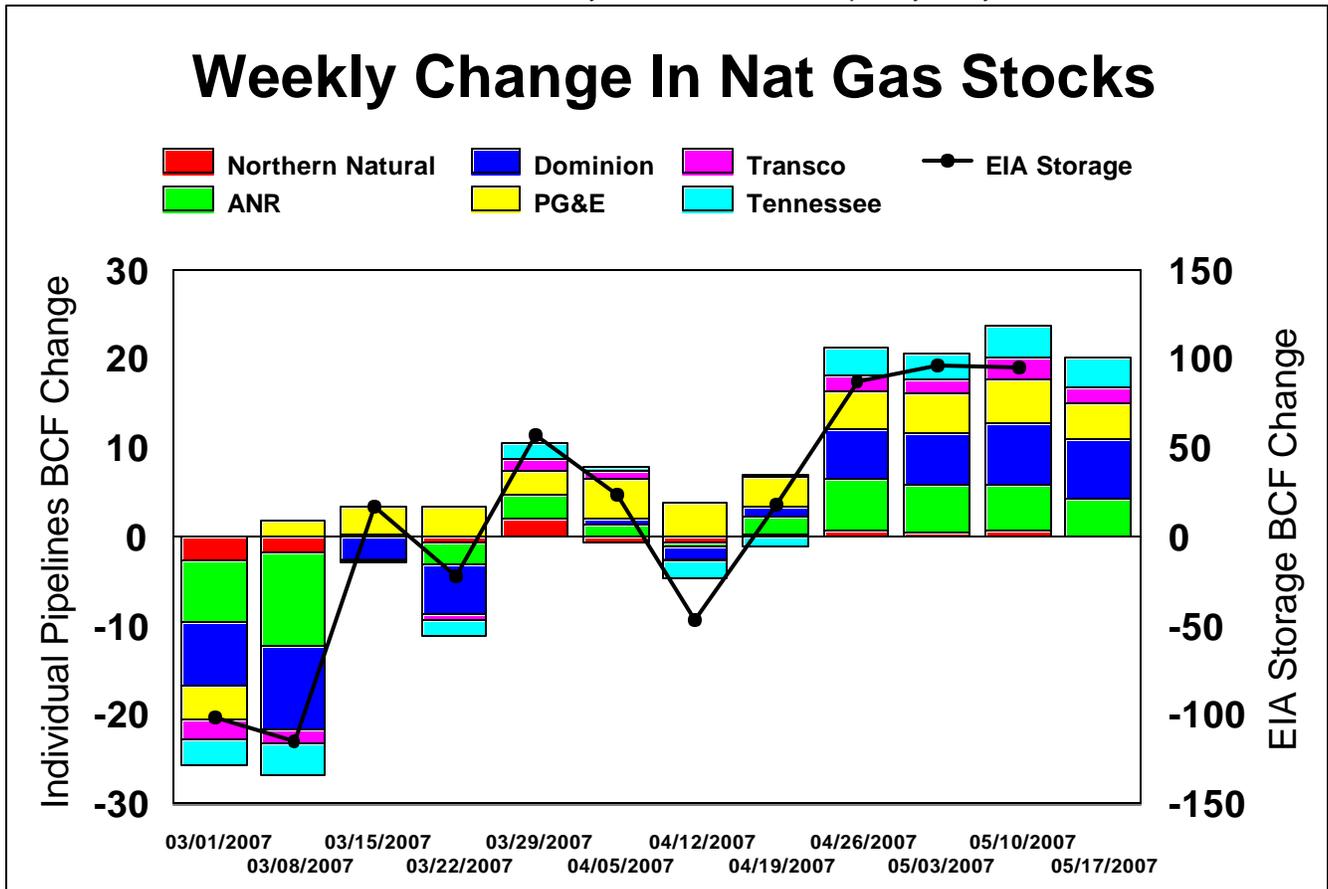
Based on current nominations along the Michigan legs, the company anticipates the reductions will result in the curtailment of IT and Firm Secondary nominations.

Gulf South Pipeline said that its Hall Summit Compressor Station

Unit #3 is available at this time and the company will schedule an additional two-day shut down in the future. The company also said that the Scheduled Pigging Maintenance on Index 8, and the Overton Field pipelines 11 and 22 are complete. The company said that it has been informed by Enterprise Texas Pipeline that on May 24th it

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	1,283,500	\$7.510	(\$0.092)	(\$0.479)	\$0.004	(\$0.480)
Chicago City Gate	365,600	\$7.446	\$0.041	(\$0.361)	\$0.091	(\$0.396)
NGPL- TX/OK	870,800	\$7.160	\$0.021	(\$0.646)	\$0.071	(\$0.661)
SoCal	743,100	\$7.144	(\$0.150)	(\$0.662)	(\$0.100)	(\$0.653)
PG&E Citygate	806,200	\$7.451	(\$0.127)	(\$0.355)	(\$0.077)	(\$0.295)
Dominion-South	609,000	\$8.110	(\$0.072)	\$0.304	(\$0.022)	\$0.312
Transco Zone 6	195,600	\$8.203	(\$0.028)	\$0.397	\$0.022	\$0.351

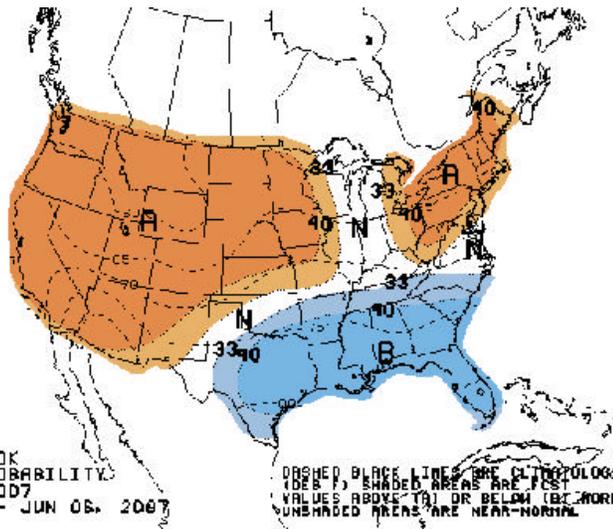
will confirm up to 25,000 Dth at Sinton, and beginning May 25th, the facility will be back to normal. Originally, shut in maintenance at Sinton was slated to end on May 18th, but was subsequently delayed.



PIPELINE RESTRICTIONS

Williston Basin Interstate Pipeline said there would be one point in capacity constraint for today's Timely Cycle deliveries. Penalties will be imposed at 01010 Northern Border-Manning.

Tennessee Gas Pipeline said that due to reduced nominations it would accept increases for nominations pathed from meters located on the Carthage Line Lateral, as well as increases sourced from the Niagara Meter.



NGPL reported that Segment 13,14 and 15 on its Amarillo system are at capacity. Segment 1 has limited capacity. The company also reported that all Louisiana Line Segments are at capacity for eastbound transports.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending May 19th, electrical production in the continental U.S. reached 71,696 Gwh some 1.4% less than the previous week but some 3.2% higher than the same week a year ago.

The EIA reported today that U.S.

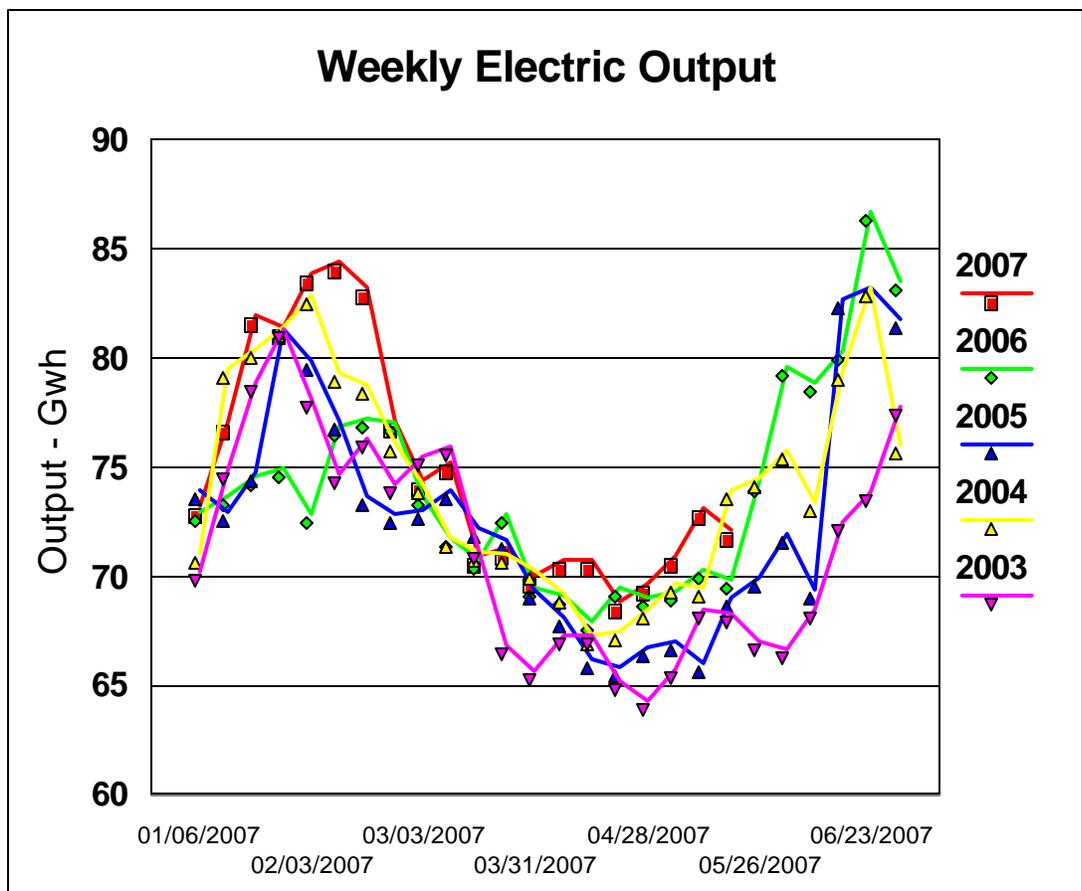
carbon dioxide emissions from burning of fossil fuels decreased by 1.3% in 2006 and stood at 5,877 MMTCO₂. This occurred while the economy expanded by 3.3% and energy demand fell by 0.9%. Factors that drove emissions lower were weather conditions that reduced demand for cooling and heating, higher energy prices that reduced demand and the use of less carbon intensive fuel mix such as the use of natural gas and non-carbon fuels in the generation of electricity. Residential and commercial emissions were off 3.7% and 1% respectively, while industrial emissions fell 1.2%. The transportation sector which accounts for a third of the carbon emissions saw a decline of 0.1% in 2006.

AmerenUE on Tuesday received a ruling from the Missouri Public Service Commission that granted the company its first electric rate increase in 20 years. The company warned that this \$43 million increase may not be enough to help it cover rising costs and make needed energy infrastructure investments. The company's rates are 37% below the national average and have dropped 13% in the past 20 years.

MARKET COMMENTARY

While the natural gas market today failed to break the lows established during the morning's trading before the start of the open out cry session at \$7.744, it failed to remain in positive territory for the fourth consecutive trading session, finishing down just over 4 cents and posting its lowest settlement since May 10th. Volume was moderate today with just over 90,000 lots traded of which over 76% was traded on Globex.

Market expectations for tomorrow's EIA storage report appear to be ranging between a 85-105 bcf build with most analysts looking for a 98-100 bcf build. Our estimate is on the lower end with a 86-87 bcf build. Last year at the same time saw a build of 84 bcf and the five year seasonal average is for a 85 bcf gain.



We feel that with the approach higher temperatures over the 6-14 day period should begin to help support natural gas prices. We also look for the four-month treandline to continue to lend support as well, which tomorrow will come in at \$7.711. Additional areas of support we see at \$7.695, \$7.657 and \$7.57. Resistance we see at \$7.80-\$7.82, \$7.907 and \$7.945.

