



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 8, 2007

NATURAL GAS MARKET NEWS

The FERC and two other regulatory agencies on Friday issued favorable initial environmental reviews of the North Baja Pipeline LLC's proposed expansion of the U.S. leg of a U.S.-Mexico pipeline that would transport up to 2.75 Bcf/d of gas from the company's LNG facility on the Baja California coast to customers in California and Arizona, from the company's LNG facility on the Baja California coast.

Baker Hughes reported today that for the week ending June 8th, there were 1465 rigs search for natural gas in the United States, down 19 from the prior week.

AccuWeather's Chief Long Range Forecaster Joe Bastardi today released his latest update on the upcoming summer season, and it remained similar to his previous outlook released in mid-May, in which they continue to look for this summer to be hotter than normal across much of the nation, including the northeast. In addition while he sees the east coast remaining normal to slightly cooler next week, he sees significantly hotter temperatures moving into the east and Midwest for the final two weeks of June.

The FERC has approved Wyoming Interstate's application to build a major supply lateral and mainline compression facilities to meet growing demand for take away capacity in the Uintah Basin in Utah.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission has called a system wide OFO on its pipeline for Saturday, due to high anticipated inventories on the system.

FGT said that it extended its Overage Alert Day notice due to continued warm temperatures across its service area. The tolerance was set at 25%.

KMIGT said that constraints remained in place for Friday. Segment 340, 620-790, 773 and 775 are at AOR/IT/Secondary at Risk. In addition SSC Grant, CIG Weld (receipts and Net Deliveries), NNG Milligan, WBI Bridger and Petr Dev Newton are at IT/AOR/Secondary at Risk.

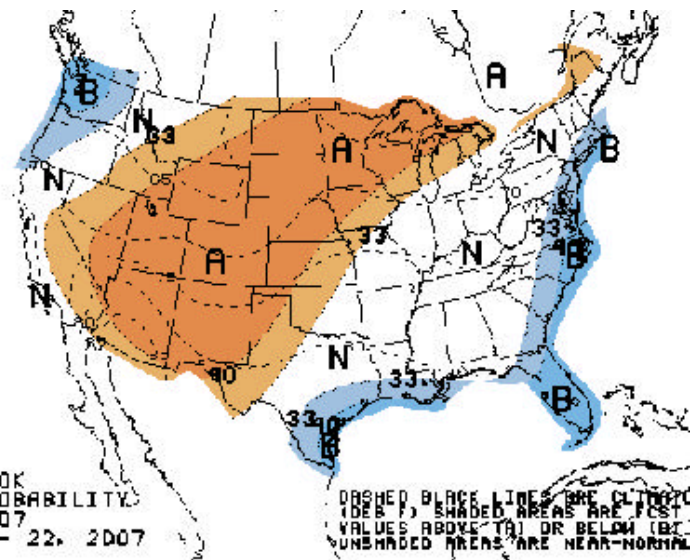
Generator Problems

NPCC – Entergy's 506 Mw Vermont Yankee nuclear unit ramped up to 75% power on Friday. The unit was at 22% of power on Thursday.

OPG's 535 Lennox #3 oil and natural gas fired power plant returned to service this morning. The unit was taken of line on Thursday.

SERC – TVA's 1155 Mw Browns Ferry #1 nuclear unit returned to full power for the first time in 20 years.

The NRC reported that 93,872 Mw of nuclear capacity is on line, up 0.26% from Wednesday, and up 1.18% from a year ago.



SSC Grant is also at Primary at Risk.

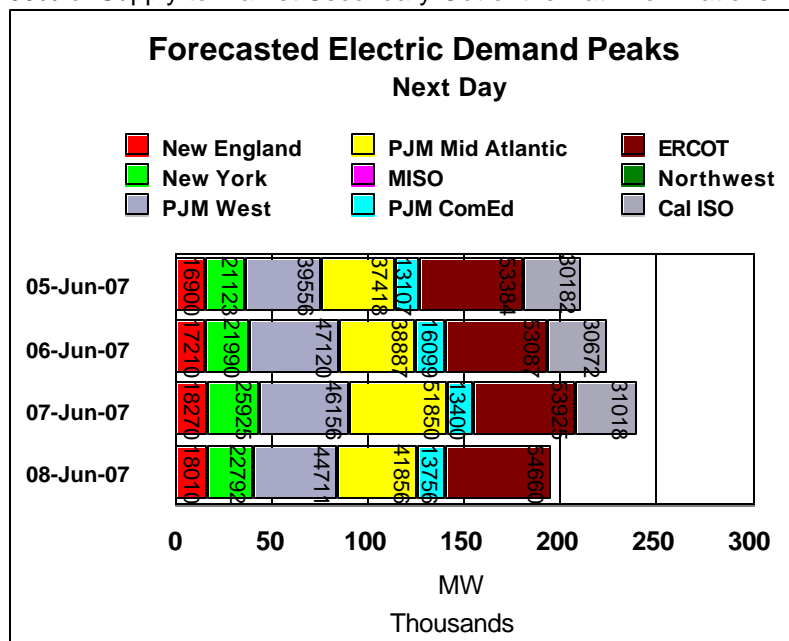
NGPL said that today and until further notice Segment 13,14,and 15 on the Amarillo system are at capacity. On the Gulf Coast system, all Louisiana Line Segments are at capacity.

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	1,575,400	\$7.525	(\$0.362)	(\$0.845)	(\$0.397)	(\$0.645)
Chicago City Gate	500,000	\$7.097	(\$0.494)	(\$0.624)	(\$0.331)	(\$0.403)
NGPL- TX/OK	630,700	\$6.853	(\$0.515)	(\$0.868)	(\$0.352)	(\$0.684)
SoCal	1,216,500	\$5.949	(\$1.052)	(\$1.772)	(\$0.889)	(\$1.020)
PG&E Citygate	568,200	\$6.715	(\$0.573)	(\$1.006)	(\$0.410)	(\$0.663)
Dominion-South	333,400	\$7.969	(\$0.474)	\$0.248	(\$0.311)	\$0.302
Transco Zone 6	310,500	\$8.032	(\$0.610)	\$0.310	(\$0.447)	\$0.411

Texas Eastern said it has scheduled and sealed nominations sourced in zones STX and ETX for delivery outside that area. No increases in receipts between Little Rock and Mt Belvieu for delivery outside that area will be accepted.

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

Tennessee Gas Pipeline said that at Station 32 it restricted through approximately 31% of Supply to Market Secondary Out of the Path nominations. Carthage Lateral is restricted through approximately 7% of Supply to Market Secondary Out of the Path nominations. At the Leidy Meters Tennessee restricted through approximately 39% of Supply to Market Secondary Out of the Path nominations.



TransColorado Gas Transmission said that effective today and until further notice Segment 220, 240 are listed as IT/AOR/Secondary at Risk, as is PIN 36100 Questar Greasewood.

ELECTRIC MARKET NEWS

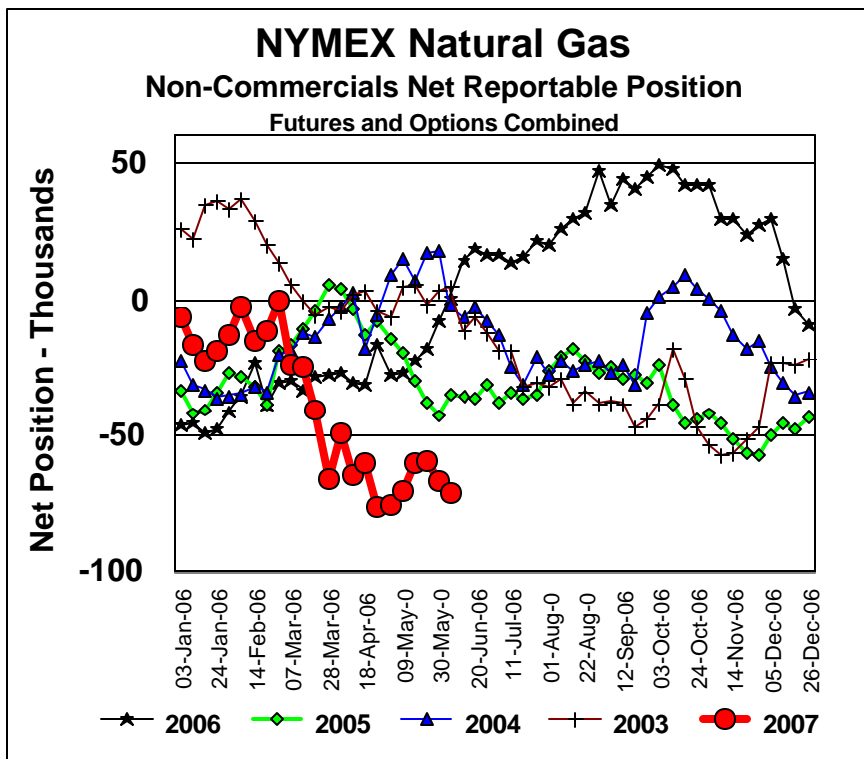
The Northwest River Forecast Center on Friday released their latest forecast for water runoff at the Dalles Dam on the Columbia River. The agency now expects water flows from April through August will average 87% of average down 5% from its forecast a week ago and off from the 105% of normal it experienced last spring and summer. The agency also lowered its forecasts for water flows at the Grand Coulee Dam and Snake River for the period by 3% and 7% respectively. The agency now sees water flows at the Grand Coulee dam will average 100% of normal

while water flows at Lower Granite Dam in Washington will only be 59% of normal versus running at 113% last year.

PSEG today said it wants to construct three new 500 kV power transmission lines in order to meet the growing power needs of New Jersey. The lines would cost a total of \$1 billion, as consumers would pay 7.5% of the cost under an agreement approved by the FERC. The Department of Energy in April designated New Jersey and surrounding areas as critical congestion areas, and thus should facilitate the building of transmission lines in these areas. If the lines are selected and approved by the PJM, the company would build the lines over a 5-8 year period.

The FERC today has approved conditionally an increase in ComEd's transmission rates. The formula based transmission rate would result in the average residential bill increasing by 1%. The rate increase, which the utility

filed for on March 1st, will still be subject to further hearings and settlement proceedings. The FERC though turned down the company's request for incentive rate treatment on investment in two transmission line projects and the inclusion of construction work in progress costs in its base rates,

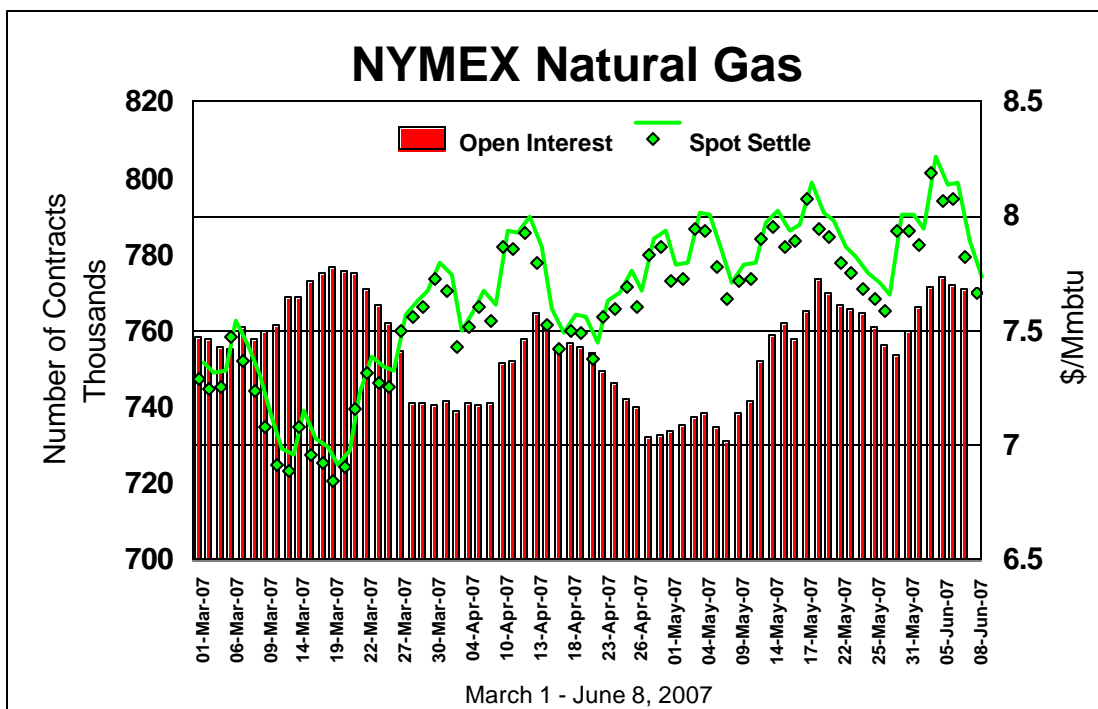


MARKET COMMENTARY

The natural gas market opened lower this morning and remained under pressure throughout the day as temperature forecasts for next week into the following week appeared to moderate a bit and were not as seen as warmer as expected basis mid week forecasts. As a result cash prices took it on the chin today, dragging futures values lower down at \$7.663 and back down near the lower end of the trading range of the past three months. Volume today was surprisingly good for a Friday as

139,920 contracts changed hands. Open interested reported at midday showed that yesterday posted the second consecutive trading session in which open interest declined, off 1138 contracts. But given the severity of yesterday's sell off, one would possibly have expected a larger degree of weak long liquidation.

We though feel that now we at the lower end of the recent trading range there still remains a limited chance that the support will be taken out and thus would look to be a scale down buyer rather than a seller of this market. Also the sale of out of the money puts also appears attractive to us. We would look for support Monday to start out at \$7.65-\$7.63 followed by \$7.575, \$7.543 and \$7.398. More distant support we see at \$7.269. Resistance we see at \$7.752, \$7.865-\$7.879, \$7.93, \$7.996 and



\$8.056. More distant resistance we see at \$8.21 followed by \$8.40.

NYMEX Nat Gas Options Most Active Strikes for June 8, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	8	7	P	5.5	07/26/2007	0.0051	6,000	45.07
LN	7	7	C	8	06/26/2007	0.1318	3,980	36.99
LN	12	7	P	7	11/27/2007	0.2075	3,850	48.33
LN	7	7	P	7.5	06/26/2007	0.1815	3,605	39.81
LN	7	7	P	7.25	06/26/2007	0.0964	2,354	39.39
LN	1	8	P	6	12/26/2007	0.0783	2,200	48.39
LN	10	7	P	6	09/25/2007	0.19	1,800	58.89
LN	9	7	P	7	08/28/2007	0.331	1,650	52.70
LN	8	7	C	10	07/26/2007	0.0612	1,600	48.18
LN	10	7	P	7	09/25/2007	0.4646	1,600	58.61
LN	4	8	P	7	03/26/2008	0.3753	1,525	39.13
LN	10	7	C	10	09/25/2007	0.4305	1,450	56.34
LN	8	7	P	7	07/26/2007	0.1547	1,425	44.01
LN	9	7	C	10	08/28/2007	0.2229	1,425	52.48
LN	12	7	P	9	11/27/2007	0.9112	1,400	51.71
LN	8	7	C	8.2	07/26/2007	0.3196	1,100	39.89
LN	11	7	P	7	10/26/2007	0.2893	1,050	51.13
LN	12	7	P	6	11/27/2007	0.0717	1,050	48.22
LN	7	7	C	8.05	06/26/2007	0.1183	1,000	37.15
LN	7	7	C	8.5	06/26/2007	0.0408	959	38.34
ON	3	8	C	20	02/26/2008	0.222	900	60.20
LN	10	7	C	9	09/25/2007	0.6324	850	52.89
LN	10	7	P	5	09/25/2007	0.0494	800	58.06
LN	9	7	C	8.5	08/28/2007	0.5076	750	46.92
LN	11	7	C	20	10/26/2007	0.046	750	64.81
LN	7	7	P	7	06/26/2007	0.0447	735	39.14
LN	10	7	P	5.75	09/25/2007	0.1355	700	57.80
ON	10	7	C	8.5	09/25/2007	0.78	700	56.75
ON	10	7	C	9.5	09/25/2007	0.524	700	59.16

Tonight's Commitment of Traders Report showed a mixed picture on the week for the changes in the natural gas market. The futures only report showed that for the week ending June 5th, non-commercials decreased their net short position by 3760 contracts, while the futures and options combined report showed that the same group increased their net short position by 4,361 lots to 70,902 contracts, a level not seen since the start of May.