



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 13, 2007

NATURAL GAS MARKET NEWS

BP's chief economist said today that he estimates global LNG shipments grew by 11.8% in 2006 from the prior year and now accounts for 28% of the global natural gas market. Asian imports of LNG rose by 10% in 2006, while European imports jumped by 20%. U.S. imports declined to 16.56 billion cubic meters. He noted that U.S. strong natural gas prices in 2006 caused a decline in industrial demand and as a result overall demand dropped 1.7% in the U.S., despite gains by power generators in gas consumption.

Meteorologist Tom Skilling noted that the number of 80+degree days in Chicago is some 62% ahead of a year ago, marking a much warmer spring for the Midwest and the Chicago area. He noted that historically this type of early heat has segued into summers, which have averaged 31 summer days at or above 90 degrees in the Chicago area instead of the normal 21, which is considered normal. June so far this month is running 2 degrees above the long term or 137 year average and 3 degrees warmer than a year ago. Meanwhile AccuWeather's chief meteorologist Joe Bastardi warned that the final 6-10 days of June need to be watched for the potential of tropical development at the mouth of the Gulf of Mexico and the western Caribbean.

Generator Problems

SPP – Entergy's 966 Mw River Bend nuclear power plant was at 80% capacity this morning. The unit has been ramping higher since its restart this past Saturday.

SERC – TVA's 1155 Mw Browns ferry #1 nuclear unit has been restarted and was back to 70% of power this morning. The unit had been taken off line back on June 9th due to a high moisture separator reheater tank level.

The NRC reported that 94,895 Mw of nuclear capacity is on line, up 0.95% from Tuesday, and up 2.16% from a year ago.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission called a system wide operational flow order due to high inventories expected along the line. The OFO carries a 5% tolerance and Stage 2 noncompliance charge of \$1.00 Dth.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,259,100	\$7.603	\$0.150	(\$0.502)	\$0.177	(\$0.623)
Chicago City Gate	463,100	\$7.561	\$0.342	(\$0.129)	\$0.304	(\$0.386)
NGPL- TX/OK	556,600	\$7.210	\$0.227	(\$0.480)	\$0.189	(\$0.649)
SoCal	841,600	\$6.994	\$0.203	(\$0.697)	\$0.165	(\$1.031)
PG&E Citygate	675,100	\$7.157	\$0.175	(\$0.533)	\$0.137	(\$0.695)
Dominion-South	421,200	\$8.025	\$0.140	\$0.335	\$0.102	\$0.316
Transco Zone 6	178,900	\$8.146	\$0.166	\$0.456	\$0.128	\$0.429

Tennessee Gas Pipeline said that along its Carthage Lateral it was restricting through 59% of Supply to market Interruptible Service Nominations. Station 834 was anticipated to be restricted at 100% of Supply to market Interruptible Service, while the Niagara River meter was expected to be restricted at 36% Supply to market Secondary Out of Path nominations.

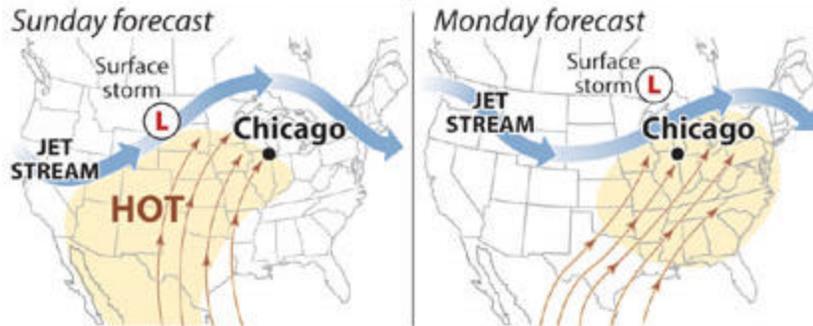
PIPELINE MAINTENANCE

Questar Pipeline reported that it was conducting maintenance at Nightingale #3 compressor and it is expected to be completed by Thursday, June 14th. Work at the Red Mesa is expected to be completed today while work at

the Shiprock facility will take place June 14th and 15th. Work at the Eakin #1 compressor is expected to last through June 14th as well.

Northern Natural Gas said that it will perform planned maintenance and Emergency Shutdown testing at the Woodward Company #3 Compressor station today. All units would be offline. The company also reported that the Guthrie Center, Iowa Turbine will be down June 14th through the 15th for annual testing and inspections. Deliveries east of Oakland, Iowa may be impacted depending on the quantities nominated. The Oakland throughout will be impacted by approximately 100,000 mMBTU.

BLOCKING PATTERN TO BREAK, HEAT SURGES INTO MIDWEST



Sources: Climate Prediction Center, NOAA-NCEP, Various Midwest NWS forecast of

Texas Eastern said that beginning June 14th it would restrict transportation activity on the McAllen system between Tivoli and PEMEX in order to perform required DOT maintenance work as previously posted on June 11th. The outage is expected to last until July 6th.

Alliance Pipeline said that Irma compressor station experienced mechanical problems on Tuesday evening and was taken off line. It is currently expected back in service by

June 15th. As a result system throughput (AOS) will be impacted for June 13th and 14th. The company also reported that due to mechanical difficulties at a Mainline Compressor, AOS is reduced to 0% Cycle 3 today and 0% June 14th.

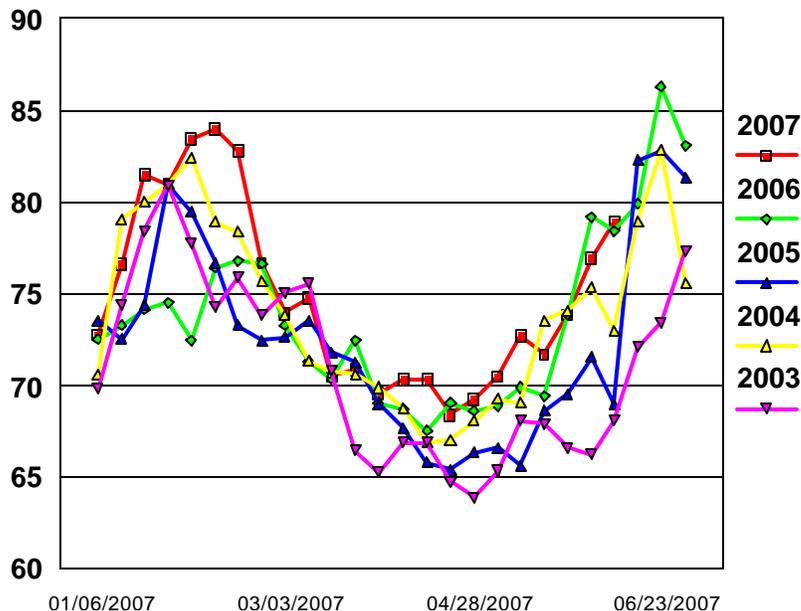
ANR Pipeline said that it has completed engine repairs at the Marshfield Compressor Station. The associated capacity restrictions through Viking-Marshfield receipt point have been lifted. The company also reported that it has completed its inspection south of the Madisonville Compressor Station along the SE Mainline and restrictions there have been lifted.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that electricity demand for the week ending June 9th reached 78,952 Gwh up nearly 2.5% more than the previous week and some 0.6% higher than the same week a year ago.

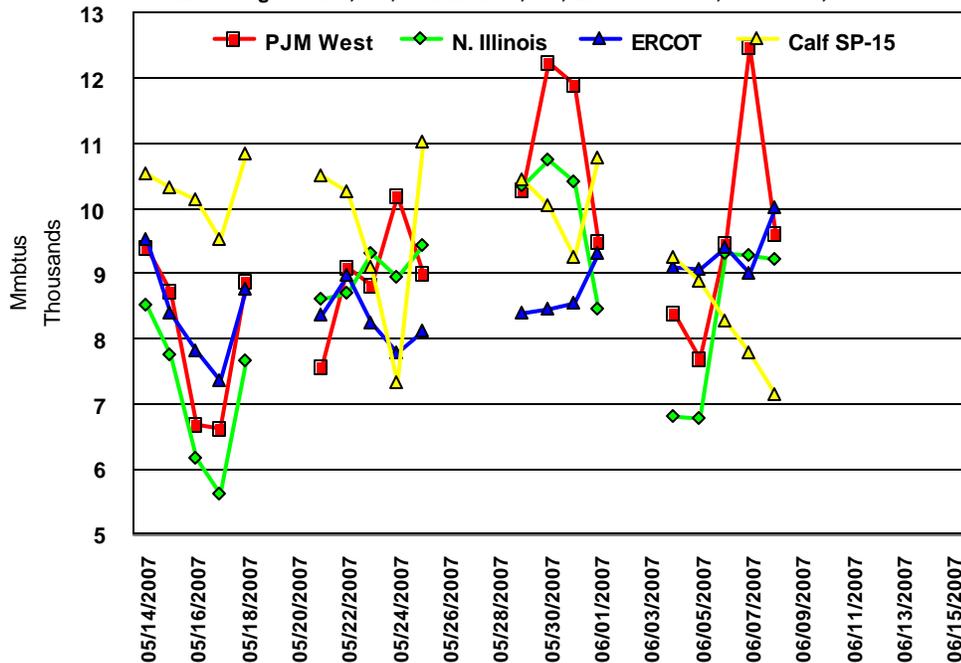
Portland General reported that its new 400 Mw Port Westward natural gas fired power plant near Clatskanie, Oregon has entered into service. This facility is the first new generating plant for the company since 1995.

Weekly Electric Output



Implied Heat Rates

June 2006 Avg: PJM: 9,801; N. Illinois: 8,617; ERCOT: 10695; SP-15: 10,314



PPL Corp said today that it has filed a letter of intent with the NRC that it will submit an application for a combined construction and operating license which will preserve the company's option to build a third nuclear unit at its Susquehanna nuclear plant. The company has also filed a request with the PJM Interconnection for preliminary transmission interconnection studies for the Susquehanna site. This is one of

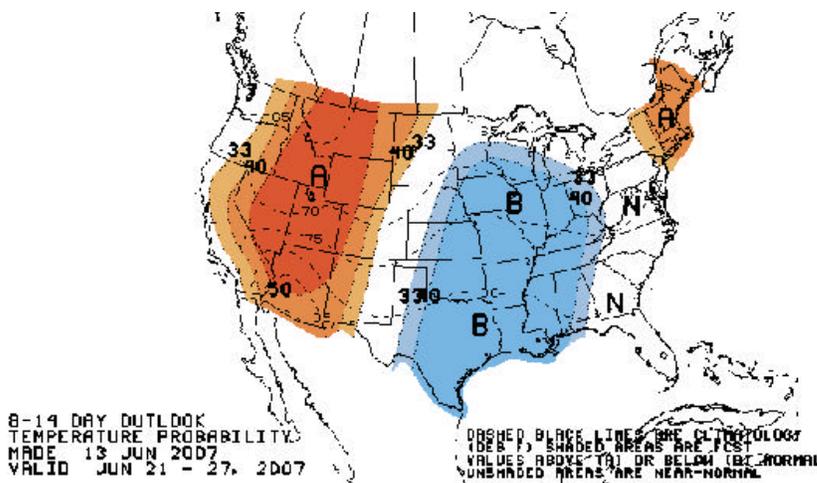
many studies necessary for PPL to evaluate the feasibility of any expansion.

DC Energy this week filed a complaint with the FERC against Hydro-Quebec's HQ Energy Services, alleging HQ exercised market power to manipulate the New York power congestion and energy markets. DC Energy said it has lost about \$2 million between May 1st and June 9th due to HQ's alleged manipulation of congestion. DC Energy said HQ acquired the TCCs for the summer capability period at \$2.18 per MW-day on May 1st and has collected on average \$215.13 per MWD for a 9870% return on investment.

The Texas Commission on Environmental Quality approved Wednesday a required air permits for two coal fired power plants planned at TXU's Oak Grove power plant. The power plants should be operational by the end of 2009.

MARKET COMMENTARY

Despite escalating oil prices following the release of the weekly oil stock reports this morning, natural gas futures found little spill over of the bullish fever from the oil markets. In fact despite firmer cash prices, futures prices trended lower in the afternoon and finished down approximately 7 cents and back down near Monday's lows. The inability of the natural gas market to find any traction to the upside seems to be coming from the fact that the forecasts from last week warning of a prolonged heat wave setting up over much of the nation for the second half of the month appears to have moderated a bit with hot outbreaks only lasting for several days before another cold front moves through each section of the country.



Traders will look towards tomorrow's inventory report to see if this fundamental news can finally break prices out of the trading range that the market appears to be mired in for the past 3-4 trading sessions. Market expectations appear to be running either side of a 98 bcf build. Last year saw a 77 bcf build for the same week, with the five year seasonal average is a 93 bcf build. Our pipeline model looks for a 105 bcf build. If this is realized then we think having a fourth consecutive triple digit build in inventories will result in a short term sell off in natural gas values that could ultimately challenge the \$7.50 level once again. But we feel any sell off of this nature should be

a selling opportunity of out of the money puts at \$7.00 or lower. We look for initial support tomorrow at \$7.562 followed by \$7.517, \$7.46 and \$7.335. More distant major support we see at \$7.245. Resistance we see at \$7.699, \$7.766, \$7.809, \$7.823 and \$7.881. More distant resistance we see at \$7.941-\$7.961.

Weekly Change In Nat Gas Stocks

■ Northern Natural ■ Dominion ■ Transco ● EIA Storage
■ ANR ■ PG&E ■ Tennessee

