



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 14, 2007

NATURAL GAS MARKET NEWS

Gas Storage Europe reported today that gas storage levels in Northwest Europe were 59% full as of Monday, up 1% from a week earlier. Stocks of natural gas in southern Europe fell to 58% from 64% the previous week, while stocks in southeast Europe rose 2% to 58%.

The S&P reported today that following its review of risk management policies, infrastructure and methodologies at ten major energy trading companies, it found that trading risk control practices are evolving but they still fall short of the level of risk management practiced by financial institutions.

Russian gas company, Gazprom has increased its output target for 2020 by 14% to 670 billion cubic meters (23.6 tcf) By 2010 Gazprom forecasts its gas output will now be 570 bcm higher than its earlier estimate of 550-560 bcm. In 2006 the company produced 556 Bcm. It looks for long-term production gains to come from Yamal, offshore fields and Eastern Siberia. The company also said Shtokman is going to start producing in 2013 with the first stage of LNG production from the field to start in 2014 with 10 bcm/year of productions.

The Commerce Department reported today that the U.S. Producer Price Index in May jumped 0.9%, much higher than the 0.6% gain market participants had been expected. The increase was largely driven by energy costs, which rose 4.1% from April, driven by gasoline prices, which jumped 12.1% at the wholesale level.

Canadian Gas Association

Weekly Storage Report

	08-Jun-07	01-Jun-07	09-Jun-06
East	119.0	108.2	149.3
West	273.4	265.6	157.8
Total	392.3	373.9	307.2

storage figures are in Bcf

The tropics remain quiet today with no signs of any tropical development across the Atlantic, Caribbean or Gulf of Mexico. Most computer models are not forecasting any tropical development in these areas for well into next week, except the Canadian model, which leaves open the possibility of a tropical system flaring up in the Gulf of Mexico. Most forecasters discount this model since it tends to provide false signals especially when it signals a storm development with no other model support. Longer term though it is interesting to note that Accuweather this week noted an interesting correlation. They pointed out that Los Angeles is off to its coldest start in June in the past 15 years. They noted that over the past 15 years during this time period when June over the first half of the month was colder than normal ('95,'96,'99,'02,'03 and '05) there has been an above normal number of tropical cyclones to hit the U.S. coast during that year's hurricane season. Only one year, 2004, was it warmer than normal during this time and

Generator Problems

SPP – Entergy's 966 River bend nuclear plant was at 80% capacity this morning, unchanged from Wednesday's level.

MAIN – Exelon's 1162 Mw LaSalle #2 nuclear unit was at 82% capacity this morning, down from full power from yesterday. No reason was given for the reduction.

SERC – TVA's 1155 Mw Browns ferry #1 nuclear unit was at 90% of capacity this morning up 20% from yesterday.

The NRC reported that 94,921 Mw of nuclear capacity is on line, up 0.03% from Wednesday, and up 2.93% from a year ago.

EIA Weekly Report

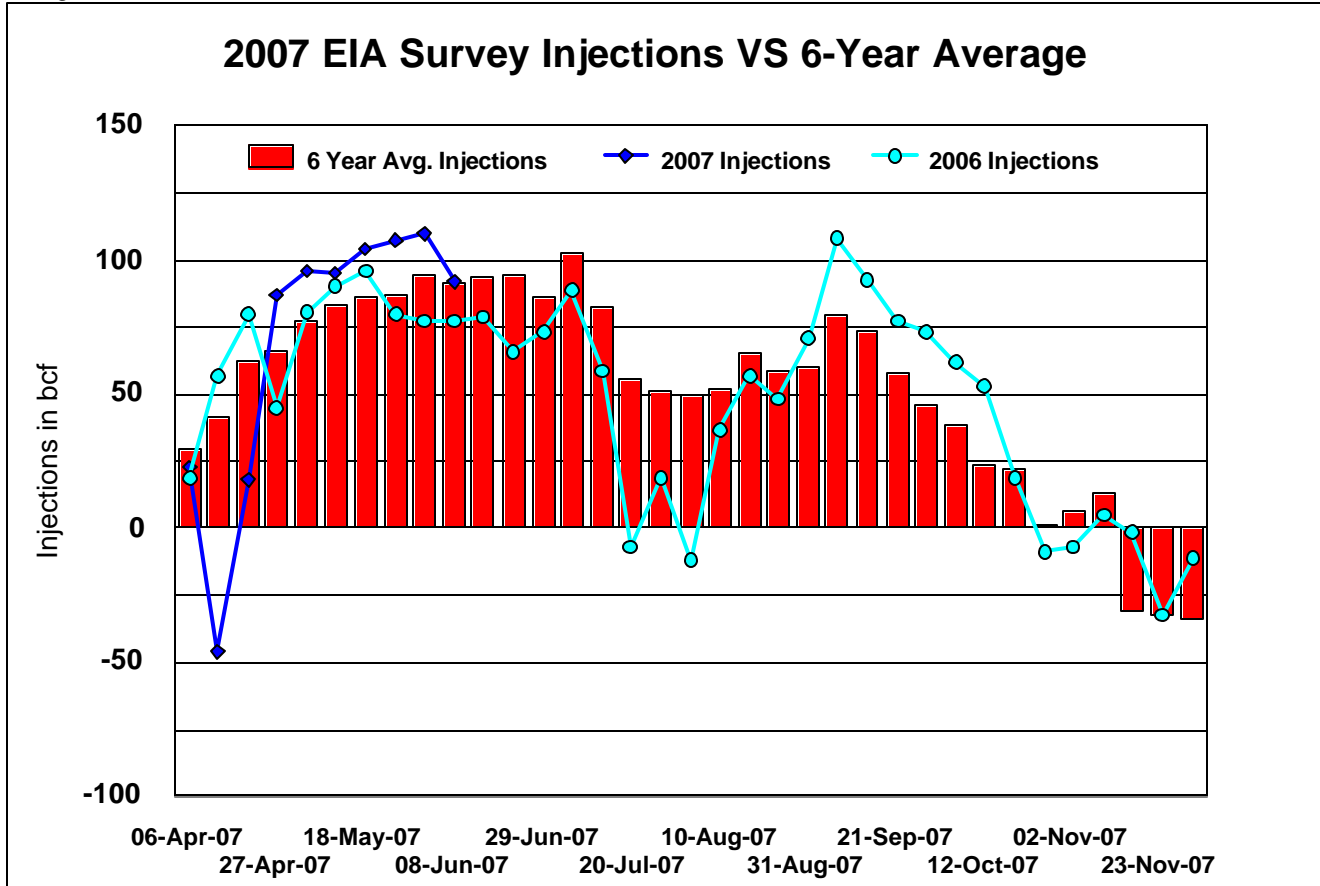
	06/08/2007	06/01/2007	Net chg	Last Year
Producing Region	816	796	20	794
Consuming East	1097	1036	61	1260
Consuming West	342	331	11	332
Total US	2255	2163	92	2386

*storage figures in Bcf

there was an above normal number of tropical storms to hit the U.S. coastline.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission once again has issued an OFO due to expected high inventories along its system for Saturday. The OFO was eased though and carries a 15% tolerance and Stage 2 noncompliance charge of \$1.00 Dth.

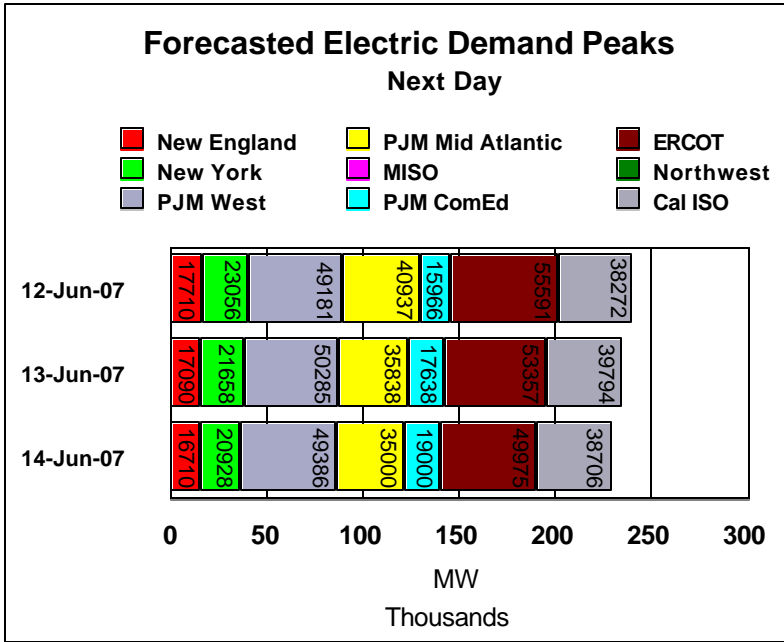


PIPELINE MAINTENANCE

KMIGT said it has completed maintenance at the Casper Compressor Station ahead of schedule. The work was originally targeted to be completed by June 15th. Effective immediately capacity through Segments 45 and 730 may be scheduled fully. Maintenance work on the station began back on June 5th.

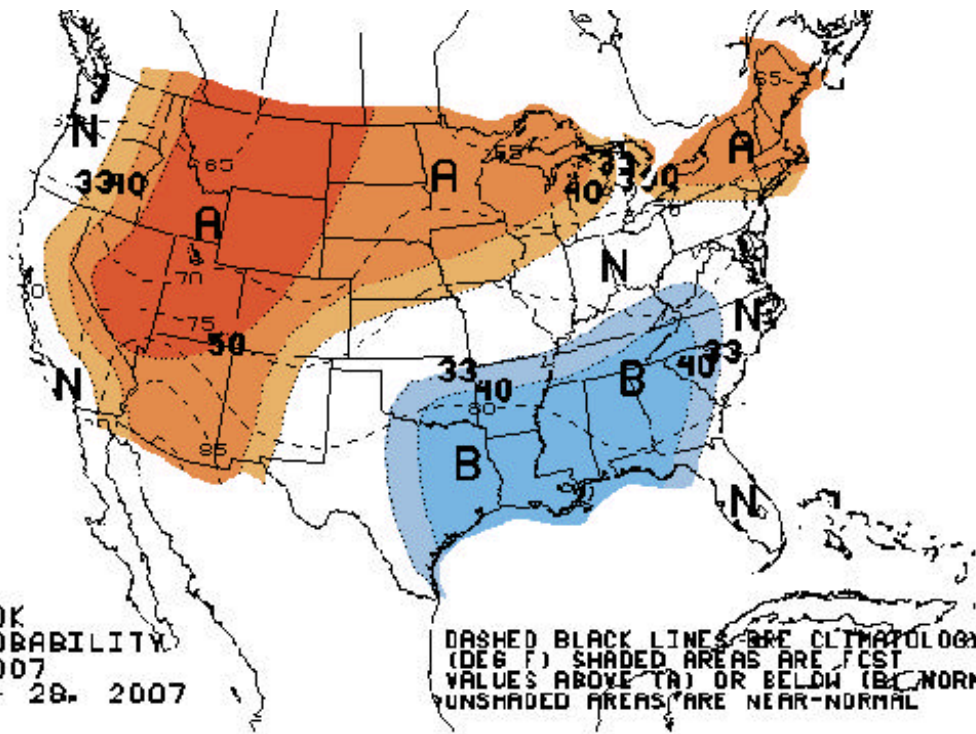
Southern Natural Gas Pipeline said that there was an unscheduled engine outage at its White Castle Compressor Station on the west leg in South Louisiana. AT this time the return to service is unknown. Until repairs are completed, interruptible capacity in the South Louisiana Supply area on the west leg will be reduced.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,480,800	\$7.478	(\$0.125)	(\$0.611)	(\$0.109)	(\$0.655)
Chicago City Gate	362,200	\$7.413	(\$0.147)	(\$0.347)	(\$0.217)	(\$0.397)
NGPL- TX/OK	782,400	\$7.203	(\$0.008)	(\$0.557)	(\$0.078)	(\$0.657)
SoCal	937,100	\$6.987	(\$0.007)	(\$0.773)	(\$0.077)	(\$1.009)
PG&E Citygate	799,700	\$7.094	(\$0.063)	(\$0.666)	(\$0.133)	(\$0.709)
Dominion-South	481,900	\$7.897	(\$0.129)	\$0.136	(\$0.199)	\$0.232
Transco Zone 6	136,100	\$7.999	(\$0.147)	\$0.239	(\$0.217)	\$0.326



ELECTRIC MARKET NEWS

American Electric Power announced it will buy 4.6 million carbon credits generated from capturing methane from livestock farms between 2010 and 2017 in an agreement made with an affiliate of Environmental Credit Corp. The cost of the credits was not disclosed. Under the terms of the deal AEP will buy up to 600,000 carbon credits from ECC each year at a fixed price. ECC will work with farmers to design and provide lagoon cover systems, including gas meters and flares, at no cost to farmers. ECC also will provide data monitoring, reporting independent verification, certification and registration of the credits with the Chicago Climate Exchange. Methane from livestock manure accounts for 6.6% of total greenhouse gases emissions in the U.S. and methane is 21 times more potent than carbon dioxide in trapping heat in the atmosphere.



MARKET COMMENTARY

The natural gas market started out the day still mired in the same trading range that it has been stuck in for the prior three trading sessions. But once the EIA Storage report was released showing just a 92 bcf build, it seemed to signal to buyers it was safe to return to the market and helped to push prices through the highs of the past three days and up to over \$7.80 once again. The market failed to gain much further follow through buying though, as volume appeared to thin out by the afternoon and the bulls were unable to breach the highs from June 8th at 7.83.

With the inability of the cash markets to keep pace with the futures today, we would be a bit suspect of this rally continuing. Rather we would look for this market to fall back into its recent trading range, especially given tomorrow is a Friday. But if oil prices continue their upward march especially in the heating oil market we feel that natural gas prices though can only be dragged higher. We would look for initial resistance tomorrow at \$7.83 followed by \$7.885, \$7.925, \$7.961, \$7.99 and \$8.158. Support we see at \$7.69, \$7.562, \$7.524 and \$7.459.

