



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 20, 2007

NATURAL GAS MARKET NEWS

The tropics remain very quiet and the only note of interest that forecasters are watching is the potential for a low-pressure system to form off of the Georgia coast over the next 24-48 hours. The forecasting models are not quite in agreement on what will happen with this system. The GFS model has the system forming Thursday evening but then being quickly swept out to sea. The Canadian model forecasts this low pressure to form off the Georgia - North Florida coast and then stall for several days and possibly strengthen before moving northeastward next week. The European model has a system developing on the west coast of Florida by Thursday evening but then dissipating by Saturday. But in general it looks like production areas in the Gulf of Mexico have nothing to be concerned with for the next week or so.

Generator Problems

NPCC – OPG's 535 Mw Lennox #3 oil and gas fired power unit was taken off line early Wednesday.

MAIN – Exelon's 1162 Mw LaSalle #1 nuclear unit is back at full power this morning up 20% from Tuesday.

The NRC reported that 93,912 Mw of nuclear capacity is on line, up 0.12% from Tuesday, and up 0.01% from a year ago.

The United Kingdom's Met Office yesterday released their Atlantic tropical storm frequency forecast for the 2007 hurricane season. The agency estimated only 10 tropical storms will occur this hurricane season, with a 70% chance that the number will be in the range of seven to thirteen storms. This they noted is below-normal activity relative to the 1990-2005 long term average of 12.4 storms. The Met Office notes that it's forecast is the only one in the world produced using global climate models, and demonstrated "unparalleled skill" over recent seasons, in particular successfully predicting the change from the exceptionally active Atlantic season of 2005 to the below normal season of 2006. The office also noted that its forecasting model tracking errors have decreased year on year and that in 2005 its forecast of landfall of Katrina was 12 full hours ahead of any other model.

The FERC yesterday issued a favorable environmental review of Gulfstream Natural Gas System's proposed expansion that would provide 155,000 Dth/d of incremental firm transportation capacity to serve Progress Energy's repowered Bartow Power plant in Pinellas County, Florida.

The FERC's chief enforcement officer today defended the agency's enforcement efforts. The official said that FERC investigators have "adequate tools" to monitor power and natural gas markets and enforce laws barring market manipulation. The official noted that the FERC has nearly doubled its enforcement staff over the past five years as well as receiving additional enforcement and regulatory powers in 2005 from Congress under the Energy Policy Act.

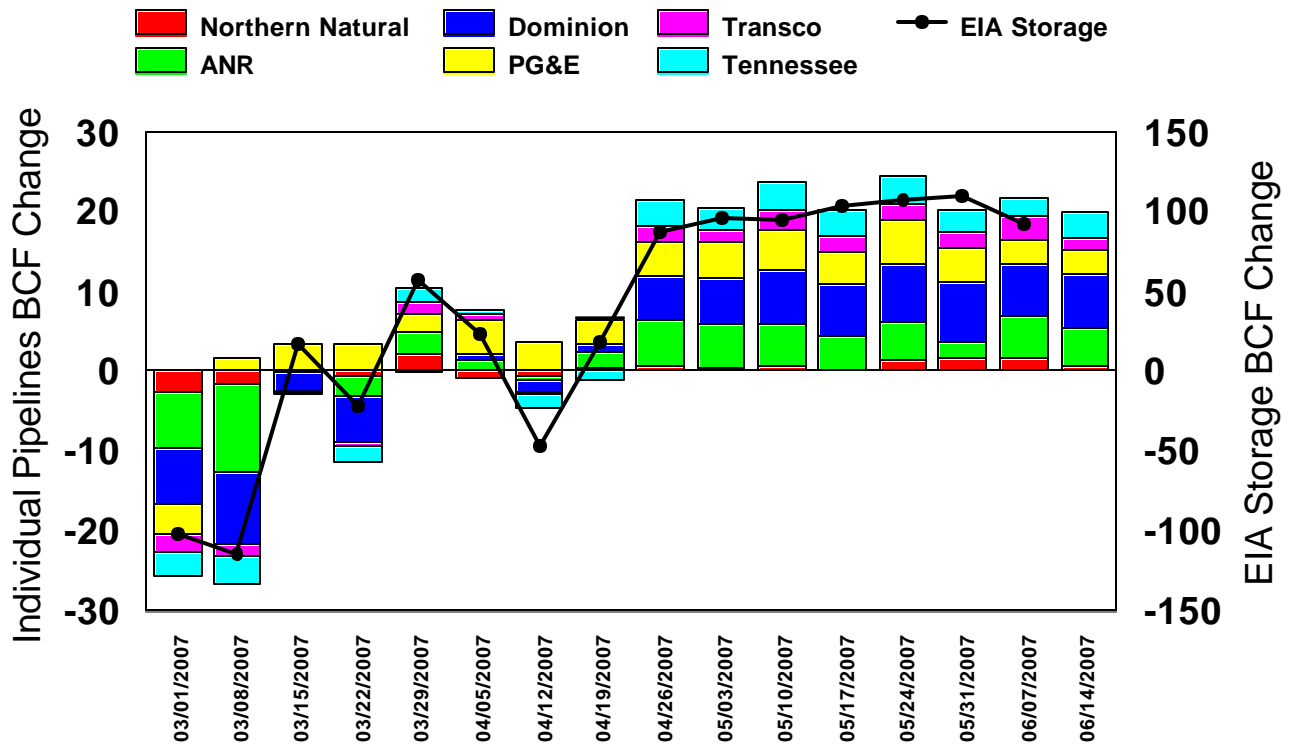
PIPELINE RESTRICTIONS

Centerpoint Energy Gas Transmission issued an Operational Alert due to maintenance at the Custer Compressor Station through Friday June 22nd. During this time capacity will be reduced to 1120,000 Dth/d

PIPELINE MAINTENANCE

Panhandle Eastern said that scheduled work at the Seiling E-301 compressor has been delayed until July 6th. During the work capacity through the Seiling segment will be limited to 280 Mmcf/d. At this time there is no anticipated impact to customer nominations.

Weekly Change In Nat Gas Stocks

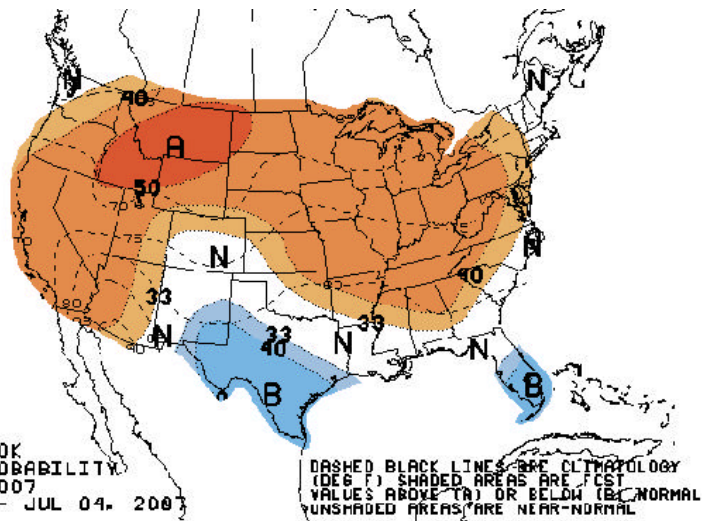


ELECTRIC MARKET NEWS

Pinnacle West Capital said today that Arizona utility regulators approved a net retail electric rate increase of 6.8% for its Arizona Public Service subsidiary effective July 1st. Regulators approved the utility's \$315 million fuel increase and a non-fuel increase of \$7 million. The commission also approved a \$34 million fuel cost recovery through a temporary surcharge. But regulators disallowed \$14 million of power costs for the Palo Verde Nuclear generation station during unplanned outages in August and October of 2005, which regulators said could have been avoided.

The Edison Electric Institute reported that for the week ending June 16th power generation in the U.S. increased by 1.9% over the same time last year to stand at 81,410 Gwh and up 3.1% from the week before. For the first 24 weeks of this year power production is up 3.3% over the same time a year ago.

Investec Securities analysts look for uranium prices possibly to rise to \$200 a pound over the next year because of a developing shortage of nuclear material due to rising demand.



Currently the metal is trading at \$138 a pound. But the analysts look for a price rise to trigger a supply side response that would lower prices to an average of \$160 a pound in 2009 and falling to \$50 a pound by 2013.

Progress Energy announced it has chosen a route for a new 1230 Kv transmission line that will run 32 miles and serve Richmond and Moore counties. The \$27 million line is expected to be in service by mid-2011.

PJM Interconnection is proposing construction of a 500 Kv line from Kemptown, Maryland to northern Delaware and onto Salem New Jersey. The idea for the line is to bring more power from the Appalachian region to the population centers of the East Coast.

Constellation Energy said on Wednesday it has begun environmental upgrades at its Bandon Shores power plant as it installing scrubbers, which should reduce the plant's sulfur dioxide emissions by 95% and allow this plant to meet the emission requirements of Maryland's Healthy Air Act, signed into law last year.

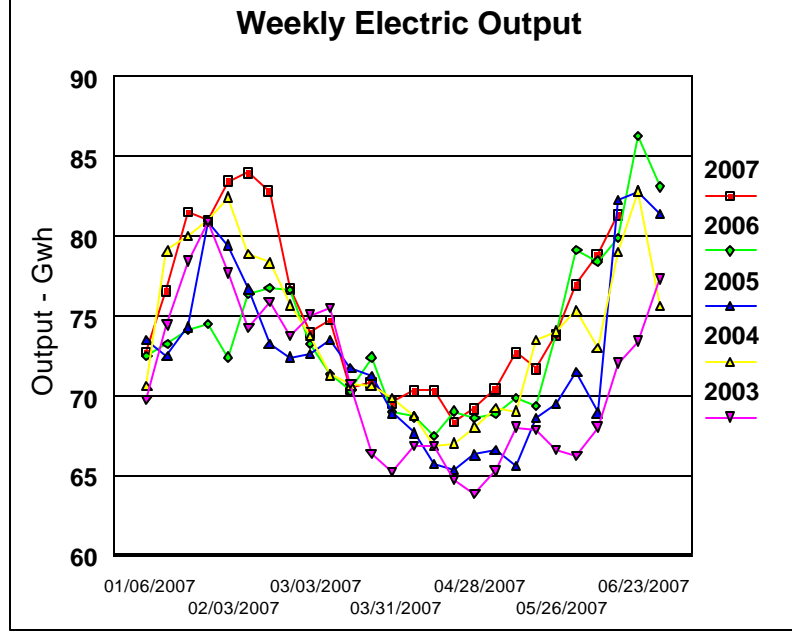
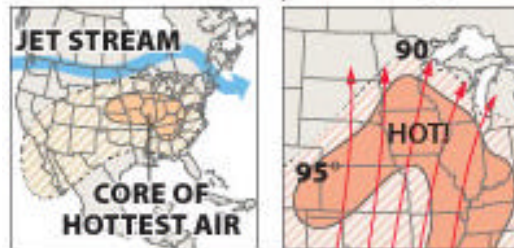
Calpine Corp Wednesday filed a reorganization plan to emerge from Chapter 11 bankruptcy protection, saying unsecured creditors would receive nearly all of their allowed claims. Calpine expects to receive up to \$8 billion in secured exit financing from Goldman Sachs, Credit Suisse, Deutsche Bank and Morgan Stanley. Calpine currently has near 25,000 Mw of generating capacity spread across 18 states

ERCOT said today that severe storms in north Texas knocked out a 220 Mw link that allows power to flow between Texas and Oklahoma. The company is still determining how long repairs will take to restore service.

HEAT RETURNS BY MONDAY

Chicago to sit at the epicenter of hot air mass next Monday:

Forecast set-up | Mon. highs



MARKET COMMENTARY

The natural gas market opened higher this morning for only the first time out of the last four trading sessions. While oil prices headed south following the release of the EIA weekly oil stats mid morning, natural gas prices remained relatively stable holding around \$7.50 level. But once again the mid day weather computer models appeared to send the bulls running for cover as some forecasters continued to report the lack of any sustained heat wave will keep natural gas demand from power generators limited. Prices tumbled to \$7.325 its lowest level since March 21st, before rebounding slightly by the close and settling off 12.8 cents at \$7.391.

Tonight's NWS temperature outlook though seems to be running counter to some private weather forecasters as it appears the hot weather starting next week spreads across much of the nation by the middle of

next week. Accuweather forecasters are calling this coming blast of heat next week, will be the hottest of the season for many places, with Boston reaching 90 degrees, New York 92, Philly 96, DC 100, Cincinnati 98, Chicago 95 and Omaha and St Louis reaching 98 degrees. We believe that these temperatures and associated air conditioning load will help to stabilize this declining market. We feel though that this market may get one more shove lower early tomorrow following the release of the EIA storage report. Currently market expectations appear to be centered around 83-103 bcf build in stocks, with the median build probably being a 85-89 bcf build. Our

model suggests a slightly larger build of 93 bcf. We feel that if our number is realized that this market will initially sell off further but that this should be a buying opportunity. We would look for support tomorrow at \$7.325, followed by \$7.264, \$7.245, \$7.167 and \$7.00. Resistance we see at \$7.52,\$7.58-\$7.59, \$7.67 \$7.753 and \$7.774.

NYMEX Nat Gas Options Most Active Strikes for June 20, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	7	7	P	7	06/26/2007	0.0246	8,550	39.30
LN	7	7	P	7.25	06/26/2007	0.085	8,148	39.62
LN	10	7	P	5	09/25/2007	0.0573	5,000	59.87
LN	10	7	C	12	09/25/2007	0.1676	4,825	65.71
LN	8	7	P	7	07/26/2007	0.1781	4,595	44.37
LN	10	7	P	6	09/25/2007	0.2126	4,000	60.11
LN	8	8	C	12	07/28/2008	0.3598	3,900	30.39
LN	7	8	C	12	06/25/2008	0.294	3,900	30.39
LN	10	7	C	10	09/25/2007	0.3594	3,455	61.17
LN	7	7	C	8	06/26/2007	0.0128	3,375	41.37
LN	3	8	P	6	02/26/2008	0.1421	2,700	48.39
LN	4	8	P	6	03/26/2008	0.1521	2,700	39.09
LN	7	7	P	7.5	06/26/2007	0.2099	2,013	40.84
LN	8	7	C	8.5	07/26/2007	0.1203	1,890	43.31
LN	7	7	C	7.5	06/26/2007	0.101	1,870	38.16
LN	9	7	C	10	08/28/2007	0.1711	1,780	58.01
LN	10	7	P	6.5	09/25/2007	0.3498	1,650	60.38
LN	10	7	P	7	09/25/2007	0.5378	1,600	61.14
LN	9	7	P	5.5	08/28/2007	0.0466	1,600	53.06
LN	11	7	P	7	10/26/2007	0.3457	1,550	53.92
LN	11	7	P	6	10/26/2007	0.124	1,550	53.17
LN	7	7	C	7.75	06/26/2007	0.0386	1,425	39.84
ON	8	7	P	7.25	07/26/2007	0.27	1,415	42.41
LN	10	7	C	9	09/25/2007	0.5138	1,355	56.50
LN	9	7	C	8	08/28/2007	0.517	1,275	48.38
LN	8	7	C	9.25	07/26/2007	0.049	1,250	46.76
LN	10	7	C	11	09/25/2007	0.2498	1,250	64.20
LN	8	7	C	9	07/26/2007	0.0658	1,200	45.62
LN	11	7	P	6.5	10/26/2007	0.2133	1,200	53.26
LN	10	7	P	7.5	09/25/2007	0.7731	1,175	62.01
LN	7	7	P	6.5	06/26/2007	0.0005	1,100	38.14
LN	11	7	P	8	10/26/2007	0.7546	1,100	56.41
LN	12	7	P	6	11/27/2007	0.0792	1,100	49.39
LN	7	7	C	7.6	06/26/2007	0.0701	1,085	38.88
LN	7	7	C	7.85	06/26/2007	0.0252	1,068	40.45
LN	3	8	C	15	02/26/2008	0.436	1,050	51.33
LN	12	7	P	7	11/27/2007	0.2274	1,050	49.50
LN	3	8	C	10	02/26/2008	1.2666	1,000	41.23
LN	8	7	C	12	07/26/2007	0.002	1,000	55.06
LN	8	8	C	10	07/28/2008	0.6621	1,000	26.20
LN	10	7	C	8.75	09/25/2007	0.5733	1,000	55.71
LN	10	7	C	11.5	09/25/2007	0.2041	1,000	64.96
LN	5	8	C	10	04/25/2008	0.4371	1,000	27.84