



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 22, 2007

NATURAL GAS MARKET NEWS

FERC Thursday approved Kinder Morgan Louisiana Pipeline LLC's application to build a 135-mile, mostly 42-inch diameter pipeline that would ship regasified liquefied natural gas (LNG) from Cheniere LNG's 2.6 Bcf Sabine Pass import terminal, which is under construction in Cameron Parish, LA, to multiple natural gas pipelines.

Short-term forecasters continue to monitor an area of showers and thunderstorms over central America and the western Caribbean. The wind flow over this large area of thunderstorm activity is from the east-southeast to west-northwest. This activity is expected to move inland over the next couple of days and this will shut off any chances of tropical cyclone development. As a result, forecasters are not expecting any further tropical development through Sunday or Monday.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that it is issuing an Overage Alert Day at 25% tolerance as 90-degree weather is forecasted in Florida today and for this weekend. FGT said it will not interrupt previously scheduled Market Area ITS-1 service.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for gas flow on June 23. PG&E issued the restriction because of high inventory on the system. The OFO was eased yet still carries a 6% tolerance and Stage 2 noncompliance charge of \$1.00/Dth.

PIPELINE MAINTENANCE

Northern Natural Gas Company said that it will perform required pipeline maintenance on the Benson/Alexandria Branch Line beginning June 24 and lasting through June 27. A pressure reduction is required for this maintenance activity. No interruption of service at delivery locations is anticipated during this maintenance process; however, delivery pressures will be lower than normal and inlet pressure fluctuations at delivery points may be experienced.

Northwest Pipeline said that it expects the pigging facilities installations near the Lava Hot Springs compressor station to be completed today as scheduled. As a result, the Declared Deficiency Period will end when design capacity is restored. The Lava Hot Springs Compressor Station will be set to its north-flow design capacity of 646,000 Dth/d for June 23.

Generator Problems

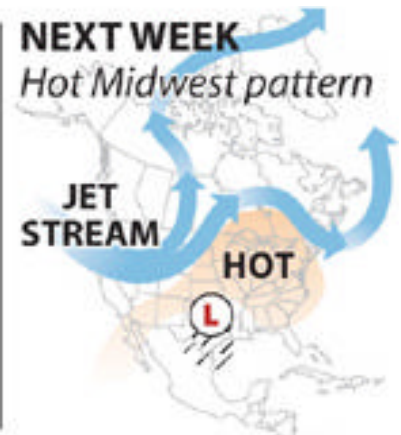
ECAR – FirstEnergy's 1,260 Mw nuclear unit shut from full power today.

ERCOT – TXU Corp.'s 545 Mw Sandow #4 coal-fired power station shut to fix a tube leak.

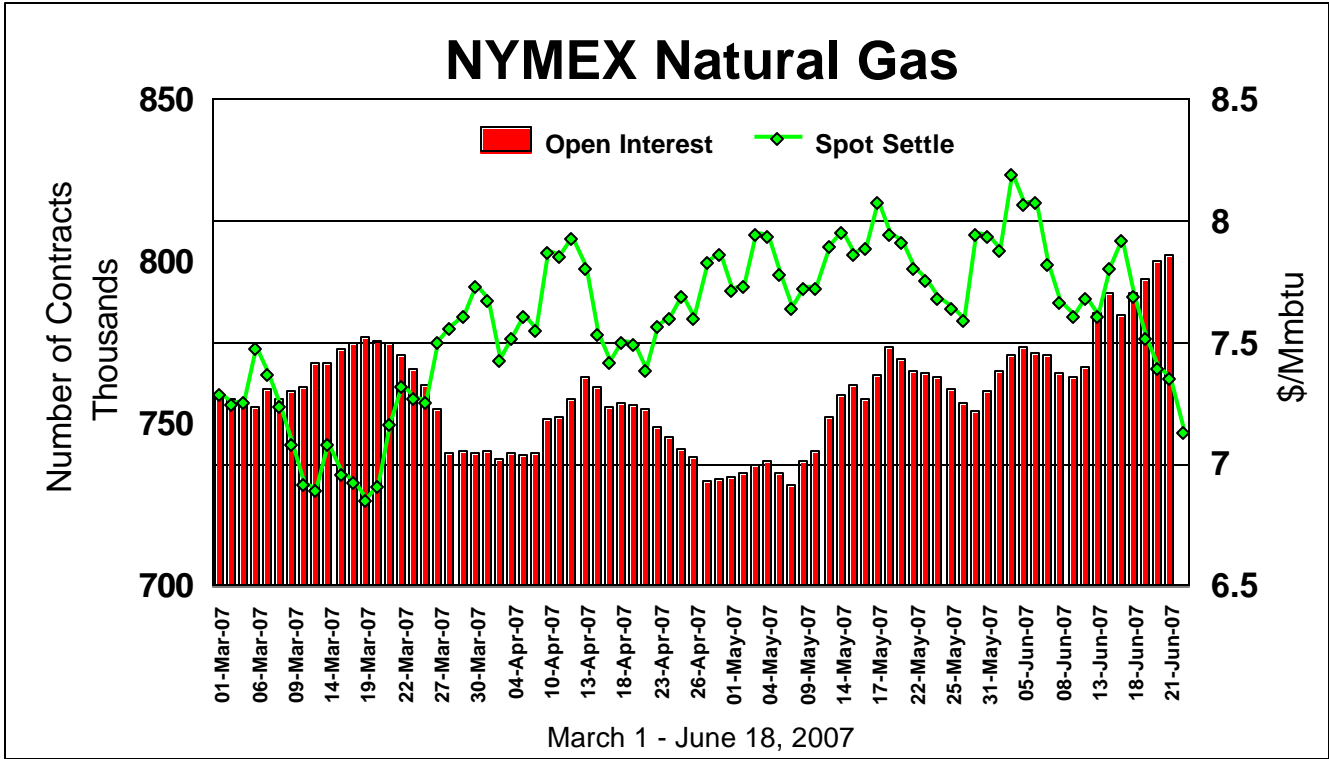
MAIN – AmerGen Energy's 1,022 Mw Clinton nuclear unit ramped up output to 96% capacity. Yesterday, the unit was operating at 21%.

FRCC – FPL's 760 Mw Turkey Point #3 nuclear unit restarted but is warming up offline at 2% capacity. Turkey Point #4 continues to operate at full power.

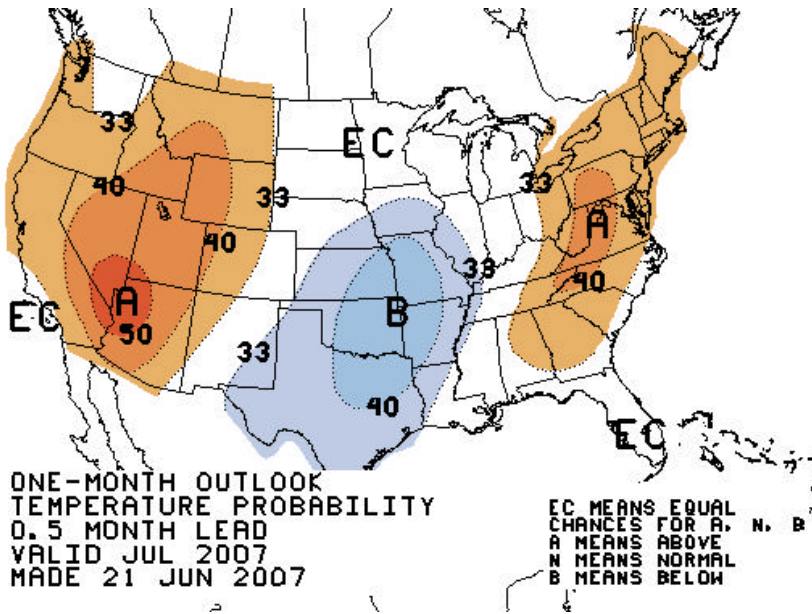
The NRC reported that 92,903 Mw of nuclear capacity is on line, down 0.22% from Thursday, and off 1.60% from a year ago.



ELECTRIC MARKET NEWS



According to ERCOT's annual summer assessment, power supplies are adequate to meet this summer's peak demand projections. The 2007 peak demand forecast of 63,794 Mw is 2.3% higher than last year's peak demand of 62,339 Mw, reflecting the continuing strong economy and population growth in Texas. This summer's reserve margin stands at 14.6%, slightly above the 12.5% minimum needed to ensure reliability for extreme temperatures and unexpected major outages.



MARKET COMMENTARY

The natural gas market opened with new lows, traded with ease through the double bottom of 7.25, and tested the 7.00 level as bearish technicals, softer cash prices and ample storage dominated market decisions. July natural gas traded to a low of 7.049 as the noon weather update continued show signs of moderating temperatures in the 11-15 day period for the Midwest and Northeast. The National Weather Service's one-month temperature outlook, shows below and average temperatures for the middle third of the country. Reduced cooling demand in that region compared to annual averages will keep pressure on the

natural gas market especially with the near record supply situation. Support from the 7.00 level and short covering lifted the market off its lows back to the 7.15 level in the latter half of the session. The July contract settled down 9.95% on the week at 7.13, down 21.8 cents from yesterday.

The March 19 low on the spot continuation chart of 6.80 is the next downside target, but with heat expected early next week, a firmer cash market may lend support and keep futures above the 7.00 level. Upside momentum however will be difficult without a broad-based heat wave to kick up demand or a Gulf Coast storm to disrupt supplies. We see support at 7.00, 6.95, 6.83 and 6.80. We see resistance at \$7.15, 7.30, 7.516 and 7.60.