



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 3, 2007

NATURAL GAS MARKET NEWS

Pine Prairie Energy Center LLC is holding a nonbinding open season for an additional 16 Bcf of gas storage capacity. The company is currently constructing the 24 Bcf first phase of its salt cavern facility near Pine Prairie, LA, about 50 miles from Henry Hub.

FERC Monday approved Natural Gas Pipeline Company of America's proposed expansion that would provide 200,000 Dth/d of incremental takeaway capacity from major supply basins served by its Gulf Coast Mainline to the end of its Louisiana Line at the Henry Hub.

The Trade Group for publicly-owned gas utilities told a U.S. Senate subcommittee investigating the operation of U.S. gas markets that large natural gas futures traders should have to report their positions to the CFTC regardless of whether the trades are made over electronic exchanges or through voice brokers.

Generator Problems

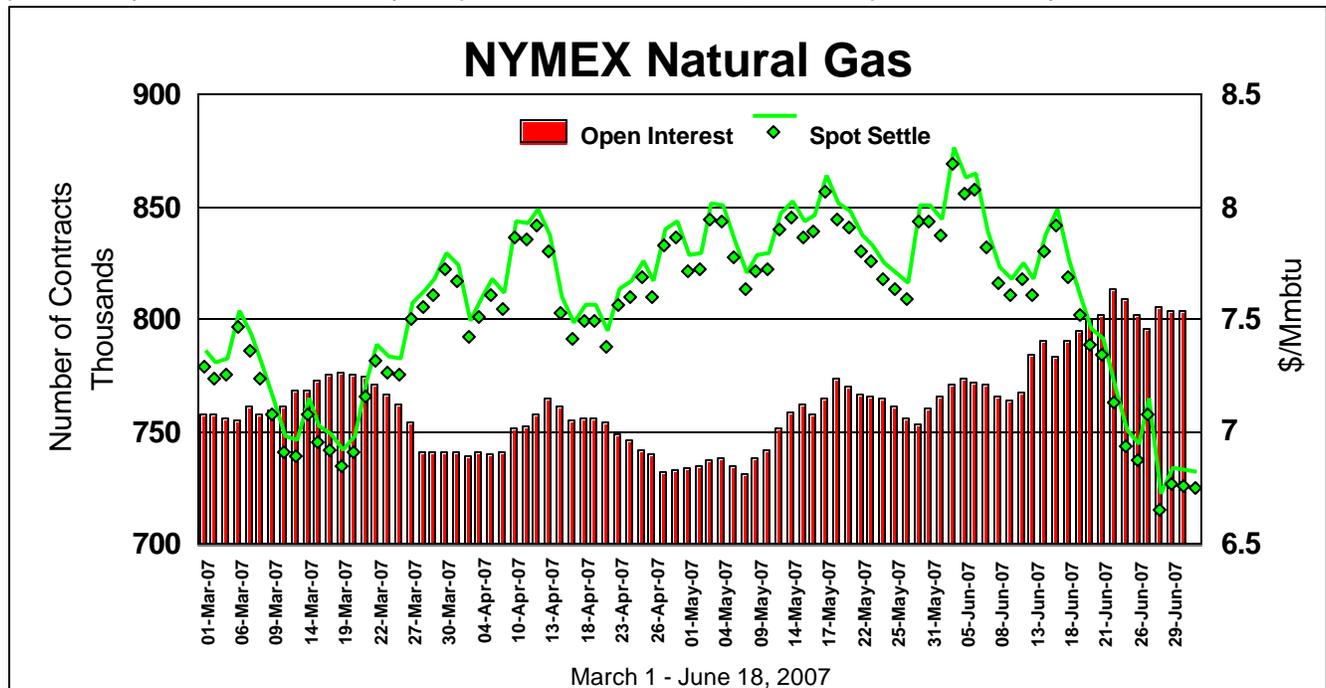
NPCC – Constellation Energy's 600 Mw Ginna nuclear unit increased output back to full power. The unit was operating at 35% capacity on Monday.

Entergy Nuclear's 670 Mw Pilgrim power station cut output to 40% today. The unit was operating at full power yesterday.

WSCC – Energy Northwest's 1,200 Mw Columbia nuclear unit ramped output to 90% power today. Yesterday, the unit was operating at 20% power.

The NRC reported that 94,733 Mw of nuclear capacity is on line, up .77% from Monday, and up 1.31% from a year ago.

Storm Trackers continue to monitor an area of disturbed weather that is associated with a low pressure system located midway between Africa and South America. Currently, there is some convection associated with this low pressure system, but it's not very deep in nature. In addition, there is quite a bit of dry, stable air around this



system, which is inhibiting it from developing further. The global models do not forecast too much out of this system due to the dry air. However, wind shear around this system is favorable for development over the next several days.

PIPELINE MAINTENANCE

Texas Eastern Transmission said that effective immediately, the McAllen system between PEMEX and Tivoli will be returned to service at a reduced pressure of 846 psig. The DOT work between PEMEX and Tivoli is anticipated to continue, with the pipeline operating at a reduced pressure, until July 20.

ELECTRIC MARKET NEWS

Since gaining access to the Angora Fire burn area near Lake Tahoe, 69 of 71 damaged power poles and 25 of 28 electric transformers have been replaced according to Sierra Pacific Power. Also, approximately 15,000 feet of electrical wire destroyed by the fire has been replaced.

MARKET COMMENTARY

Some firmer cash prices specifically from the Southwest helped lift futures early today, with the market trading to a high of 6.839 ahead of the NYMEX open. With the July 4th holiday tomorrow, light volume saw prices move in a narrow range and as NYMEX opened futures came under pressure, trading to a low of 6.706. However, a report from the National Hurricane Center jolted the market a dime to 6.817, when they acknowledged a low-pressure system moving between Africa and South America. The short covered rally was short lived and August futures returned to their down trend trading to the day's low of 6.689 just after midday. As traders filtered out to start their July 4th celebrations, the market drifted toward unchanged before settling down a penny at 6.754.

Climate predictions continue to show no real demand in the key Midwest and Northeast markets. The market is stabilizing at its current level almost waiting for the cooling demand to materialize as we have July and August ahead of us. The storage picture will continue to support the bearish positions as we look for Friday's EIA data to

show a build of around 80 Bcf and though slightly lower than the five-year average injection of 85 Bcf, still enough to close the year-on-year deficit for the tenth straight week. We see support at 6.679, 6.60, 6.529 and 6.40. We see resistance at \$6.829, 6.909, 6.979 and 7.25.

