



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 6, 2007

NATURAL GAS MARKET NEWS

Alaska Labor Department officials said they were investigating safety issues at natural gas facilities at BP's Prudhoe Bay field raised by US Representative George Miller (D-Cal).

The NYMEX announced several margin changes of its natural gas basis and index swap futures contracts. The CIG Rockies basis swap futures contract first month will increase to \$2,700 from \$1,620 for customers. For Florida Gas Zone 3 basis swap, first month margins will increase for customers from \$270 to \$405. For the Northwest Pipeline, Rockies basis swap futures contract, first month margins will increase to \$2,025 from \$1,620. First month margins for Tetco Eastern South/STX basis swap futures will decrease to \$540 from \$675 for customers. Finally, the margins for the first and second months of the Transco Zone 6 index swap futures contract will decrease to \$4,050 from \$5,400 for customers.

Generator Problems

NPCC – Constellation Energy's 600 Mw Ginna nuclear unit ramped up to full capacity. Yesterday, the unit was operating at 68% power.

ERCOT – TXU's 818 Mw DeCordova natural gas fired power plant which has been off line since last June due to a problem with a main transformer, is expected to be returned to its summer peaking generation duties later this summer.

WSCC – Energy Northwest's 1,200 Mw Columbia nuclear unit increased output to full power. The unit was operating at 82% power yesterday.

AES Corp.'s 226 Mw Huntington Beach #1 and #2 natural gas-fired power stations returned to service.

The NRC reported that 95,353 Mw of nuclear capacity is on line, up .34% from Thursday, and up .63% from a year ago.

While the forecast models released at midday appeared to point to cooler than normal temperatures moving into much of the east especially the Midwest and the Northeast after this weekend's mini heat wave passes, AccuWeather late in the day appeared to raise a contrarian's outlook. Joe Bastardi appeared to be calling for a "major heat wave" east of the Mississippi following a brief respite late next week from the mini heat wave expected to move east this weekend, which he sees as being hotter than some forecasts currently calling for. He is looking for the area south of Interstate 80 and north of Interstate 20 to be the center of this pool of hot air especially for the last 10 days of the month. He is also looking for this hot pattern to carry over into August and possibly intensify. West of the Rockies are seen averaging above normal for the rest of the month as well despite some pulses of air where cooling does occur. While most tropical forecasts noted the drier than normal air from the Caribbean to West Africa along with stronger than normal wind shear patterns in the tropical Atlantic, there was some discussion late today as well as the potential for these conditions to begin to change possibly by the middle to later part of next week.

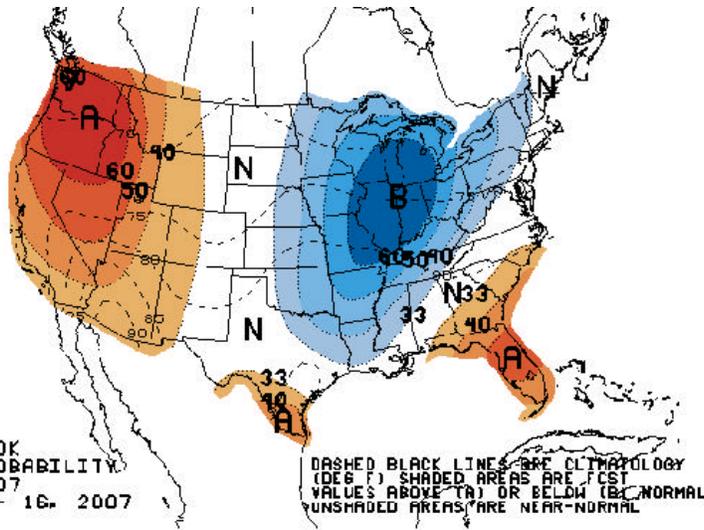
EIA Weekly Report

	06/29/2007	06/22/2007	Net chg	Last Year
Producing Region	867	853	14	842
Consuming East	1278	1224	54	1402
Consuming West	376	366	10	361
Total US	2521	2443	78	2605

*storage figures in Bcf

PIPELINE RESTRICTIONS

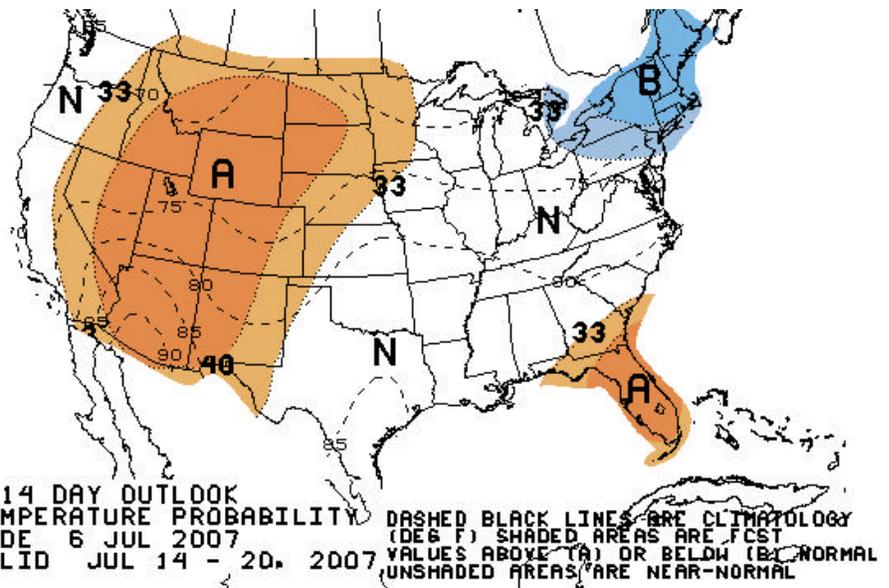
El Paso Natural Gas Company said that due to extremely high ambient temperatures on the west end of the El Paso Pipeline System, available horsepower has dropped significantly and the Havasu capacity will have to be lowered from 670 MMcf/d to 600 MMcf/d. This capacity change is expected to take effect Cycle 1 today.



PIPELINE MAINTENANCE

Northern Natural Gas Company announced it will be conducting planned pipeline maintenance on the Des Moines 1A/1C Branchline July 8-16. In order to perform the maintenance, the branch line pressure will be reduced. 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. The company also said that it will

be conducting planned pipeline maintenance on the Skellytown to Spearman A Line beginning July 9 and through July 13. In order to perform the maintenance, the Eagle Rock Cargray Plant will be shut-in for the repairs. Capacity at the Eagle Rock Cargray Plant will be zero during this maintenance. Finally, NNG said it will perform planned dehydration tower maintenance at the Northrup Compressor Station July 9 and July 10. A total station outage is required to perform this maintenance. Scheduled volume will be zero during this maintenance.



ELECTRIC MARKET NEWS

A joint report commissioned by Greenpeace and the European Renewable Energy Council found that investment in renewable electricity could save up to \$180 billion a year in fuel costs and cut carbon dioxide emissions in half by 2030. The report acknowledges that global annual investment of \$22 billion will be needed over the 23 years to 2030 to pay for the additional renewable energy capacity needed to displace fossil fuels, on top of existing expenditure.

Entergy on Friday said that the FERC has made it “crystal clear” that the agency and not the state regulators, are the ones that who will decide whether the company’s production costs are prudent. Local regulators have filed requests recently seeking the FERC to clarify a June 1st order that they feel has inadvertently eliminated their right to review the company’s production costs.

Sierra Pacific Power Company set a record system electric peak of 1,742 Mw at 5:00 PM PT, breaking the previous all-time record of 1,740 Mw set on July 18, 2005. Electric demand reached 1,701 Mw in 2006.

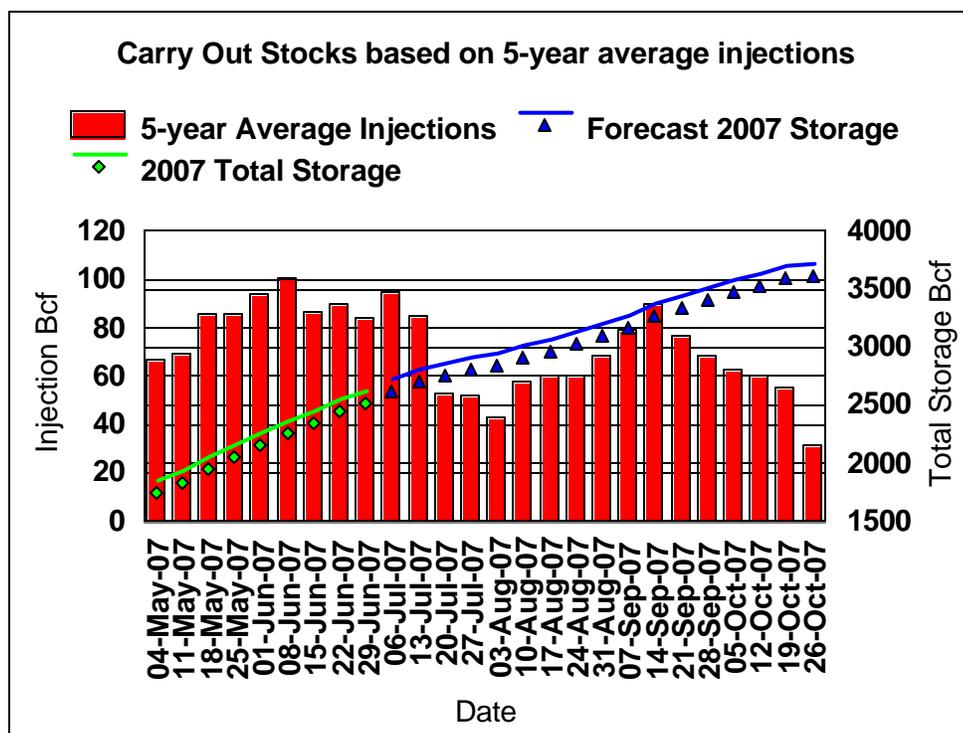
The FERC on Friday approved an \$18 million settlement between BP’s APX Inc and various California power companies and governmental agencies related to the Western energy crisis of 2000-2001. The company had been charged with overcharging for electricity during January 1, 2000- June 20, 2001.

PSEG said Friday that a new New Jersey law seeking to cut carbon emissions will lead to higher power prices as it adds renewable and nuclear capacity and other programs to meet mandated levels. Under the new law, New Jersey must reduce its global warming gases to 1990 levels by 2020 and in 2050 emissions must not exceed 80% of its 2006 output. The company plans to ask state regulators later this year to approve measures that would allow the company to pass along to customers the costs of these new programs it hopes will allow it to meet these emission targets.

MARKET COMMENTARY

The natural gas market opened weaker ahead of the EIA inventory report. The August contract came under pressure ahead of the release, trading through recent support at 6.551 to a low of 6.47 just ahead of the EIA's announcement. The EIA reported that 78 Bcf was injected into the ground for the week ending June 29, inline with expectations. The market reacted by shooting lower to the 6.42 support level where it found some footing and recovered to 7.50 by midday. However, continued moderate forecasts for key consuming regions put the market under pressure and with expectations for next week's injection looking at small triple digits, the August contract resumed selling and traded to a low of 6.362, back filling a gap on the spot continuation chart from January 18-19. Short covering into the close returned the market back above the 6.40 level before it settled down 17.4 cents at 6.444.

Total gas in storage now stands at 2,521 Bcf, 84 Bcf less than last year at this time and 364 Bcf above the 5-year average of 2,157 Bcf. If injections through the remainder of the injection season meet the 5-year average injections, total carry out stocks will be 3.623 Tcf, higher than last year's record 3.452 and 375 Bcf above the 5-year average carry out total of 3.248. We see support at 6.362, 6.30, 6.187, 6.15 and 6.00. We see resistance at \$6.45, 6.60, 6.75 and 7.00.



Due to the July 4th holiday, the CFTC's Commitment of Traders Report will not be released for the week ending July 3rd, until Monday July 9th.