



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 9, 2007

NATURAL GAS MARKET NEWS

The Intercontinental Exchange said today that they are opposed to any new or additional regulation or legislation that seeks to grant federal regulators more authority over ICE's operations. The exchange said that it had voluntarily submitted to information requests from the CFTC on Amaranth's trading positions. The exchange is seeking to block efforts by Senator Levin to grant the CFTC the same regulatory authority over ICE as it has over the competing exchange, the New York Mercantile Exchange. The exchange though does support legislation that would increase funding and staffing for the CFTC and the elimination of the so called "Enron loophole."

Royal Bank of Scotland said its \$1.35 billion deal in its joint commodity trading business with Sempra Commodities, to be called RBS Sempra Commodities, will fill a gap in the company's portfolio and would not impact its capital ratios as it pursues the take over of ABN Amro.

National Grid said today that it had filed a merger settlement with New York regulators for its purchase of KeySpan Corp., offering a five-year gas rate freeze for customers in the state. In addition National Grid has offered to share equally with customers the annual merger savings from its New York City and Long Island businesses. The company hopes that the New York State Public Utilities Commission will vote on the deal by August 22nd.

The U.S. Coast Guard and Maritime Administration have published a draft environmental impact statement on the LNG terminal planned by TORP Technology for offshore Alabama in the Gulf of Mexico. The public hearing is scheduled for July 25th.

The U.S. House of Representatives has scheduled a floor debate for Wednesday on a resolution expressing its opposition to any effort by natural gas exporting countries to form a cartel.

PIPELINE RESTRICTIONS

FGT said that due to forecasted temperatures for its market area it had issued an Overage Alert Day for the FGT Market Area at 15% tolerance.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke coal fired #2 unit returned to service early Monday. The unit had been off line since Friday.

OPG's 494 Mw Lambton #3 coal fired power unit also returned to service this morning. The unit had been off line since June 29th.

SERC – Dominion's 910 Mw North Anna #2 nuclear unit was back on line and at 30% of capacity. The unit was shut on June 29th for unplanned maintenance.

ERCOT – TXU's planned to restart its 545 Mw Sandow #4 coal fired unit later Monday after completing tube leak repairs that shut the unit over the weekend,.

WSCC – AES Alamos natural gas fired power station, units 5 and 6 returned to service today. Both units had been off line since July 6 for unplanned maintenance.

Mirant's 682 Mw unit #7 at the Pittsburg natural gas fired power station returned to service late Friday but was not back at full power until Sunday evening.

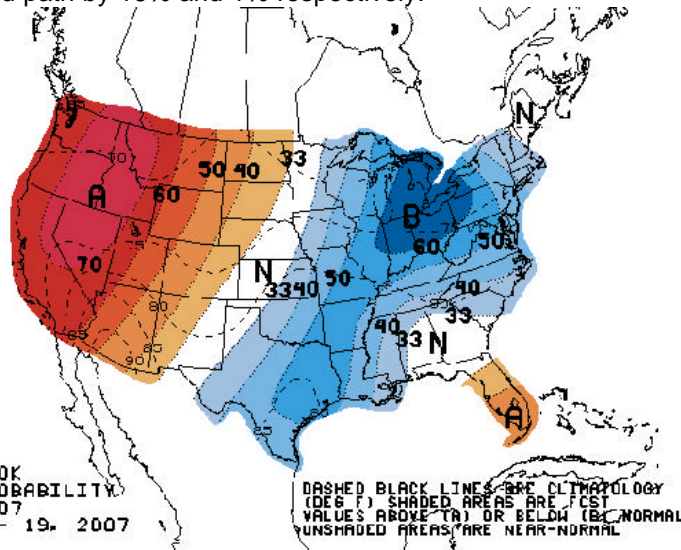
APS said today that it would delay by one week the restart of its 1314 Mw Palo Verde #1 nuclear unit. The unit has been off line since May 19th.

The NRC reported that 95,612 Mw of nuclear capacity is on line, up 0.27% from Friday, but off 0.55% from a year ago.

Williston Basin Interstate Pipeline said it would be conducting HCA Hydro-tests on the Cabin Creek – Bismark Line in North Dakota. The test was starting today and slated to end on Monday. During the period of Hydro-testing mainline gas flow potentially be affected. Testing was also slated for the Elk Basin – Billings for July 9-13th and July 16- July 20th.

PIPELINE MAINTENANCE

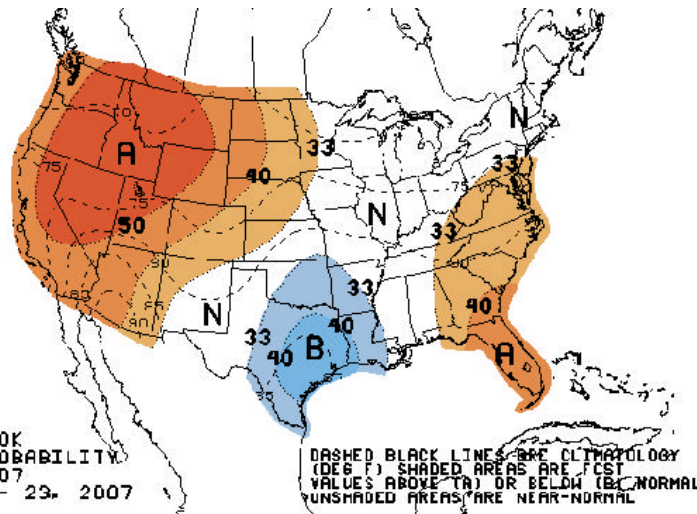
PG&E California Gas Transmission that due to maintenance work capacity will be reduced this week on the Baja path and Redwood path by 16% and 1% respectively.



TransColorado Gas Transmission said it would perform maintenance work on its Dolores Compressor Station on July 10th. Capacity through Segment 220 will be limited to 325,000 Dth, while capacity on Segment 240 will be limited to 375,000 Dth. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled.

Northwest Pipeline said today that on July 10th it will be conducting ESD testing at the Burley compressor station. If net

primary nominations north through the station exceed available capacity of 567,000 Dth/d, the company will declare a Deficiency Period and cut nominations. In addition if the net primary north nominations exceed the design capacity of 593,000 an OFO will be issued.



Northern Natural Gas Company said that it will install measurement facilities on the Hugoton to Sublette Compressor Station B line on July 10th and 11th. The work will result in the PEPL/NNG Sublette South to be shut in for 12-14 hours on Tuesday and 6-8 hours on Wednesday.

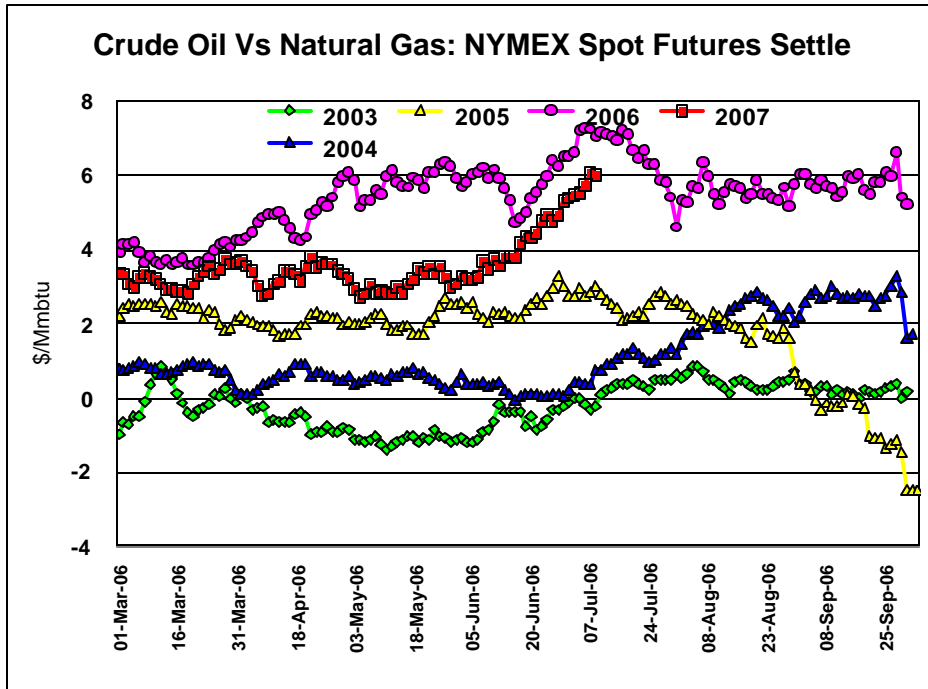
Questar Pipeline said it would begin compressor maintenance at Eakin #7 and the work is expected to last for 4 days.

ELECTRIC MARKET NEWS

Burlington Northern Santa Fe said that its major coal route that had been out of service since June 30th due to flooding in Kansas has returned to service today. It said that the main line was back in service as well as smaller routes. The outage had stopped deliveries to several power plants in the southeast including two operated by Southern Company.

The Midwest ISO today issued an emergency warning for the FirstEnergy service territory in Ohio due to unplanned generation outages and expected heavy power usage. Spot power prices jumped at times today to over \$500 per Mwh.

The U.S. Northwest River Forecast center on Monday reported that they see water flows through the Dalles Dam would be at 89% of normal for the January-July period, unchanged from its June 28th forecast.



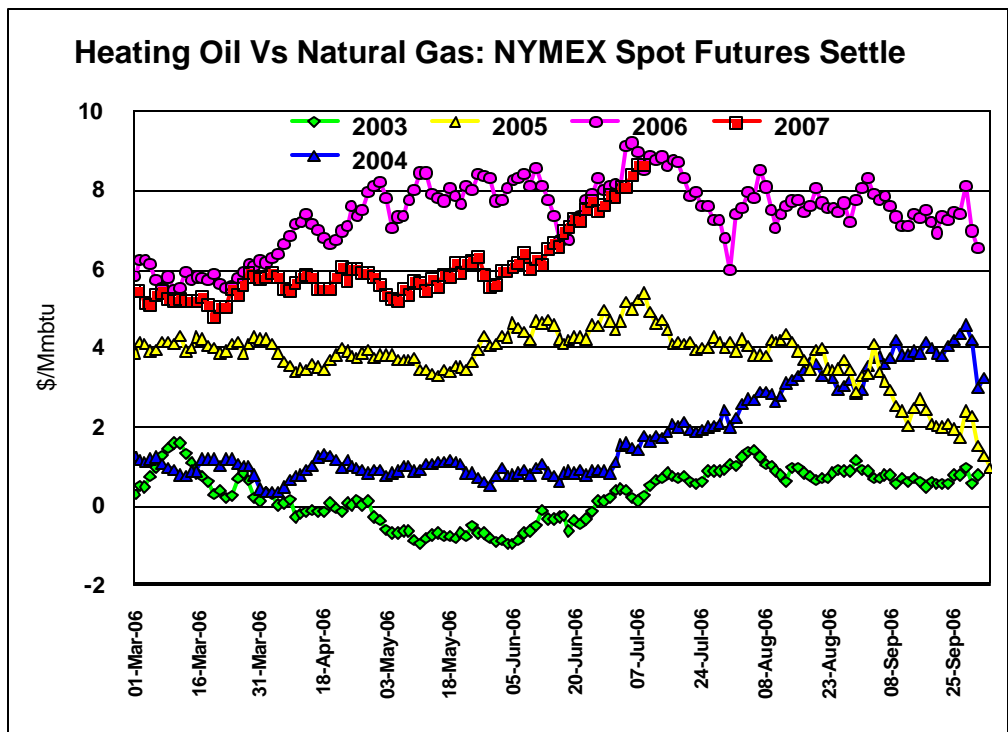
MARKET COMMENTARY

The natural gas market started out weaker Sunday evening on bearish 6-10 day weather forecasts which called for the current heat wave east of the Rockies to be a distant memory as cooler than normal temperatures move into the region by week's end. But prices moved into positive territory as the floor session was set to begin helped in part by escalating spot power prices that helped to push spot natural gas futures out to over a twenty cent gain by mid morning. But the inability of the market to breach Friday's highs seemed to prompt bulls to cash in and run for cover and by mid afternoon the market was back in negative territory settling

lower for the sixth consecutive session.

This evening's 6-10 day temperature outlook from the NWS was not quite as bearish as the Sunday evening forecast, and this evening's 8-14 day outlook appears to be a bit more supportive as well as the western half of the nation remains sweltering along with the Southeast returning to above normal temperatures as well.

We feel that given the extreme oversold nature of this market currently with daily stochastics basically on the verge of moving into single digits, coupled with the high premium oil prices hold over natural gas, it is



difficult in our minds to see this market to erode significantly lower at this time. We see support tomorrow at \$6.362 followed by \$6.295, \$6.223, \$6.15 and \$6.064. Resistance we see at \$6.526, \$6.65, \$6.685, \$6.757 and \$6.839. More distant resistance we see at \$7.045 and \$7.256.

