



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 12, 2007

NATURAL GAS MARKET NEWS

Weather forecasters were noting that drier than normal air embedded with African dust is covering a large portion of the tropical Atlantic from Africa to the Lesser Antilles. This large dry air mass appears to be creating more sinking than rising motion over the tropical Atlantic. Meanwhile weather forecaster Joe Bastardi, noted this morning that this dry air mass will result in other weather forecasters shortly lowering their forecast for the number named storms in the Atlantic basin this season.

The National Weather Service reported today that the latest weather conditions in the tropical Pacific Ocean show prior trends toward abnormal cooling abated, but chances of the La Nina anomaly increasing later in the summer were seen at about 50%. Forecasters now see neutral conditions continuing in the meantime. Government forecasters earlier had based their active hurricane forecast on the development of a La Nina condition in the Pacific.

Canadian Gas Association

Weekly Storage Report

	06-Jul-07	29-Jun-07	07-Jul-06
East	159.2	147.5	179.5
West	293.4	288.9	176.7
Total	452.6	436.4	356.2

storage figures are in Bcf

Statoil said Thursday that gas production at its Sleipner A platform in the North Sea was almost back to normal after a "minor technical" disruption. A glitch occurred on July 11th, but the company declined to fully detail the production loss. Elsewhere in the North Sea the BP operated Central Area Transmission System (CATS) has been shut down since July 1st after a concrete coating was damaged several days earlier by a ship's anchor. The line, which transports gas from the oil and gas production in the central North Sea to Teeside on the north coast of England.

Gazprom announced today that it had chosen to work with Total in developing the giant Russian Shtokman gas field. Total will receive a 25% stake in the field, as some \$15-\$18 billion is needed to invest in the first phase of development of the field. The field has an estimated reserve of 3.7 trillion cubic meters of gas, enough to supply the world for over a year. Under the latest plan it will produce around 25 bcm a year, supply half to Europe and half to the United States from 2013-2014.

The leftist popular Revolutionary Army in Mexico has claimed responsibility for four attacks to PEMEX's pipelines that carry natural gas, LPG, crude oil and gasoline over the past week. The disruption in natural gas supplies has forced the closure of up to 1200 companies a trade group reported today. PEMEX said late Wednesday that it was restoring natural gas service to the central city of Queretaro and western areas, and that full service would be

EIA Weekly Report

	07/06/2007	06/29/2007	Net chg	Last Year
Producing Region	896	867	29	861
Consuming East	1348	1278	70	1456
Consuming West	383	376	7	374
Total US	2627	2521	106	2691

Generator Problems

NPCC – OPG reported that it had shut its 490 Mw Nanticoke coal fired Unit #5 early Thursday for short period of maintenance.

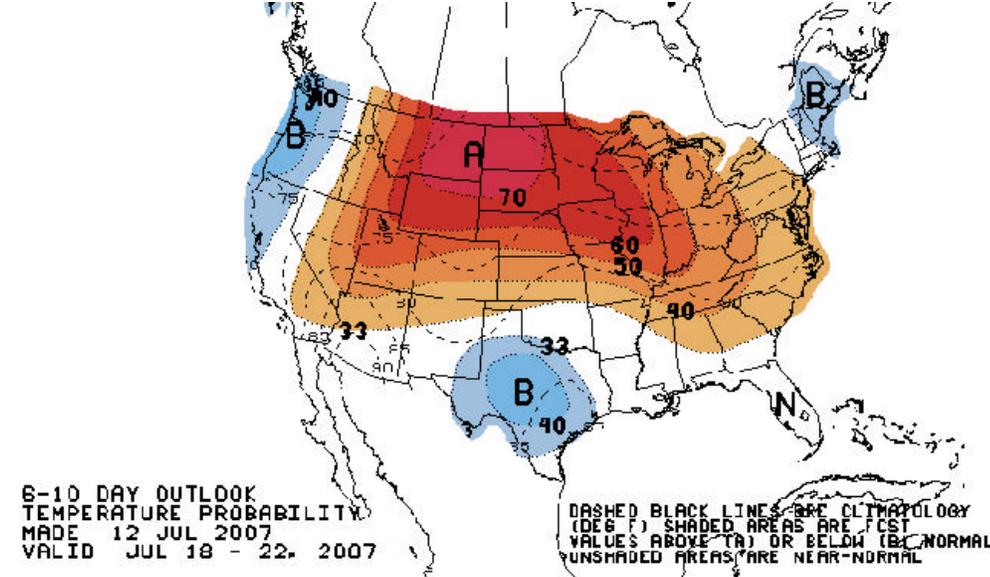
Bruce power restarted its 750 mw Bruce #3 nuclear unit following completion of repairs that began on July 9th.

MISO

The NRC reported that 95,570 Mw of nuclear capacity is on line, down 0.02% from Tuesday, and off 0.74% from a year ago.

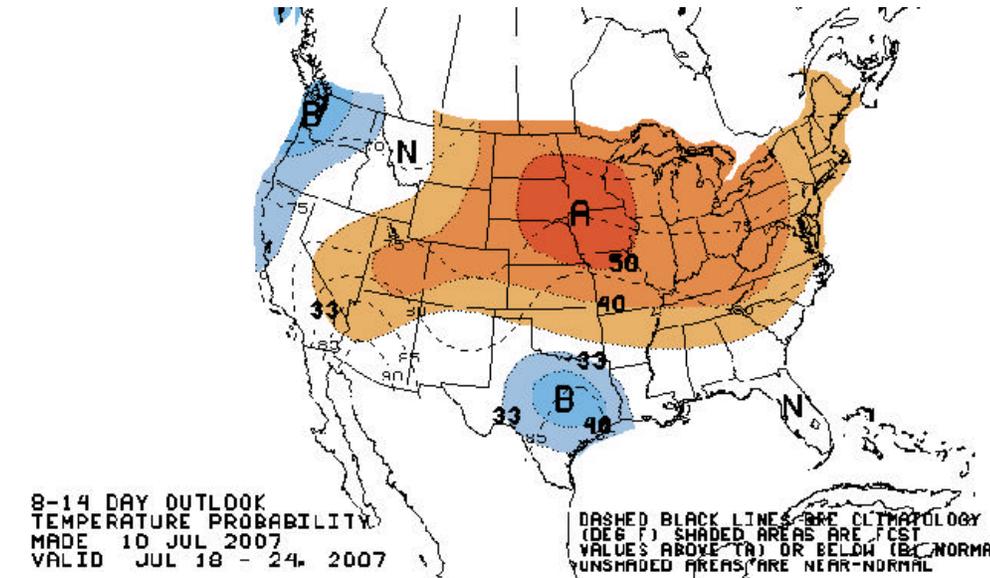
restored by the end of the week. The Mexican government has said it has deployed soldiers and federal police to protect Pemex's oil wells and pipelines from further attacks.

The CFTC testifying before Congress today said that regulators are investigating about 100 instances of possible manipulation in the U.S. energy markets, but the markets are safe and current high energy prices reflect supply demand conditions. The CFTC noted that a complete overhaul of the current regulatory structure is neither warranted or advisable. The GAO testified that CFTC data it analyzed revealed that from the middle of 2003 through the end of 2006 the trading activity of hedge funds and other managed money participants became "increasingly balanced" between those that expected energy prices to rise and those that thought prices would fall. Meanwhile U.S. Congressmen Graves and Barrow said today that they would introduce legislation that would give the CFTC new authority to define and require reporting large positions in the natural gas market.



A natural gas trader, Roberto Gracey, filed a lawsuit today naming Amaranth Advisors as well Amaranth's principal Nicholas Maounis and JPMorgan Chase, one of the funds prime brokers, alleging he lost money because the hedge fund that collapsed last year after \$6 billion in losses manipulated natural gas prices. The lawsuit is seeking class action status. It seeks to represent people who bought or held NYMEX natural gas futures

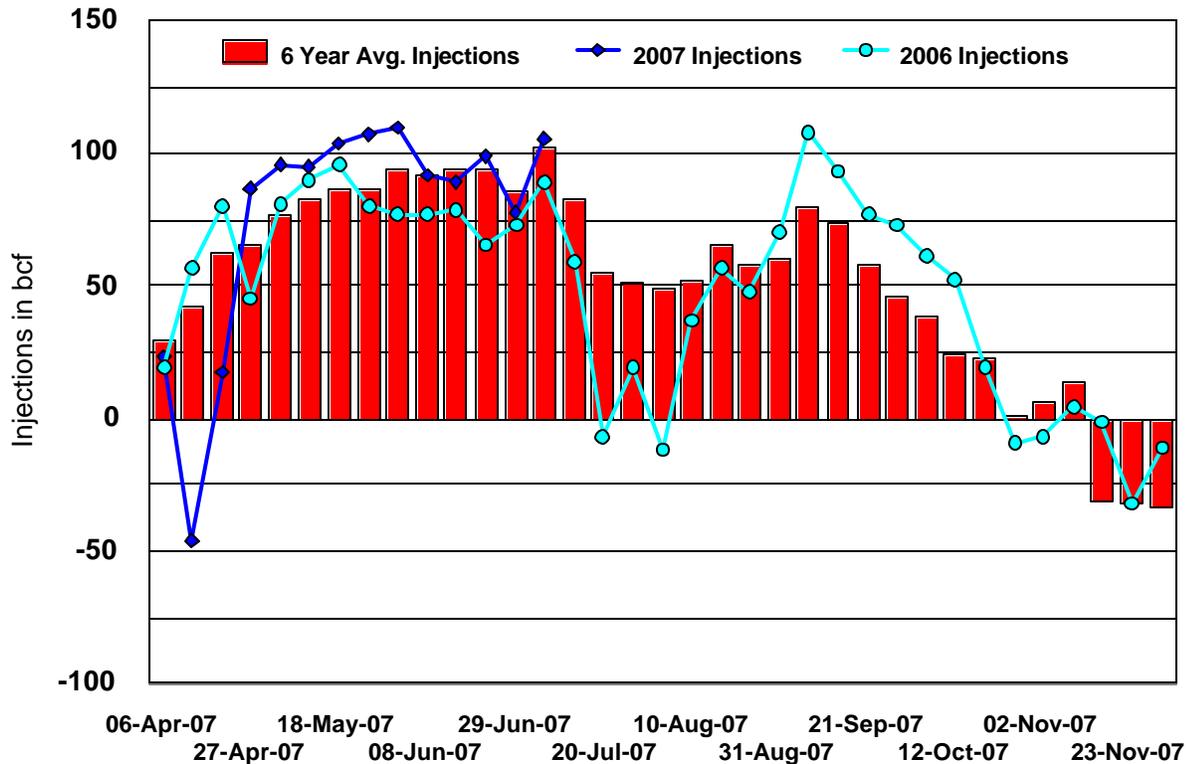
contracts between February 23, 2006 and September 20, 2006.



NYMEX said today that it will change margins for its natural gas index swap futures contracts, effective the close on July 13th. Margins for the first and second months of Demarcation, Social, Dominion, San Juan, PG&E City Gate, El Paso/Permian, Henry Hub, Houston Ship Channel, ANR OK, Rockies, Sumas, Panhandle, NGPL Mid-Continent and NGPL Tex/OK index swaps will remain unchanged. The margins for third month

will decrease to \$270 from \$338 for customers. Margins for all other months will remain the same. The margins for the first and second months of the Transco Zone 6 index swap will remain unchanged. Margins for the third month will decrease to \$270 from \$1350 for customers. The margins for all other months will remain the same.

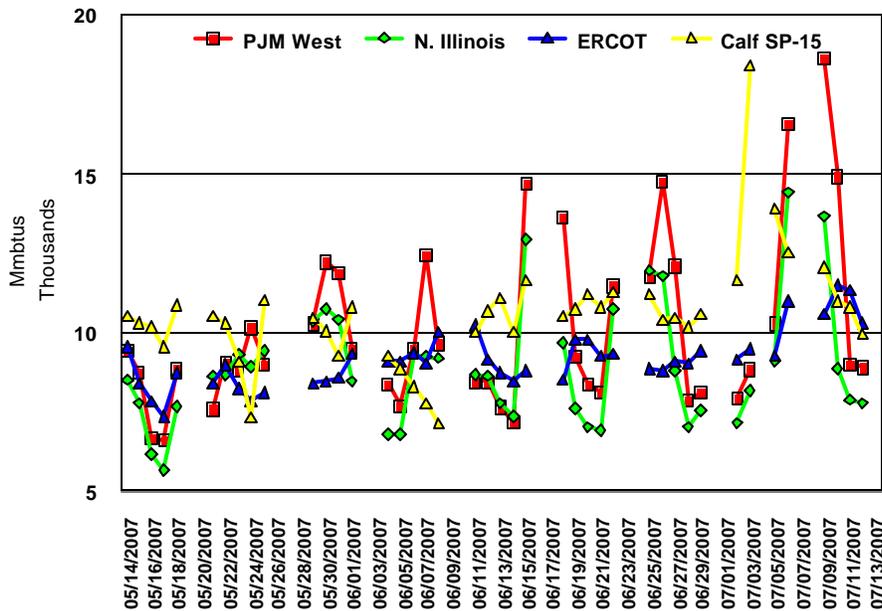
2007 EIA Survey Injections VS 6-Year Average



Margins on the first and second month of the TETCO M-3 index will remain unchanged while margins on the third month will fall to \$270 from \$1013. All other months' margin rates will remain the same.

Implied Heat Rates

June 2006 Avg: PJM: 9,801; N. Illinois: 8,617; ERCOT: 10,695; SP-15: 10,314



The Department of Justice announced that it had reached a deal with Mirant Energy Trading, in which the company would pay an \$1 million penalty under the terms of a deferred prosecution agreement. The agreement resolves criminal allegations related to the submission of knowingly inaccurate reports by ex-traders concerning cash natural gas transactions.

Sonora pipeline received FERC approval to site, construct, operate and maintain two bi-directional border crossing natural gas facilities and approval to site, construct, operate and maintain the U.S. portion of a pipeline that will run 29 miles of a 30-inch line and interconnect with U.S. and

Mexican pipelines. The Burgos Hub Export/Import Project is expected to help meet the demand for importation of natural gas into Mexico beginning in 2010. Additional Mexican approvals are expected later this year.

Peru LNG officials said that they hope to have around \$2 billion in financing will be in place by the end of the year. Officials said that project construction's on track to be finished by mid 2010. The LNG plant is expected to have an initial production capacity of 4 million metric tons a year or 625 Mmcf/d, with the gas coming from production fields in southeast Peru.

PIPELINE RESTRICIONS

FGT said that it has extended its Overage Alert Day notice due to warm temperatures forecasted for Florida today. The Overage Alert Day tolerance was set at 20%. FGT said that it has extended its Overage Alert Day notice due to warm temperatures forecasted for Florida today. The Overage Alert Day tolerance was set at 20%.

PIPELINE MAINTENANCE

ANR Pipeline said that it has completed the unplanned engine maintenance at its Sandwich CS and the associated capacity restriction will be lifted effective SOD today.

Columbia Gas Transmission said that due to pigging between Banner and Corinth compressor stations, the Delhi Constraint Point is being reduced to a total capacity of 1,806,000 Dtm. This reduction is effective on July 13th and until further notice.

ELECTRIC MARKET NEWS

The EIA released their latest Electric Generation Report for April 2007 this morning. It showed that higher heating demand coupled with higher industrial demand led to a total net generation being 2.3% higher than in April 2006. During the month coal generation was up 3.5% but the biggest gains came from natural gas fired generation and oil-fired generation, which was up 10.4% and 30.1% respectively. Nuclear power based generation was off 0.5%. Year to date, net generation was up 4% during the first four months of the year. Coal fired generation saw a gain of 2.3%, Nuclear 2.0% gain, natural gas fired generation up 18.3% and oil-based generation up 57.7%. Hydroelectric based generation though was off 12.1%. In April 2007, electric power sector coal stocks were at their highest levels since June 2002. Stocks in April were some 25.7 million tons higher than a year ago.

U.S. coal production for the week ending July 7th reached 19.635 million short tons, down from last week's production level by 11.2% and down 7.3% from the same week a year ago. Year to date production is off 2.4% from a year ago.

Entergy Louisiana has asked state regulators to approve its \$1.55 billion plan to reconfigure an existing natural gas unit at its Little Gypsy power plant so it could burn petroleum coke and or coal as well. The new unit would provide 538 Mw of base load generation. It will replace the existing 545 Mw Unit #3. The company hopes to have the project completed by 2011-2012.

MARKET COMMENTARY

The natural gas market started this morning a bit weaker as tropical forecasts released this morning continued to show little or no storm threats on the horizon. In fact several forecasters were making note of the particularly dry dust laden air mass over much of the tropical Atlantic which was over the near term hindering any tropical storm development. The market though appeared to mark time before the release of the weekly EIA storage report. The report showed a 100+ build in stocks and as we suspected this gave the market a bearish jolt to the downside. But as traders began to look at the details of the report it was found that 10 bcf of this build was the result of reclassifying 10 bcf of gas from base gas to working gas. As a result the report would have shown a 96 bcf build, dead on market expectations, if not for the revision. As a result prices recovered quickly after this initial market sell off, but the rally was short-lived and bears returned to the market to send prices back down to re-challenge support at \$6.36. Prices eroded into midday reaching \$6.301 before the midday forecasts once again flipped, this time towards the bulls showing slightly better prospects for cooling demand over the 11-15 day period especially in the east. As a result prices recovered 20 cents and finished the day basically back where it began off a dime.

Open interest reports from the NYMEX at midday continue to puzzle us. Over the past three sessions open interest has grown despite the market moving on each day in opposite directions, showing simply bulls and bears picking different days to come to the market.

We continue to hold our lightly bullish view of the natural gas market. We feel encouraged that despite a "bearish" storage report that this market held in there and did not fall to our next major level support which we see at \$6.20. We feel though that given tomorrow being a Friday in the summer there is a good possibility that this market could post a non-descript inside trading day, unless there is a major change in weather forecasts. We see initial resistance tomorrow at \$6.66-\$6.67, \$6.85, \$7.00 and \$7.03. More distant resistance we see at \$7.226 and \$7.44. Support we see at \$6.31-\$6.30 followed by \$6.20, \$6.128 and \$6.00 and \$5.95.