



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 17, 2007

NATURAL GAS MARKET NEWS

National Grid denied reports circulating in the UK natural gas market that the LNG carrier Berge Arzew had arrived at the Isle of Grain LNG terminal. The ship, which has been anchored off the southwest coast of England since Monday is expected to off load on Thursday when a slot at the terminal opens up at 0600 GMT. Meanwhile spot gas prices in the UK appeared to stabilize today, with gas for delivery Tuesday up half a penny to 33.35 pence per therm but falling to 33.25 pence for Wednesday delivery.

Indonesia while currently looking to change its official price selling formula for crude oil effective August 1st, it will keep utilizing the old formula for crude oil as it prices its LNG exports in August. Indonesia sells LNG under long term contracts to Japan, South Korea and Taiwan.

Generator Problems

WECC- APS 1314 Palo Verde #1 nuclear unit was still off the grid this morning. While operators were reportedly starting to restart the unit on Monday, as of this morning the unit was still at 0% capacity.

PJM – Exelon's 619 Mw Oyster creek nuclear power station was taken off line unexpectedly this morning. The unit had been operating at full power since May 7th.

The NRC reported that 96,212 Mw of nuclear capacity is on line, up 0.05% from Monday, but off 0.31% from a year ago.

U.S. Produce Price Index declined by 0.2% in June after shooting up 0.9% in May. The June decline was the first drop since January 2007. After stripping out volatile food and energy costs, core prices in June climbed 0.3% after gaining 0.2% in May. Market expectations had been for the core values to climb 0.2% in each month. Meanwhile the Federal Reserve reported this morning that U.S. industrial output rose by a slightly more than expected 0.5% in June, while May saw a revised 0.1% decline following a previous flat reading initially.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	946,200	\$6.336	\$0.014	(\$0.131)	\$0.106	(\$0.319)
Chicago City Gate	362,400	\$6.263	\$0.026	(\$0.014)	\$0.123	(\$0.240)
NGPL- TX/OK	657,000	\$6.026	\$0.013	(\$0.251)	\$0.110	(\$0.439)
SoCal	923,000	\$6.012	\$0.024	(\$0.265)	\$0.120	(\$0.450)
PG&E Citygate	640,700	\$6.239	(\$0.052)	(\$0.038)	\$0.045	(\$0.143)
Dominion-South	433,900	\$6.872	\$0.097	\$0.595	\$0.194	\$0.335
Transco Zone 6	233,900	\$7.110	\$0.155	\$0.833	\$0.252	\$0.462

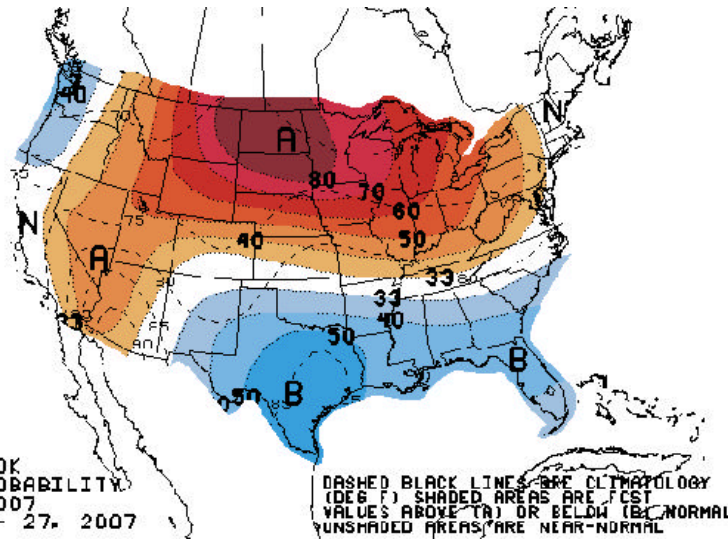
NiSource Gas Transmission & Storage will hold a binding open season for storage and transportation capacity at its field south of Columbus, OH through July 31st.

The NOAA's National Climatic Data center

reported that for the contiguous United States, the first half of 2007 was the 18th warmest since records began back in 1895. June 2007 was the 23rd warmest June on record, running 1.4 degrees F above the 20th century average, causing the residential usage of energy to be some 1.5% higher than normal.

Tropical weather development remains absent in the tropical Atlantic currently. While a tropical wave in the central Caribbean was showing some associated thunderstorm activity, wind shear conditions in the region appear to be keeping the system in check and will do so for the next several days. The long range GFS and

European models both though continue to point to a large scale shift in the overall weather pattern, so that starting next week a large ridge of high pressure will set up over the eastern U.S. and western Atlantic, which should promote tropical cyclone formation and bringing with it an increased risk to the Gulf of Mexico and the Southeastern U.S. through August and perhaps into September as well.



Plains Exploration & Production announced that it will nearly doubled its domestic natural gas production as it will buy Pogo Producing Company in stock and cash in a transaction valued at \$3.6 billion.

The U.S Department of Transportation pipeline safety regulators issued a final rule Tuesday requiring operators to explain a reduction in natural gas pipeline pressure

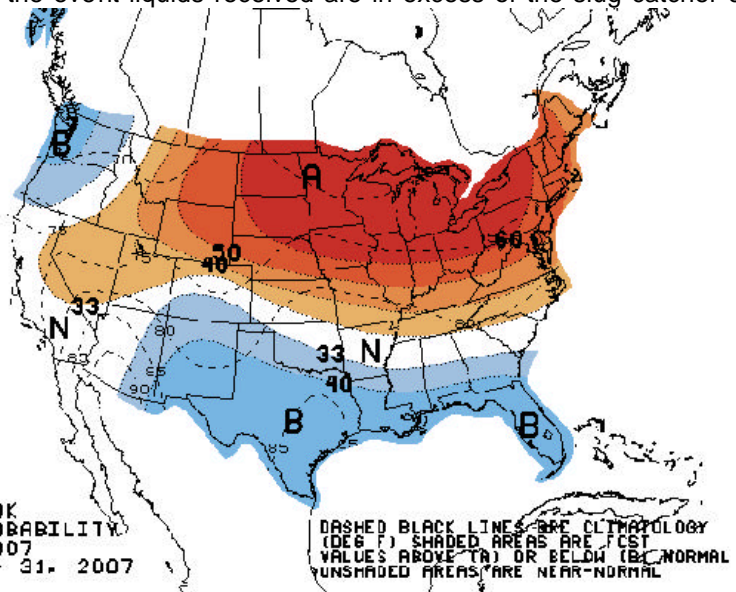
that last for more than a year. The agency though dropped a proposal opposed by pipeline companies that would have required the companies to explain all pressure reductions tied to repairs.

The Australian company Santos announced its plans to build an export-oriented LNG plant at Gladstone, on the east coast of Australia. The facility would utilize the company's onshore coal seam gas resources. The single train plant is targeted to produce between 3-4 million mt/year of LNG and would cost approximately \$4.5 billion. Construction is slated to begin in 2009 and enter production by early 2014.

PIPELINE MAINTENANCE

ANR Pipeline said that it has completed the engine repairs at its Sandwich Compressor Station and the associated Sandwich east capacity restrictions will be lifted

Enbridge Offshore Pipelines said that it was set to launch the initial pig run from West Cameron 509 to West Cameron 148. In the event liquids received are in excess of the slug catcher capacity, there will be a probable service interruption.



The duration of any interruption is dependent upon the time to process the liquids and the amount of liquids received. On July 19th, upon completion of the West Cameron 509 to West Cameron 148, a second pig we be launched, weather permitting, from West Cameron 148 to Stingray's onshore facilities at Holly Beach.

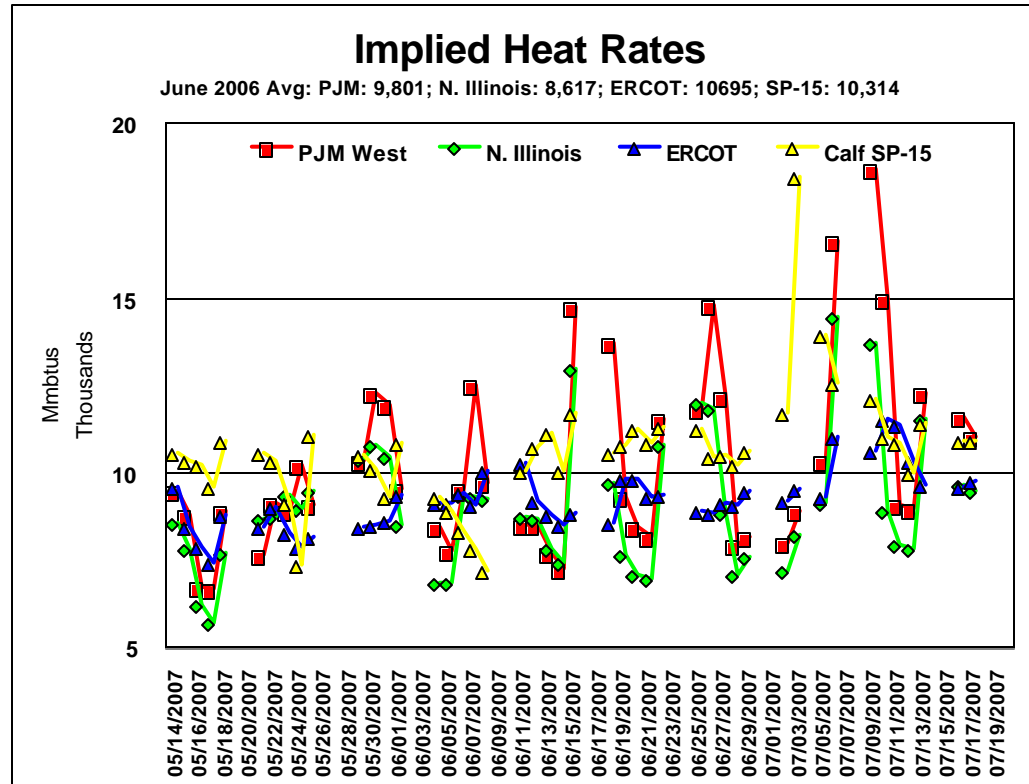
Colorado Interstate Gas Company said that the Greasewood Compressor Station went down for unscheduled maintenance

July 16th.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. coal supplies at power generators fell nearly 1.8% last week, or 2.65 million tons. It is the fourth week in a row that supplies have declined. Currently there is some 24.2% more coal in power plant stocks than a year ago at this time, or 53 days of forward supplies some 10 days more than a year ago. Genscape noted that the outage along the major coal shipping rail line operated by Burlington Northern Santa Fe that lasted June 30 through July 9th

did not significantly cut coal supplies but rather redistributed these supplies.



Idaho Power reported that it had set another power demand record last Friday at 3,193 Mw. This was the third time in nine days that the utility set a new power demand mark. The company said that about one third of its power needs have been met by off-system power purchases. Temperatures have been running some 10+ degrees above normal in its service area.

National Grid and Keyspan Corp have agreed with the staff of New York's Public Service Commission to enter into a long term, fixed price contract for the output from the Ravenswood power plant in Queens, NY within three years or divest the plant. KeySpan currently operates the 2450 Mw plant as a merchant plant, selling the power from the plant into the NY wholesale market.

ERCOT said today that unplanned generation problems forced the agency to issue a notice that afternoon power demand could exceed available supply. ERCOT requested all power scheduling agencies to update their afternoon supply plans.

MARKET COMMENTARY

While the natural gas market started out the morning with higher prices as the expectations for hotter temperatures later this week and next week along with stronger spot cash prices seemed to boost prices back toward the \$6.50 level. But the inability of the market to breach yesterday's highs seemed to take the wind out of the sails of this up market and profit taking seemed to drive values back into negative territory and by midday the selling pressure even breached prior support at \$6.30 and allowed prices to fall all the way down to \$6.237, the lowest price in the spot contract since January 18th of this year.

We feel that some technical damage was done today with the \$6.30 being breached. While we feel that this market still over the intermediate term has more upside potential than it does to the downside, given the weather forecasts and the increasing potential for tropical weather, we feel that the bears may have created a small window in which they could make a quick strike to the downside over the next couple of days in an attempt to breach the \$6.00 level. We would stop ourselves out of our wavering long position if prices breach the \$6.15 level

over the next couple of days. We see initial support at \$6.23 followed by \$6.18, \$6.15, \$6.082, \$6.00, \$5.926 and \$5.75. Resistance we see at \$6.434, \$6.514, \$6.59, and \$6.668. More distant resistance we see at \$6.849, \$6.968 and \$7.194.