



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 18, 2007

NATURAL GAS MARKET NEWS

Waterborne Energy, an industry consultant that tracks LNG shipments estimated today that the recent record levels of LNG imports into the U.S. since April will begin to taper off in August as a result of landed prices in Europe and Asia rise. But the group looks for U.S. imports of LNG this winter to run at relatively high levels when compared with previous years because of the increased worldwide supply. The group estimated that July imports into the U.S. will set a new monthly volume record of 3.3 Bcf/d, slightly better than the prior record set in April at 3.28 Bcf/d.

The FERC today granted Rockies Express Pipeline LLC more time to complete their work on Phase II of a 326 mile pipeline system that will tie in with the rest of the Rockies Express Pipeline in northern Colorado.

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 back on line and at full capacity once again.

The NRC reported that 96,210 Mw of nuclear capacity is on line, basically unchanged from Tuesday, but off 0.22% from a year ago.

Supportive temperature outlooks appeared to make the rounds in the market today and were reconfirmed at midday. EarthSat called for above normal temperatures moving into the Midwest by next Monday and will expand across most of the northern half of the country by July 26th. The hot weather is seen remaining in place at least through August 1st. AccuWeather is currently calling for seven consecutive days of 90+ degrees in New York City starting next Wednesday. Meanwhile forecasters at AccuWeather noted that current water temperatures in the Gulf of Mexico, northwestern Caribbean and into the Atlantic north of the greater Antilles is well above normal and fast approaching those levels recorded in 2005. This coupled with the arrival of the 40-day wave large scale upward motion pulse in the Western Hemisphere should lead to mid to late August and into September seeing a burst of action in tropical activity with the potential for major hurricanes to develop very close to land. Currently there is no pressing tropical system to closely monitor. One model though warns of the potential of some development of a tropical wave just east of Barbados as well as an area of low pressure near the Cape Verde Islands.

UK natural gas prices finally declined today by 7.1% to 31 pence a therm, with gas for delivery in the six month heating season starting in October fell 1.8% to 44.25 pence a therm.

The Dutch Ministry of Economic Affairs has

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	588,500	\$6.226	(\$0.109)	(\$0.389)	(\$0.259)	(\$0.356)
Chicago City Gate	406,900	\$6.140	(\$0.123)	(\$0.313)	(\$0.299)	(\$0.285)
NGPL- TX/OK	474,200	\$5.939	(\$0.087)	(\$0.514)	(\$0.263)	(\$0.479)
SoCal	886,000	\$5.963	(\$0.050)	(\$0.491)	(\$0.226)	(\$0.492)
PG&E Citygate	883,800	\$6.130	(\$0.109)	(\$0.323)	(\$0.285)	(\$0.206)
Dominion-South	373,300	\$6.688	(\$0.184)	\$0.235	(\$0.360)	\$0.282
Transco Zone 6	354,800	\$6.884	(\$0.225)	\$0.431	(\$0.401)	\$0.428

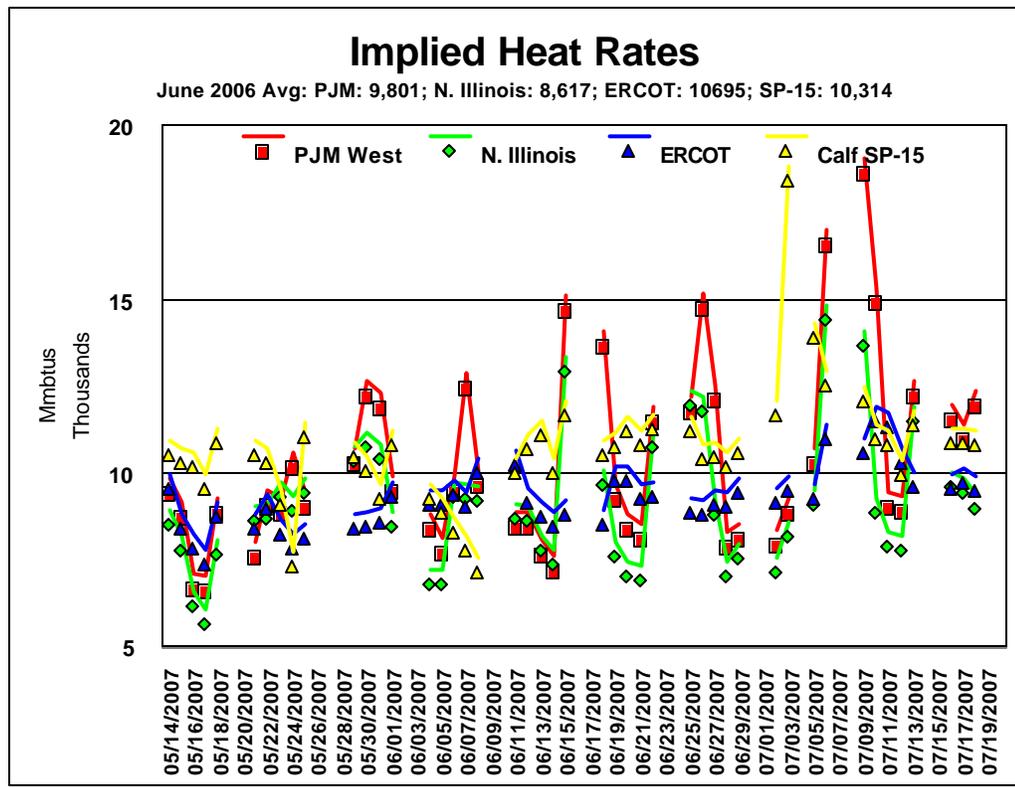
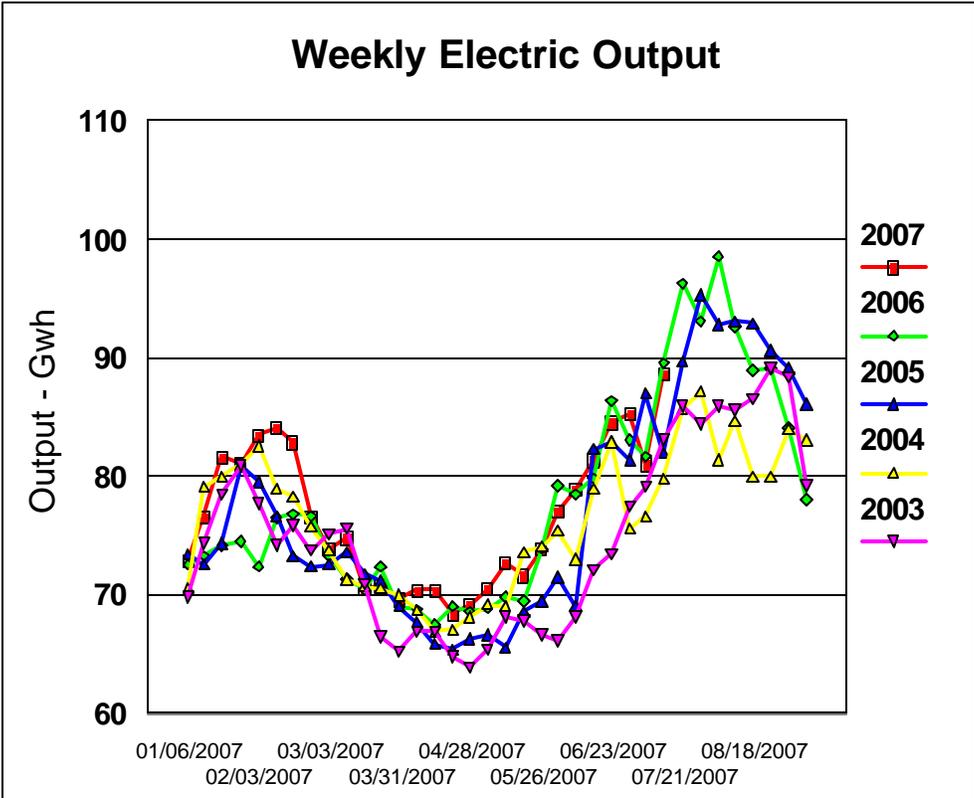
granted LionGas an exemption for regulated third party access to its proposed LNG regasification terminal at Rotterdam. The regulatory exemption allows 4Gas to sell capacity to third parties on a negotiated basis and aids in project financing. The terminal has a planned capacity of 9 billion cubic meters per year and hopes to begin operations by 2010-2011.

PIPELINE RESTRICTIONS

FGT said that due to high temperatures in its service area, coupled with low linepack, it was issuing an Overage Alert Day for the market area at a 25% tolerance.

PIPELINE MAINTENANCE

Northwest Pipeline said that as a result of maintenance work at the Washougal and Lava Hot Springs compressor stations scheduled quantities have been reduced north through the Kremmerer and Lava corridors. Through the remainder of the work,

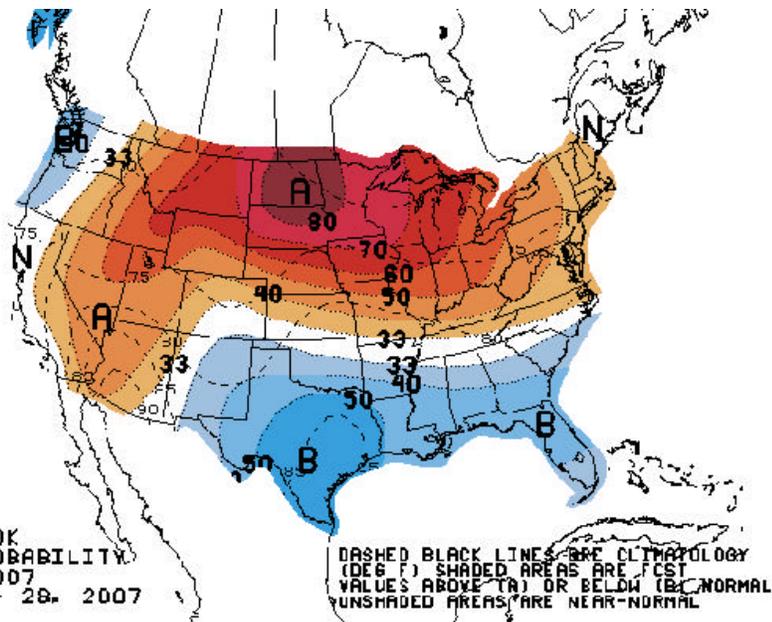


which is scheduled to be completed July 20th, the company will schedule up to 516,000 Dth through the Lava compressor station and will allow alternate fir to flow north through the Kremmerer and Lava compressor stations if primary firm nominations do not fill the pipeline up to available capacities.

CIG said that its Greasewood Compressor Station remains down for unscheduled maintenance and it was forced to reduce scheduled nominations through the Greasewood Compressor to 140 mmcf for today's gas

day. The company has planned to return the location to full capacity for Intraday 1 cycle today.

Gulf South Pipeline said that due to scheduled maintenance at Carthage (HPL) in Panola County, TX, that began July 17th, force majeure conditions will affect Gulf South's ability to provide service at the location effective immediately and until further notice. The location will be shut in and unavailable for service for the duration of the maintenance work.



ELECTRIC MARKET NEWS

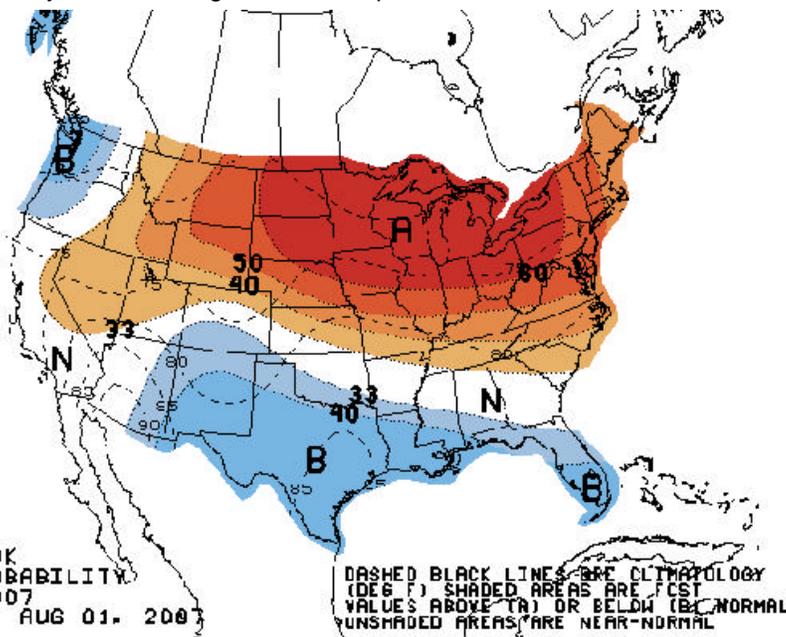
The Edison Electric Institute reported that for the week ending July 14th, the U.S. saw some 88617 Gwh of power produced. This was some 9.3% higher than the prior week but 1.01% less than the same week a year ago.

Idaho Power reported that the 345 kV transmission line returned to service on Friday after its crews had replaced nearly 30 structures that had

been destroyed by a recent range fire. The other transmission line that was damaged in the fire had returned to service four days earlier.

The Federal Trade Commission and the U.S. Department of Justice's Anti-Trust Division said that neither agency had any plan to block or take enforcement action regarding the acquisition of TXU by Texas Energy Future Holdings.

FERC Commissioner Phillip Moeller said yesterday that he has grown a bit impatient with the limited results thus far in getting both federal and state regulators to try to bring more demand response into power markets. He hoped that regulators would shortly be able to select a group of policies and programs that can work both in organized markets with independent system operators and other areas with vertically integrated utilities. He noted that when done properly demand response programs can work in both organized markets and even in unorganized markets.



MARKET COMMENTARY

The natural gas market over night and into this early morning made two assaults on the lows from yesterday, while the market bent but did not break and as a result it appeared some short covering through the morning helped prices to recover through midday . Prices were able to continue the rally in the afternoon as the mid day forecasts appeared to confirm the approach of a heat wave for much of the northern half of the nation next week. Once yesterday's highs were breached the market was able to move another nickel higher and settle up near the day's highs and post the first higher settlement on the week.

Market expectations for tomorrow's EIA storage report appear to be running between a 55-85 bcf injection with the average build pegged around 68 bcf. For the same week a year ago storage grew by an adjusted 64 bcf, while the five year season average is for a 74 bcf build.

We feel that without a significantly higher than expected build tomorrow in the EIA Storage Report, that this market will be able to possibly settle into a trading range around \$6.50 as traders wait to see if next week's promised heat wave does in fact become reality. We see initial resistance at \$6.66 followed by \$6.70, \$6.818, and \$6.96. More distant resistance we see at \$7.058, \$7.188 and \$7.415. Support we see at \$6.352, \$6.226, \$6.15, \$6.112, \$5.99 and \$5.75.