



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Karen Palladino & Zachariah Yurch
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR JULY 24, 2007

NATURAL GAS MARKET NEWS

The American Petroleum Institute reported that domestic drilling activity during the second quarter of 2006, its most recent data, was twice the level of activity recorded during the second quarter during the 1990's, and the highest single quarter estimate since 1986. Overall natural gas drilling is the primary target for drilling activities. Strong year-to-year gains in the last decade have resulted in the best ever natural gas drilling and completion numbers. An estimated all-time high of 14,784 natural gas wells were completed in the first 6 months of 2006, with 7489 of those wells completed in the second quarter. This would have been a 14% jump over the 2Q05 level.

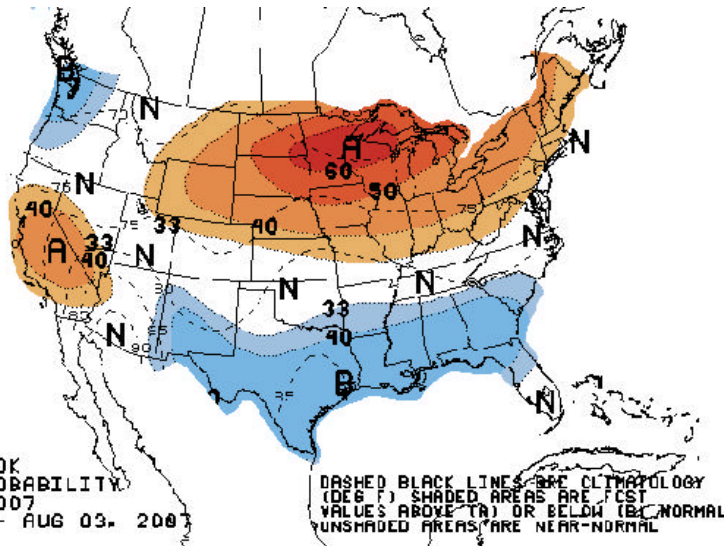
Generator Problems

NPCC – OPG reportedly shut the 535 Mw oil and gas fired Lennox #4 unit.

The NRC reported that 96,616 Mw of nuclear capacity is on line, up 0.32% from Monday, and off 0.44% from a year ago.

Buckeye GP LLC agreed to acquire a natural gas storage facility in Northern California from an affiliate of ArcLight Capital Partners for \$440 million. The 22 Bcf gas storage facility is located near Lodi, California. The facility does have an application pending before the Public Utility Commission, in which it was seeking to expand the facility by another 12 bcf by the end of 2008

The weather forecasters again appeared to be moderating their temperature outlook for the near term. AccuWeather this morning backed off on the arrival of the heat wave it discussed last week. Their forecast for the next 15 days has New York City seeing only 1 day out of the next 15 with temperatures reaching the 90 degree level and Chicago seeing only 4 days reaching this level. Meanwhile temperatures across Texas are seen to basically average below normal, while Florida and Georgia and the rest of the Southeast seeing normal temperatures. Meanwhile in the tropics, the Atlantic basin remains relatively calm and quiet. The tropical waves coming across the Atlantic continue to be hampered by dry, dusty air coming off the Sahara Desert in Africa. Typically this dusty air becomes less of a problem during the latter part of July as more rain falls over western Africa, thus reducing the dust in the air. But these rains have yet to kick in. Satellite images do show a very "impressive" thunderstorm complex moving into western Africa mostly south of 15 degrees north. Expectations are for this to trigger a strong tropical wave over the next couple of days. Long-range computer models are hinting of a possible development over the central Atlantic this weekend perhaps coming from this tropical wave. But forecasters feel that the amount of dust in the air in that part of the tropics will most likely hamper development. There is a tropical wave over the southwestern Gulf of Mexico that is seen moving west-northwest and then turning north. Its development is not expected to be significant and will probably only bring drenching showers and thunderstorm into the Houston area by the end of the week. Longer range models look though for an uptick in tropical activity later next week and into the week of August 5th, as more favorable conditions move into the central and eastern Atlantic (less wind shear and less dry dusty air.) The ECMWF model has a tropical cyclone in 9-10 days near 50 West Longitude.



WSI Corporation yesterday released its latest seasonal outlook for the August-October period, calling for warmer than normal weather in all locations except for the Pacific coastal cities, parts of Texas and the extreme northern tier of states. They noted that it appears that the western heat will finally make progress in moving to the east in August. But they warned that there "...is still significant uncertainty regarding the sustainability of the heat in the Northeast. They noted that Texas

should remain relatively cool due to the high soil moisture levels there from recent rains. In August the Northeast should see cooler than normal weather, except in New Jersey and Pennsylvania, while the South central should also see cooler than normal temperatures. All other regions are seen warmer than normal. Since the warmest temperatures are expected for the Southwest and North central the overall natural gas demand for cooling needs will be moderated and thus should allow inventories to continue to build upon current high levels. In September, warmer than normal temperatures are expected for the Northeast, Southeast, North central, South central, excluding Texas and in the Southwest, excluding California. The Northwest is seen cooler than normal. They see the cooler forecasts for temperatures in California and Texas should have a bearish impact on natural gas demand from the power sector, while slightly warmer weather in the Northeast will result in only marginal offsetting of the overall lower seasonal demand for natural gas.

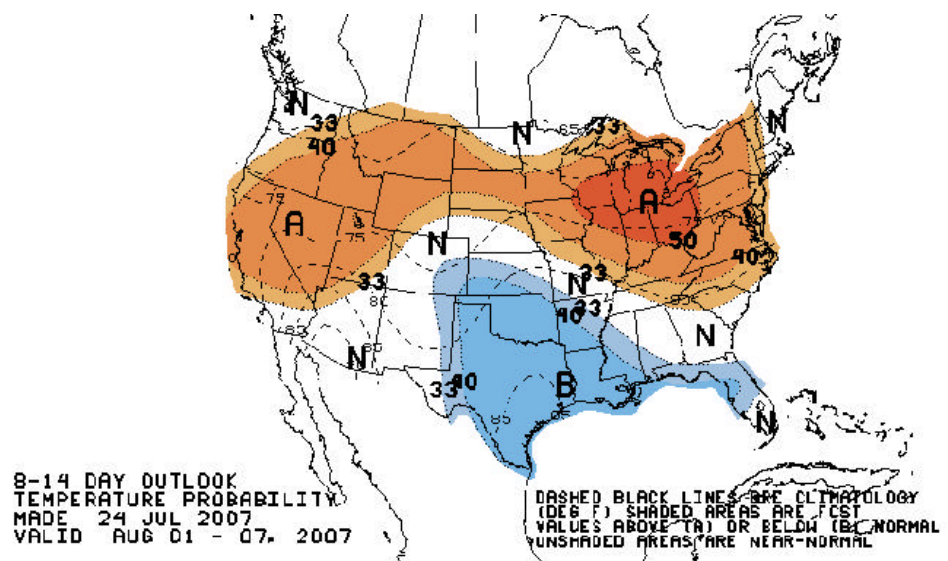
PIPELINE MAINTENANCE

Gulf South Pipeline said that unscheduled maintenance at Arnaudville Compressor Station Unit #1 is scheduled to be completed by October 1st. The maintenance work began on February 12th reducing capacity from Marksville to Bayou Sale Junction. The company also reported that the anticipated start date for the Eugene Island Offshore Louisiana Platform Installation is the week of August 13th. The work had originally been planned for July 14th. The work will take 7-14 days to complete depending on the weather.

Transcontinental Gas Pipeline said it has repaired the leak that required Transco to shut in production upstream of its North Padre Island Processing Facility on Monday.

Williston Basin Interstate Pipeline said that maintenance at the Glen Ullin Compressor Station has been rescheduled to now begin on July 26th. At this time the company does not expect any restriction to the system."

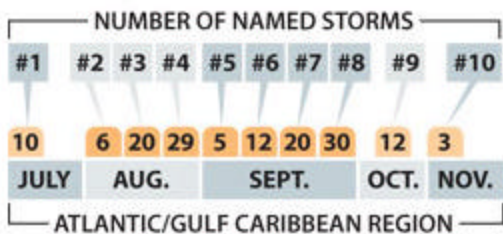
KMIGT said it will be performing maintenance at its Laton Compressor Station on August 21 and 22nd. The work was originally scheduled for August 7th and 8th.



Capacity through Segment 775 will be limited to 235,000 Dth/d. Based on the current level of nominations, AOR/IT and secondary out of path quantities will not be scheduled. Primary firm and secondary in path quantities are at risk of not being scheduled.

TROPICS ACTIVATE AUG./SEPT. Lull in tropics not unusual this stage of hurricane season

Average named Atlantic Basin storms by the indicated dates



NEXT ATLANTIC BASIN STORM NAMES		
Chantal	Dean	Erin
Felix	Gabrielle	Humberto

Note: Hurricane season runs June 1-Nov. 30
Source: NOAA-National Hurricane Center

ELECTRIC MARKET NEWS

The Public Utility Commission of Texas has ordered TXU to pay a fine of \$5 million for renewing power retail service contracts for one-year periods without the permission of the affected small commercial customers. Although TXU warned its customer that their contracts would be renewed for 12 months if customers failed to respond, the PUC said its rules require retail electric providers to resort to automatic renewals for no more than 31 days. As part of the settlement agreement, TXU also must notify all the affected customers that they are no longer subject to a term commitment and are free to choose another provider or service plan without a cancellation fee or penalty of any kind.

Competitive Power Ventures today announced plans to build a 600 Mw natural gas fired combined cycle power plant in Charles County, Maryland. Construction is slated to begin in 2009 and be in operation by 2011.

MARKET COMMENTARY

The natural gas market remained in basically in a free fall for a second day in a row today. Prices breached the \$6.00 barrier for the first time in the spot contract since December 27th triggering another wave of selling washing over the market. By the end of the day the market settled off between 15-17 cents. Fundamentally this market still cannot find any bullish fundamental news to hang its hat on. Weather forecasters continue to promise a widespread summer heat wave only to back off these expectations as they moderate their temperature outlooks several days later. This was the pattern again today as forecasters once again seemed to moderate their near term expectations for overall cooling demand across the nation. Chicago has gone 15 days with reaching 90 degrees and in that time has moved from being the 27th warmest summer over the past 137 years to now the 43rd warmest. As we approach the mid point of summer time is running out of the bulls for a prolonged heat wave to make a significant dent in storage injections for any prolonged period of time.

This market has seen serious technical damage done to it over the past several trading sessions and we feel that for this market to even make it back to the highs of just a week ago at the \$6.75 level; can only be accomplished by the news of a tropical system developing in the tropical Atlantic basin. Judging by historical norms the heart of the tropical season is still several weeks away. Thus the only avenue for the bulls seems to wait for further selling pressure on this market to make some out of the money calls in the October contract begin to appear reasonably prices. We see initial support in this market at \$5.80 followed by \$5.74, \$5.651, \$5.50 and \$5.35. Resistance we see at \$5.984, \$6.04, \$6.135, \$6.164 and \$6.226. More distant resistance we see at \$6.582 and \$6.75.

