



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 25, 2007

NATURAL GAS MARKET NEWS

Private weather forecaster WSI Corporation has reduced the number of hurricanes it expects for the 2007 hurricane season as a result of cooler than expected water temperatures in the tropical Atlantic. They see 14 named storms down 1 from its prior forecast, with 6 becoming hurricanes and three reaching major hurricane status. Its prior forecast had expected 8 hurricanes with four becoming major hurricanes. Despite the downgrade WSI said that wind conditions due to the lack of an El Nino event remained conducive to an active hurricane season, and expects this season to be more active than last season, and still sees the U.S. Gulf Coast at risk. They see the risk to the western Gulf has been reduced slightly, with a corresponding increase in risk to the eastern Gulf and Florida. Meanwhile AccuWeather, which had called for slightly less storms than other forecasters, is staying with its pre season forecast for high risk from fewer but more intensive storms with the Gulf of Mexico and Southeast at the greatest risk for landfall.

The CFTC announced today that it would proceed with legal proceedings against Amaranth for price manipulation of the natural gas market. The agency alleged that Amaranth Advisors LLC and its former head trader, Brian Hunter tried to cover up its wrongdoing by making false statements to the NYMEX. The CFTC is seeking monetary penalties, but no jail time for the wrongdoing. Brian Hunter earlier this week sued to block the FERC from taking enforcement action against him. He noted that the CFTC, not the FERC has jurisdiction over the NYMEX where Amaranth's questionable trading took place. The CFTC though said it expected the FERC would file similar charges against Amaranth and Hunter., and this announcement may come as early as tomorrow. The CFTC's enforcement director Gregory Mocek declined to comment if the funds in Brian Hunter's new hedge fund, Solengo Capital would be protected from confiscation by the government to pay any fines related to the Amaranth case. The CFTC said in briefs that Amaranth and Hunter tried to manipulate gas futures contracts on the NYMEX on expiration day for the natural gas contract on February 24th and April 26th of last year. The agency alleges that Amaranth acquired more than 3000 gas contracts on each expiration in advance of the final 30 minute closing range. The company then liquidated those contracts during the final 30 minutes in an attempt to influence the NYMEX settlement price. The agency then alleges that the hedge fund held large short swap positions on the InterContiental Exchange and would have financially benefited by the the lower settlement price on NYMEX on which the financially settled swaps were pegged to. These short swap positions totaled 12,000 contracts for the March contract expiration and over 19,000 contracts for May contract expiration. The CFTC said the NYMEX had inquired about Amaranth's April 26th trading practices but that the company and Brian Hunter made false statements to the exchange "to cover up the defendants' attempted manipulation". While Amaranth declined comment of the matter a lawyer for Brian Hunter called the CFTC charges a "politically inspired".

Generator Problems

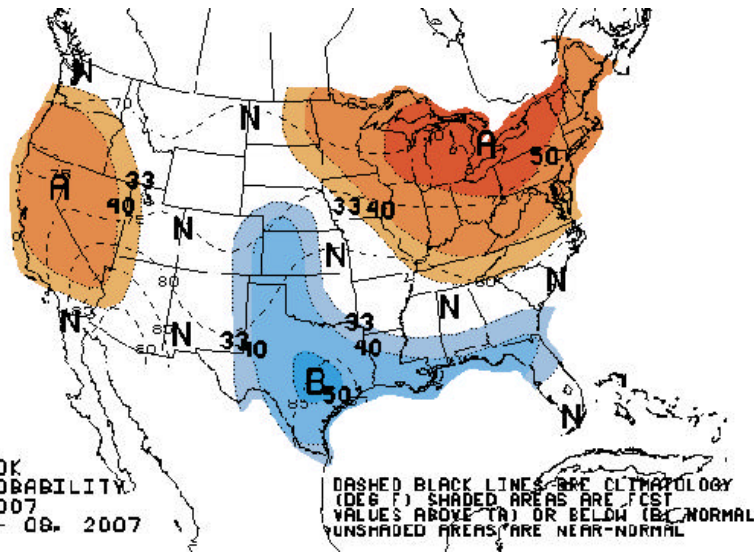
NPCC – OPG's 535 mw Lennox #4 oil and natural gas fired power unit returned to service today. The unit went off line on July 24th.

ECAR – FirstEnergy said its 1235 Mw Perry nuclear power plant has returned to service following completion of repairs to a motor on a reactor recirculation system. Operators said power levels will vary over the next several days as testing is conducted. The unit was at 37% capacity this morning.

The NRC reported that 96,975 Mw of nuclear capacity is on line, up 0.37% from Tuesday, and off 0.4% from a year ago.

The Alberta Energy and Utilities Board has notified EnCana Corp and Canadian Natural Resources will be forced to shut in 121 natural gas wells south of Fort McMurray after the EUB concluded that future gas production from the Cold Lake Oil Sands Clearwater Formation "presents an unacceptable risk to a much larger bitumen

resource” adjacent to the gas. The EUB also left open the possibility that it may order further closures in the future if needed.



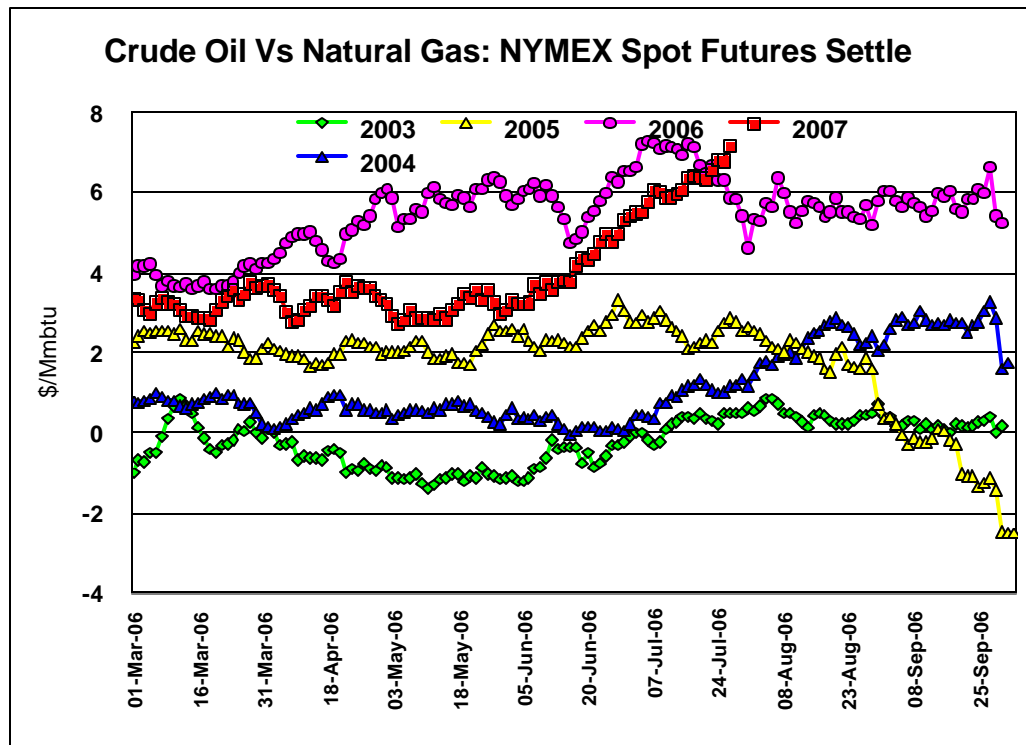
The IMF sees oil price risks remaining in the global market as global economic output is growing even faster than expected just a couple of months ago, fuelled by demand in China, India and other developing countries. Meanwhile the IMF lowered its 2007 growth forecast for the U.S. economy by 0.7% to 2.0%. The IMF noted that China alone will account for about a quarter of global growth this year.

The IMF also noted that risks to the financial markets increased due to credit risks rising as quality discipline has weakened.

PIPELINE MAINTENANCE

Northern Natural Gas said that the completion of the current maintenance on its Matagorda Offshore Pipeline System has been delayed due to construction delays. On July 27-28 numerous manned platforms will be brought online to pressure test the system and bring the mainline back to normal operating pressure. On July 30 a pig run will be launched from Platform 758 to clear the line. While production will be taken off line again on or before

August 3rd while liquids received from the pigging operation are processed at the Tivoli Plant. The platforms should be back in operation by August 7th.



Gulf South Pipeline said that it will be performing scheduled maintenance on the Bistineau Compressor Station Unit #3 beginning August 6th and will last for the next five days. Current scheduled maintenance on Unit #4 will be completed on August 1st and will be available during the maintenance period on Unit #3. Capacity through Bistineau on

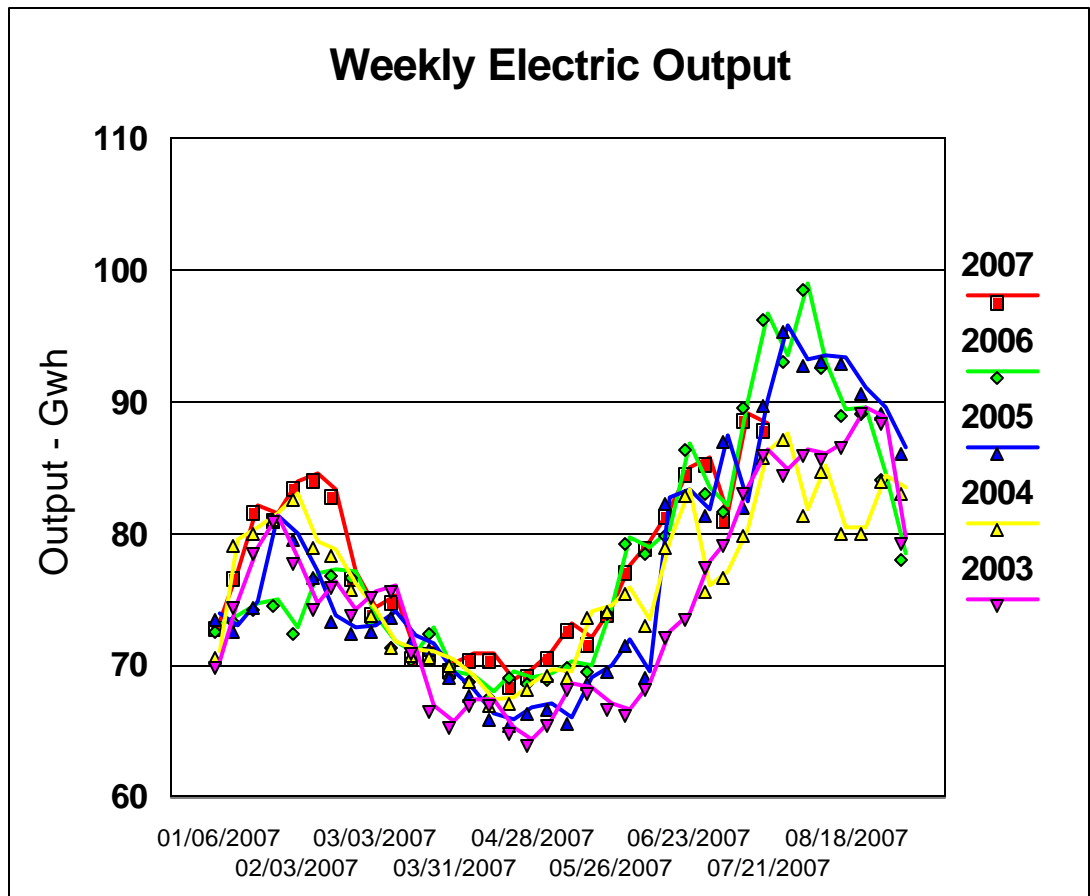
storage injections could be reduced by as much as 100,000 dtm and storage withdrawals will not be affected during Unit #3 maintenance. The company also announced that it will be performing scheduled maintenance on

the Hall Summit Compressor Station Unit #1 beginning July 31st and last for some five hours. Capacity during this time could be reduced by as much as 100,000 Dth.

Columbia Gas Transmission said that due to pigging between Clementsville and the Stanton compressor stations, the Delhi Constraint Point is being reduced to a total capacity of 1,714,000 Dth. This reduction is effective with the July 25th gas day until further notice.

Wyoming Interstate gas Company said that one unit at the Laramie Compressor Station will be out of service through today.

Tennessee Gas Pipeline said it has revised dates for projects from MLV 51-1 to MLV 512-1 and MLV 513-1 to MLV 514-1. At MLV 511-1 to MLV 512-1, a pipeline replacement due to class change will occur on July 27 through August 3rd. As a result Tennessee will have limited operational capacity flexibility to move volumes between the 800 and 500 lines, which may result in potential restrictions through a pro-rata portion of Secondary Out of Path nominations pathed from 800 rline receipts. The



work had been previously scheduled for July 28-August 9th. At MLV 513-1 to MLV 514-1, a pipeline replacement due to class change will occur on August 6-10th. Physical flow will be suspended.

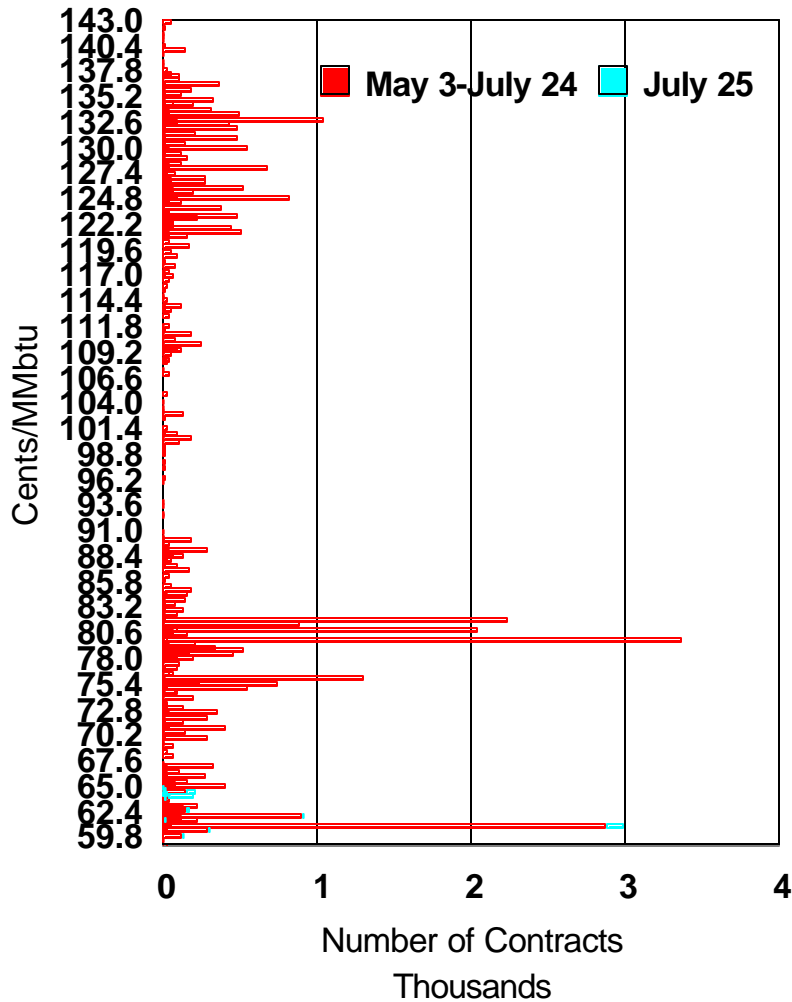
ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending July 21st power production in the U.S. stood at 87.961 Gwh off 0.74% from the previous week and down some 9.5% from the same week a year ago. For the first 29 weeks of this year power production is some 2.2% higher over 2006 levels.

TXU on Wednesday urged its shareholders to vote for its planned \$32 billion buyout after its largest investor though opposed the private equity deal. TXU also said that its CEO John Wilder would resign once the deal is closed. The company set a September 7th date for the shareholder vote. The largest investor, Franklin Resources, which owns 4.35% stake in the firm is opposed to the buyout saying the offer price was too low.

Seminole Electric Cooperative said Tuesday that it plans to solicit proposals for a carbon dioxide capture demonstration project at its proposed 750 Mw coal fired Unit #3 at the Seminole Generating Station. The company expects to have Unit #3 to cost \$1.4 billion and enter service by May of 2012.

**NYMEX Nat Gas: March April Spread
Price Vs Volume Traded
Trade Weighted Settle: 63.16**



MARKET COMMENTARY

The natural gas market remained on the defensive overnight and just prior to the opening set a new recent low for this market just prior to the floor opening. But the rebounding oil market especially following the release of the EIA oil stats seemed to at least momentarily to throw a lifeline to the natural gas market and helped to drag the natural gas market higher and settle positive for the first time in four trading sessions. But the market was unable to break above the \$6.00 level leaving us to believe that the bears will return to this market again tomorrow.

Market expectations for tomorrow' EIA Storage Report appear to be ranging between a 50 to 80 bcf build in working gas stocks. The median build would probably fall around a 70 bcf build. If a 66 bcf build or better is recorded then current inventories would move ahead of last year's seasonal levels. This would be the first year on year surplus since late January. The same time last year saw a 2 bcf build while the five-year seasonal gain on the week is 52 bcf.

We see resistance in this market at \$6.00 followed by \$6.042, \$6.13, \$6.246, \$6.275 and \$6.362. More distant resistance we see at \$6.50. Support we see at \$5.809, \$5.75, \$5.665 and \$5.576. More distant support we see at \$5.35.

