



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 26, 2007

NATURAL GAS MARKET NEWS

Despite the current low pressure system in the western Gulf of Mexico that is threatening to bring copious amounts of rain to Texas once again forecasters see no chance of this weather system developing any tropical characteristics as wind shear values in this area are running 20 to 30 knots. The system is expected to more ashore in the next couple of days. But forecasters are watching a strong tropical wave that is in the process of moving of the west coast of Africa. Computer guidance models currently show a strong possibility that this wave could develop into a stronger tropical system over the next several days as it tracks toward the Leeward Islands. The GFS model currently is calling for the system will be a strong tropical cyclone in the middle of the Atlantic by Thursday and just east of the Bahamas on August 6th as it tracks northward and thus not a threat the Gulf of Mexico.

The FERC today as expected acting under its new enforcement authority to prosecute market manipulation, issued two show cause orders. In the first the FERC had voted unanimously to give Amaranth and its two traders Brian Hunter and Matthew Donohue 30 days to prove why they should not be given civil penalties and disgorge \$291 million in profits from manipulating the price of NYMEX gas futures in February, March and April of 2006. The final settlement price of the NYMEX gas futures contract, the commission said, affects FERC-jurisdictional transactions. In the second action the FERC also voted unanimously to give Energy Transfer Partners, a Texas based owner of pipeline assets and a natural gas trading affiliate, 30 days to show that it did not violate the commission's former market behavior rule by manipulating the wholesale natural gas market at the Houston Ship Channel on certain dates in 2003, 2004 and 2005. The FERC is proposing more than \$167 million in total

Generator Problems

PJM – PSEG Nuclear's 1050 Mw Hope creek nuclear unit was at 80% of capacity this morning. The unit had been running at full power.

WECC - APS 1314 Mw Palo verde #2 nuclear unit dropped to 53% of power Thursday morning and was expected to be lowered all the way down to 40% as operators fix a circulating water leak. The unit had been at full power 24 hours earlier. Operators hope to have the problem fixed in the next 24-48 hours and have the unit back to fullpower by the weekend.

ECAR – FirstEnergy's 1260 mw Perry nuclear unit was at 74% of capacity this morning.

The NRC reported that 96,521 Mw of nuclear capacity is on line, down 0.47% from Wednesday, and up 0.48% from a year ago.

EIA Weekly Report

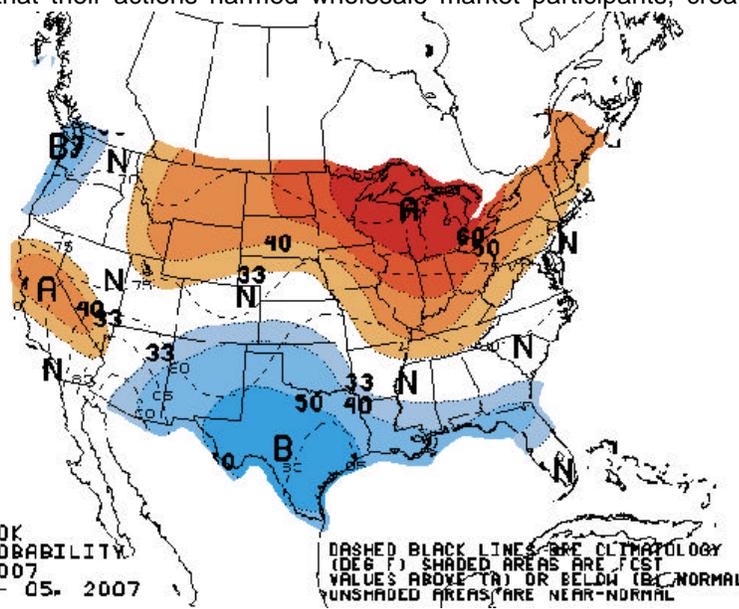
	07/20/2007	07/13/2007	Net chg	Last Year
Producing Region	912	903	9	853
Consuming East	1455	1396	59	1523
Consuming West	396	393	3	381
Total US	2763	2692	71	2757

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				Change	(As of 12:30 PM)	
Henry Hub	938,500	\$5.829	\$0.270		(\$0.225)	\$0.232 (\$0.315)
Chicago City Gate	373,600	\$5.812	\$0.284		(\$0.131)	\$0.271 (\$0.267)
NGPL- TX/OK	374,000	\$5.557	\$0.284		(\$0.386)	\$0.271 (\$0.488)
SoCal	989,200	\$5.657	\$0.159		(\$0.286)	\$0.146 (\$0.337)
PG&E Citygate	751,800	\$5.904	\$0.101		(\$0.039)	\$0.088 (\$0.039)
Dominion-South	360,400	\$6.207	\$0.304		\$0.264	\$0.291 \$0.177
Transco Zone 6	290,100	\$6.353	\$0.297		\$0.410	\$0.284 \$0.293

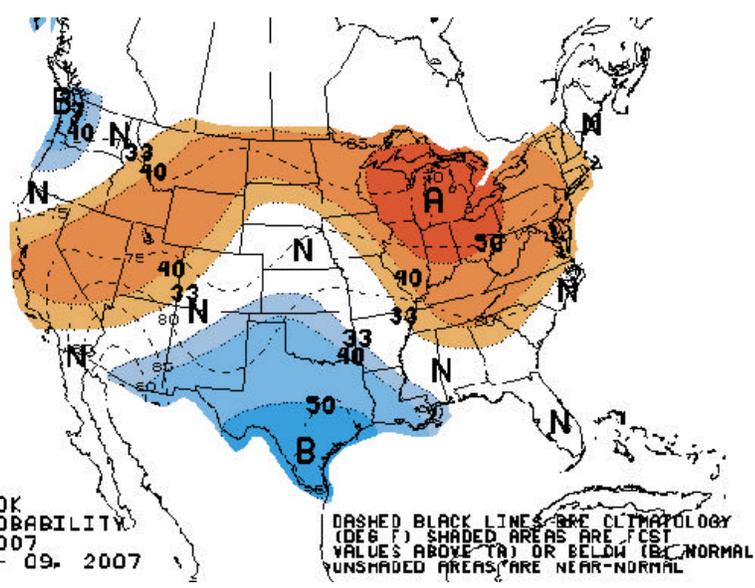
penalties and disgorgement of unjust profits. The FERC noted that for the two companies, failure to refute these finds will confirm that their actions harmed wholesale market participants, creating losses that ultimately hurt natural gas customers across the country. The FERC is also seeking to revoke ETP's blanket certificate to sell natural gas for one year, beginning in 120 days from today. As a result ETP would have to get commission approval for all jurisdictional sales of natural gas.



The CFTC today also filed a complaint against Energy Transfer Partners. The complaint alleges that the defendants attempted to manipulate the price of the physical natural gas at the Houston Ship Channel

delivery hub during September and November 2005 to drive the index price lower so as they could financially benefit from holding sizable short positions in the Houston Ship Channel basis swap.

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ExxonMobil said today that it was posting a 1% drop in quarterly earnings as weaker natural gas prices and declining natural gas production played a role on earnings. The company reported that its global production on natural gas declined 0.5%, its production levels in the U.S. and Canada fell a respective 8.4% and 6.6% as the impact of mature field decline was especially felt in these areas.

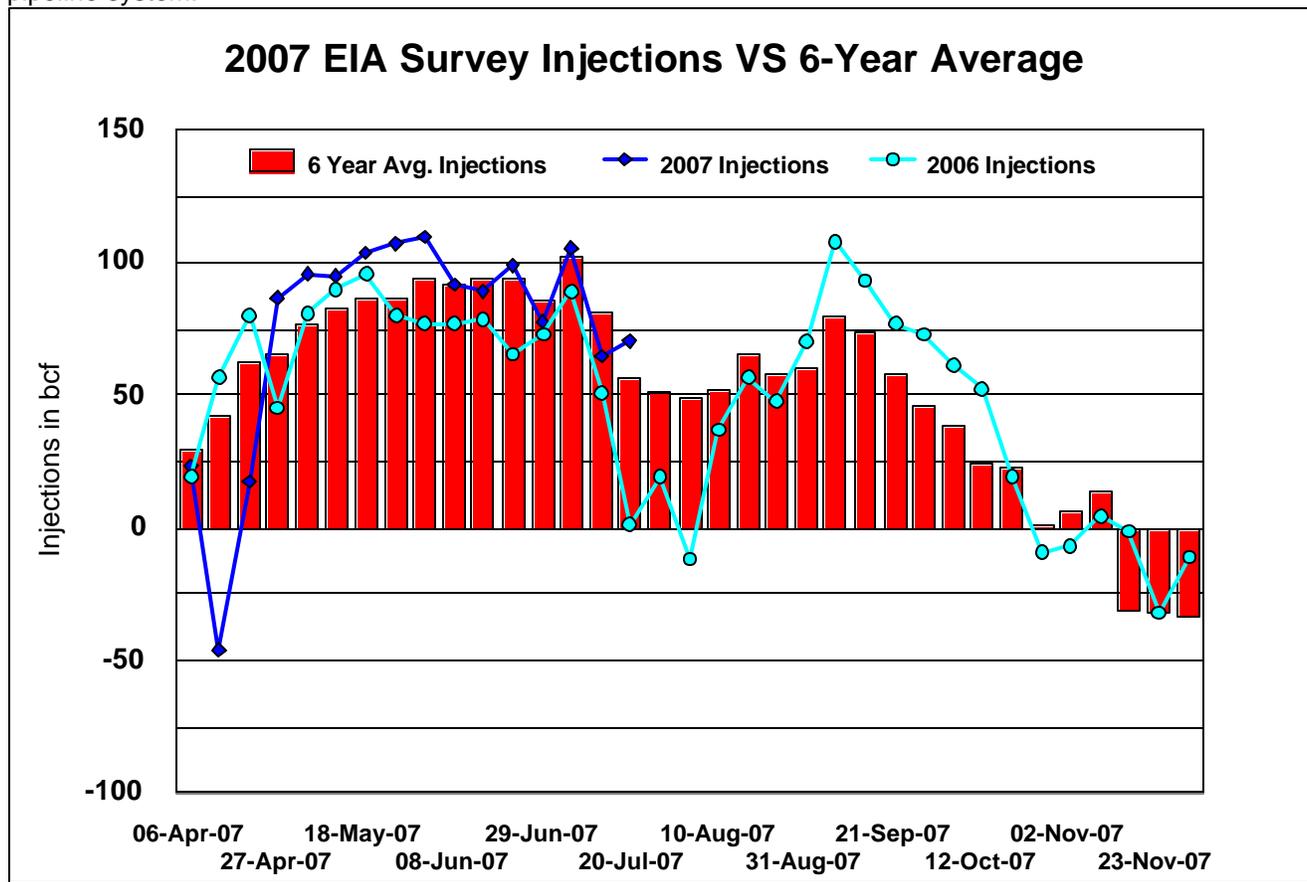
terminal has again been offered to third parties following in the wake of lower prices in the British natural gas market over the last week. British natural gas prices for August were pegged at 29.85 pence per term.

Reuters reported that next week's slot for delivering LNG into UK's Isle of grain

The InterContinental Exchange reported consolidated net income of \$53.7 million in the 2Q07, a 73.4% net gain over the same quarter a year ago.

El Paso Corp has successfully certified its greenhouse gas emissions inventory with the California Climate Action Registry. The have been recognized as the first company to earn the distinction of "Climate Action Leader" for 2007.

The federal government reported today that El Paso Natural Gas Company had agreed to pay \$15.5 million penalty to resolve all allegations related to the 2000 pipeline explosion that killed 12 people in Carlsbad, NM. In addition the company will spend \$86 million to implement modifications, focusing on internal corrosion on its pipeline system.



ELECTRIC MARKET NEWS

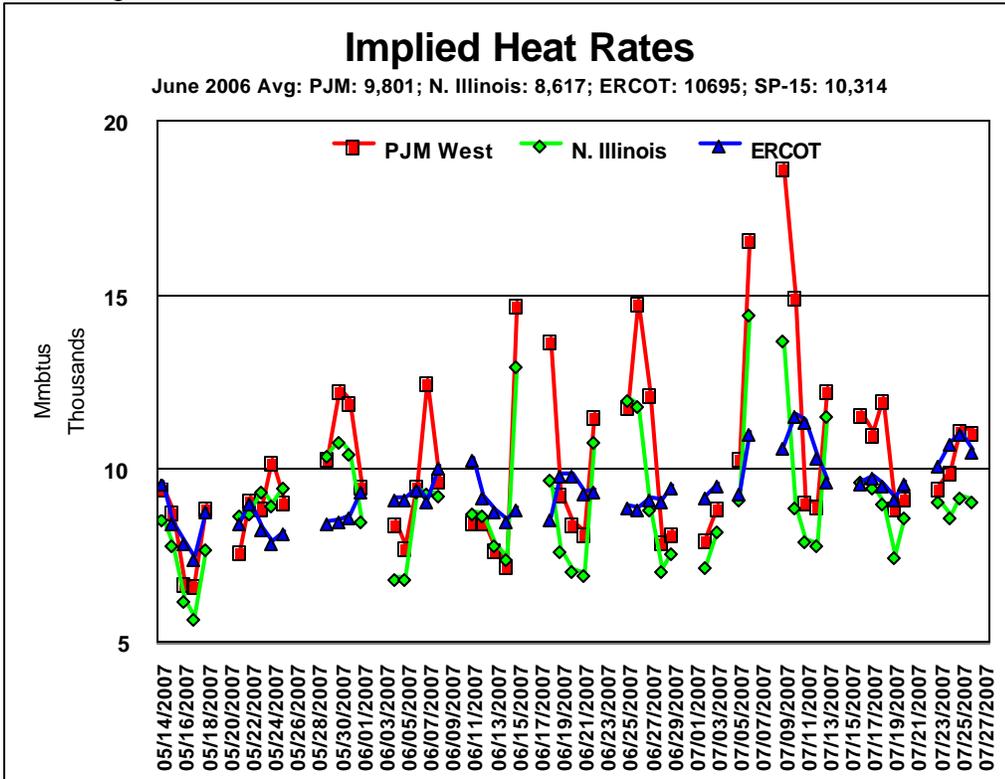
JD Power & Associates reported today that American residential consumers satisfaction level with their electric utilities has continued to drop for five straight years. Their overall satisfaction survey was based on six factors: power quality and reliability, company image, price and value; communications; billing and payment and customer service. The survey found that consumers are spending 7% more on electricity in 2007, marking the fifth straight year that average monthly bills have increased.

MARKET COMMENTARY

The natural gas market started the morning a couple of pennies better helped in part by stronger oil prices. While the storage report came in right at market expectations the market seemed to receive a boost once traders took a closer look at the full storage report, which in showed that the effective build in stocks was some 7 bcf less as the EIA once again reclassified some base gas into working gas stocks. This seemed to help natural gas rally back to the \$6.00 price level. But as oil prices began to erode at midday the \$6.00 price level was unable to be sustained and the August futures tumbled back towards the day's lows. While prices did rebound a bit the market still settled below the \$6.00 and the \$5.95 price levels on option expiration day. Open interest levels though in the American and European natural gas options at the \$6.00 strike was relatively modest with 1898 and 3410 lots respectively.

As we enter into tomorrow, the expiring August contract we feel will be under a bit of pressure given the adequacy of inventories and the prospects over the coming several weeks that storage levels will continue to widen its surplus over year ago levels and set more seasonal record highs. We feel that the August - September spread should retest levels set earlier this when the August settled 13.7 cent discount to the September. While

last year saw this spread on the last day swing over 30 cents from a August discount to premium on the final trading, the storage situation was a bit tighter as we were in the midst of a heat wave across the nation as well as the trading antics of firms like Amaranth.



In the September contract we look for this market to probably tread water to remaining on the defensive until next week and we receive updated tropical outlooks. We look for this market to find resistance at \$6.178, \$6.227, \$6.296, \$6.342 and \$6.385. More distant resistance we see at \$6.45 and \$6.83. Support we see at \$6.00, \$5.971, \$5.882, \$5.85 and \$5.76.

