



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 4, 2007

NATURAL GAS MARKET NEWS

As Hurricane Felix moved ashore in Central America, there is little on the horizon that appears to be a threat currently to production interests over the next week. AccuWeather though does note that there is an area of concern as a small area of low pressure located near 11 north and 44 west. This system continues to have a well-defined, low-level swirl of clouds, but thunderstorm development has been suppressed it appears by an area of dry air to the north. But as the system moves westward this is expected to be lessened and as a result an organized tropical system is possible to form in a couple of days.

Meanwhile the forecast team at Colorado State University updated their forecast for this year's Atlantic hurricane season, this morning and it called for this hurricane season from September through November to be above average in activity. The group forecast is unchanged from its latest update last month in which it looked for five named storms in September and 5 more named storms in October-November period. The September forecasts looks for four of the five named storms to be hurricanes and two to become major hurricanes. In the October-November period, the team looks for two of the named storms to be hurricanes and one to become a major hurricane. They feel comfortable in their forecast given the conditions in the Pacific are transitioning to a weak La Nina and thus will not hamper the development of tropical systems in the Atlantic with wind shear conditions. The group noted that its August forecast Net Tropical Cyclone (NTC) activity was for slightly above average as they had forecasted. The NTC is calculated basis the number of storms, named storm days, hurricanes, hurricane days, intense hurricanes and intense hurricane days. They noted they have correctly predicted above or below average August NTC in six out of the last eight years.

Singapore officials said today that they expect to import 1 million tones per year of LNG by 2012, with imports growing to 3 million tones per year by 2017-2018. Construction of the import terminal is expected to begin in 2009. Officials noted that capacity could be boosted to more than 10 million tonnes per year by 2020 if trading needs warrant it, since there is more than ample space for additional tanks at the facility. The government has designated PowerGas, a wholly owned subsidiary of Singapore Power to build and operate the terminal.

Generator Problems

NPCC – Entergy's 506 Mw Vermont Yankee nuclear plant was at 50% power this morning after exiting a brief outage for steam valve testing.

SERC – Entergy's 1266 Mw Grand Gulf nuclear unit was taken off line early Tuesday. The unit last week had been at 55% of capacity.

Duke Energy's 846 Mw Oconee #2 nuclear unit was back at full power this morning up 27% from Friday's operating level.

TVA's 1155 Mw Browns Ferry #1 nuclear unit was at only 1% power Tuesday morning, after being at full power on Friday.

FERC – FPL's 693 Mw Turkey Point 3 nuclear power plant was taken off line on Tuesday for a planned refueling outage.

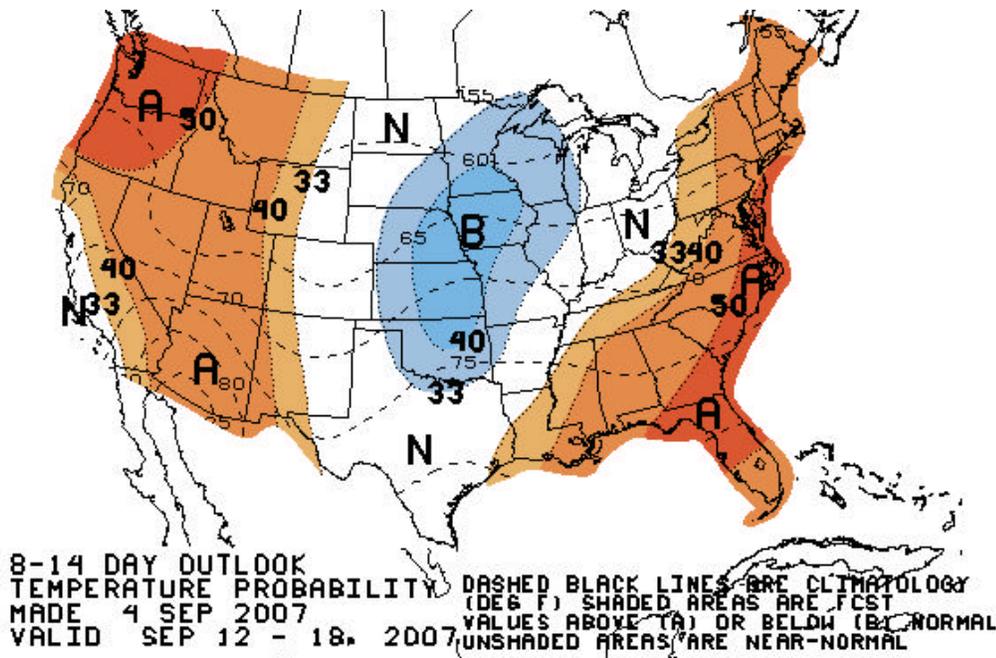
FPL's 839 Mw St. Lucie #2 nuclear unit, which was at only 3% of capacity on Friday, was back to full power this morning.

Canada – Ontario Power Generation's 535 Mw Lennox #3 oil and natural gas fired power station shut for work.

Ontario Power Generation's 490 Mw Nanticoke #7 coal-fired power station returned to service by early today after a short outage.

The NRC reported that 95,088 Mw of nuclear capacity is on line, down 1.32% from Friday, and down .53% from a year ago.

Shell said it expects gas exports from the Ormen Lange gas field to start in October. Some industry observers had expected the flow to start before the expected October 1st start up date, but Shell appeared to rule that out today. The gas field eventually could supply Britain with 20% of its natural gas needs. The field is expected to start up with a production rate of 30 million cubic meters per day and then rise to 50 million cm/d in the second year of operations and 70 million cm/d in the third year of operation. The gas will be exported to the UK through the Langeled pipeline, but can be redirected onto the continent of Europe through the Sleipner platform.



Gazprom said today that due to Russian domestic needs for natural gas, it will need the gas from the Sakhalin-1 project and thus is looking for ExxonMobil to drop plans to export gas from the project to China. Under the current production sharing agreement, which excludes the project from Gazprom's legal monopoly on Russian gas exports, gives ExxonMobil the right to sell the gas to a consumer of its choice like China.

The Gazprom led Sakhalin-2 oil and gas

project will import a second LNG cargo from Alaska later this year. The cargo will shorten the commissioning period for the project's huge LNG plant, which is to be completed in the second half of next year. Sakhalin-2's first LNG cargo was imported from Indonesia in early July and was used to test the facility before the pipeline and gas wells were complete. The expected capacity of the plant is 9.6 million tones of LNG per year.

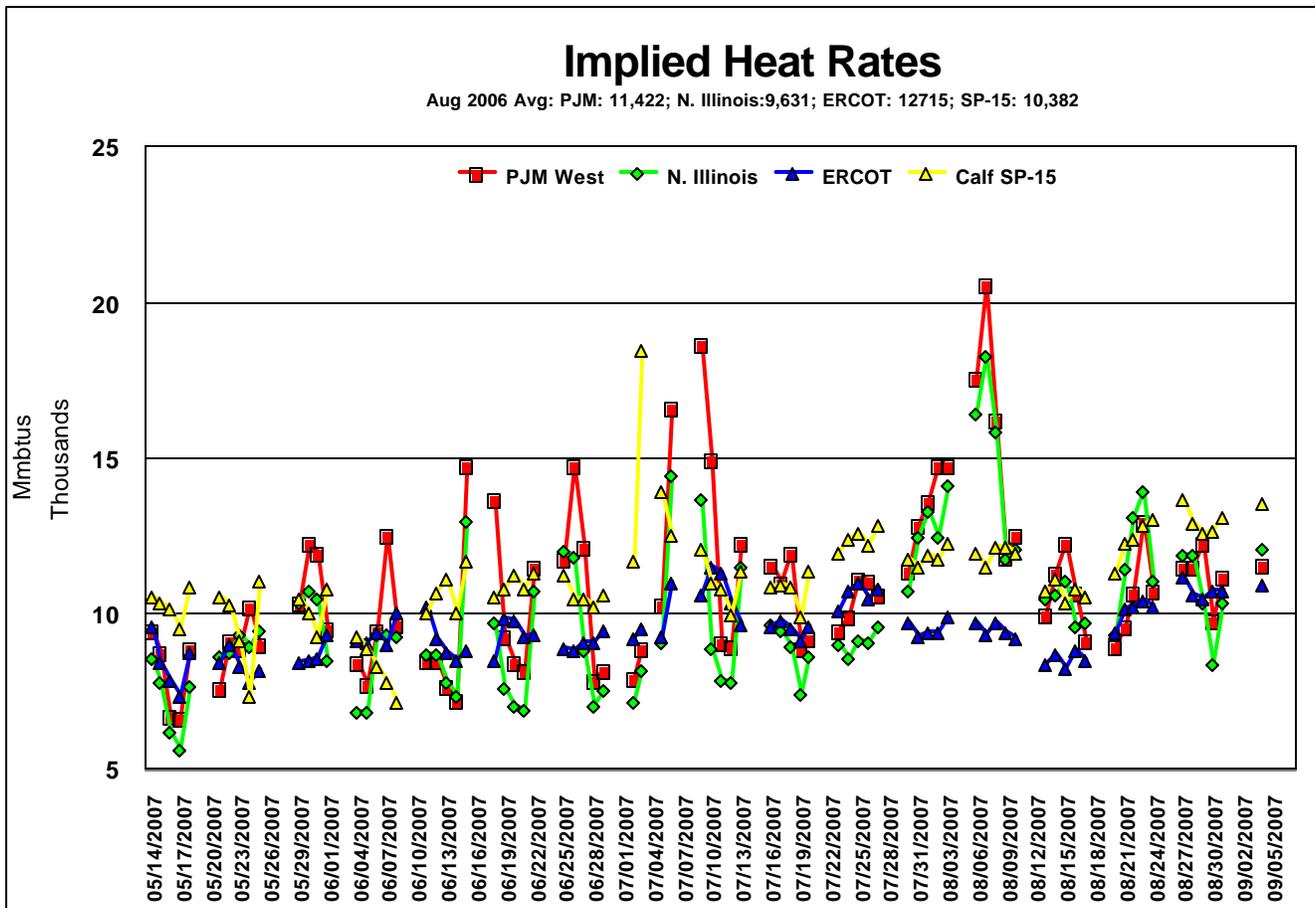
Royal Dutch Shell said today that had reached an agreement to supply PetroChina with LNG from the Gorgon project in western Australia. The 20-year agreement calls for Shell to sell 1 million tones per year of LNG to PetroChina.

BP and Sonatrach said today that unused LNG cargo berthing slots at the UK's Isle of Grain as well as storage space is to be sold at auction from next month. Under the new system, if the two companies do not plan to use a berthing slot then it will be auctioned 10 days before along with storage and delivery capacity. The first auction will be held on October 3rd for a berthing slot that may become free on October 13th.

Inergy, LP announced today that Phase II expansion of the Stagecoach natural gas storage facility has begun full commercial operations with an incremental working gas capacity of 13 Bcf.

SG Resources Mississippi announced today that it has begun selling capacity from a third cavern of the Southern Pines Energy Center. The in-service date for the new facility will be the fall of 2010. Construction of the first salt dome cavern will begin service in 2008, with the second dome starting operations in 2008.

U.S. manufacturing expansion slowed in August as a decline in new orders led factory managers to opt for caution, while U.S. construction spending unexpectedly fell in July. The Institute for Supply Management said its index of national factory activity eased to 52.9 last month, its lowest since March and down from 53.8 in July.



PIPELINE RESTRICTIONS

Panhandle Eastern Pipeline Line Company said that there will be an outage at Zionsville Station to perform annual inspection of unit #1415 beginning September 5. Expected duration is 24 days and during this outage, the capacity through Dana will be limited to 1340 MMcf/d.

PIPELINE MAINTENANCE

Northern Natural Gas said that the Trail Blazer Pipeline has posted a scheduled pigging run on the pipeline system that will limit firm receipt into the Northern Natural Gas System at the TrailBlazer Pipeline interconnect at Beatrice, Nebraska. The point will be scheduled down to approximately 325,000 DTH for Wednesday's gas day.

National Fuel Gas said that its Ellisburg Compressor Unit #1A will be down for repair today through September 14. The company also said that it has rescheduled the N-20 Line shutdown that is necessary for the near future long wall coal mining that will take place under the line. The shutdown date has been changed to September 5 through September 10.

Alliance Pipeline announced the Fairmount Compression Station will be offline for four hours on September 5. System capacity (AOS) may be impacted. The Loreburn Compression Station will be offline for four hours on September 5 and AOS may be impacted. A routine inspection will require the Carson Creek Unit #1 compressor to be offline for eight hours on Wednesday and station capacity will be lowered to 360 MMcf/d. The Irma Compression Station will be offline for six hours on September 6 and AOS may be impacted. The Towner Compression Station will be offline for four hours on September 6 and AOS may be impacted.

TransColorado Gas Transmission said that one of TransColorado's three compressor units at its Dolores Compressor Station experienced a mechanical failure on September 3. This is a force majeure event. TransColorado personnel are currently making repairs. Effective for the Evening Cycle for today's gas day and

continuing until further notice, TransColorado will be scheduling down quantities through Segments 220 and 240 to 325,000 and 375,000 Dth/d. respectively.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,160,600	\$5.304	(\$0.185)	(\$0.421)	\$0.009	(\$0.275)
Chicago City Gate	567,500	\$5.360	\$0.080	(\$0.144)	\$0.219	(\$0.132)
NGPL- TX/OK	577,400	\$5.169	(\$0.037)	(\$0.335)	\$0.101	(\$0.287)
SoCal	1,180,200	\$5.100	(\$0.174)	(\$0.404)	(\$0.036)	(\$0.242)
PG&E Citygate	787,000	\$5.446	(\$0.192)	(\$0.058)	(\$0.054)	(\$0.030)
Dominion-South	384,900	\$5.497	(\$0.038)	(\$0.007)	\$0.100	\$0.105
Transco Zone 6	169,000	\$5.824	\$0.280	\$0.320	\$0.418	\$0.347

ELECTRIC MARKET NEWS

U.S. coal supplies posted their second rise in a row last week on low demand and mild temperatures. U.S. power generators had 139.9 million tons of coal as of the week ending Monday, up 1.15

million tons from the previous week. The weekly supply build maintained a large cushion over last year's inventory level that has helped keep U.S. coal prices soft. Power stations had a 28.3% surplus in coal supplies over last year, down 0.1% from the previous week. Power stations have 51 days of average coal burn, unchanged from the previous week. They have 11 days more average coal burn than they had during the same week last year.

The California Independent System Operator again restricted planned maintenance on power lines and power plants until 7pm due to high demand caused by a seventh straight day of high heat. It is the fourth straight workweek day that the Cal ISO has limited line and plant work. About 64,000 customers of Southern California's three biggest utilities were without power late today as a result of the heat wave. Cal ISO demand was forecast at 45,700 Mw today, up from 44,759 mw on Monday and about 48,600 Mw last Friday. No major grid problems were seen today.

MARKET COMMENTARY

The natural gas market opened weaker as Hurricane Felix developed and its trajectory sent it further south avoiding energy interests and making landfall in Nicaragua. October futures traded to a low of 5.259 as a large storage surplus weigh on the market. Support was found above last week's low and technical buying coupled with a reiterated call for a strong finish to the hurricane season spurred short covering. A firm crude oil market led support as October natural gas traded to a high of 5.68. The front month settled up 16.1 cents at 5.629.

This market will continue to abide its time maintaining a bearish fundamental trend with short term upside risk given the development of any tropical threats in the Gulf. With the peak of the hurricane season ahead in mid-September fresh short money will be reluctant to enter the market, but without any disruption in supply, we continue to feel that rallies should be sold. We see support at 5.55, 5.419, 5.20 and 5.10. We see resistance at \$5.84, 5.97 and 6.26.

