



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEBER 5, 2007

NATURAL GAS MARKET NEWS

Despite being in the midst of the peak period for the Atlantic hurricane season the tropical Atlantic remains fairly quiet. Most forecasters are focused on an area of disturbed weather off the southeast coast that could strengthen into a hurricane later this week and threaten the Carolinas and or New England. The threats to U.S. Gulf of Mexico appear non-existent over the near term though. Forecasters continue to watch a tropical wave around 34 degrees west longitude. This system has a large cyclonic cloud pattern that covers a large part of the south-central North Atlantic. This cloud pattern might contract over the next few days and this could evolve into an organized tropical system, but development will be slow.

The CEO of Anadarko Petroleum said today that his company will not dramatically alter its drilling plans for natural gas even though recent prices have been weak. But he noted that a cold winter was needed in the United States or natural gas would become "challenging" for the industry. But he remained bullish for natural gas longer term. On Tuesday, natural gas producer Chesapeake Energy said it plans to sell some producing assets and cut back current net production by 6% or 200,000 mmcf/d.

Shell reported that production at the Shearwater oil and gas field in the central North Sea was restarted overnight after completion of planned maintenance. Production levels were being ramped higher. The field which feeds into the British gas network at Bacton through the SEAL pipeline, produced about 2 million cubic meters of gas and 12,500 barrels of oil a day back in April.

Morgan Stanley overnight raised its long term price forecast for natural gas provided to clients, in which it now looks for an average U.S. price of \$8.00 per mmcf, up 75 cents from its prior forecast.

Algeria's Sonatrach said today that it would seek reparation for "substantial damages" incurred due to the failure of Spain's Repsol YPF and Gas Natural to meet the terms of the gas project deal, Gassi Touil. Originally the companies had reached agreement back in 2004 to jointly develop the Gassi Touil gas field by 2009. Technical problems reportedly continued to plague the project and delayed its potential start up date.

Generator Problems

NPCC – OPG's 494 Mw coal fired Unit #1 at the Lambton power plant was shut for short term maintenance work.

SERC – TVA's 1155 Mw Browns Ferry #1 nuclear unit was at 98% of power, up 97% from yesterday. The unit had been shut back on September 3rd due to electro-hydraulic control system leak. This was the fourth shutdown since May 1st.

Dominion Resources is planning to begin a refueling and maintenance outage at its 925 Mw North Anna #2 nuclear unit this weekend. The unit was at 97% capacity this morning,

FERC – FPL's 839 Mw St. Lucie #1 nuclear unit dropped to 75% of capacity early Wednesday. The unit had been at full power on Tuesday.

ERCOT – Luminant Power's two 575 Mw coal fired units at the Big Brown coal fired power station tripped off line on Wednesday morning after one transmission line serving the plant was damaged during a storm.

ECAR Consumers Energy is preparing to take its 789 Mw Palisades nuclear reactor off line fore scheduled maintenance this weekend. The unit was at 96% capacity this morning.

WECC – Both natural gas fired units at Mirant's 672 Mw Contra Costa power station in California were shut for planned and unplanned work on Tuesday afternoon.

The NRC reported that 95,925 Mw of nuclear capacity is on line, up .88% from Tuesday, and up 1.01% from a year ago.

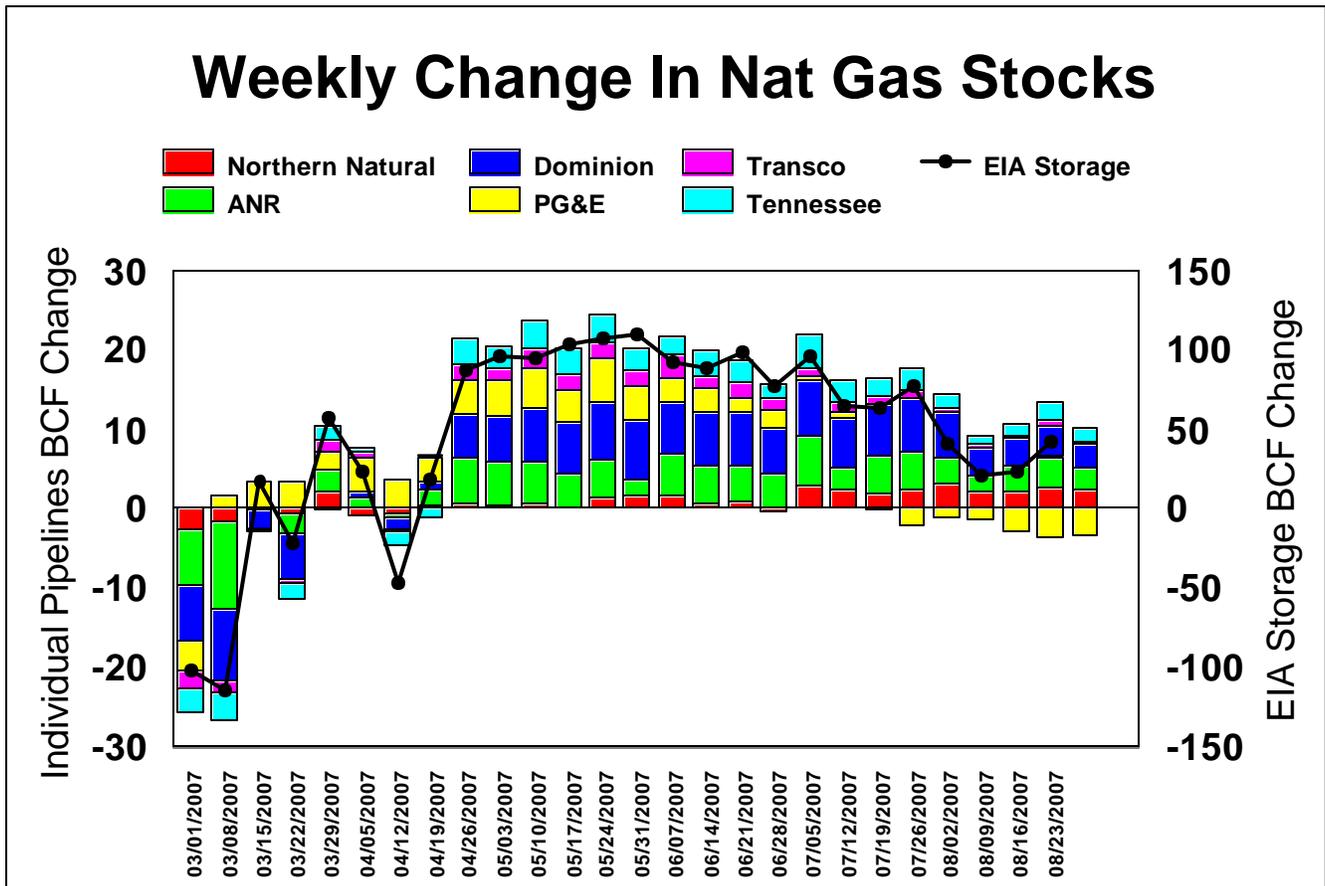
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,295,300	\$5.801	\$0.497	(\$0.055)	\$0.366	(\$0.225)
Chicago City Gate	475,300	\$5.811	\$0.452	\$0.148	\$0.293	(\$0.077)
NGPL- TX/OK	608,800	\$5.629	\$0.460	(\$0.034)	\$0.301	(\$0.238)
SoCal	1,659,300	\$5.582	\$0.482	(\$0.081)	\$0.323	(\$0.200)
PG&E Citygate	1,018,400	\$5.952	\$0.505	\$0.289	\$0.346	\$0.057
Dominion-South	647,100	\$5.946	\$0.448	\$0.283	\$0.289	\$0.132
Transco Zone 6	225,400	\$6.340	\$0.516	\$0.677	\$0.357	\$0.399

Global Advisors LP, a hedge fund manager specializing in commodities, said today it would close two funds, Global Advisors Commodity Investment and Global Commodity Index Plus, by September 30th due to "poor performance" that led to investor

redemptions.

Inergy LP reported that it has agreed to purchase the membership interest of Arlington Storage Company, the majority owner and operator of Steuben Gas Storage Company.

The chairman of Macroeconomic Advisors said today that they see the risk of a U.S. recession rose last month but remains well below 50%.



The Industry Minister of the Canadian Northwest territories said today that if both the Alaska and Mackenzie Delta natural gas pipelines get built Canadian and U.S. consumers would see savings of C\$340 billion for natural gas over an 11 year period. In addition the minister pointed to studies that estimate that if this gas moves into the market then there would be a savings of 258 million tons of carbon dioxide emissions in the U.S and 23 million ton savings in Ontario over the same 11 year period.

Jordan Energy Cove LP and Pacific Connector Gas Pipeline have each filed an application today with the FERC for approval to construct a LNG terminal and an interstate natural gas transmission system. Final FERC approval though is not expected until the fall of 2008.

Repsol said today that it plans to sell as much as 40% of its future LNG off-take from Peru LNG project into the markets of Asia. Repsol has a 20% stake in the project, which is scheduled to be commissioned in 2010. Repsol has agreed to buy the entire 4.2 million mt/year of expected output from the project, which has a nameplate capacity of 4.45 million mt/y. The company will lift the LNG over 18 years on a FOB basis and will not be subject to any destination restrictions for re-selling the cargoes. The remaining 60% of the production is expected to be sold into the Mexican market and the U.S. west coast.

PIPELINE RESTRICTIONS

Florida Gas Transmission issued yet another Overage Alert Day warning today, with a 25% tolerance due to the expected high temperatures expected in its service area.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing scheduled maintenance on its Carthage Junction Compressor Station Unit #3 beginning September 6th and lasting for up to three weeks. Capacity could be reduced by as much as 100,000 Dth/d at the facility.

The entire Pony Express Pipeline for the gas day of September 6th due to maintenance is expected to see an outage. Kinder Morgan is expected to be scheduling the KN/NNG Pony Express Interconnect to zero for tomorrow.

Trailblazer Pipeline said it would be re-running a Caliper pig on Segment 40 today. ITS/AOR and Secondary out of path transports will be unavailable. The associated capacity reduction through the affected area will require Trailblazer to initially schedule Primary Firm and Secondary in path transports in Segment 40 to a minimum of 39% of MDQ for each contract with Segment 40 Primary/Secondary in path rights.

ELECTRIC MARKET NEWS

Wind generation developer Airtricity, said today that it has signed a multi-year hedging deal with Shell's Coral Energy, for its 126.5 Mw Champion wind farm in Texas. The deal provides Airtricity with a hedge against declines in power prices and makes it easier for the company to obtain bank financing for the project, while allowing it to earn more if power prices increase the company said. Actual financial terms though for the deal were not disclosed.

The FERC today announced that starting October 1st, the BPA will no longer pay independent power producers in its territory for providing reactive power within the "deadband" or established power factor range. The FERC said that BPA is well within its rights under Order 2003 to eliminate reactive power compensation for the IPPs because it has proposed to eliminate that compensation for its affiliates as well.

MARKET COMMENTARY

The natural gas market continued to rebound from yesterday's lows and with support from a firm cash market and oil complex traded to a high of 5.854. The session saw prices find intra day support at 7.56-7.57 as traders were getting books square before the storage number. But with the end of day rally in crude oil, natural gas rose to near term resistance and settled up 17.6 cents at 5.805.

Fundamentals continue to be bearish as the market looks to end August with near 3 Tcf of gas in storage. Currently, the 2.969 Tcf in storage is the highest level for this time of year in 16 years. Expectations for tomorrow's storage report appear to be running between a 35-55 bcf injection level with the consensus centering around a 46 bcf build. For the same week a year ago stocks of natural gas increased by an adjusted 68 bcf, while the five-year average gain for the week of 67 bcf. Our estimate though is much lower looking for an injection of just around 20 bcf, given the strong withdraw rates in the west over the past two weeks. A build within the street's expectations will pressure the market, though we feel that some short interest that has left the

market since the end of July is waiting for the peak of hurricane season to pass. We see support at 5.56, 5.462 and 5.364. We see further support at 5.20. We see resistance at 5.85, 5.95, 6.05 and 6.246-6.302.