



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 11, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning said that the area of showers and thunderstorms associated with a tropical wave and broad area of low pressure some 1250 miles east of the Windward Islands had not become any better organized overnight but still said it could become a tropical depression later today or tomorrow, and them demonstrate further intensification over the following several days, and forecast models have this becoming a hurricane possibly by the end of the week. But the model forecast tracks appear to put the Leeward Islands, Virgin Islands and Puerto Rico at risk next week but current track forecasts do not put the Gulf of Mexico at risk only the east coast of the U.S. Forecasters also were watching thunderstorm activity currently in the western Gulf of Mexico. While this currently remained disorganized, more favorable conditions for development might occur before this system moves ashore on the Texas/Mexican border late tonight or tomorrow. But several forecasting models are calling for some sort of tropical development in the southern Caribbean early next week. The GFS model currently has the system moving into the southern Gulf of Mexico and then tracking toward south Florida.

Generator Problems

NPCC – OPG's 515 Mw Pickering nuclear Unit #6 was shut early Tuesday.

MAIN – Exelon's Quad Cities #1 nuclear unit began to exit its recent outage and had ramped up to 6% of capacity this morning. The unit was taken off line on September 8th.

WECC – PG&E shut is 404 Mw Unit #2 at the Helms Pumped Storage hydropower station on Monday afternoon.

The NRC reported that 92,786 Mw of nuclear capacity is on line, up 0.25% from Monday, and down 0.44% from a year ago.

The chairman of the European Federation of Energy Traders Gas Committee said today that the proposals to require traders to report their trades daily to their national regulator are misconceived. The group said that the reporting requirement would be a bureaucratic nightmare and would impose an additional burden on traders and could limit new entrants.

| Natural Gas Cash Market | | | | | | |
|--------------------------|-----------|---------|---------|------------------|---------|-------------|
| ICE Next Day Cash Market | | | | | | |
| | Volume | Avg | Change | Basis | Change | Basis 5-Day |
| Location | Traded | Price | | (As of 12:30 PM) | | Moving Avg |
| Henry Hub | 1,294,200 | \$5.975 | \$0.415 | (\$0.138) | \$0.182 | (\$0.130) |
| Chicago City Gate | 550,900 | \$5.935 | \$0.403 | \$0.098 | \$0.214 | \$0.058 |
| NGPL- TXOK | 534,600 | \$5.746 | \$0.369 | (\$0.091) | \$0.180 | (\$0.114) |
| SoCal | 1,073,500 | \$5.827 | \$0.452 | (\$0.010) | \$0.263 | (\$0.107) |
| PG&E Citygate | 684,400 | \$6.087 | \$0.427 | \$0.250 | \$0.238 | \$0.211 |
| Dominion-South | 395,800 | \$6.153 | \$0.355 | \$0.316 | \$0.166 | \$0.270 |
| Transco Zone 6 | 228,100 | \$6.447 | \$0.347 | \$0.610 | \$0.158 | \$0.592 |

The FERC on Monday approved Gulfstream Natural Gas's proposal to build a pipeline to supply natural gas to a power plant in west-central Florida.

The EIA released their latest Short term Energy Outlook today

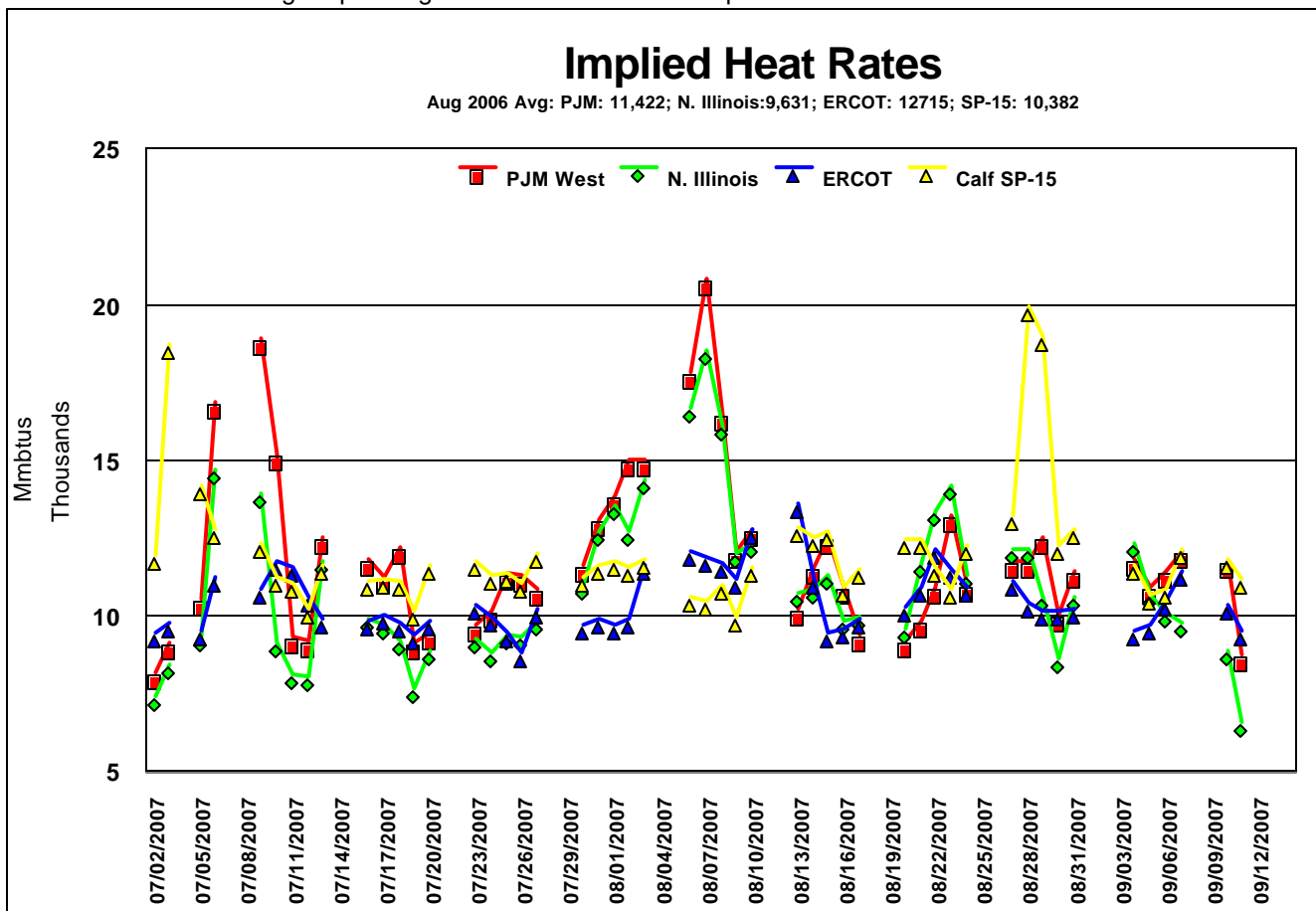
and it again revised downward its estimated for natural gas demand this year but slightly increased their outlook for 2008. The agency now sees natural gas demand this year reaching only 22.69 tcf down 0.5% from last months estimate. But in 2008 the EIA sees U.S. demand for gas to grow by 0.6% over 2007 levles to 22.95 tcf. Meanwhile domestic production of natural gas is seen at 18.65 tcf in 2007 (down 0.2% from last month's estimate) and in 2008 domestic production should grow once again reaching 18.92 tcf, helped in part by a 7.1% jump in offshore production in the Gulf of Mexico as new deepwater production comes online. The agency

estimates that for 2007, Henry Hub natural gas prices should average \$7.31 per mcf and \$8.07 per mcf in 2008. This is a slight revision downward from last month's projection, which saw prices pegged at \$7.45 per mcf in 2007 and \$8.06 in 2008.

A ConocoPhillips executive said today that as Canadian imports decline and LNG becomes a key incremental supply component to U.S natural gas supply and as a result demand fluctuations for natural gas in other parts of the world will have a growing impact on natural gas prices here in the United States.

Volkswagen AG confirmed Tuesday that due to the disruption of its natural gas supplies from yesterday's bombings of pipelines, it was forced to suspend production at its Puebla plant. Meanwhile Mexican business officials noted that 60% of the country's steel production has been shutdown as a result of yesterday's pipeline bombings.

A federal court today upheld an injunction against the development of coal bed methane development on 93% of the Powder River Basin. But the court rejected a request to expand the injunction to block development on the entire 14 million acre region pending further environmental impact reviews.



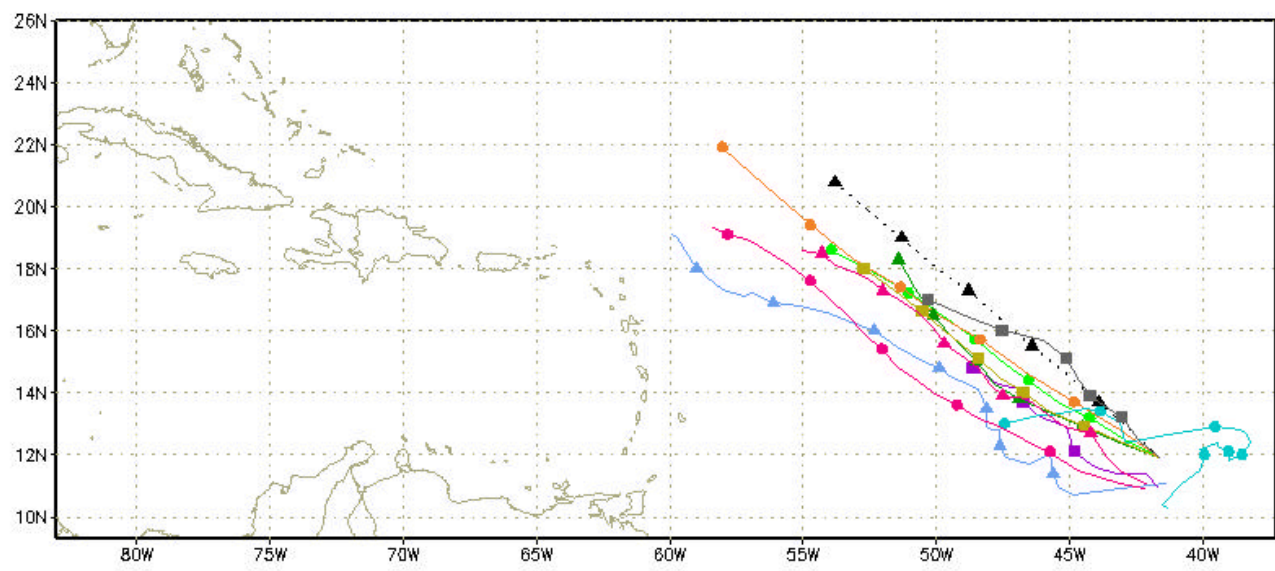
PIPELINE MAINTENANCE

ANR Pipeline said it will continue unplanned engine repairs at its Joliet Compressor Station located on its Northern Fuel Segment, which will reduce the interconnect capacity to 103,000 Dth/d for September 7-28th. Based on current nominations, it is anticipated that the reductions will have no impact on service.

Trunkline Gas Company reported that due to scheduled North Texas expansion work, effective for Wednesday the backflow capacity at the Kaplan Station will be reduced to 225,000 Dth/d and will last for 22 days.

Questar Pipeline said that due to equipment delivery delays, it has rescheduled the Greasewood DOT testing until Thursday and Friday of this week. Capacity will be cut to 35,000 for the two days or a 25% cut to P2P nominations.

- ▲--- XTRP 11/1800Z ▲ BAMD 11/1800Z ▲ GFDL 11/1200Z ▲ AVNO 11/1200Z ▲ GMC 11/1200Z
- CONU 11/1800Z ■ BAMB 11/1800Z ■ UKM 11/1200Z ■ AEMN 11/1200Z ■ LGEM 11/1800Z
- NHC Not Avail ● BAMS 11/1800Z ● NGPS 11/1200Z ● HWRP 11/1200Z ● CLP5 11/1800Z



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NHC Advisories and County Emergency Management Statements supersede this product. This graphic should complement, not replace, NHC discussions. If anything on this graphic causes confusion, ignore the entire product. For full info, see <http://my.sfwmd.gov/sfwmd/common/images/weather/plots.html>



Williston Basin Interstate Pipeline said that planned maintenance was being performed today on the Saco Compressor Station. Maximum capacity was set at 23,000 Dth/d.

Northwest Pipeline declared a deficiency period beginning today while the company installs meter station facilities at the Ignacio/La Plata interconnects and performing several pipe replacements between Pleasant View and La Plata Compressors. The restriction is expected to last through September 13th.

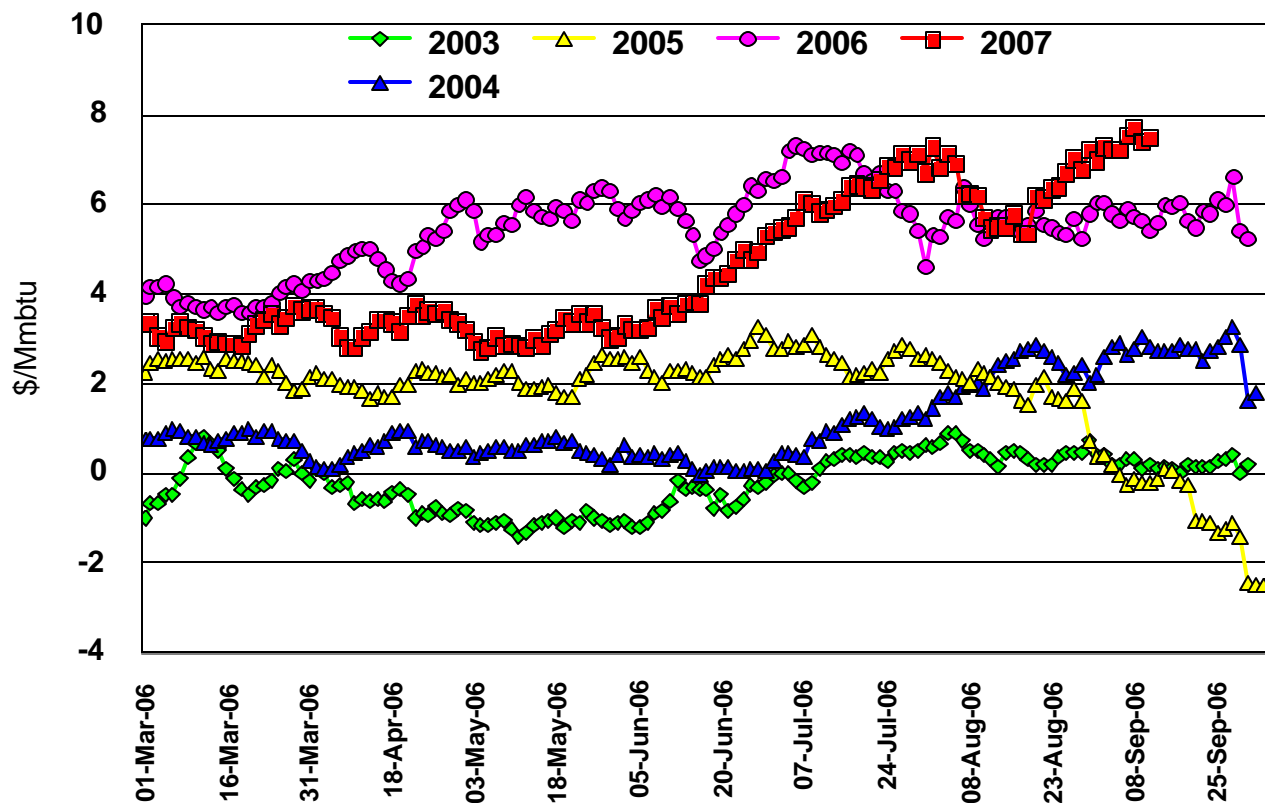
ELECTRIC MARKET NEWS

Duke Energy today invited bids for power providers to sell it 1800 Mw of electricity in Ohio. The company noted it had an immediate need for 1,500 Mw and would need an additional 900 Mw by 2013.

The EIA said today a federal mandate that 25% of power nad transportation fuels come from renewable sources would raise electricity prices by 6% and gasoline by 24 cents a gallon by 2030. The report estimated that the impact on power prices would be minimal until 2022 because “the reduction in fuel prices caused by lower fossil fuel use for electric power generation outweighs the increased capital costs of new renewable generation capacity.” Cumulative additional power costs for having a requirement in place would be \$65 billion between 2009 and 2030, about 0.8% more than they would be without the mandate.

The New York Public Service Commission staff recommended last week a \$618 million rate increases for ConEd. This was nearly half the \$1.2 billion rate increase the utility had been seeking.

Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle



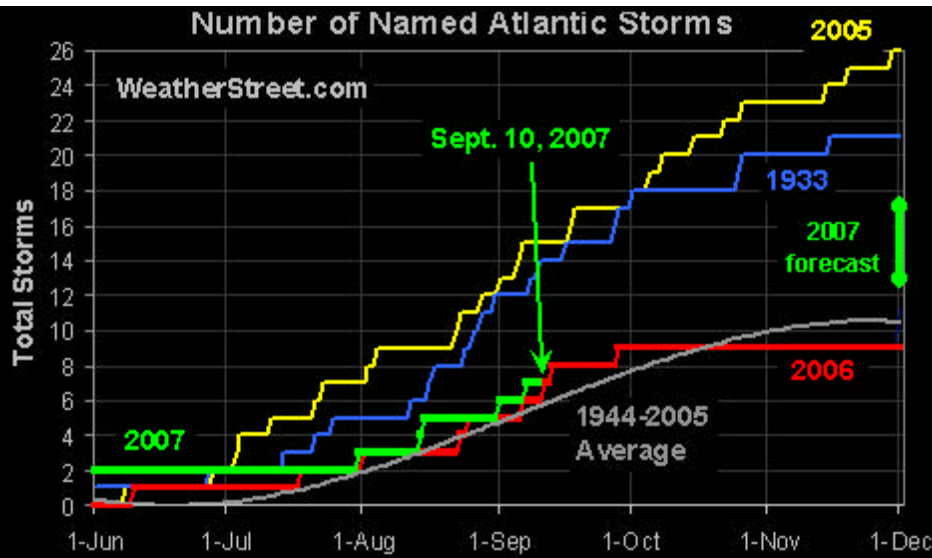
Genscape reported that U.S. coal supplies slipped slightly during the week ending September 10th to 139.8 million tons of coal, down some 100,000 tons from the previous week. Power stations had nearly 26.9% more coal on hand that they did for the same period a year ago.

The EIA in its Short Term Energy Outlook expects electric consumption in the third quarter of this year should average 1.6% higher than the same time a year ago, and overall demand this year should post a 2.5% gain over 2006. Growth in 2008 though is seen slowing to only a 0.8% gain. Residential power prices this year are seen rising by 2.5% and should increase by 2% in 2008, slightly slower than the expected rate of inflation.

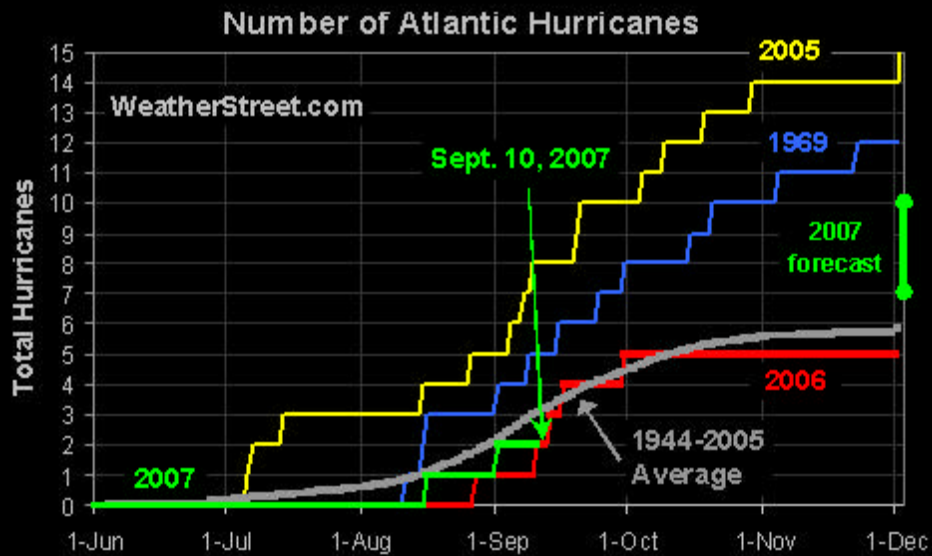
MARKET COMMENTARY

The natural gas market today appeared to take a breather as it posted its smallest trading range since August 23rd. While weather forecasters continued point to a variety of tropical weather systems, none appeared to at this time to pose a potential risk to the Gulf of Mexico. As a result with crude prices finishing the day stronger it appeared to help provide minor support to the gas market as BTU spread values showed crude values near all time seasonal highs. This price support was balanced by declining cooling demand as shown by declining spark spreads across the country. Despite the modest trading range, volume though was good with over 135,000 futures booked on the day.

We feel with prices hovering near the \$6.00 level this market needs to see a serious tropical risk to the Gulf of Mexico within the next two weeks or this market appears headed lower to retest the lows once again. As a point of reference yesterday was the peak of the Atlantic hurricane season, with historical activity quickly dropping off after October 1st.



Total named storms (tropical storms & hurricanes) as of given dates, and compared to normal.



Total hurricanes as of given dates, and compared to normal.

We would look for resistance tomorrow to be found at \$5.99-\$6.02 followed by \$6.05, \$6.10, \$6.203 and \$6.297. Support we see at \$5.845, \$5.81, \$5.74 and \$5.709. Additional support we see at \$5.666, \$5.62, \$5.534 and \$5.24. Buying puts spreads here may be a safe way to try to play the potential downward move during the peak hurricane season. The \$5.90-\$5.40 put spread tonight settled at 20.6 cents.