



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 SEPTEMBER 21, 2007

NATURAL GAS MARKET NEWS

The National Hurricane center continued to watch the slow development of a weather system off the west coast of Florida. While Friday morning the storm did not have tropical characteristics, forecasters expected the warm waters of the Gulf of Mexico to provide the fuel for the system to become Tropical Storm Jerry before it makes landfall this weekend most likely between Apalachicola, Florida and The Mississippi River. The system is currently labeled as Subtropical Depression 10. Meanwhile forecasters were watching an area of disturbed weather in the southwestern Caribbean that is moving northward in to the Southern Gulf of Mexico and could become a tropical depression this weekend. Models have this coming ashore in the central Gulf of Mexico some time between Sunday evening and Tuesday morning.

The U.S. Minerals Management Service reported at midday that some 2.371 bcf/d of natural gas production was shut in in the Gulf of Mexico as a precaution for the approach of Subtropical Depression Ten. This was up from Thursday's shut ins which totaled 1.288 bcf/d, as a result total combined production lost to date due to this storm system is 3.659 bcf. Most producers were looking to restart production this weekend given the forecast.

Statoil said the first tanker of LNG is expected to load and leave its Snohvit field next week. This weekend the company is expected to ramp up production from 30 to 50% of capacity and by next week production rates could be even higher the company reported. Some of the output is bound for the U.S.

British gas and power prices leapt higher today, as prompt contracts were lifted by supply concerns and more distant contracts were spurred by coal and oil around record levels. Also supporting the market was the fact that Gasunie, operator of the BBL pipeline, which supplies Britain with gas from the Netherlands said it would remain closed until Tuesday morning, three days longer than planned because of technical problems during maintenance.

PIPELINE MAINTENANCE

PG&E California Gas Transmission has set a system wide operational flow order on its California natural gas pipeline system for Saturday's gas flow due to high inventory. Tolerance is set at 9%.

Generator Problems

NPCC - OPG's 535 Mw Lennox oil and natural gas fired Unit #1 was taken off line.

OPG's 881 Mw Darlington #2 nuclear unit was taken off line for planned maintenance Friday.

Constellation Energy's 565 Mw Nine Mile Point #1 nuclear unit is operating at a reduced 70% as follow-up work on equipment repairs is done. Nine Mile Point #2 continues to operate at full power.

PJM - Exelon's 1,116 Mw Peach Bottom #2 nuclear unit is expected to shut tomorrow for a three-week refueling and maintenance outage.

FirstEnergy's 861 Mw Beaver Valley #1 nuclear unit is expected to shut September 24 for a scheduled refueling and maintenance outage.

SERC - Progress Energy's 938 Mw Brunswick #1 nuclear unit restarted and ramped up to 25% capacity as of this morning. Brunswick #2 continues to operate at full power.

TVA's 1,125 Mw Sequoyah #1 nuclear unit continued to reduce output as it prepares for a fall refueling. Sequoyah #2 continues to operate at full power.

WSCC - Dynergy's 739 Mw Moss Landing #6 natural gas fired generating unit returned to service late Thursday.

The NRC reported that 92,714 Mw of nuclear capacity is on line, up .13% from Thursday, and up 7.23% from a year ago.

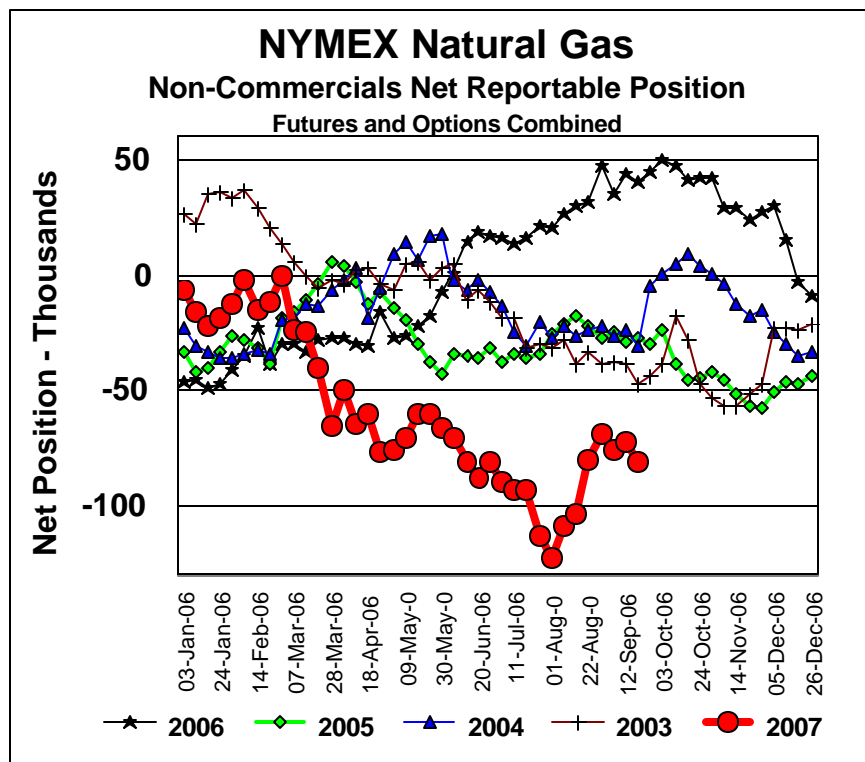
PIPELINE RESTRICTIONS

Northwest Pipeline said that beginning September 25, Northwest will be reducing its Muddy Creek North Constraint point available capacity from 652,000 Dth/d to 577,000 Dth/d to investigate anomalies identified between the Muddy Creek to Kemmerer compressor stations. Northwest will wait for finalized data from its in-line inspection contractor to determine if additional work will be required. Updates will be communicated to customers as soon as possible. Northwest understands how critical this section of pipe is to its customers and is working diligently to restore this capacity by the end of October.

If northbound primary firm nominations through the Muddy Creek North Constraint Point exceed design and/or available capacity during this maintenance period, Northwest will issue an OFO, if necessary, and declares a deficiency period.

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	1,337,400	\$5.962	(\$0.055)	(\$0.568)	(\$0.100)	(\$0.528)
Chicago City Gate	462,500	\$5.761	\$0.002	(\$0.311)	(\$0.038)	(\$0.355)
NGPL- TX/OK	591,200	\$5.603	\$0.036	(\$0.469)	(\$0.004)	(\$0.530)
SoCal	809,500	\$5.088	(\$0.186)	(\$0.984)	(\$0.226)	(\$0.769)
PG&E Citygate	787,500	\$5.684	(\$0.092)	(\$0.388)	(\$0.132)	(\$0.267)
Dominion-South	243,800	\$6.060	(\$0.070)	(\$0.012)	(\$0.110)	(\$0.042)
Transco Zone 6	144,600	\$6.385	(\$0.094)	\$0.313	(\$0.134)	\$0.268

Southern Natural Gas Pipeline said that it continues to monitor the weather system developing in the Gulf. Thus far, Southern has experienced approximately 450,000 mcf/d reduction in supply flowing through its Toca Compressor Station. Southern is requesting that all shippers/poolers verify that their supply is flowing and nominate their demand to match their anticipated supply to ensure that an out of balance situation does not occur.



As estimated by the Energy Information Administration from data on railroad car loadings, U.S. coal production totaled approximately 22.3 million short tons during the week ended September 15, 2007. This production estimate is about the same as last week's estimate, and also about the same as the estimate reported for the comparable week in 2006.

ELECTRIC MARKET NEWS

The Genscape U.S. coal burn index, an indication of coal demand, fell 6.2% for the week ended September 20 mainly on mild temperatures in the East. Coal burn fell 6.8% in the East and 3.6% in the West.

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MARKET COMMENTARY

The natural gas market again showed weakness in early morning trading, extending to a low of 5.725. However, continued uncertainty in the Gulf resulting in some light shut-ins, returned the market to positive territory above the 6.00 level and pushed it to over \$6.25 as early reports circulated around the market of another tropical system possibly moving into the Gulf of Mexico this weekend from the Caribbean. But as it became apparent that

forecasting models currently were looking for at best tropical storm force winds, prices gave back some of these gains and thus settled into a rather modest 10 cent trading range for much of the remainder of the session.

This afternoon's Commitment of Traders Report showed non-commercials for the week ending September 18th increased their net short position in natural gas futures and option by 8,000 contracts. This position change apparently seemed to be via long liquidation, as total long positions dropped by 11,882 lots while short reportable positions declined by just 3208 contracts.

This market appears to be struggling with the near term surplus of natural gas inventories. If it had not been for production shut ins in the Rockies and the recent minor shut ins in the Gulf of Mexico the October contract would be challenging recent lows below the \$5.50 level. If in fact USG production is ramped back up this weekend without any further weather delays, we feel that this market will be on the defensive again next week. We would look for initial support to be found at \$5.78, \$5.72, \$5.487 and \$5.25. Resistance we see at \$6.10, \$6.228, \$6.317, \$6.346, \$6.55, \$6.73 and \$6.85.1

