



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 SEPTEBER 25, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that Tropical Storm Karen has formed in the Atlantic, about 1,515 miles east of the Windward Islands. Karen is moving west-northwest at 15 mph with this speed and direction of movement expected to continue for at least the next 24 hours. Maximum sustained winds are near 40 mph with gusts up to 50 mph. Computer models show this system moving west-northwest during the next several days over very warm water and low shear. So, there is a good chance this system could become a hurricane. At this point, models suggest the system will track north, keeping threats to North America minimal. Elsewhere, the NHC said that satellite images indicate that tropical depression 13 formed in the southwestern Gulf of Mexico about 180 miles east of Tampico, Mexico. This system is expected to move little during the next 24 hours. Computer forecasts anticipate this system to track west, making landfall near Tampico, Mexico. Also, a broad area of low pressure centered just south of St. Kitts in the Lesser Antilles continues to struggle with wind shear. Finally, an area of disturbed weather over South Florida, western Cuba and the western Bahamas is primarily associated with a mid to upper level trough. Surface pressures are not falling at this time and additional development, if any, will be slow to occur.

Generator Problems

ERCOT – Harrington #1 coal-fired power station will be shutting for a major overhaul and maintenance. The unit is expected to return November 23, 2007.

Martin Lake #2 shut for short-term repairs and maintenance. The unit is expected to return to service within the day.

SERC – Southern's 883 Mw Hatch #2 nuclear unit returned to full power today. Yesterday, the unit was operating at 85% capacity. Hatch #1 continues to operate at full power.

Canada – Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station shut for short-term work.

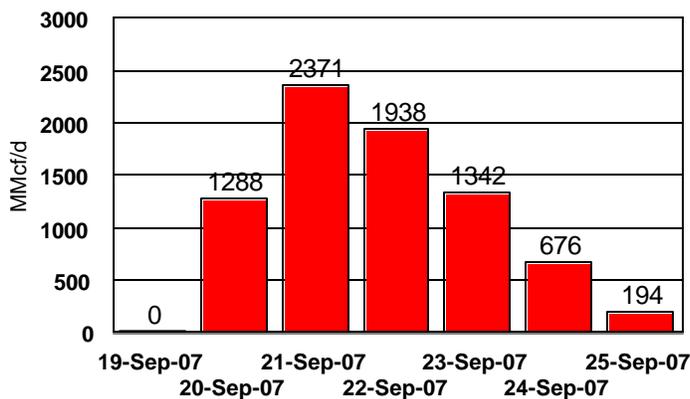
The NRC reported that 90,654 Mw of nuclear capacity is on line, up .21% from Monday, and up 4.89% from a year ago.

The Minerals Management Service issued the final update of evacuation and shut-in production statistics for

Tropical Depression 10. MMS estimates that approximately 2.5% of the natural gas production in the Gulf, or 194 MMcf/d, remains shut-in.

USG Offshore Nat Gas Production Shut-ins

Total 7809 MMcf Shut In



Hearings to debate the future authority of the U.S. Commodity Futures Trading Commission will start Wednesday in the U.S. House of Representatives. The House hearing follows on the heels of a hearing the CFTC hosted last week to discuss how it should shift its regulatory authority over exempt commercial markets. At that hearing, the heads of NYMEX and ICE each agreed that exempt commercial markets, such as ICE, should receive additional oversight, although both cautioned against overly broad or "one-size-fits-all" regulation.

Intercontinental Exchange announced that S&P's will add ICE to the S&P 500 Index as of the close of trading today.

PIPELINE RESTRICTIONS

Northwest Pipeline said that beginning today, 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 is also hereby giving notice of a Declared Deficiency Period beginning with today's gas day. As a result, Northwest is requesting shippers subject to the realignment OFO to realign their supplies by the Evening cycle in order to bring the scheduled quantities below the design capacity. Based on a design capacity of 652,000 Dth/d, the Daily Deficiency Volume is 75,000 Dth/d. The Deficiency Period is expected to last through the end of gas day October 31.

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	1,060,500	\$6.542	\$0.423	(\$0.090)	\$0.264	(\$0.396)
Chicago City Gate	526,500	\$6.489	\$0.453	\$0.116	\$0.282	(\$0.220)
NGPL- TX/OK	553,500	\$6.245	\$0.385	(\$0.128)	\$0.214	(\$0.408)
SoCal	676,700	\$5.836	\$0.358	(\$0.537)	\$0.187	(\$0.738)
PG&E Citygate	812,300	\$6.291	\$0.348	(\$0.082)	\$0.177	(\$0.231)
Dominion-South	481,500	\$6.714	\$0.421	\$0.341	\$0.250	\$0.105
Transco Zone 6	308,100	\$7.113	\$0.446	\$0.740	\$0.275	\$0.452

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Glen Ullin Compressor Station September 26. Maximum capacity at the Glen

Ullin Compressor Station will be approximately 72,000 Dkt/d. Under current conditions capacity restrictions are not expected.

ELECTRIC MARKET NEWS

U.S. coal supplies jumped about 3.3% last week as mild temperatures in the East helped push down power demand for the fifth week running according to Genscape. U.S. power generators had nearly 146.6 million tons of coal as of the week ending Monday, up nearly 4.7 million tons from the previous week. The weekly supply rise added slightly to a big supply cushion over last year's inventory level that has helped keep U.S. coal prices soft this year.

Exelon Nuclear gave Wackenhut Nuclear Security notice that it will terminate its contract to manage security forces at the Peach Bottom Atomic Power Station. This follows an internal investigation in connection with Wackenhut security officers being video-recorded sleeping or otherwise inattentive in a station ready room.

Renewable energy developer Airtricity said it has signed an agreement to buy wind turbines with total capacity of 250 Mw from GE Energy for \$330 million. The 1.5 Mw turbines will support Airtricity's growth of wind power projects in Texas, as well as states in the U.S. Midwest and U.S. Northeast.

MARKET COMMENTARY

The natural gas market broke lower in early morning trading to a low of 6.273, as tropical threats subsided. Support from the cash market and tomorrow's expiration lifted October futures to a high of 6.53 despite a much weaker crude oil market. The October contract chopped in its range before settling down 1 cent at 6.36. The November contract traded in a 7.032 to 7.255 range before settling down 8.1 cents at 7.087.

The open interest report showed a decline of 11,043 lots in the October contract, while the total market lost 10,762 lots. Record shorts are covering their October exposure ahead of expiration, however with no serious threat to production and weather forecasts calling for warmer than normal temperatures over the three months we feel that the market will work lower and look for a break out of the current range to the downside, perhaps once the October contract is off the board. We see resistance in the October contract at 6.489, 6.55, 6.638 and 6.785 and 6.884. We see support at \$6.30, 6.232, 6.00 and 5.80. For the November contract, we see resistance

at 7.255, 7.374 and 7.422. We see support at 6.976, 6.89, 6.75 and 6.70. We see further support at 6.50 and 6.23.

