



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 27, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that Tropical Depression 13 has strengthened to Tropical Storm Lorenzo this afternoon as winds have increased to near 60 mph. Lorenzo is located 130 miles east-southeast of Tuxpan, Mexico and 130 miles southeast of Cabo Rojo, Mexico. The storm is moving toward the west-southwest near 3 mph. Tropical Storm Karen is moving west-northwest at 10 mph and is 800 miles east of the Windward Islands. Karen is located in an area of unfavorable upper-level winds, and some further weakening is forecast during the next 24 hours. Elsewhere, a trough of low pressure extending from the East Coast of Florida north-northeastward across the Atlantic for several hundred miles is producing disorganized cloudiness and thunderstorms.

Natural gas markets will remain stable this winter, with moderate growth in both demand and supply, the Natural Gas Supply Association said. Natural gas drilling is up 10% to 1,473 rigs since August 2006. This year storage levels will probably rise to a record 3,520 Bcf compared to 3,461 Bcf in October of 2006.

Generator Problems

SERC – Entergy's 966 Mw River Bend nuclear unit automatically shut while the unit was performing an APRM surveillance testing. The unit was operating at full power yesterday.

WSCC – Arizona Public Service's 1,270 Mw Palo Verde #3 nuclear unit reduced production to 75% capacity as the unit prepares for an extended refueling and maintenance outage. Palo Verde #1 and #2 remain at full power.

The NRC reported that 89,130 Mw of nuclear capacity is on line, down 1.68% from Wednesday, and up 3.13% from a year ago.

The Energy Information Administration said it will transition to a new "Weekly Natural Gas Storage Report" on November 1. The agency said the upgrade will be able to better handle high-volume traffic before and during weekly publication of the data on Thursday mornings. The site will have a new look and include percentage changes from year-on-year changes and five-year average changes.

EIA Weekly Report

	09/21/2007	09/14/2007	Net chg	Last Year
Producing Region	951	931	20	938
Consuming East	1831	1787	44	1868
Consuming West	424	414	10	436
Total US	3206	3132	74	3243

*storage figures in Bcf

quantity.

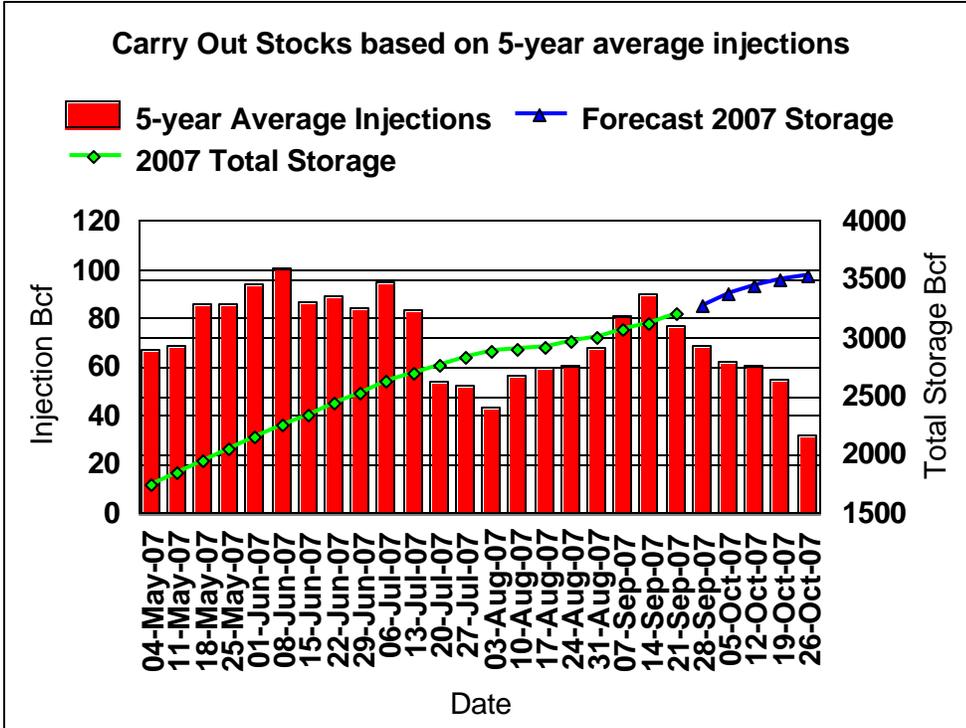
PIPELINE RESTRICTIONS

Florida Gas Transmission said 90-degree weather is forecasted for Florida for today. Therefore, FGT has extended its Overage Alert Day for FGT's Market Area at 25% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled

PIPELINE MAINTENANCE

Gulf South Pipeline said that the scheduled maintenance at the Eugene Island Offshore Louisiana platform is now scheduled to begin September 30 and will continue for up to 24 days depending on weather conditions. Gulf South will be performing scheduled pipeline maintenance consisting of installing a new operational platform and piping in Eugene Island Offshore Louisiana Block 51.

Panhandle Eastern Pipe Line Company said that beginning October 2, there will be an outage at Montezuma Station related to its modernization program to install a bleed valve on the 500 line. This outage will take two



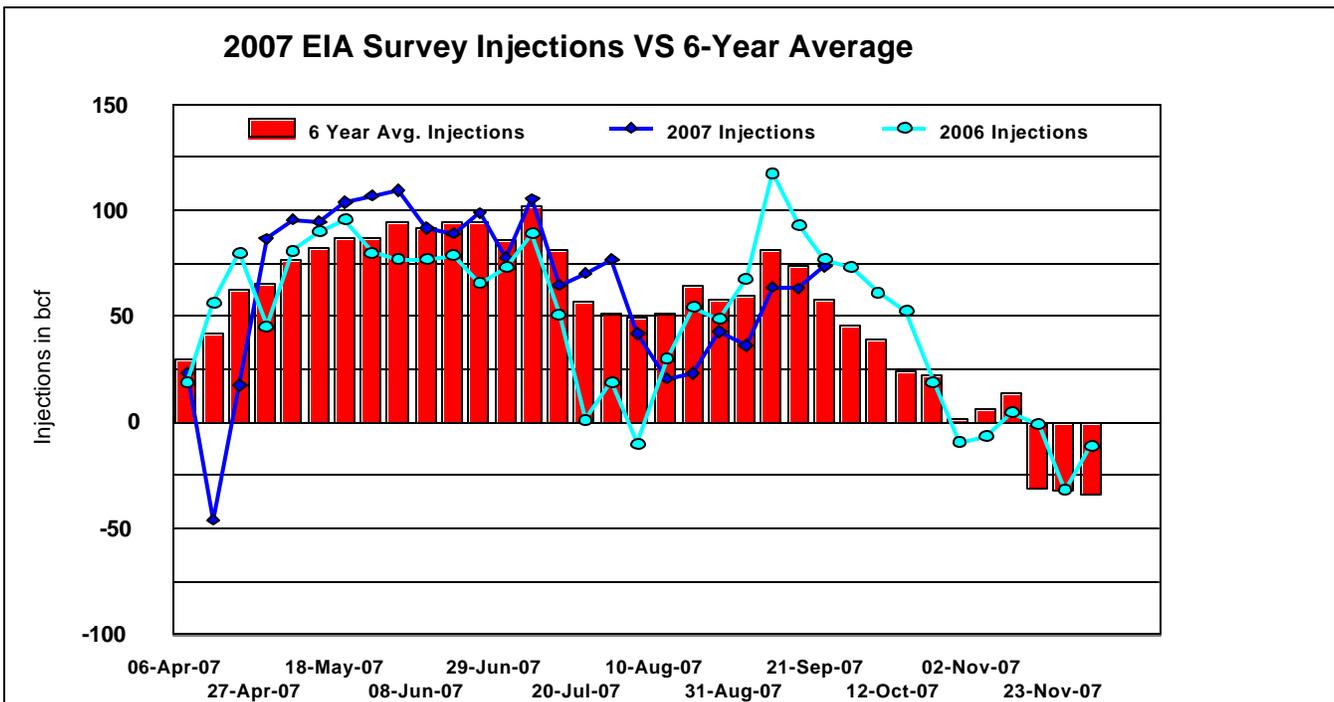
station discharge lines out of service, limiting the capacity through Montezuma to 950 MMcf/d. The duration of this outage is expected to be 12 to 16 hours. Shipper nominations will be limited to firm in-path, and then reductions will be made on a pro rata basis. Shippers are encouraged to rank deliveries in order to minimize the markets affected.

ELECTRIC MARKET NEWS

Excel Energy announced that a new system is expected to significantly improve a coal-fired power plant's operational efficiency and reduce its emissions footprint. The

system is being tested at Xcel Energy's Hayden Generating Station in Hayden Colorado.

Alternate Energy Holdings said that its proposed Idaho nuclear/bio-fuel generation facility, the Idaho Energy Complex, would avoid significant amounts of dangerous emissions once operational. The proposed 1,600 Mw nuclear plant will save the environment from what a comparable coal plant would emit, 11.3 million metric tons of carbon, 8,416 metric tons of nitrogen oxide and 10,433 metric ton of sulfur dioxide annually into the atmosphere.



The California Energy Commission accepted an application from MMC Energy for its proposed 100 Mw Chula Vista Energy Upgrade Project. If approved by the CEC, project construction is expected to begin in fall 2008 and cost about \$80 million.

The Michigan Public Service Commission has approved the power purchase agreement between We Energies and FPL Energy Point Beach, finding it is of significant value to ratepayers. FPL is the proposed buyer of Point Beach nuclear plant.

MARKET COMMENTARY

The November natural gas contract took over as front month under pressure ahead of an EIA report that was expected to show a build of 70-80 Bcf, above the 6-year average injections. The EIA reported that 74 Bcf was injected into the ground, 37 Bcf less than last year at this time, but 238 Bcf above the five-year average. The November contract moved below 7.00 ahead of the release and traded to a daily low of 6.744 after the stats. Further selling was halted as the November crude oil contract made contract highs, and ultimately broke above 83.00. November natural gas moved off its low around midday and finished the session at 6.919, down 12.7 cents.

The November December calendar spread weakened by 7.5 cents and we feel that this spread will see further weakening given the virtually no current tropical threat and a warmer-than-normal winter forecast. Looking forward, injections are expected to be above-average, which unsupportive to the market. We see support at 6.77, 6.70, 6.60 and 6.48. We see further support at 6.42 and 6.00. We see resistance at \$6.97, 7.065, 7.10 and 7.142. We see further resistance at 7.198 and 7.25.