



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 4, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center continues to monitor two areas of interest. First, a non-tropical area of low pressure over the north-central Gulf of Mexico has moderated a little, though there is still some potential for this system to become a tropical or subtropical depression during the next day or so as it moves generally west-northwestward at 10 mph. The next area of interest is some cloudiness, showers and thunderstorms over the western Atlantic and portions of the Bahamas, which is associated with a broad area of low pressure. This system remains disorganized and upper level winds have become less favorable. The NHC said that development, if any, should be slow to occur as the system moves slowly southwestward during the next day or two. Elsewhere, an area of low pressure associated with a tropical wave is located about 1,050 miles east of the southern Windward Islands, and this system has become less organized over the past two hours.

Long-range weather forecasters are predicting a warmer than average winter with less precipitation for much of the United States except the Pacific Northwest. Forecasters believe the emergence of a La Nina condition, usually cold ocean temperatures in the equatorial Pacific Ocean, will be the main factor behind the anticipated warmth for much of North America. Private weather forecaster WSI Corp warned last week that while temperatures in the Northeastern United States, home to the world's largest heating oil market, may be cooler than normal in October, the chill was unlikely to last long enough to deplete burgeoning natural gas inventories.

EIA Weekly Report

	09/28/2007	09/21/2007	Net chg	Last Year
Producing Region	965	951	14	962
Consuming East	1864	1831	33	1908
Consuming West	434	424	10	447
Total US	3263	3206	57	3317

*storage figures in Bcf

near Transco's Station 195 in southeastern Pennsylvania to delivery points in Transco's Zone Six in the northeastern United States. Williams will determine the capacity, scope and cost of the expansion based on the results of this open season.

Generator Problems

SERC – Southern Nuclear's 888 Mw Farley #2 nuclear unit tripped offline due to a loss of forced flow in the reactor coolant system loop. Farley #1 remains shut for a refueling.

Entergy Nuclear's 966 Mw River Bend power plant restarted, but is still offline at 1%.

TVA's 1,125 Mw Sequoyah #1 nuclear unit shut for a planned refueling and maintenance outage. Sequoyah #2 remains at full power.

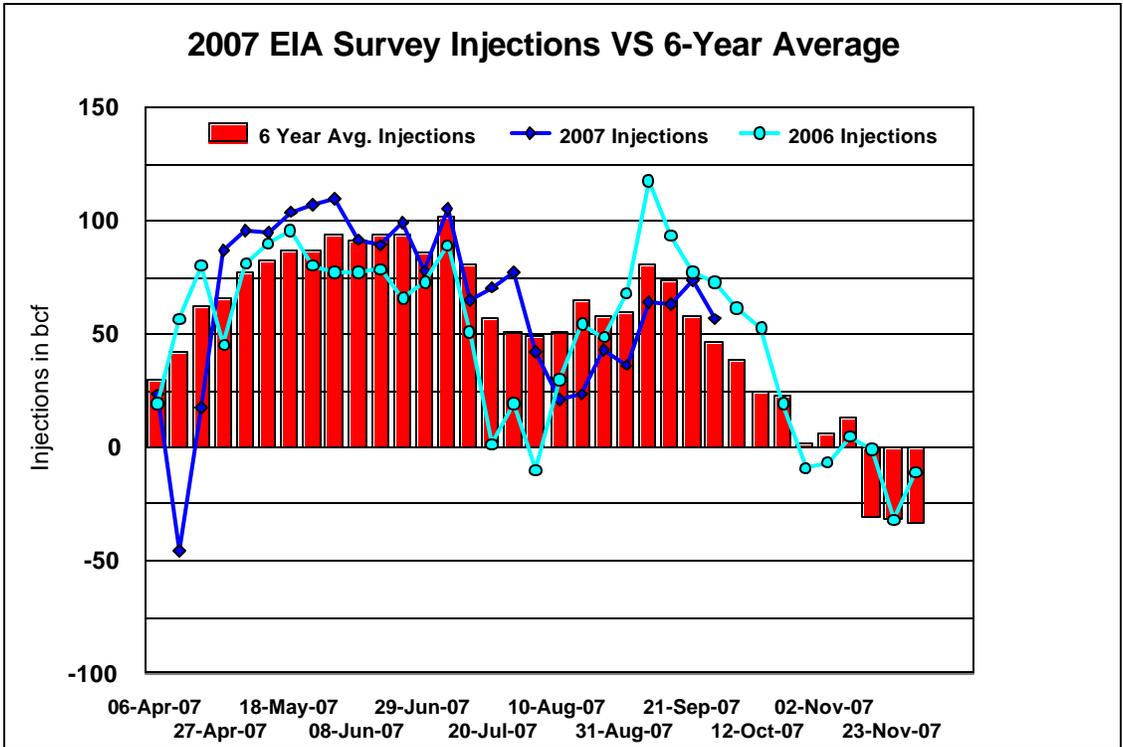
WSCC – Salt River's 750 Mw coal-fired Navajo Generating Station #1 returned to service today after a three-day outage.

Canada – Ontario Power Generation's 515 Mw Pickering #4 nuclear unit started to exit an outage.

OPG's 490 Mw Nanticoke #3 coal-fired power station returned to service by early today. The unit shut October 1.

The NRC reported that 83,151 Mw of nuclear capacity is on line, down 2.18% from Wednesday, and up 2.53% from a year ago.

A unit of Williams announced today it is holding an open season from October 4 to November 5 to obtain shipper interest in an expansion of its Transco pipeline system to serve markets in the Northeast by November 2010. The Northeast Connector Expansion would create incremental firm transportation capacity from an interconnection with Williams' proposed Rockies Connector Pipeline



Gulfstream Natural Gas System announced that it has accepted the certificate issued by the Federal Energy Regulatory Commission authorizing the company to expand its pipeline system to provide natural gas services to Progress Energy's Bartow Power Plant in Pinellas County, Florida.

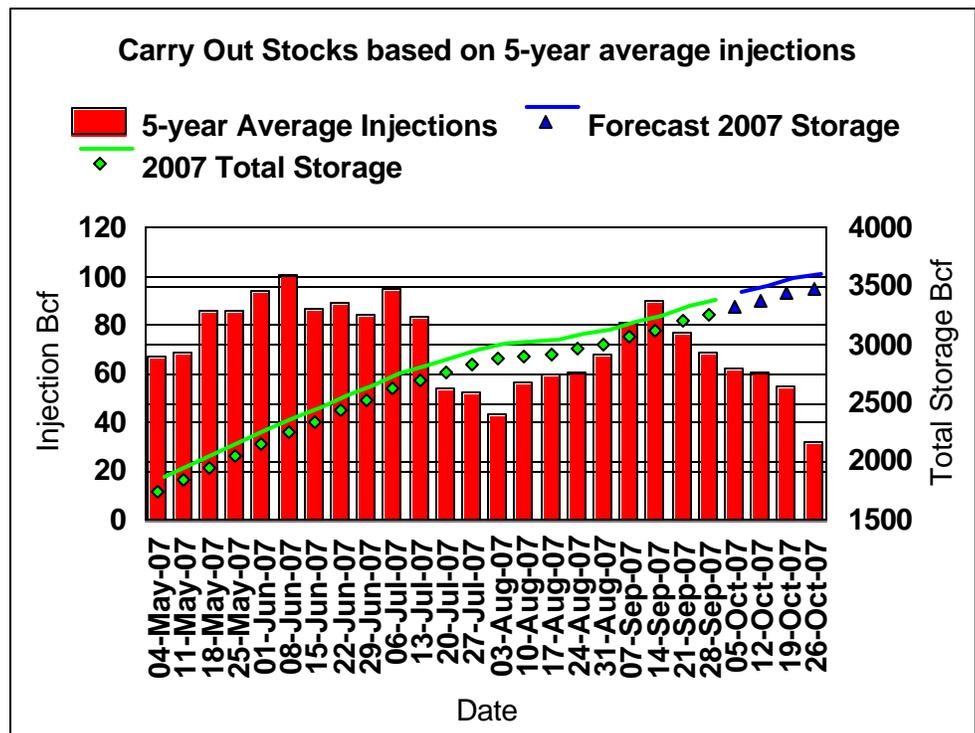
The expansion project, known as Phase IV, is designed to increase Gulfstream's system capacity by approximately 155,000 Dth/d.

Amaranth Advisers told the U.S. District Court for the Southern District of New York that the U.S. FERC has sought to avoid a court examination of its jurisdictional reach. Amaranth has argued that FERC lacks authority in the futures market and has asked the court to block the agency from enforcing a July show-cause order asking the company to explain why it should not be fined \$291 million for alleged manipulation of NYMEX gas futures trading, which in turn affected the price of physical gas deals that fall under FERC's jurisdiction.

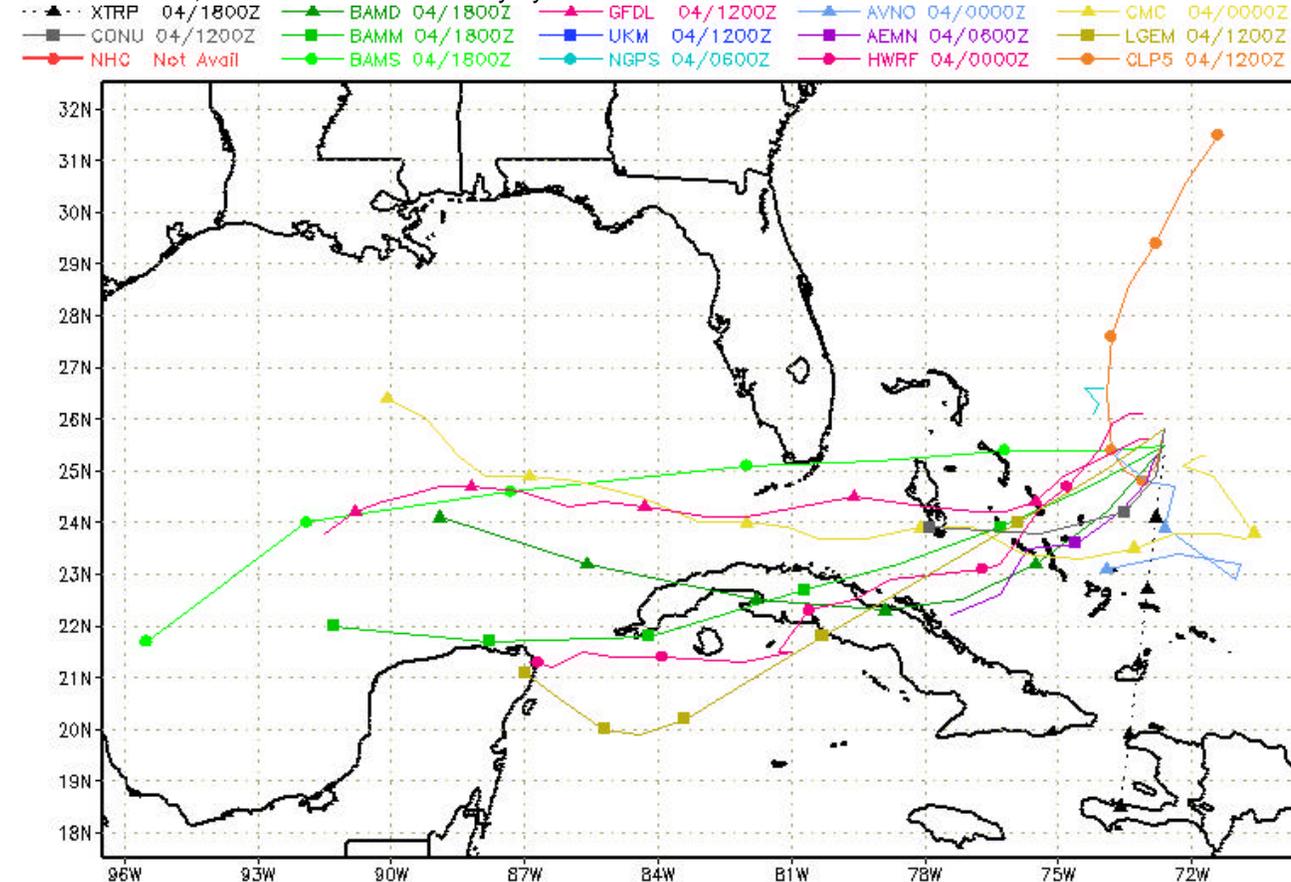
A consortium of European energy companies has created a joint venture to study the construction of a regasification facility for LNG on the coast of Croatia.

PIPELINE MAINTENANCE

ANR Pipeline Company said that it has completed pipeline maintenance along the 20-inch 515 line west of the



Monclova/Maumee meter stations located in the Northern Fuel Segment. All associated capacity restrictions have been lifted, effective the next intraday cycle.



PIPELINE RESTRICTIONS

Florida Gas Transmission said that linepack levels are low and 90 degree weather is forecasted for Florida for today. Therefore, FGT has issued an Overage Alert Day for FGT’s Market Area at 5% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.

ELECTRIC MARKET NEWS

TECO Energy’s Tampa Electric utility will drop plans to build an advanced coal-fired plant, citing uncertainty over carbon dioxide regulation and rising project costs.

A key Democrat in the U.S. House of Representatives is poised to introduce an economy-wide cap-and-trade system on all greenhouse gas emissions. John Dingell, released a white paper outlining a proposal to reduce emissions by 60% to 80% by 2050.

MARKET COMMENTARY

The natural gas market opened weaker in anticipation of the EIA’s storage report. The report showed that 57 Bcf was injected into the ground, on the lower end of expectations. The natural gas market found support from the data and that coupled with consistent tropical chatter kept the market bid through the session. The November contract traded to a high of 7.431. The market also found support from a resurgent crude contract, which rocketed higher after a choppy first-half of the session brought the contract below \$79.00 and triggering technical buying. The front natural gas contract gained 13.5 cents on the day to settle at 7.412.

Total storage now stands at 3,263 Bcf, 54 Bcf below last year’s levels for the same week and 227 Bcf above the five-year average of 3,036 Bcf. With four official reports left in injection season, if they match the 5-year average injection, total stocks will stand at roughly 3.47 Tcf ahead of peak heating season, a very healthy amount.

Technical buying associated with the November contract is anticipated to continue in the short term especially as storm chatter continues. But if there is no storm related production interruption, we anticipate a pull back toward the middle to end of this month. We see support at 7.27, 7.00, 6.80 and 6.70. We see resistance at 7.47, 7.55, 7.83 and 8.00.