



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 9, 2007

NATURAL GAS MARKET NEWS

The EIA Short-Term Energy Outlook for October 2007 reported that consumption in the fourth quarter is expected to grow by 9.5% in the residential sector and by 6.9% in the commercial sector for 2007 as compared to 2006. Heating degree-days in the fourth quarter of 2007 will contribute to that growth, as they are expected to increase by 10% over the corresponding period in 2006. Total natural gas consumption in 2007 is expected to rise by 4.6% (.1% higher than last month's outlook) because of increases in the residential, commercial, and electric power sectors, particularly in the first half of the year. In 2008, consumption growth is expected to be 0.4%. Total U.S. marketed natural gas production is expected to rise by 1.3% in 2007 and by 0.9% in 2008. In the Gulf of Mexico, where year-to-date tropical storm-induced production losses currently total 8.27 Bcf, marketed production is expected to decline by 2.6% in 2007 and increase by 5.4% in 2008 as a result of developing deepwater supply infrastructure. In the Lower-48 onshore region, marketed production is expected to increase by 1.9% in 2007, offsetting production declines in the Gulf and by 0.2% in 2008. Imports of LNG are expected to increase by 44.5% this year and by about 19.7% in 2008. LNG imports have slowed in the last two months as natural gas demand in Japan for electricity generation has increased since the shutdown of the Kashiwazaki-Kariwa nuclear power plant in July. The EIA projects that working gas inventories by the beginning of the heating season are projected to reach 3.444 Tcf, slightly below the all-time high for natural gas storage inventories recorded at the end of November 1990. The Henry Hub spot price averaged \$6.26 in September, which market the fourth consecutive decline in the monthly average spot price since May. Spot prices at Henry Hub are projected to rise to a winter peak of \$8.65 in January 2008. On an annual basis, spot prices are expected to average about \$7.21 in 2007 and \$7.86 in 2008.

Generator Problems

ERCOT – AEP's 528 Mw Welsh #1 coal fired power station shut October 6-31 for maintenance.

AEP's 675 Mw Pirkey coal fired power station shut for repairs on the boiler.

SERC – Entergy's 1,091 Mw Waterford nuclear unit shut from full power.

CANADA – Ontario Power Generation's 515 Mw Pickering #4 nuclear unit shut for short-term work. The unit is expected to return to service in about a week.

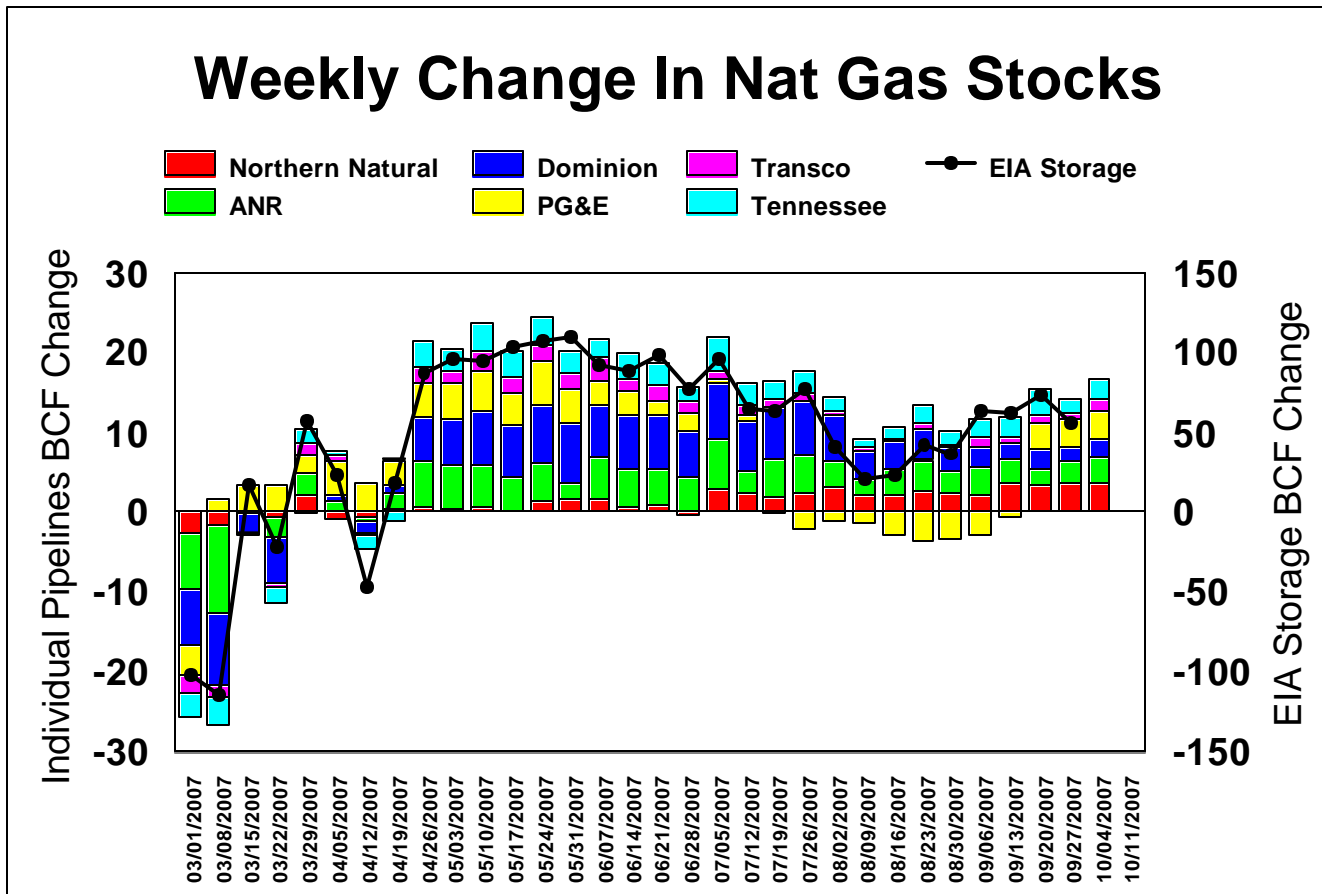
The NRC reported that 81,976 Mw of nuclear capacity is online, down .96% from Friday, and up 8.90% from a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	2,391,200	\$6.628	(\$0.064)	(\$0.285)	\$0.111	(\$0.490)
Chicago City Gate	668,900	\$6.841	\$0.070	(\$0.011)	\$0.212	(\$0.336)
NGPL- TX/OK	825,000	\$6.560	(\$0.020)	(\$0.292)	\$0.122	(\$0.505)
SoCal	1,164,700	\$6.704	\$0.136	(\$0.148)	\$0.278	(\$0.473)
PG&E Citygate	1,013,600	\$6.950	(\$0.027)	\$0.097	\$0.115	(\$0.158)
Dominion-South	411,800	\$6.889	\$0.010	\$0.037	\$0.152	(\$0.142)
Transco Zone 6	211,400	\$7.187	(\$0.100)	\$0.334	\$0.042	\$0.239

The U.S. National Hurricane Center said it does not expect any significant development of an area of low pressure before it hits the Yucatan Peninsula over the next day or so. It is unlikely that this system will develop into a tropical depression or storm

before reaching land. In two or three days however, AccuWeather noted that the storm would likely enter the Bay of Campeche in the southwestern Gulf of Mexico where it could redevelop.

The United States will have warmer-than-normal temperatures this winter in most of the country, except for the northern Plains and Northwest states, according to NOAA. A weak to moderate La Nina weather phenomenon is forecast during the 2007-2008, which will bring wetter weather to the Pacific Northwest and dryer warmer weather across the South. The current drought will persist across the Southwest and the Southeast, while the Ohio and Tennessee Valleys, northern Rockies and Hawaii will be wetter than normal this winter.



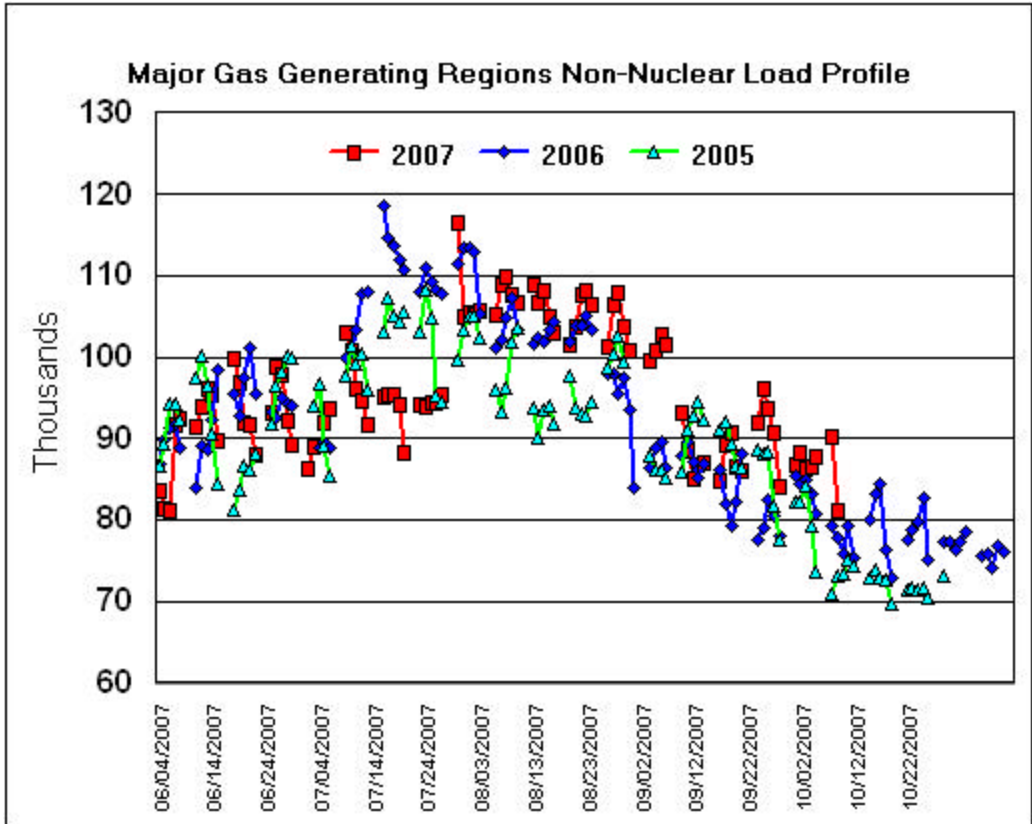
Bobcat Gas Storage announced today the start of an open season for unratcheted, firm storage service in both Caverns 1 and 2 at its natural gas storage facility currently under construction in St. Landry Parish, Louisiana. Cavern 1 capacity will be available in October 2008 with Cavern 2 in-service expected in August 2009. On September 26, Bobcat filed at FERC to increase the working gas capacity of both Cavern 1 and Cavern 2 to 7.8 Bcf each.

PIPELINE RESTRICTIONS

Florida Gas Transmission said 90-degree weather is forecasted for Florida for today. Therefore, FGT has issued an 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 quantity.

PIPELINE MAINTENANCE

ANR Pipeline Company said that due to engine repairs at Patterson Compressor Station, the company will need to restrict the Southeast Gathering Area, Patterson to Eunice delivery capacity located in Louisiana in the Southeast Area Fuel Segment to the following: 650,000 Dth/d available on October 10. Based on current nominations for this segment, it is anticipated that the above reductions may result in the curtailment Firm Secondary and IT nominations.



Questar Pipeline Company said that during the Southern System expansion work today through October 12, Questar will be using the ML 80 scheduling point with a capacity of 265,000 Dth/d. The West Fidar point will not be used. Questar will go back to using the West Fidar point beginning cycle 1, gas day October 13.

Tennessee Gas Pipeline said that physical flow through MLV 13-3 to MLV 17-3 will be suspended at all meters in the impacted area through October 21 to install pig launchers and receivers. Additionally, restrictions may

become necessary through a pro-rata portion of Secondary In the Path nominations pathed through this line section.

ELECTRIC MARKET NEWS

American Electric Power settled with the U.S. government to reduce harmful air pollution from 16 coal-burning power plants at a cost of \$4.6 billion. This is the single biggest environmental enforcement settlement in U.S. history according to the EPA. AEP also agreed to pay \$15 million in civil penalties and \$60 million in pollution cleanup costs to end the “new source review” case brought by the federal government in 1999.

According to the EIA Short-Term Energy Outlook for October 2007, total electric consumption is expected to grow about 2.4% for 2007. Growth in 2008 is expected to slow by 0.7% due to an assumed return to near-normal summer temperatures and slightly slower growth in economic activity. U.S. residential electricity prices are expected to grow by 2.2% this year and 2.3% in 2008, much lower than the growth rates experienced during 2006. U.S. consumers who rely on electricity for heating are likely to see their heating bills this winter rise 4% on average, compared to last year.

Genscape reported that U.S. coal supplies rose 0.7% last week despite warm weather nationwide that boosted power demand. U.S. power generators had more than 145.8 million tons of coal as of the week ending Monday, up nearly 1.04 million tons from the previous week. Power stations had more than 21.1% more coal than they had during the same week in 2006, down from a surplus of 23.4% recorded in last week’s report.

The DOE awarded the first three large-scale carbon sequestration projects in the U.S. and the largest single set in the world to date. The three projects, Plains Carbon Dioxide Reduction Partnership; Southeast Regional Carbon Sequestration Partnership; and Southwest Regional Partnership for Carbon Sequestration, will conduct large volume tests for the storage of one million or more tons of CO2 in deep saline reservoirs. DOE plans to invest \$197 million over ten years, subject to annual appropriations from Congress, for the projects, whose estimated value including partnership cost share is \$318 million.

MARKET COMMENTARY

The natural gas market had a sideways session, which saw the bleeding of the two previous sessions stopped. With the lack of any tropical disruption, the likelihood of unsupportive storage and forecasts for a mild winter, spot month natural gas is testing recent lows and making lower highs. The November contract consolidated at the lower edge of its range, trading between 6.77 and 6.953 before settling up 1.7 cents at 6.863.

NYMEX Natural Gas Options Most Active Strikes for October 9, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	11	7	C	8	10/26/2007	0.0478	7,562	56.49
LN	1	8	C	15	12/26/2007	0.015	6,250	60.29
LN	1	8	P	6	12/26/2007	0.0523	3,850	46.64
LN	11	7	P	6	10/26/2007	0.0389	3,825	52.41
LN	1	8	P	5.5	12/26/2007	0.0204	3,750	47.14
LN	11	7	C	7	10/26/2007	0.2574	2,300	52.03
LN	12	7	C	10	11/27/2007	0.0666	2,000	52.14
LN	1	8	C	9	12/26/2007	0.3737	1,825	46.36
LN	12	7	C	9.5	11/27/2007	0.1029	1,625	50.62
LN	11	8	C	15	10/28/2008	0.2465	1,600	41.40
LN	3	8	C	8	02/26/2008	0.8078	1,600	39.03
LN	11	7	P	6.25	10/26/2007	0.083	1,575	53.22
LN	12	8	P	6	11/21/2008	0.2541	1,500	42.67
LN	3	8	C	11	02/26/2008	0.2209	1,500	48.43
LN	3	8	C	10	02/26/2008	0.3379	1,450	46.26
LN	1	8	C	9.5	12/26/2007	0.2752	1,350	48.01
LN	2	8	C	10.5	01/28/2008	0.2197	1,350	47.10
LN	11	7	C	7.25	10/26/2007	0.1736	1,345	53.16
LN	11	7	P	5.75	10/26/2007	0.0161	1,250	52.10
LN	11	7	C	7.2	10/26/2007	0.1882	1,200	52.93
LN	3	8	P	5.5	02/26/2008	0.0592	1,200	43.74
LN	2	8	P	6	01/28/2008	0.0749	1,100	43.99
LN	11	7	C	7.5	10/26/2007	0.1141	1,050	54.18
LN	12	8	C	12	11/21/2008	0.556	1,000	35.05
LN	11	7	P	5.5	10/26/2007	0.0062	1,000	52.76
LN	1	8	P	8	12/26/2007	0.6872	987	51.69
LN	9	8	P	6	08/26/2008	0.3437	975	45.24
LN	10	8	P	6	09/25/2008	0.4048	975	47.70
LN	1	8	P	6.5	12/26/2007	0.1231	950	47.36
LN	1	8	C	8	12/26/2007	0.6902	917	42.34
LN	1	8	P	7.5	12/26/2007	0.4341	900	49.84
LN	2	8	P	8	01/28/2008	0.7592	850	49.93
LN	2	8	P	6.5	01/28/2008	0.1566	750	44.55
LN	3	8	P	6.5	02/26/2008	0.2333	750	44.75
LN	4	9	P	7	03/26/2009	0.6213	750	37.57

Early expectations for this week's EIA storage report call for a build of between 69 and 80 Bcf compared to a year-ago-build and five-year average injection of 63 Bcf. Bearish sentiments overwhelm the natural gas market, yet seasonal buying ahead of winter has supported the market at the 6.70 level. Also supporting the market, is a drop in LNG deliveries as a result of increased demand in Asia, where gas prices are trading near \$11.00. With the current mini-heat wave dissipating across the Midwest and Northeast, we feel that this market will make a further test of the 6.70 level. We see resistance at 6.955, 7.045, 7.138, and 7.25. We see support at 6.772, 6.70, 6.589 and 6.50.