



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 12, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that Tropical Depression 15 is weakening but a tropical wave located over the east-central Caribbean has the possibility to develop into a tropical depression next week as it moves more towards the southwest Caribbean.

Upstream capital spending is pegged to jump a healthy 20% this year versus 2006. However, with most of the money earmarked for international oil projects, North American exploration and production (E&P) companies weighted to natural gas are not expected to deliver over-the-top earnings through the rest of the year, according to several energy analysts.

The Australian federal government has given its approval for Woodside Petroleum's Pluto LNG project in Western Australia, which it said could proceed on strict environmental conditions. The plant is forecast to produce 4.3 million mt/year, but would have a total capacity of 4.8 million mt/year.

US independent producer Swift Energy said it had closed on its \$249.50 million purchase of south Texas oil and gas properties from privately held Excondido Resources. The properties, which comprise 82,900 acres in La Salle, Dimmit and Webb counties, produced about 21,000 Mcf-equivalent/d in the second quarter of 2007. Roughly 85% of the production was natural gas and natural gas liquids. Swift said it expects the acquisition will increase its production in the fourth quarter by 1.3 to 1.5 Bcfe.

Baker Hughes reported that the number of rigs searching for oil and gas in the United States rose 12 to 1,767 in the week ending today. During the same week last year there were 1,728 rigs active. The number of rigs searching for oil rose one to 319 while the number of rigs searching for gas rose 11 to 1,442.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will perform scheduled maintenance at Pontchartrain PLT, located in St. John the Baptist Parish, Louisiana beginning October 16 and continuing for four days. The subject location will be shut-in and unavailable for service for the duration of the maintenance. The company also said that unscheduled maintenance at Kiln #2 is complete.

Texas Eastern Transmission said that in addition to the ongoing DOT maintenance down downstream of Norris City, there are other outages impacting ETX and M1 24-inch capacities for the remainder of October. Joaquin Station will be out of service October 14-16. Lick Creek Discharge will be out of service October 17-27.

ELECTRIC MARKET NEWS

Generator Problems

PJM – PPL's 1,115 Mw Susquehanna #1 nuclear unit is operating at 100% power today, though it is expected to shut tomorrow for a refueling and maintenance outage.

PSEG's 1,050 Mw Hope Creek nuclear unit decreased output to 87% power as it coasts down to a refueling and maintenance outage expected to start this weekend.

WSCC – Arizona Public Service's 1,314 Mw Palo Verde #2 nuclear unit restarted and is operating offline. The unit is expected to reconnect to the grid today. Palo Verde #1 continues to operate at full power.

Canada – Ontario Power Generation's 490 Mw Nanticoke #3 coal-fired power station shut today for planned work.

The NRC reported that 80,835 Mw of nuclear capacity is online, up .18% from Thursday, and up 9.38% from a year ago.

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	1,689,600	\$6.460	(\$0.388)	(\$0.717)	(\$0.318)	(\$0.426)
Chicago City Gate	482,700	\$6.399	(\$0.484)	(\$0.549)	(\$0.382)	(\$0.211)
NGPL- TX/OK	606,800	\$6.204	(\$0.442)	(\$0.744)	(\$0.340)	(\$0.438)
SoCal	879,100	\$6.265	(\$0.432)	(\$0.683)	(\$0.330)	(\$0.380)
PG&E Citygate	462,200	\$6.713	(\$0.277)	(\$0.235)	(\$0.175)	(\$0.049)
Dominion-South	405,200	\$6.525	(\$0.425)	(\$0.424)	(\$0.323)	(\$0.131)
Transco Zone 6	294,400	\$6.809	(\$0.485)	(\$0.139)	(\$0.383)	\$0.187

Genscape's U.S. weekly coal burn index slipped 0.6% in the week ended October 11. Demand for electricity for cooling was essentially unchanged as weather stayed warm but did not grow warmer than the week before in the East. The coal burn index

was up about 12.1% over the same week last year.

MARKET COMMENTARY

The natural gas market weakened this morning, burdened by soft fundamentals. The November contract traded to a low of 6.745 before the open outcry session opened. Support at the 6.70 level showed firm and with the open of the NYMEX, the market reversed its fundamental course to instead trade higher to a daily high of 6.995. The market was supported by large-fund short covering and support from the crude oil market ahead of the weekend. The November contract settled up 9.8 cents at 6.974.

The Commitment of Traders Report for the second straight week showed that non-commercial traders increased their futures only position by 5,105 lots to a total of 59,866 contracts, but reduced their net short combined futures and options position by 9,566 lots to 67,232 contracts. Seasonality buying ahead

of the peak winter season has supported this market, though burgeoning storage facilities has kept a lid on prices. This market will continue to chop at these levels, reluctant to follow its fundamental weakness given the uncertainty with winter demand ahead. We see support at 6.70, 6.599, 6.50 and 6.20. We see resistance at 7.10, 7.172, 7.349 and 7.47.

