



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 22, 2007

NATURAL GAS MARKET NEWS

Pemex reported today that natural gas production rose to 6.104 bcf/d from a revised 5.942 bcf in August. August production levels were reduced for oil and gas due to Hurricane Dean. Imports in September rose to 453.2 million cf/d from 403.5 million cf/d in August. The company noted that for the first 9 months so 2007, natural gas production was up 13.2% from a year ago.

The American Petroleum Institute reported today that an estimated 13,543 oil and natural gas wells were completed in the third quarter of this year, a 22-year-old record. Natural gas continued to account for the majority of these wells as 7,628 gas wells were completed, the third highest drilling quarter ever.

Interconnector UK reported today that its pipeline linking the Belgian gas network from Britain had switched to UK import mode on Monday and was flowing to the UK at a modest rate of 5 million cubic meters per day.

Warmer-than-normal temperatures will continue across most of the United States through January, WSI Corp. forecasters said Monday, adding their voice to the growing chorus predicting a relatively warm winter.

PIPELINE MAINTENANCE

Enbridge Offshore Pipelines said that Stingray plans a series of pig runs on the 36-inch mainline from West Cameron 148 to Stingray's onshore facilities at Holly Beach beginning today. A re-run of an in-line inspection pig is scheduled for October 23 after the liquids have been removed from the line. In the event the liquids received at the onshore facilities are in excess of the slug catcher capacity, there may be a service interruption. The duration of any interruption is dependent upon the time to process the liquids and the amount of liquids received.

Generator Problems

FRCC – FPL's 760 Mw Turkey Point #3 nuclear unit ramped up to full power.

NPCC – OPG's 490 Mw Nanticoke #8 coal fired power plant returned to service early Monday, but its #3 coal fired unit was reported to be off line.

Entergy's 852 Mw FitzPatrick nuclear unit was back at full power this morning. The unit had been at 65% of capacity on Friday.

OPG's 535 Mw Lennox #2 oil and gas fired unit returned to service this morning. The unit had been shut since October 17th.

MAIN Exelon's 2300 Mw Byron nuclear facility remained off line, following operators taking both units off line due to a leak in a pipe bringing cooling water to the two reactors. Operators reportedly were conducting corrosion checks throughout the units. No restart date was given.

PJM – Exelon's 810 Three Mile Island nuclear was off line reportedly for its planned refueling outage. The unit was at 88% of capacity on Friday.

ECAR – Entergy's 778 Mw Palisades nuclear unit was at 35% of capacity this morning as it returned from its recent refueling outage.

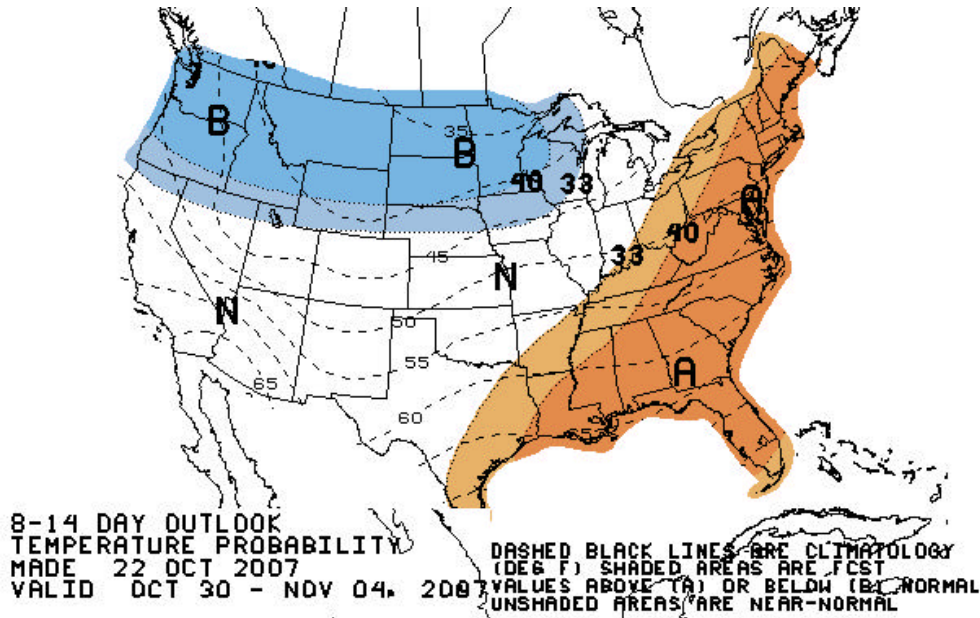
ERCOT - NRG Energy's 836 Mw Limestone #1 coal fired power plant reportedly was placed back into service late Sunday after being off line due to a tube leak for a week.

SERC – Dominion Resources 799 Mw Surry #1 nuclear unit was taken off line on Sunday for its scheduled refueling outage.

TVA's 1155 Mw Browns Ferry #1 nuclear unit was at full power Monday up 30% from Friday's operating levels.

WSCC – Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit cut power to 37%.

The NRC reported that 78,571 Mw of nuclear capacity is online, down 4.76% from Friday, and up 9.51% from a year ago.



Westcoast Energy said that it has experienced a valve maintenance issue at one of the line break valves on the Goodrich injector line. This necessitated taking the Goodrich injector line out of service. To facilitate repair, the pipeline is required to be depressurized and purged. Based on the best information at hand Spectra Energy anticipates the timeline for repair to be 7 to 10 days. Based on this, if necessary Spectra Energy will issue an over

delivery notice as outlined in the Grizzly Valley Over Delivery Control Process and if required will act upon any violators.

PIPELINE RESTRICTIONS

Southern Natural Gas Pipeline said that it has scheduled a shut-in test at the Bear Creek Storage Field from October 23 through October 29. As a result of this Force Majeure event, Southern will reduce each CSS customer’s DIQ and DWQ on a pro-rata basis during the shut-in test. Southern will monitor nominations closely during the shut-in tests to determine if there is an imbalance between anticipated supply and demand that would threaten the operational integrity of the system. Additionally, Southern will evaluate requests for interruptible services that rely on storage, make-up due Shipper and make-up due pipeline on each scheduling cycle.

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	1,287,000	\$6.633	(\$0.275)	(\$0.439)	(\$0.028)	(\$0.449)
Chicago City Gate	481,600	\$6.722	(\$0.026)	(\$0.250)	\$0.131	(\$0.358)
NGPL- TX/OK	676,600	\$6.474	(\$0.086)	(\$0.498)	\$0.071	(\$0.556)
SoCal	1,275,700	\$6.683	\$0.070	(\$0.289)	\$0.227	(\$0.497)
PG&E Citygate	598,700	\$7.049	(\$0.165)	\$0.076	(\$0.008)	(\$0.021)
Dominion-South	462,100	\$6.664	(\$0.280)	(\$0.308)	(\$0.123)	(\$0.230)
Transco Zone 6	399,200	\$7.027	(\$0.235)	\$0.055	(\$0.078)	\$0.116

ELECTRIC MARKET NEWS

Genscape reported today that it estimated that power generation in the United States in the week ending October 18th fell 7.63% from the previous week, and was basically in line with the same week a

year ago with 71.6 million Mwh.

California state power officials reported that the raging brush fires in the west had shut a major power line from Arizona and had cut power to at least 37,000 residential and commercial power customers. While the Southwest Power link a 500 Kv line had been taken out of service, the Pacific DC Intertie remained in service but being operated at a lower flow due to high winds and fire conditions.

The California ISO has declared Restricted Maintenance Operations in Southern California for all day today. The ISO anticipates generation resources may be inadequate for the period by this notice as wildfires ravage southern California.

The NYSE Euronext announced it will join with Caisse des Depots to start a global market in emissions credits early next year. The exchange will offer trading and settlement in spot carbon dioxide allowances as well as derivative products.

NYMEX Nat Gas Options Most Active Strikes for October 22, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	11	7	P	6.5	10/26/2007	0.023	3,810	50.33
LN	2	8	C	11	01/28/2008	0.1543	3,200	51.32
LN	12	7	P	7	11/27/2007	0.2065	2,951	48.37
LN	11	7	P	6	10/26/2007	0.0003	2,635	49.22
LN	11	7	C	7	10/26/2007	0.1003	2,456	50.37
LN	11	7	C	7.5	10/26/2007	0.0109	2,270	52.45
LN	12	7	C	8	11/27/2007	0.2756	2,233	46.56
LN	11	7	P	6.65	10/26/2007	0.0528	2,010	50.87
LN	11	7	P	6.75	10/26/2007	0.084	1,682	51.22
LN	2	8	C	8.5	01/28/2008	0.5727	1,575	44.39
LN	11	7	P	6.25	10/26/2007	0.0037	1,513	49.53
ON	11	7	P	7	10/26/2007	0.209	1,398	51.14
LN	1	8	C	11	12/26/2007	0.0765	1,200	53.53
LN	2	8	P	7	01/28/2008	0.3098	1,156	47.97
LN	12	7	C	10	11/27/2007	0.0333	1,133	54.49
LN	3	8	P	5	02/26/2008	0.0308	1,100	46.76
LN	11	7	P	7	10/26/2007	0.2092	1,043	52.53
ON	11	7	C	7.25	10/26/2007	0.036	1,030	51.83
LN	11	7	C	7.25	10/26/2007	0.0364	955	51.45
LN	11	7	C	8	10/26/2007	0.0006	950	54.14
ON	11	7	P	6.5	10/26/2007	0.023	945	49.83
LN	4	8	C	10	03/26/2008	0.1656	900	38.11
LN	4	8	C	8	03/26/2008	0.5215	900	32.39
ON	11	7	P	6.25	10/26/2007	0.004	876	49.53
LN	11	7	P	6.6	10/26/2007	0.0407	825	50.64
ON	2	8	P	7	01/28/2008	0.311	806	44.83
ON	3	8	P	7	02/26/2008	0.437	800	44.73
LN	12	7	P	6.25	11/27/2007	0.0452	800	47.22
LN	12	8	P	6	11/21/2008	0.2272	800	41.95
LN	11	7	P	6.8	10/26/2007	0.1036	785	51.49
LN	3	8	P	7.25	02/26/2008	0.552	750	49.80

MARKET COMMENTARY

The natural gas market challenged the 7.00 level in early morning trading. With soft cash prices, talk of low winter demand and a sell off in crude oil, natural gas bested the 7.00 level on its way to a daily low of 6.808. Ongoing bearish fundamentals continue to deflate the market as mild weather outlooks, both for the near-term and through the winter, offer the opportunity for the industry to approach record storage levels in the weeks ahead. The November contract settled down 15 cents at 6.891.

With a weak demand outlook for natural gas, we feel that the market will test the lower end of its roughly month long range at 6.70-6.75. Ultimate downside penetration to new lows however will be dependent upon more erosion in the energy complex as a whole. With the oil complex elevated, new downside levels in natural gas will be difficult to come by especially with the peak-heating season ahead of us. We see support at 6.75, 6.70,

6.664 and 6.519. We see further support at 6.20. We see resistance at 7.00, 7.16, 7.20, 7.505, 7.616, 7.80 and 8.00.

