



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 23, 2007

NATURAL GAS MARKET NEWS

The U.S. Interior Department said it sold 91.6 Bcf of natural gas it collected as royalty payments from energy companies drilling on federal tracts in the Gulf of Mexico. The gas, enough to supply the average energy needs of almost 1.2 million U.S. homes for one year, will be delivered to the market beginning on November 1 over periods ranging from 5 to 12 months.

U.S. independent Pioneer Natural Resources reported the discovery of two new natural gas fields in the Edwards Trend in South Texas. The two new wells encountered from 150 feet to more than 200 feet of vertical gas pay, Pioneer said. Pioneer said it estimated average recoverable gas reserves of 4.5 – 5.0 Bcf for each well.

PIPELINE MAINTENANCE

Alliance Pipeline said that two maintenance projects will be conducted tomorrow. AB21 Teepee Creek Meter Station will be unavailable for 8 hours and station capacity will be reduced to 984 e3m3/day for this gas day. Highway 2 BC01A meter station will have zero flow for four hours starting at 12:00 PM MT. Station capacity will be reduced to 4720 e3m3/day for the gas day.

Trunkline Gas Company said that effective October 10, scheduled maintenance has began at the Kaplan Station resulting in no available horsepower. The resulting impact is a reduction of capacity to 150,000 Dth/d. The expected duration has been extended to 66 days. The capacity will increase to 225,000 Dth/d on approximately December 14.

PIPELINE RESTRICTIONS

Pacific Gas and Electric Co.'s California Gas Transmission unit issued an operational flow order for customers on its natural gas pipeline system due to high inventories. The alert is issued at 9% tolerance. The alert was issued as wildfires in southern portions of the state have disrupted power transmission lines and caused scattered power outage.

Generator Problems

ECAR – Consumers Energy's 789 Mw Palisades nuclear unit increased output to 64% power. Yesterday, the unit was operating at 35% power.

MAIN – Exelon's 912 Mw Dresden #2 nuclear unit reduced output to 98% power, down just 1% as it prepares for a refueling outage scheduled to begin next week. Dresden #3 continues to operate at full power.

SERC – Progress Energy's 900 Mw Harris nuclear unit is warming up the unit offline at 7% power.

Duke Power's 846 Mw Oconee #3 nuclear unit decreased output to 91% power as the unit prepares for a refueling outage scheduled to begin on Saturday. Oconee #1 and #2 continue to operate at full power.

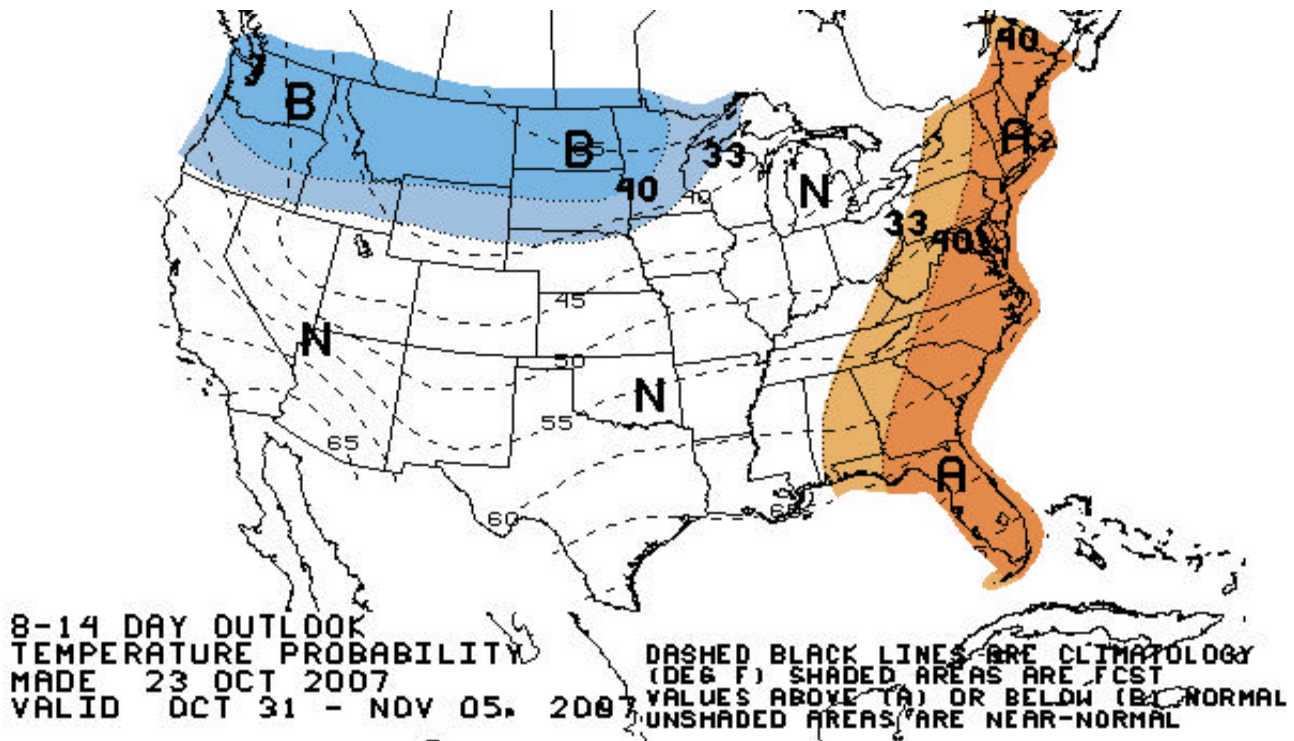
Entergy's 1,091 Mw Waterford nuclear unit increased power to 30%.

WSCC – Arizona Public Service's 1,340 Mw Palo Verde #1 nuclear unit shut to work on valves in the feedwater system. The unit is expected to return to service early next week. Palo Verde #3 is shut for a refueling and Palo Verde #2 is operating at full power.

AES Corp.'s 495 Mw Alamos #6 natural gas-fired power station shut for unplanned work yesterday.

The NRC reported that 77,907 Mw of nuclear capacity is online, down .85% from Monday, and up 7.68% from a year ago.

Florida Gas Transmission said 90-degree weather is forecast for Florida for today. Therefore, FGT has issued an Overage Alert Day for FGT's Market Area at 15% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.



ELECTRIC MARKET NEWS

The California Independent System Operator Corp issued another power transmission emergency today in Southern California after wildfires knocked out more transmission lines overnight. The most dramatic impact currently is in San Diego, where multiple lines in the 500, 230 and 138 kilovolt rating are no longer in service.

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	1,903,700	\$6.301	(\$0.332)	(\$0.497)	(\$0.058)	(\$0.484)
Chicago City Gate	626,400	\$6.320	(\$0.402)	(\$0.408)	(\$0.157)	(\$0.385)
NGPL- TX/OK	594,900	\$6.072	(\$0.403)	(\$0.656)	(\$0.159)	(\$0.606)
SoCal	1,498,300	\$6.563	(\$0.120)	(\$0.165)	\$0.124	(\$0.451)
PG&E Citygate	641,600	\$6.844	(\$0.204)	\$0.116	\$0.040	(\$0.001)
Dominion-South	433,500	\$6.324	(\$0.341)	(\$0.404)	(\$0.097)	(\$0.298)
Transco Zone 6	422,100	\$6.653	(\$0.374)	(\$0.075)	(\$0.130)	\$0.040

U.S. coal supplies rose 1.5% last week, and days of burn available increased to 54 according to Genscape. U.S. power generators had more than 149.9 million tons of coal as of the week ending Monday, up more than 2.2 million tons

from the previous week. Power stations had more than 17.2% more coal than they had during the same week in 2006, down from a surplus of 19% recorded in last week's report.

The EIA's Electric Power Annual 2006 reported that U.S. retail electricity prices rose by more than 9% in 2006, the largest annual increase since 1981. The agency said 14 states and the District of Columbia saw their average price of electricity rise by 10% or more between 2005 and 2006. While retail power prices increased in all regions of the country most of the larger increases were in the East, driven by the lifting of retail electricity price caps in states transitioning to competitive retail markets.

MARKET COMMENTARY

The natural gas market was under pressure the entire session as a lack of fundamentals and declining oil market let market bears take technical control of natural gas. The market failed at the 7.00 level in early morning trading and with weak cash prices associated with the mild weather across the country, there is little demand to keep the market elevated. The November contract made fresh 6 week lows, trading to a low of 6.643, breaking through the 6.70-6.75-support area. The front month contract settled down 13 cents, its 4th straight losing session, to finish at 7.761.

NYMEX Nat Gas Options Most Active Strikes for October 23, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	11	7	P	6	10/26/2007	0.0008	5,726	54.14
LN	2	8	C	9	01/28/2008	0.4409	4,475	47.80
LN	12	8	P	6	11/21/2008	0.2261	4,000	41.94
LN	1	8	C	9	12/26/2007	0.3011	3,950	50.01
LN	11	7	C	7	10/26/2007	0.0541	3,938	56.87
LN	11	7	P	6.25	10/26/2007	0.0081	3,440	55.52
LN	12	7	C	9.5	11/27/2007	0.0553	3,025	54.74
LN	3	8	C	9.25	02/26/2008	0.4149	3,000	46.84
LN	11	7	P	6.5	10/26/2007	0.042	2,568	56.45
LN	12	7	C	9	11/27/2007	0.0928	2,315	52.78
ON	11	7	C	7.25	10/26/2007	0.016	2,275	58.22
LN	12	7	C	8.5	11/27/2007	0.1564	2,275	50.64
LN	12	7	C	10	11/27/2007	0.032	2,250	56.10
LN	12	7	P	6	11/27/2007	0.029	2,250	48.68
LN	3	8	P	5	02/26/2008	0.0325	2,200	46.99
ON	11	7	P	6.5	10/26/2007	0.042	2,126	55.87
LN	11	7	C	6.85	10/26/2007	0.1	2,100	56.14
LN	12	7	P	7	11/27/2007	0.2305	1,950	49.97
LN	4	8	C	8	03/26/2008	0.5126	1,850	32.56
LN	9	8	C	8	08/26/2008	0.9949	1,750	29.99
LN	5	8	P	5	04/25/2008	0.0408	1,700	39.62
LN	4	8	P	7	03/26/2008	0.4803	1,600	42.19
ON	11	7	C	7	10/26/2007	0.054	1,597	57.41
LN	11	7	C	6.75	10/26/2007	0.1437	1,527	55.60
LN	5	8	C	9	04/25/2008	0.3341	1,500	33.95
LN	3	8	C	9	02/26/2008	0.463	1,450	45.96
LN	10	8	P	6	09/25/2008	0.3889	1,400	47.36
LN	11	7	P	6.75	10/26/2007	0.1327	1,305	57.41
ON	12	8	C	10	11/21/2008	0.892	1,245	40.07
ON	12	8	P	8.5	11/21/2008	1.177	1,245	38.84
ON	11	7	P	6	10/26/2007	0.001	1,181	55.99
LN	5	8	P	6	04/25/2008	0.1828	1,100	40.38
LN	11	7	C	7.5	10/26/2007	0.0039	1,075	59.06
LN	1	9	C	10	12/24/2008	1.0002	1,000	27.42
LN	2	9	C	10	01/27/2009	1.0419	1,000	26.68
LN	2	8	P	5	01/28/2008	0.0151	1,000	47.80
LN	3	9	C	10	02/24/2009	0.9863	1,000	27.21
LN	12	7	C	7.6	11/27/2007	0.3942	1,000	46.28

Driving today's losses, forecasts for above normal temperatures in the key consuming regions of the Eastern and Central U.S. through the early winter is expected to sap demand as natural gas inventories remain comfortably set for the winter peak demand period. Expectations for this week's EIA report call for a neutral to slightly below average build in the 40s Bcf. With a dirge of supportive factors, we feel that the natural gas market will take advantage of its technical break of the 6.70 level and probe lower, testing 6.50 followed by 6.25. We see support initially at 6.583, 6.50, 6.435, 6.25 and 6.23. We see resistance at 6.939, 7.00, 7.147 and 7.30.