



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 29, 2007

NATURAL GAS MARKET NEWS

Tropical Storm Noel formed in the northeast Caribbean near Haiti and is moving northwestward. Updated computer models this afternoon show the storm making a more northwest trajectory than this morning's models, and perhaps coming within 75 miles of the Florida east coast. At this point there is no risk to energy interests in the Gulf.

Rockies Express Pipeline launched an open season to solicit market interest for the Northeast Express Project, a 375-mile extension of the Rockies Express natural gas pipeline project, stretching the pipeline's route from its originally planned Clarington, Ohio, endpoint to Princeton, New Jersey.

Analysts with Raymond James and Associates said growing Mexican natural gas production is set to have a marginally bearish impact on the U.S. gas market in 2008. Over the last five years, Mexican gas production has risen over 30% to levels of around 6 Bcf/d. As a result, U.S. imports to Mexico in 2008 are expected to be about

Generator Problems

ERCOT – American Electric Power's 528 Mw Welsh #3 coal-fired power station will restart by November 1 following a unit trip.

MAIN – Exelon Corp.'s 867 Mw Dresden #2 nuclear unit shut over the weekend for a month long refueling outage. Dresden #3 ramped up to full power over the weekend.

Exelon's 1,120 Mw Braidwood #1 ramped power to 64% capacity. On Friday, the unit was operating at 30% power. Braidwood #2 continues to operate at full power.

NPCC – Entergy Corp.'s 852 Mw FitzPatrick nuclear unit shut over the weekend, as high winds blew a significant amount of debris into the plant's water intake.

PJM – FirstEnergy's 864 Mw Beaver Valley #1 nuclear unit ramped up to full power following a refueling outage. Beaver Valley #2 continues to operate at full power.

PPL's 1,115 Mw Susquehanna #1 nuclear unit restarted and is operating offline at 15% power. Susquehanna #2 continues to operate at full power.

SERC – Entergy's 967 Mw River Bend nuclear unit reduced output to 75% power today to perform some work ahead of a planned refueling outage expected to begin next month.

Progress Energy's 900 Mw Harris nuclear unit returned to full power.

WSCC – Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit exited an outage and ramped up to 95% power today.

Elk Hills Power's 525 Mw Elk Hills natural gas-fired power station shut for planned work.

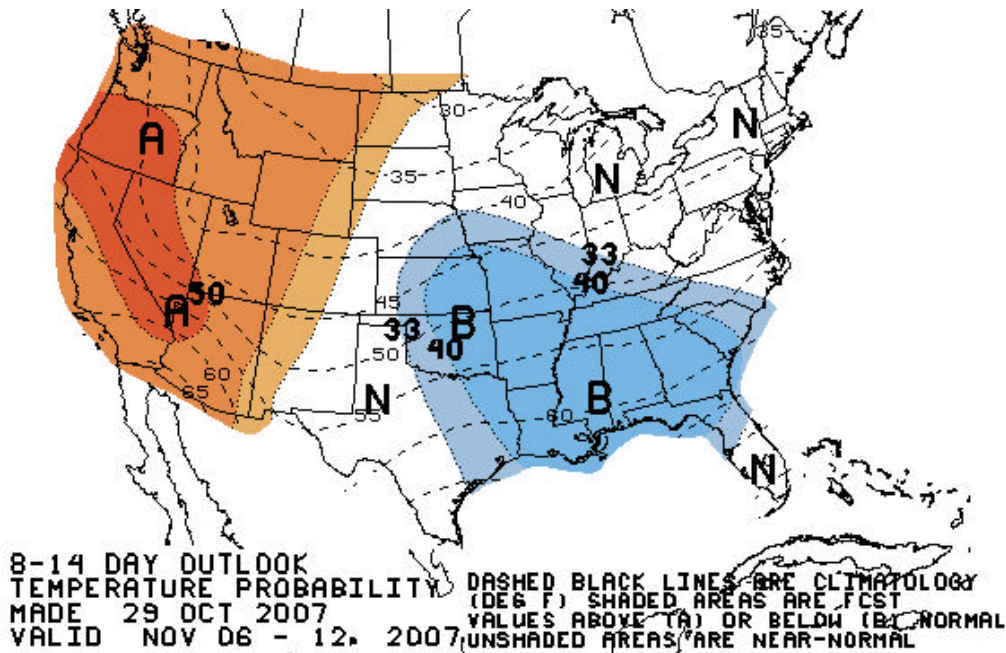
Dynergy's 739 Mw Moss Landing #6 natural gas-fired power station returned to service.

PG&E's 404 Mw Helms Pumped Storage hydropower station returned to service by Friday afternoon.

Canada – Ontario Power Generation's 490 Mw Nanticoke #3 and #5 returned to service.

Ontario Power Generation's 580 Mw Brighton Beach natural-gas fired power station shut for maintenance.

The NRC reported that 79,498 Mw of nuclear capacity is online, down .73% from Friday, and up 7.00% from a year ago.



300,000 Mcf/d less than 2007's, at around 150,000 Mcf/d.

A federal appeals court in Boston Friday rejected challenges to FERC's order conditionally approving Weaver's Cove Energy's proposed liquefied natural Gas (LNG) terminal in Fall River, MA, saying it was unlikely that the project would get built anyway.

U.S. heating demand is expected to be about 18% below normal in the week ending November 3 amid mild temperatures in much of the country,

the National Weather Service predicted in its weekly report. Last week, heating demand was 34% below normal. The report showed that demand for heating oil is expected to average 13% below normal, with heating demand for natural gas expected to average almost 20 below normal and heating demand for electricity about 17% below normal.

PIPELINE MAINTENANCE

Alliance Pipeline said that a routine inspection will require the Carson Creek Unit #1 compressor to be offline for 10 hours on October 30. Station capacity will be lowered to 335.0 e3m3 for this gas day. Also, the AB13 Gordondale Meter Station will be unavailable for four hours on October 31 to allow for maintenance. Station capacity will be lowered to 4,367 e3m3 for the day.

Northern Natural Gas Company said that it will perform maintenance October 30 on a pipeline drip near the Beaver Co. 13 station. The station will need to be offline due to this maintenance. Northern is not anticipating any allocations due to this maintenance project.

Panhandle Eastern Pipe Line Company said that there will be an outage at Liberal Station in order to tie-in the electrical switch gear for the horsepower replacement project. During this outage the capacity will be limited through Liberal to 800 MMcf/d. The duration of this outage is expected to be 4-8 hours. Also, there will be an outage on the Hansford 200 line from Hansford Station to Gate Valve 201 for anomaly repairs beginning November 1. The expected duration is two days.

ELECTRIC MARKET NEWS

Power generation in the continental U.S. in the week ended October 25 rose nearly 1% from the previous week according to Genscape. Electricity output was up 0.93% over the previous week and 1.55% greater than the same week a year ago.

Progress Energy Carolinas plans to invest an estimated \$700-\$750 million in building new electric generation capability at its energy complex in Richmond County and new transmission capacity to move electricity to where its needed.

A coalition of the European Commission, European countries, U.S. States, Canadian Provinces, New Zealand and Norway have formed an International Carbon Action Partnership to fight global warming. ICAP will provide an international forum in which governments and public authorities adopting mandatory greenhouse gas emissions cap and trade systems will share experiences and best practices on the design of emissions trading

schemes. The European ICAP partners are the EC, France, Germany, Ireland, Italy, Netherlands, Portugal and the U.K. They are joined by the northeast U.S. Regional Greenhouse Gas Initiative members – Maine, Massachusetts, New Jersey and New York, and the U.S.-Canadian Western Climate Initiative members – Arizona, British Columbia, California, Manitoba, New Mexico, Oregon and Washington.

MARKET COMMENTARY

The natural gas market traded higher today, as the November contract expired off the board. Final short covering in the November contract boosted the market to a high of 7.387 before giving back some of the day's gains as the market only marginally followed the roaring crude oil market. Without any significant shut-in losses due to hurricanes in the Gulf of Mexico, a mild shoulder season and a healthy storage tally through last week made it hard to sustain any bullishness. The November contract went out up 5.1 cents on the day at 7.269. The December natural gas contract closed at 7.974, up 16.6 cents.

As the hurricane season draws to a close, the market bulls will count on a forecasted early-November cold snap and the potential threat of a late storm while bears will point to the healthy levels of storage and developing La Nina/mild winter outlooks as December takes the front month position. Health inventories will continue to keep pressure on the frontline contract, and with another above average injection expected this week, total storage levels are forecast to reach a record level, close to 3.5 Tcf. We see resistance for the December contract at 8.135, 8.261 and 8.50. We see support at 7.80, 7.753, 7.688 and 7.50.