



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 1, 2007

NATURAL GAS MARKET NEWS

The coming winter will be 4% colder than last year and the coldest the United States has experienced in four years, but it will still be 1% warmer than the 30-year (1971-2000) normal, according to MDA EarthSat Energy Weather.

The U.S. House Energy and Commerce Committee have agreed to strip language from a bill that would have required the Department of Homeland Security to sign off on LNG terminal projects. LNG industry officials have argued that authorizing DHS to reject a gas import project would add an unnecessary layer of bureaucracy to the federal permitting process.

PIPELINE MAINTENANCE

Alliance Pipeline said that two inspection and maintenance projects will begin November 3. Inspections and maintenance requires the Morinville Compression Station to be offline for 120 hours. System throughput will be affected but has yet to be determined. Inspections and maintenance requires the Alameda Compression Station to be offline for 120 hours. System throughput will be affected but has yet been determined.

Questar Pipeline said that it will launch pigs on Tuesdays and Fridays on ML 68, beginning with the gas day of November 6. In order to transition to the new pigging schedule, one additional launch has been scheduled for November 2. There will be no launch on November 4. Nominations will not be accepted to the Rifle Generation plant during each pigging operation. Nominations to RMNG will be evaluated prior to each pigging operation and may not be accepted.

	EIA Weekly Report			
	10/26/2007	10/19/2007	Net chg	Last Year
Producing Region	1046	1020	26	1007
Consuming East	2004	1970	34	1978
Consuming West	459	453	6	468
Total US	3509	3443	66	3453

*storage figures in Bcf

Generator Problems

ECAR – Consumers Energy's 789 Mw Palisades nuclear unit ramped up to full power today. Yesterday, the unit was operating at 91% power.

FRCC – Progress Energy's 870 Mw Crystal River #3 nuclear unit is at full power, up from 65% capacity yesterday.

MAIN – FPL's 581 Mw Duane Arnold nuclear unit dipped to 58% power today for work in the turbine building. The unit is expected to return to full power in a couple days. The unit was operating at 98% power yesterday.

Both units at Exelon's 2,300 Mw Byron nuclear station ramped up output. Unit 1 increased to 53% power and Unit 2 up to 55% power.

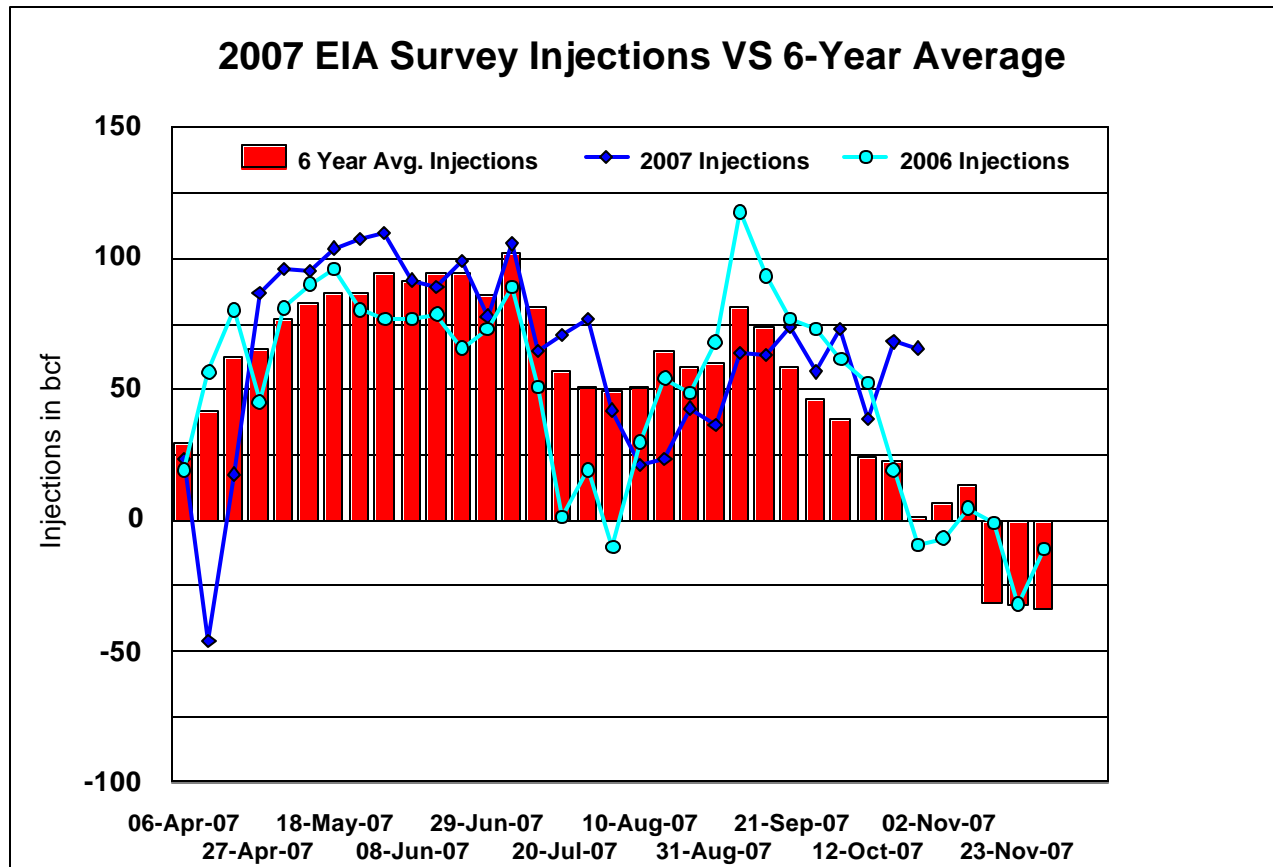
PJM – PPL's 1,115 Mw Susquehanna #1 nuclear unit ramped output to 77% power as it comes back from a refueling outage. Yesterday the unit was operating at 36% power. Susquehanna #2 continues to operate at full power.

SERC – Southern's 862 Mw Hatch #1 nuclear unit reduced output to 45% power. Yesterday, the unit was operating at full power. Hatch #2 continues to operate at full power.

The NRC reported that 80,958 Mw of nuclear capacity is online, up 1.23% from Wednesday, and up 8.66% from a year ago.

PIPELINE RESTRICTIONS

Florida Gas Transmission said warmer weather is forecasted for Florida for today and its linepack levels are low. Therefore, FGT has continued its 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.



ELECTRIC MARKET NEWS

Wholesale electricity prices in Texas and the U.S. Southeast for Friday slipped on cheaper fuel costs and a predictable drop in demand ahead of the weekend. Friday ERCOT power in Texas eased more than \$2 to \$49-\$54 per megawatt hour. Friday power at the Southern Co. Hub was indicated in the mid \$50 range as output at a nuclear unit was reduced, making the region more reliant on natural gas-fired generation.

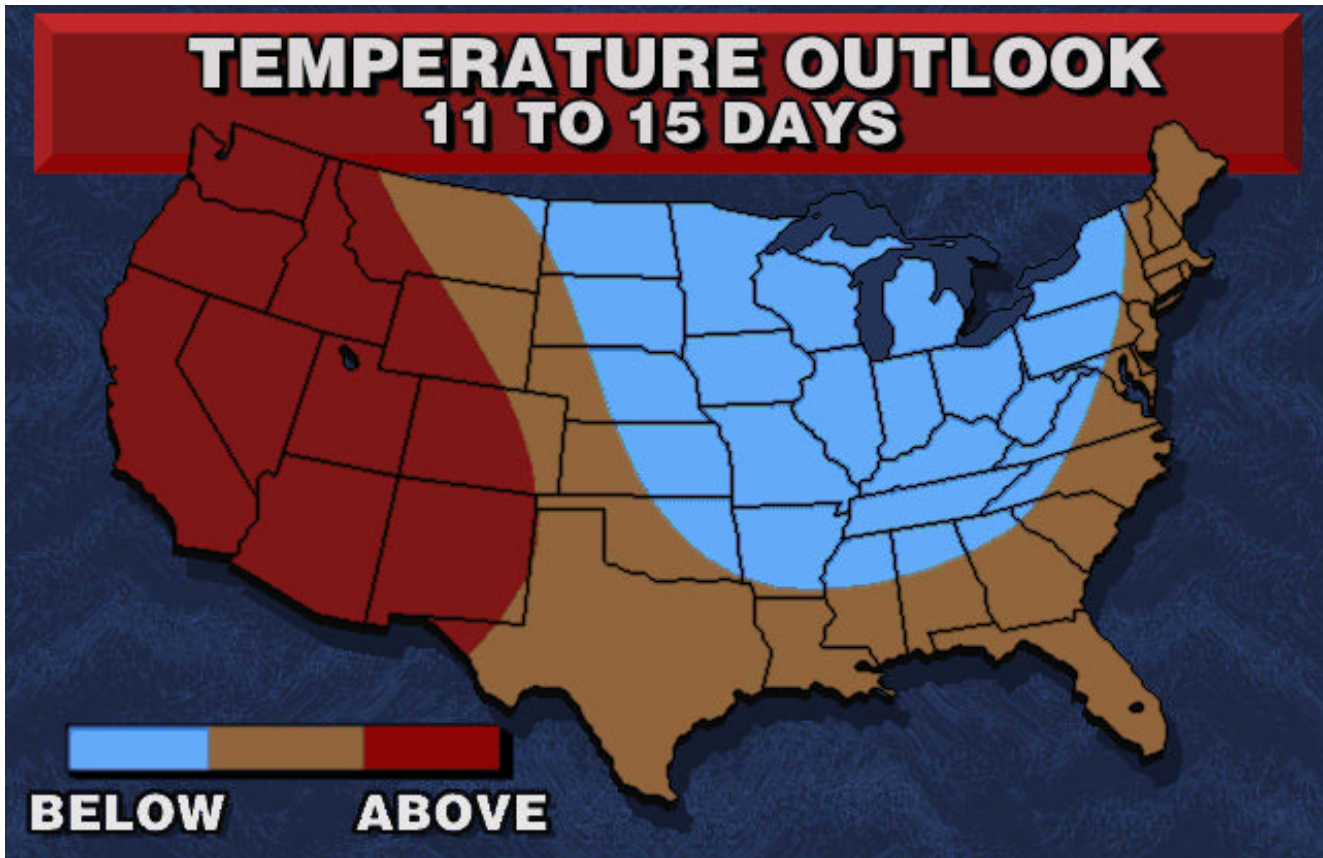
Electricity prices for Friday in the Northeastern and Midwestern parts of North America held steady despite the usual Friday discount on forecasts for flat demand. Prices held at \$55-\$65 per megawatt hour in PJM.

U.S. coal production for the week ended October 27 totaled 22.337 million short tons, up from the prior week's production of 22.0 million short tons, according to the EIA.

Western state planners developing a regional, market-based approach to cut greenhouse gas emissions aired a work plan that underscores the complexities involved with bringing the plan to fruition. Arizona, California, New Mexico, Oregon, Utah and Washington, along with Canadian provinces British Columbia and Manitoba, in February agreed to cut GHG emissions from all sectors of the economy to 15% below 2005 levels by 2020. The western initiative would seek to limit emissions that contribute to global warming from all sources, including energy supplies, transportation, and the commercial, residential and industrial sectors. The chairman of the initiative said there are many issues that need to be resolved including a regional cap-and-trade program.

MARKET COMMENTARY

The natural gas market showed some early weakness ahead of its inventory report and with mixed cash prices. The EIA announced that an above average 66 Bcf was injected into storage, pushing the total level in the ground to a new record high of 3,509 Bcf, erasing the year-on-year deficit and turning it into a surplus. However, the



market dismissed all this bearish fundamental news and instead focused on the first cold air expected in major consuming markets. The front month traded to a high of 8.677 before closing the session up 30.7 cents at 8.637.

With the psychological aspect of crude oil approaching \$100 coupled with the annual arrival of winter, the actual fundamentals of the market are being overlooked. We feel that if crude oil sells off, the natural gas market will take that opportunity for a significant profit-taking drop. The front month has not traded to these levels since the end of November 2006, when it traded to a high of 9.05 on November 30, 2006. With the first cold weather dipping into key consumption regions next week, the market is reacting, buy the rumor, and next week when actual temperatures are analyzed, the market will re-focus on its bearish fundamentals. Also, with the level of volatility we have had this week, we feel that we may see some profit taking tomorrow ahead of the weekend especially if the crude oil market experiences some skimming off the top. We see resistance at 8.70, 8.86, 9.00 and 9.05. We see support at 8.40, 8.23, 8.10 and 8.00.