



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 31, 2007

NATURAL GAS MARKET NEWS

Weather forecasters continued to watch the movement westward of a tropical wave some 600 miles east of the Windward Islands. While the system had become better organized overnight, by mid day, the system was a bit less organized. While forecasters talked of the system becoming a tropical depression in the next couple of days, the existence of very dry air in the central and eastern Caribbean appears will prevent further development once it reached that area in 4-5 days. In addition some forecasters, including Planalytics noted that its forecasting track has the storm moving into Central American between Honduras and the Yucatan peninsula.

News circulated in the U.K. natural gas market that the CATS gas pipeline now will remain shut until September.

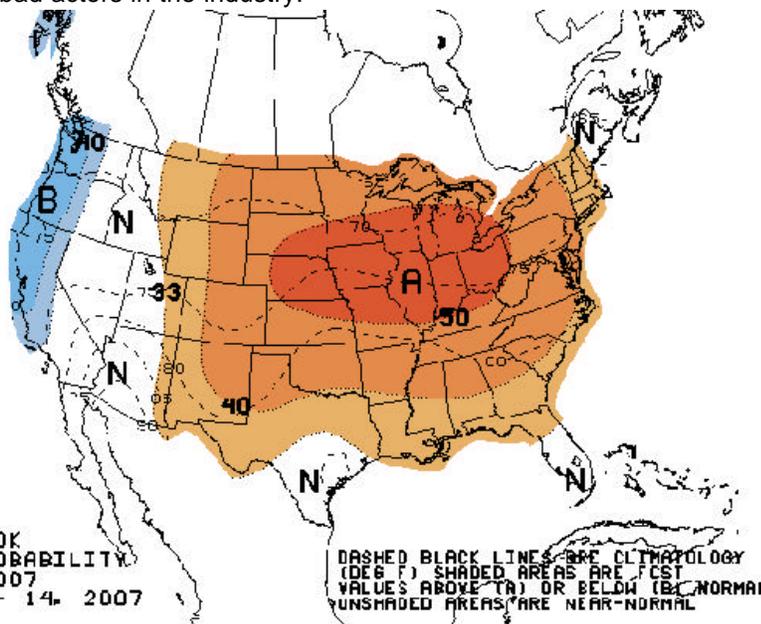
Australian-based Woodside Natural Gas said today that it plans to be the first LNG shipper committed to using U.S. flagged tankers in its proposed project to deliver gas into the Los Angeles market area through a receipt point located offshore near Los Angeles International Airport. The company expects to begin local and federal permitting in the next few weeks.

The Chairman of the FERC said that its recent move of enforcement actions and against Amaranth and Energy Transfer Partners should put other regulated energy companies on notice that the agency is ready and able to take action against bad actors in the industry.

Generator Problems

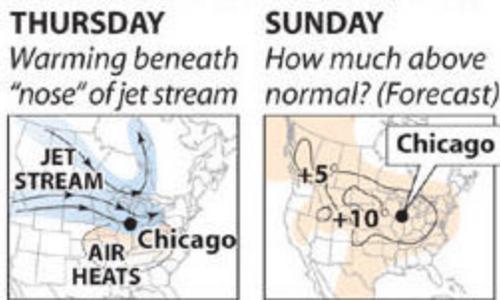
ERCOT – AEP reported that it planned to shut the 528 Mw Unit #1 at the Welsh coal fired power plant Tuesday evening, to fix a tube leak. The unit may be off line until Sunday.

The NRC reported that 98,334 Mw of nuclear capacity is on line, up 0.1% from Monday, and up 4.88% from a year ago.



Washington Gas Light Company reached a settlement in a pending rate case with Virginia's State Corporation Commission that provides a modest increase in distribution rates as well as revenue decoupling and performance based rates.

The head of strategic analysis in the gas section of E.ON Ruhrgas, speaking at a industry conference today said gas demand



in Europe will rise to almost 700 billion cubic meters in 2020, triggered by increasing gas demand for power generation, mainly in the UK and Italy, He looked for LNG suppliers to be increasingly more attuned to arbitrage profit potential for LNG around the world.

The NYMEX management today announced that despite reporting a 34% increase in operating revenues for the second quarter, but only a 9% increase in net income, it has begun a major cost cutting effort and is expected to make "a significant reduction in costs" in the current quarter. The chairman of the exchange indicated that due to dwindling trading volumes on the floor, it was reviewing the

size and location of the trading floor and that there may be a large number of lay-offs in the cards.

The Long Island Power Authority today released a 176-page report that evaluates the potential economic benefits of the Broadwater LNG project proposed for Long Island Sound. The report does not take a position on the project. It did make

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	917,400	\$6.528	\$0.221	\$0.028	\$0.296	(\$0.262)
Chicago City Gate	327,000	\$6.394	\$0.110	\$0.151	\$0.329	(\$0.187)
NGPL- TX/OK	920,800	\$6.169	\$0.138	(\$0.074)	\$0.357	(\$0.429)
SoCal	1,192,900	\$6.016	\$0.143	(\$0.227)	\$0.361	(\$0.427)
PG&E Citygate	616,800	\$6.303	\$0.117	\$0.060	\$0.335	(\$0.116)
Dominion-South	296,600	\$7.044	\$0.115	\$0.801	\$0.334	\$0.334
Transco Zone 6	349,300	\$7.421	\$0.969	\$1.178	\$1.188	\$0.364

the following observations though: They estimated that current dollars, the total economic value of the project in terms of reduced energy costs could be \$14.8 billion over 10 years. They estimated that the facility operating at 1 bcf per day could help reduce natural gas prices in New York by 17%. The report noted that the project is not needed at this current time to meet current supply needs but would help meet future increases in demand and help reduce and perhaps eliminate natural gas price volatility in the years ahead by eliminating delivery bottlenecks. The report though did not that while the project's economic benefits are significant, "it would seem that because of its location Broadwater should consider how it can provide Long Island with more host community benefits should the project go forward."

PIPELINE MAINTENANCE

Sabine Pipe Line LLC reported today that it had completed repairs at the Port Neches natural gas compressor station and was lifting a previously announced force majeure at several pipeline interconnects as of this afternoon. The outage, which began due to mechanical problems on Monday evening, impacted three pipeline interconnects.

Williston Basin Interstate Pipeline said that planned maintenance will be performed at the Belle Fourche Compressor Station on August 20th. At this time the company does not anticipate any restriction to the system.

Tennessee Gas Pipeline said that line work on line section MLV 9-3 to MLV 11-3 will begin August 6th rather than August 1st as previously reported. The work is expected to last until August 20th as pigging operations will force physical gas flow to be suspended at all meters in the impacted area for the duration of the project. Restrictions may become necessary through a pro-rata portion of Secondary in the Path nominations pathed through this line section. The company also reported that from August 6th through the 17th it will be performing hydrostatic testing and installing scraper bars at North Adams Line 258C-100. Physical flow of gas will be suspended at meter 020103 North Adams, MA for the duration of work. Then on August 20th through the 31st, the company will perform the same work on the Northhampton Lateral. Physical flow will be suspended in the affected area during this work.

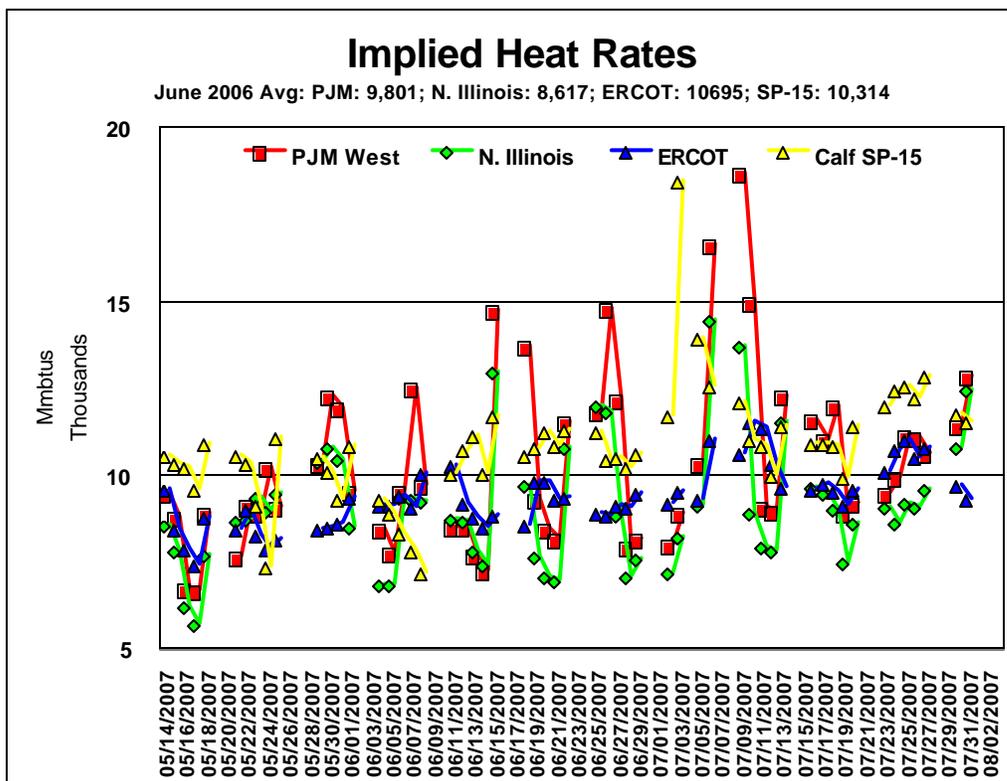
Northern Natural Gas said that it is investigating a possible leak on the 26-inch "C" East Leg Pipeline east of the Earlville, Iowa compressor station. The company was lowering line pressures and thus primary firm service will be allocated starting today's gas day.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. coal supplies actually posted a counter seasonal build last week. The group reported that U.S. power generators stocks of coal for the period ending July 30th were some 74,000 tons higher than the previous week, and stocks were some 26.8% higher than the same period a year ago. Power stations had 53 days of forward supply of coal on hand, some 11 days more than last year.

The Midwest ISO Reliability Coordinator said today that it was declaring a Maximum Generation Emergency

Alert effective from 12 noon until 8 PM EDT for NSP, GRE, OTP, ALTW, SMP MP MDU. The reason for the alert included forced generation outages and high load conditions



A TVA committee is expected to report to the board during a public meeting tomorrow on its findings on finishing the construction of Unit #2 at the Watts bar nuclear plant in Tennessee. The plant's construction was halted in 1988 when 80% of the construction had been completed. Industry sources estimate it would still take some six years to complete construction of the unit if the TVA board gives the go-ahead, much sooner than it would take to build a new nuclear facility from scratch.

The NRC approved the transfer of the operating license for the Point Beach Nuclear Plant from Wisconsin Electric Power Company to FPL Energy Point Beach, LLC

Entergy announced it has signed an agreement to acquire the Quachita Power Facility from Quachita Power LLC a subsidiary of Cogentrix, The 789 Mw power plant is a combined cycle gas fired generating facility located in Monroe, LA.

MARKET COMMENTARY

The short covering rally from yesterday appears to have been very short lived. While the exchange reported at midday that open interest decline by over 3,000 contracts yesterday, the weather fears that appeared to prompt some shorts to run for the exit yesterday, appeared to moderate at the tropical system approaching the Caribbean in the next several days appeared to become less of a threat as each new computer forecasting model was run overnight and into today. As a result the rally of the past week saw the market to fall back and settled down for the first time in the past three trading sessions. Support was found late in the trading session at the 62% retracement of the recent rally. But this support appeared would be breached by trading overnight.

We feel that the current heat wave gripping the Midwest and moving east could finally help stabilize natural gas prices, at least from driving to near contract lows for the next several sessions. In addition the tropics seem to be heating up with more discussions of potential tropical development that could buy some time for the bulls to

make one more run towards breaching the \$7.00 level once again, but it appears that any hurricane induced rally will probably be quickly sold if no or limited damage is assessed.

We see resistance tomorrow to be found initially at \$6.35 and \$6.396. More significant resistance we see at \$6.45, \$6.684, \$6.826-\$6.84 and \$6.95-\$6.968. More distant resistance we see at \$7.223. Support we see at \$6.00 followed by \$5.932, \$5.855, %5.79, \$5.75 and \$5.414.