



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 1, 2006

NATURAL GAS MARKET NEWS

The National Hurricane center reported that Tropical Storm Chris has formed about 100 miles east of the Leeward Islands. The storm is moving 10 miles per hour north-northwest with winds up to 55 knots. The storm's current projected path sees it passing just north of Cuba and entering the Straits of Florida by Sunday afternoon. As of 6pm, the National Hurricane Center reported that Tropical Storm Chris could become a hurricane within 72 hours.

Brazil's Petrobras said it is seeking companies to develop two offshore LNG regasification plants that would go into service in February 2009 and process a combined 20 MM cubic meters/day. The floating regasification and storage units are to be located offshore the states of Rio de Janeiro in the southeast and Ceara in the northeast and would be capable of supplying around one-sixth of Brazil's gas demand by 2011.

Front-month NYMEX natural gas futures broke above spot 1% sulfur fuel oil prices on the US Gulf Coast for the first time since April 21 as a persistent heat wave and tropical activity pushed September natural gas above \$8.20/MMBtu.

The NYMEX said that it will change margins for some natural gas futures and other related gas contracts effective at the close of business on Wednesday. Margins for the first month for customers will increase to \$13,500 from \$11,475. The margins for the second and third months will increase to \$14,175 from \$12,150 for customers. Margins for the fourth to seventh months will increase to \$14,850 from \$13,500.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said Tennessee Gas Mahwah has been scheduled to capacity on its system.

Florida Gas Transmission said that due to hot temperatures, it is issuing an Overage Alert Day at 25% tolerance.

Generator Problems

ECAR— DTE's 1,139 Mw Fermi #2 nuclear unit restarted and ramped up to 10% capacity, but did not reconnect to the grid due to a release of carbon dioxide.

MAAC— AmerGen Energy's 636 Mw Oyster Creek nuclear unit decreased production to 94%. The unit was operating at full power yesterday.

MAAP— Xcel Energy's 578 Mw Monticello nuclear unit returned to full power this morning. Yesterday, the unit was operating at 67% capacity.

Both of Xcel's 593 Mw Prairie Island nuclear units are operating at full capacity. Yesterday, they were operating at 46% capacity.

NPCC— Entergy Nuclear decreased its 535 Mw Vermont Yankee nuclear unit to 96% capacity this morning. The unit was operating at full power yesterday.

SERC— Southern Co.'s 869 Mw Hatch #1 nuclear unit ramped up to 96% power by early today. Yesterday, the unit was operating at 43% due to a problem with a faulty relay switch. Hatch #2 continues to operate at full power.

TVA's 1,121 Mw Watts Bar nuclear unit tripped offline as the result of a main generator trip. The unit was operating at full power prior to the trip.

WSCC— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit ramped output to 90% capacity this morning. Yesterday, the unit was operating at 81%.

The NRC reported that U.S. nuclear generating capacity was at 93,757 Mw down .20% from Monday and down 3.50% from a year ago.

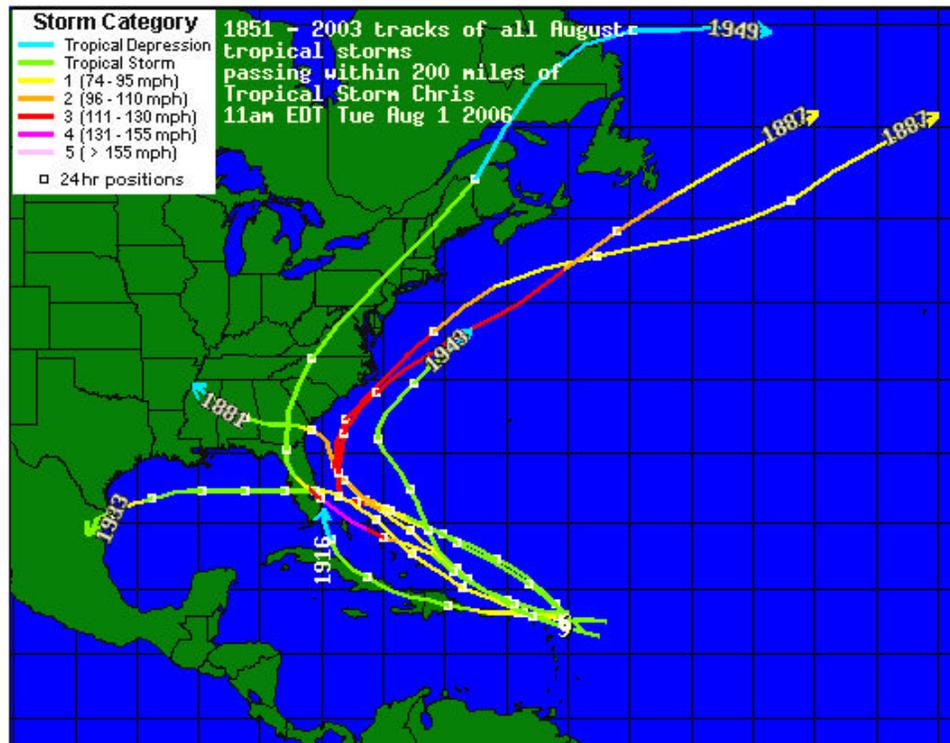
Texas Eastern Transmission Corp. said that it has restricted and sealed receipts sourced between Longview and Hope for delivery downstream of Hope. No increases in receipts sourced between Longview and Hope for delivery outside that area will be accepted. Tetco has also scheduled and sealed receipts sourced between St. Francisville and Little Rock for delivery downstream of that area. No increases in receipts sourced between St. Francisville and Little Rock for delivery outside that area will be accepted.

PIPELINE MAINTENANCE

Alliance Pipeline said that the Tampico Compression Station will be offline for four hours on August 1 to perform minor maintenance. System capacity may or may not be impacted but will be determined closer to the outage date. Alliance also said that the Whitecourt Compression Station will be offline for eight hours on August 2 to perform scheduled maintenance. Station capacity will be reduced to 29 MMcf for this gas day.

Gulf South Pipeline said that it will perform scheduled compressor maintenance at Carthage Junction Compressor Station on Unit #1 beginning at 7:00 AM CT, August 7, and continuing for approximately 5 days.

Capacity through Carthage Junction Compressor Station could be reduced by as much as 75 MMcf/d during this maintenance.



Williston Basin Interstate Pipeline Company said that unplanned maintenance is being performed at the Vida Compressor Station from July 31 through August 4. At this time, Williston Basin does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

Power grid operators in the U.S. Northeast said the supply of generation was sufficient to meet the record demand and despite the setting of fresh consumption records, the grid operators said they did not expect to have to institute rolling blackouts. PJM said demand hit 143,307 Mw by 3p.m., breaking the record of 139,746 Mw set on July 17.

Ontario's Independent Electricity System Operator urged consumers to curb daytime electricity use today as blistering heat and high humidity pushed demand to record levels and strained the bulk power system. By 3 p.m., provincial demand had soared to 27,000 Mw, easily breaking Ontario's previous record of 26,160 Mw set on July 13, 2005.

ECONOMIC NEWS

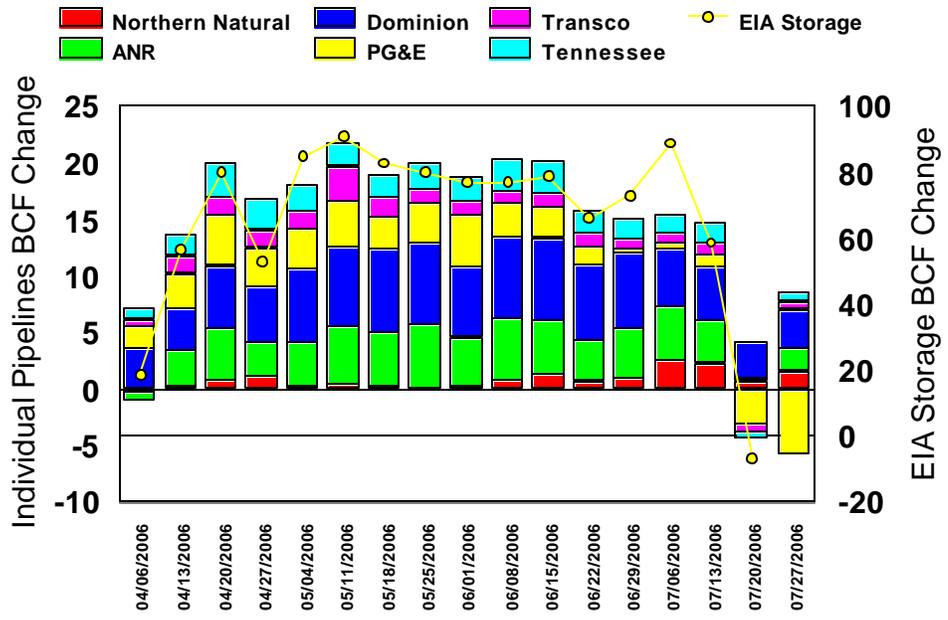
U.S. factory activity rose unexpectedly in July, with the Institute for Supply Management said its index of national factory activity rose to 54.7 in July from 53.8 in June, beating economists' forecasts for a slight fall to 53.7.

MARKET COMMENTARY

After rallying over a dollar yesterday, the natural gas market opened down 13.1 cents despite the formation of the season's third named tropical storm, Chris. Profit taking today saw prices return half of yesterday's gains, as the September contract dipped to 7.45. The market was clearly overbought, and today the market witnessed some of that being taken off the table. September natural gas settled down 63.7 cents at 7.574.

With thermometers maxing out on the East Coast and a tropical storm with potential to develop into a hurricane approaching the Gulf of Mexico, support exists in this market, and the 10-day bull run is not over. Natural gas is consolidating at these new levels and with supportive storage reports expected the next couple weeks, and still a lot of summer left, consistent fundamental pressure to the upside will remain. Our expectation for Thursday's EIA storage report call for a build of just 1-3 Bcf, as the Western region experienced serious draw downs given the heat

Weekly Change In Nat Gas Stocks



The range of expectations call for a 0 Bcf build up to a 40 Bcf build, with most calling for a figure in the low 20s. We see support at \$7.45, \$7.255, \$7.00, \$6.945 and \$6.635. We see further support at \$6.50 and \$6.00. We see resistance at \$8.00, \$8.26, \$8.62, \$8.72 and \$9.00.

