The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Karen Palladino & Zachariah Yurch
(212) 624-1132 (888) 885-6100

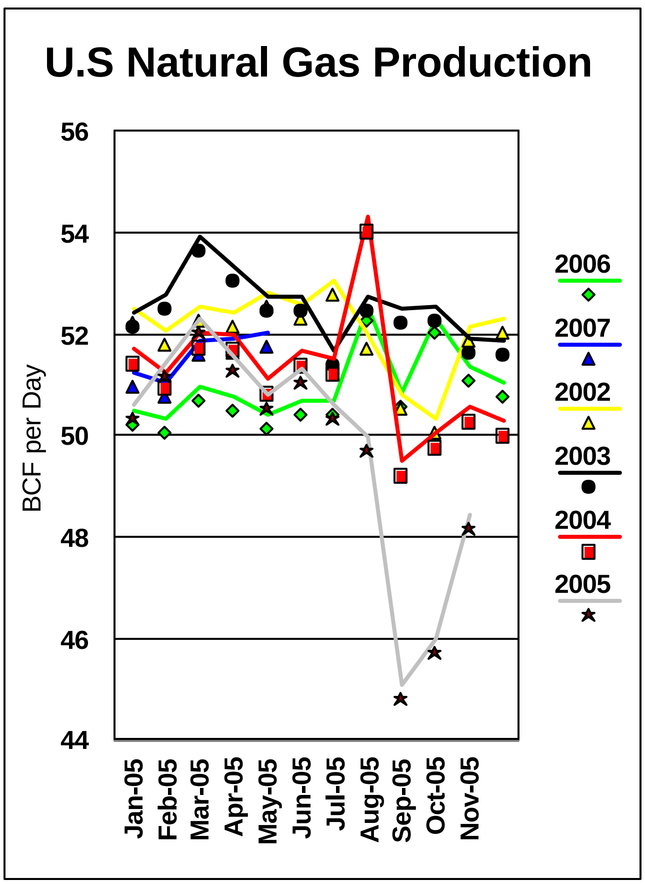
www.e-windham.com

POWER MARKET REPORT FOR AUGUST 1, 2007

NATURAL GAS MARKET NEWS

The tropical outlook remained a bit confusing this morning. The National Hurricane Center this morning noted that the area of low pressure east of the Windward Islands had not developed further overnight, but by late morning forecasters had noted some further development had taken place and was slightly better organized. It was possible that this system could become a tropical depression in the next 24-48 hours. Hurricane reconnaissance aircraft investigated the area this afternoon but did not find any area of closed circulation to point to significant development at this time. The long-range computer models though are all over the board on where this storm is headed. Four of the models show the storm heading towards Belize, Honduras and/or Nicaragua, while another model has the storm crossing the Yucatan Peninsula and the entering the Gulf of Mexico, before heading northwestward to the Mexican-Texas border.

The EIA late Tuesday released their latest Natural Gas Monthly report. It showed that the agency estimates that U.S. domestic production of dry natural gas in May stood at 51.8 bcf/d up 0.3% from April and some 3.3% higher than the same time a year ago. This production increase though was tempered by net imports falling on the month to 8.6 bcf/d its lowest level since March of 2004. Net imports in May were some 7.6% lower than May of 2006, despite LNG imports totaling 3.04 bcf/d and running at a rate of 40.2% above May 2006. Consumption was estimated at 49.7 bcf/d off 0.1% from a year ago. Consumption by residential and commercial sectors for the month were up 6.4% and 5% respectively, while industrial demand was off 4.3% and power generating needs were down 0.4% from May 2006. The EIA also reported that it calculates that as of



Generator Problems

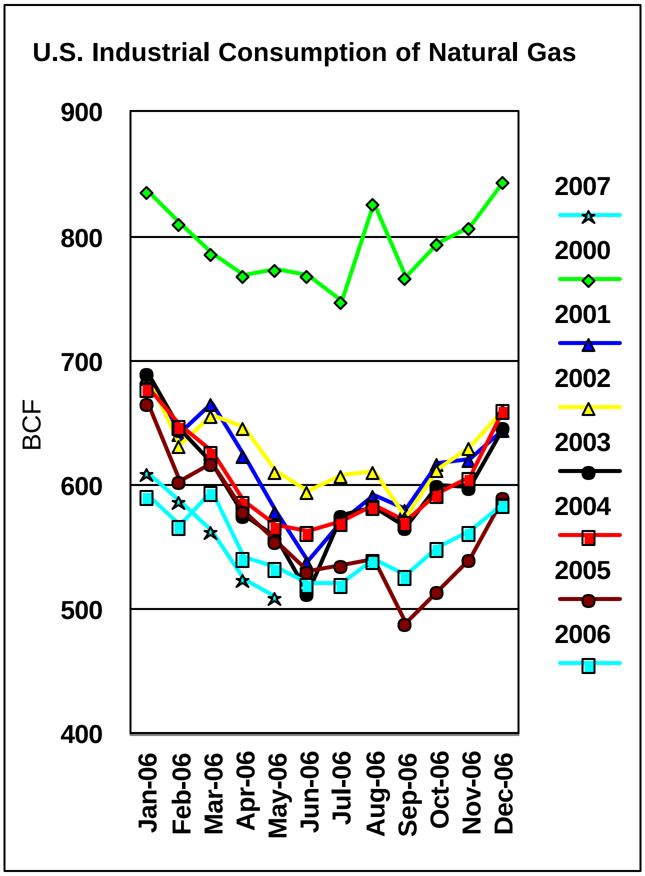
SERC – Southern's 1752 Mw Hatch nuclear power station saw operators reducue operations at its Hatch #2 nuclear unit by 9% due to a fire at a transformer at the facility that forced the helper cooling tower fans to shut. Unit #1 though continues to operate at full power.

PJM – Exelon's 619 Mw Oyster creek nuclear power station was ramping up this morning and stood at 95% of capacity. The unit was at 70% of capacity on Tuesday.

ERCOT – AEP's coal fired Unit #1 at the Welsh power plant was taken down for maintenance which was expected to last until August 5th.

Unit #2 at the coal fired martin lake Steam Electric plant tripped off line this morning, but was expected to be restarted by Wenesday evening.

The NRC reported that 98,490 Mw of nuclear capacity is on line, up 0.16% from Tuesday, and up 4.49% from a year ago.



May 31st working gas storage level in the U.S. stood at 2.179 tcf of natural gas some 32 bcf higher than the adjusted weekly storage report that was reported for the end of May.

Bloomberg reported today that China, the world's second largest energy consumer, may increase LNG imports from Australia fourfold this year as gas electric generation is pushed higher as the government seeks to cut pollution. Guangdong Dapeng LNG, China's only LNG import terminal, could see imports reach 2.6 million metric tons of fuel this year, versus just 687,533 tons that were imported in 2006. China is scheduled to build as many as six LNG terminals in the next three years seeking to meet a target of expanding the share of energy produced by natural gas to 5.3% by 2010 from 3% currently. The second LNG terminal is slated to come on stream at the end of next year in Fujian province.

The Institute for Supply management on Wednesday reported its monthly indexes for manufacturing activity in July at 53.8 versus 56.0 in June. Market expectations had been for a median reading of 55.5 in July and 56.0 in June.

The NYMEX today said it was clearly disappointed that the U.S. Second Court of Appeals upheld a lower courts ruling when it dismissed NYMEXs claims for copyright and trademark infringement against the InterContinental Exchange for its use of NYMEX settlement prices for its benchmark energy contracts. NYMEX said it was still reviewing all its legal options to pursue them to the fullest extent possible.

PIPELINE MAINTENANCE

National Fuel Gas Supply Corporation said it has shut down its Kaylor compressor station to replace a river crossing. The shutdown is expected to last 10-12 weeks.

Gulf South Pipeline said that unscheduled maintenance repairs to Unit #2 at the Kiln Compressor Station has been completed. Repairs to Unit #1 will be completed in approximately two weeks. Capacity reductions through Kiln Compressor Station will remain. The company said the scheduled maintenance on the Hall Summit Compressor Station Unit #1 has been completed as well.

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	1,097,600	$6.189	($0.339)	($0.357)	($0.385)	($0.242)
Chicago City Gate	466,500	$6.276	($0.118)	($0.118)	($0.269)	($0.130)
NGPL- TX/OK	665,200	$5.968	($0.201)	($0.426)	($0.352)	($0.382)
SoCal	1,181,800	$5.799	($0.217)	($0.595)	($0.368)	($0.460)
PG&E Citygate	501,300	$6.046	($0.258)	($0.349)	($0.409)	($0.160)
Dominion-South	240,800	$6.715	($0.329)	$0.321	($0.480)	$0.404
Transco Zone 6	253,600	$7.199	($0.222)	$0.805	($0.373)	$0.500

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending July 28th, some 86,636 Gwh of power had been generated in the continental U.S. This was a 1.5% decrease from the preceding week and down 7.46% from the same time a year ago.

NYMEX announced today that effective at the close of August 2nd it was making some changes to the margin requirements for some of its financially settled electricity contracts on NYMEX Clearport.

Margins for the first month of the **Dow Jones Mid-Columbia and South Path –15** index swap electricity futures contracts will increase to $13500 from $12,150 for customers. The margins for all other months will remain unchanged.

Margins for the first 11 months of the **Dow Jones Palo Verde** Index swap electricity futures contracts will remain unchanged with all other months will increase to $8775 from $6750 for customers.

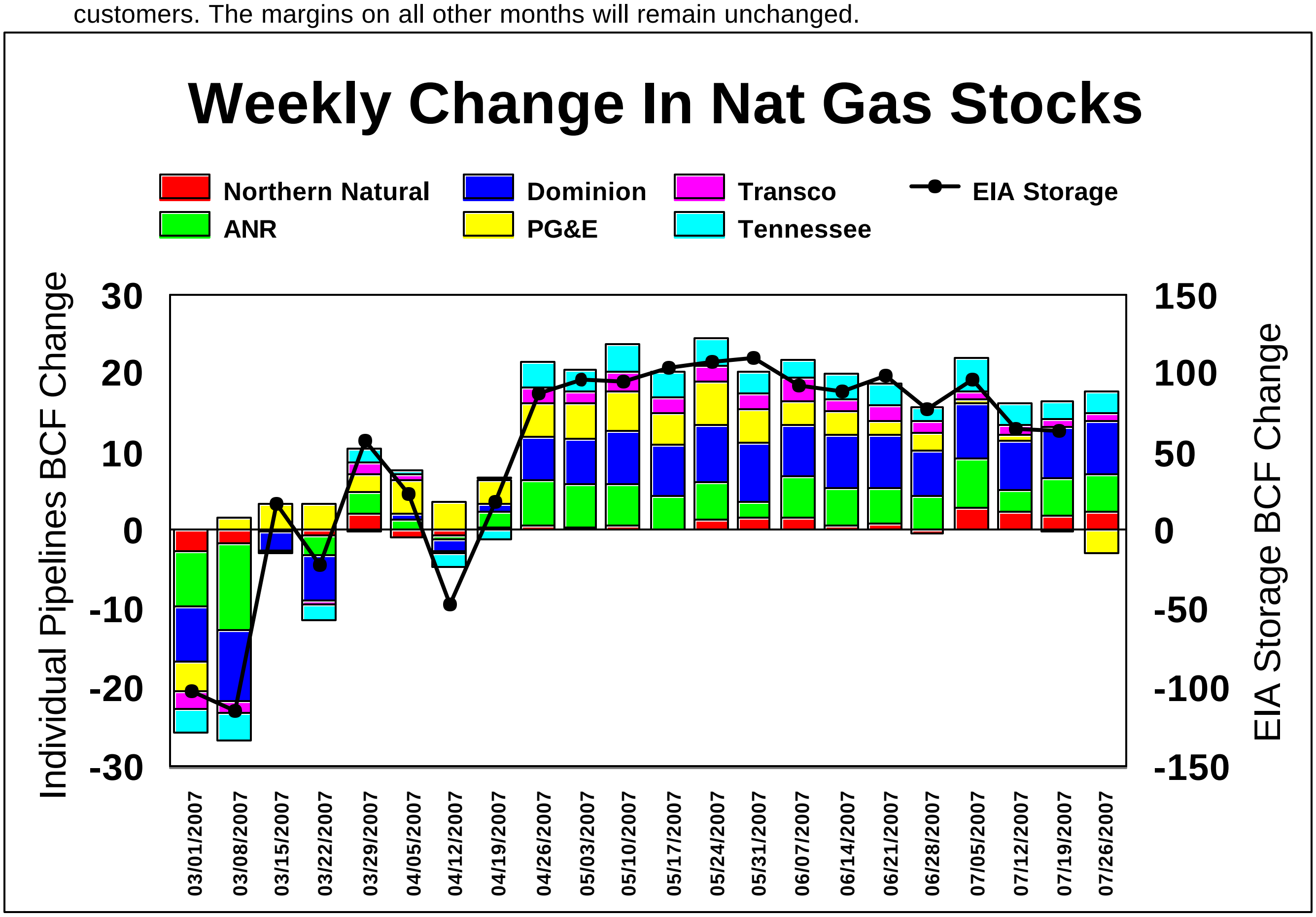
The margins on the first six month contracts in the **PJM Western LMP peak month** electricity futures contract will remain unchanged but margins on the 7th and 8th months will increase to $6075 from $4725 for customers. Margins on the 9th and 10th months will increase by $1350 to $4725.Margins on the 11th and 12th months will increase by $675 to $4050 and margins on the 13th through 16th months will jump by $500 to $4000.

The margins on the first month contract in the **NYISO Zone A Peak and NYISO Zone G peak** electricity futures will increase by $1350 to $6075 for customers. The margins for the second to 11th months will remain unchanged with all other month jumping by $675 to $2700.

The margins for the first month of the **NYISO Zone A off-peak and NYISO Zone J off-peak** electricity futures contracts will increase by $1350 to $8100 for customers. Margins on the second through sixth months will remain unchanged. Margins for the 7th through 11th months will jump $2025 to $6075 for customers, with all other months remaining unchanged.

The margins on the **NYISO Zone G off peak electricity futures** contract front month contract will jump by $1350 to $8100 for customers. The margins on the second through sixth months will remain unchanged, while the margins for the seventh through 11th months will increase by $2700 to $6075 for customers. The margins on all other months will increase by $675 to $3375.

The margins on the **NYISO Zone J peak** electricity spot contract will increase by $1100 to $4950 for customers. The margins on all other months will remain unchanged.

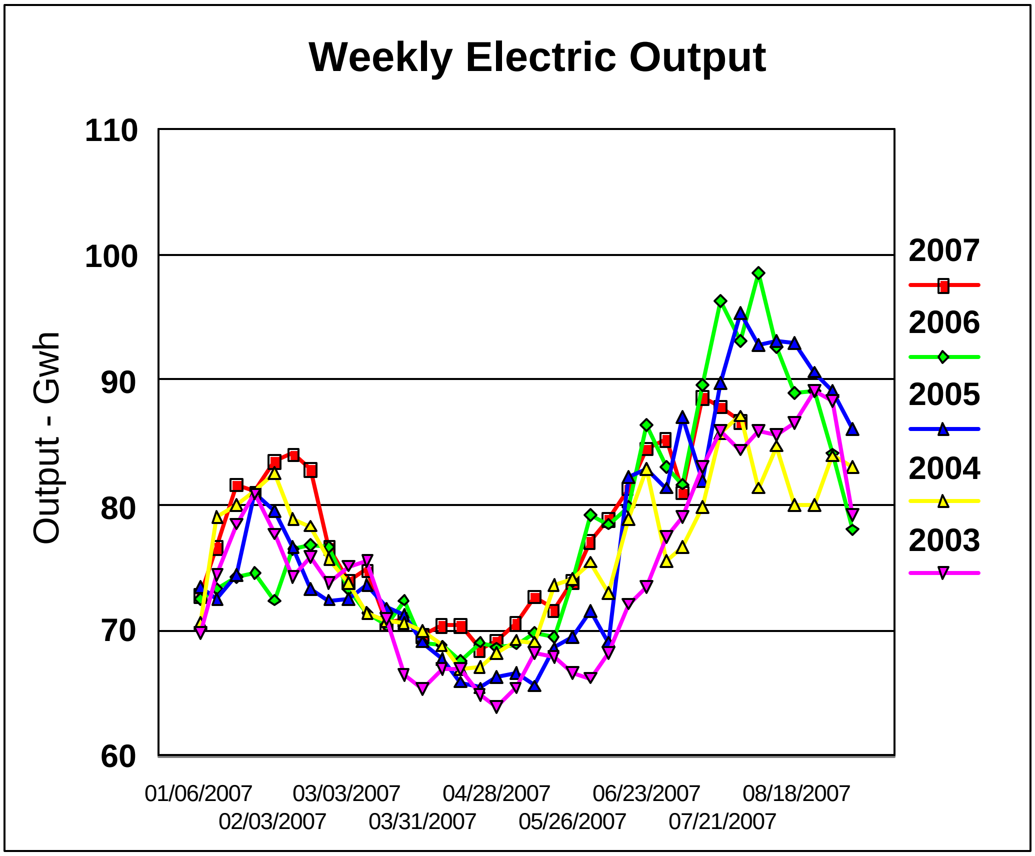


Margins on the first six months of the **ISO New England Internal Hub peak** will remain unchanged. Margins for the 7th through 11th months will jump by $1350 to $6075. margins for all other months will grow by $675 to $4725.

The **ISO New England Internal Hub off peak** contract will see margins remain unchanged for the first six months. Margins for the 7th through 11th months will increase by $1350 to $5400 for customers. Margins in all other months will remain unchanged.

The margins for the first eleven months of the **Northern Illinois Hub** off peak index swap electricity futures contracts will remain unchanged margins for customers in all other months will increase by $675 to $2700.

MARKET COMMENTARY



The natural gas market this morning started out firmer as some additional short covering seemed to come into the market as traders continued to watch the advance of the tropical wave towards the Caribbean. While poor agreement was found in the forecasting models, the general uncertainty was enough to help this market firm slightly along with the outlook for hot temperatures to remain in place from the Midwest eastward over th next week or so. As a result this market after making its initial upward move in the first hour of trading moved into basically a 10 cent sideways pattern for much of the remainder of the day despite the relativel strong sell off in the oil markets in the afternoon.

Market expectations for tomorrow's EIA storage report appear to be running between a 55 bcf to 82 bcf build with average build coming in around a 73 bcf build for the week ending July 27th. A year ago saw stocks grow by an adjusted 15 bcf while the five-year seasonal build is at 51 bcf. Our weekly estimate is a bit lower than the consensus looking for a 64 bcf build due in part to the hot weather in the west that resulted in storage withdrawal along the PG&E pipeline.

We would look for traders to closely watch the developments of the tropical system approaching the Caribbean tomorrow. But if this system appears to be dissipating basis the updated forecast tomorrow, we feel that traders may be inclined to re-establish shorts in front of the EIA storage report, especially as expectations are for a significant increase in the surplus of stocks over year ago levels that are expected. We see resistance at $6.551 followed by $6.627, $6.734 and $6.948. Support we see at $6.154, $6.10, $6.00, $5.93 and $5.75