



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 2, 2007

NATURAL GAS MARKET NEWS

The CFTC on Thursday said it would hold a hearing in September to examine oversight of trading on regulated energy futures exchanges and Exempt Commercial Markets. Testimony is expected from energy traders, financial service trade groups and energy consumers. The hearing will focus on the current tiered regulatory approach of the Commodity Futures Modernization Act of 2000 and weather this risk based model is beneficial; Similarities and differences between exempt commercial markets and regulated exchanges and regulatory risks of each category; Regulatory or legislative changes to address identifies risk and their industry impact. The acting chairman of the CFTC said that the energy market has changed in recent years and "requires our agency to address whether the level of regulatory oversight is proper given the importance of energy prices to all Americans."

EIA Weekly Report

	07/27/2007	07/20/2007	Net chg	Last Year
Producing Region	928	912	16	847
Consuming East	1511	1455	56	1551
Consuming West	401	396	5	374
Total US	2840	2763	77	2772

Government temperature forecast models released at midday showed that temperatures next week should be some 5-10 degrees cooler than originally forecasted along major population areas in the East, even though temperatures in the Northeast and Midwest will still be warmer than normal for the

period.

The FERC today granted the Dallas based Energy Transfer Partners LP an additional month to respond to a show cause order, in which the FERC has charged the company of manipulating the price of physical natural gas transactions to make a windfall in financial derivative instruments. The commission has also charged subsidiaries of Oasis Pipeline, Oasis Pipeline Texas and ETC Texas Pipeline with discriminating against non-affiliate shippers. FERC proposed that the units pay civil penalties of \$15.5 million.

The National Hurricane Center reported today that the tropical wave moving into the Caribbean still had not developed into a tropical depression, but forecasters still said there was a 50-50% possibility that it could occur over the next day or so. Most computer models though show that the storm will stay south of Cuba and Haiti and is headed toward Central America. One model still has it going across the Yucatan Peninsula but then moving across the Bay of Campeche before moving ashore again in central Mexico. Meanwhile an area of cloudiness and showers over the northeastern Gulf of Mexico associated with a broad area of low pressure, has shown no signs of organization but some slow development is possible over the next day or two as the system drifts northward.

Canadian Gas Association

Weekly Storage Report

	27-Jul-07	20-Jul-07	28-Jul-06
East	185.7	176.4	192.7
West	306.3	300.3	185.4
Total	492.0	476.7	378.0

U.S. factory orders rose 0.6% in June less than the expected 1.0% increase expected by market observers.

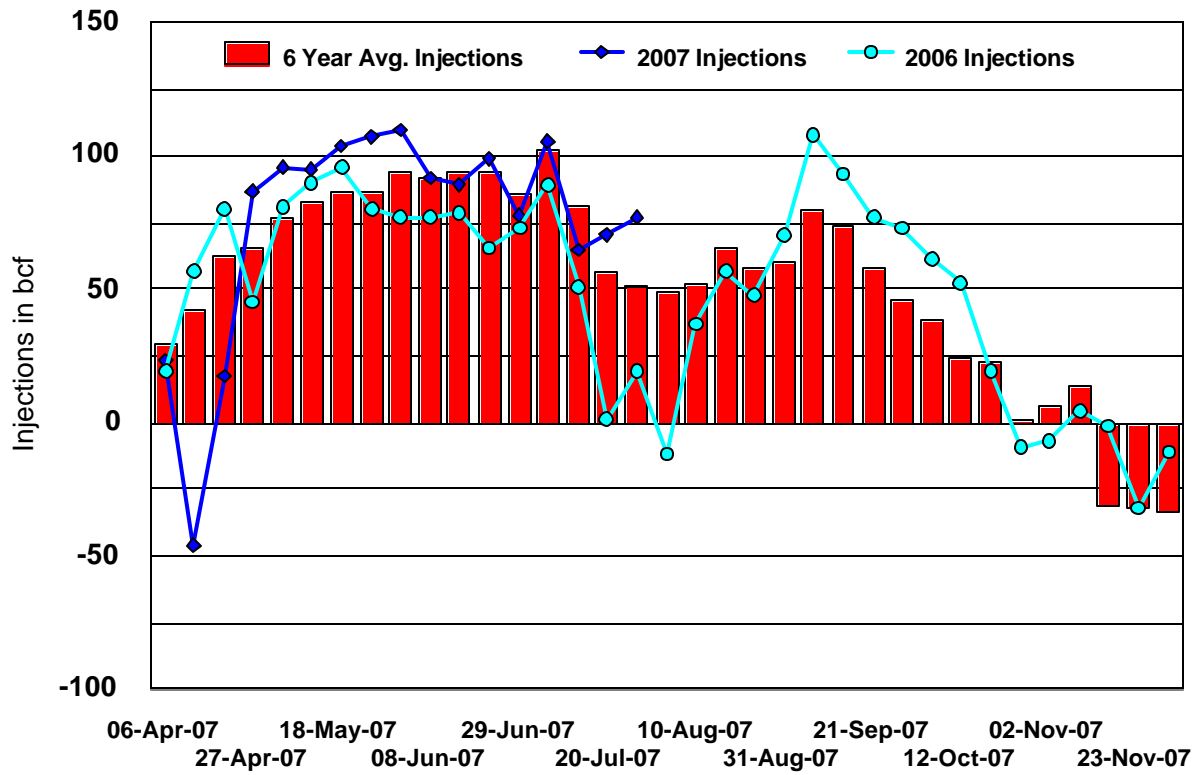
Generator Problems

SERC – TVA's 1155 Mw Brown's ferry #1 nuclear unit dropped to 69% of capacity this morning, down 26% from Wednesday. It appears that operators are planning to shut the unit one more time to test systems at the plant.

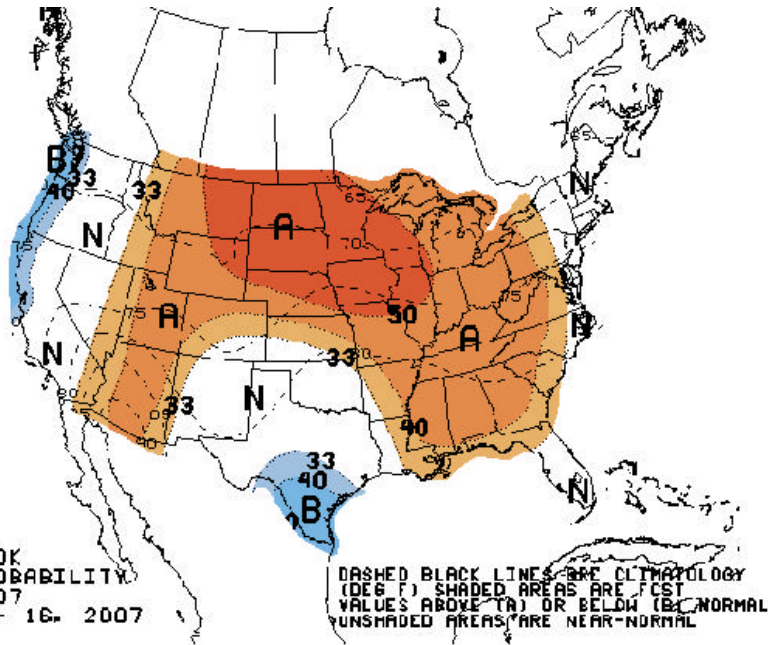
NPCC – OPG's 515 Mw Pickering #5 nuclear unit returned to service, after being off line since July 20th.

The NRC reported that 98,248 Mw of nuclear capacity is on line, down 0.25% from Wednesday, and up 3.36% from a year ago.

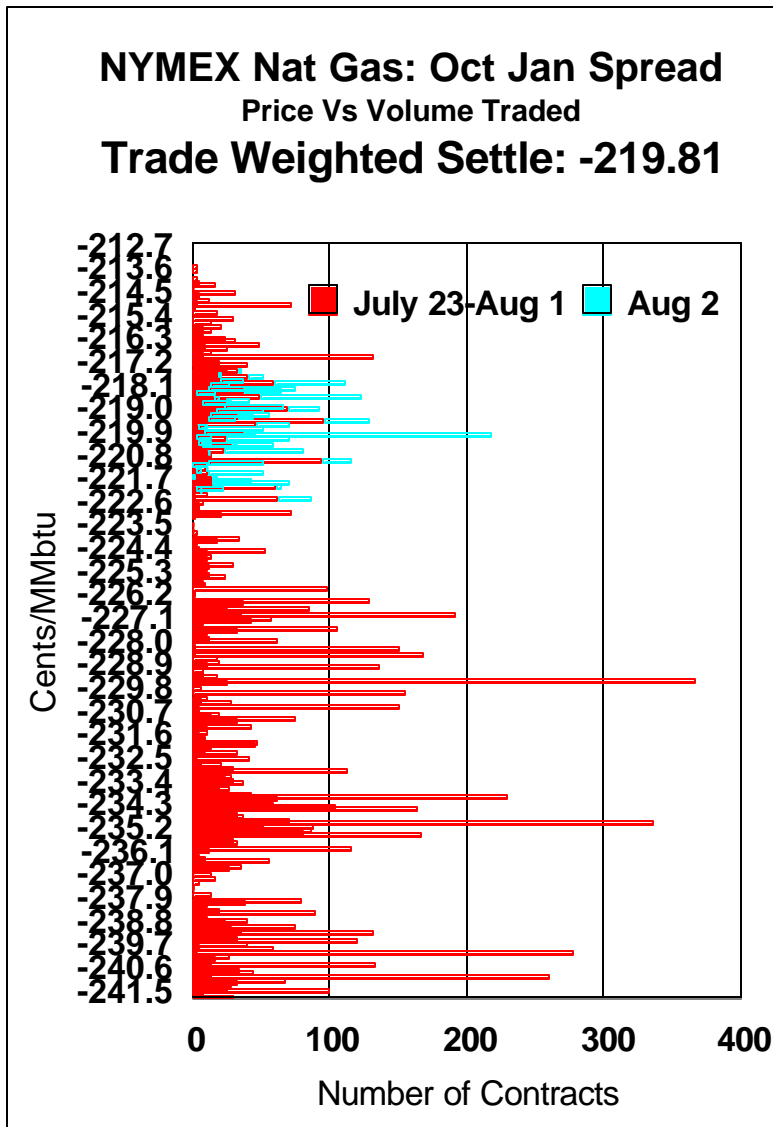
2007 EIA Survey Injections VS 6-Year Average



The Nikkei press service reported today that a consortium of Mitsui and Nippon Yusen KK have received a preliminary order to supply and operate four tankers over a 20 year period for a LNG project in Angola. The four tankers are expected to have a 160,000 cubic meter LNG tanker class and the vessels are expected to be in service by 2011.



The NYMEX announced today that it plans to launch a futures contract based on an index of alternative energy companies. The contract will trade on its Globex electronic trading platform. The new contract will be based on the Ardour Global XL Index, which is comprised of 30 publicly traded companies and will be launched on August 19th for the trade date of August 20th. The contract will be cash settled and will initially have four listed months of March, June,



September and December.

PIPELINE MAINTENANCE

Questar Pipeline said that the Overthrust expansion work will be completed ahead of schedule and various points should be back to normal capacity starting today.

ANR Pipeline said that it will continue engine repairs at its Sandwich CS located in Illinois in the Northern Fuel Segment. Currently the company anticipates only Firm Primary nominations will be scheduled through the Sandwich East – CFTP location. Also ANR expects there will be no additional capacity available in subsequent intraday nomination cycles. At this time, it is anticipated this operational restriction will continue through August 8.

ELECTRIC MARKET NEWS

The Ontario power grid operator urged consumers today to reduce their electricity use as hot weather in the region puts a strain on its power grid. Demand was expected to reach near record levels Thursday.

The NEW England ISO released a report today after eight months of study, that showed that New England's heavy dependence on gas fired power plants is likely to continue with fossil fuel costs driving electricity prices and emissions levels. The report found that New England is likely to face significant challenges in meeting its allocation of Regional Greenhouse Gas

Initiative allowances. Demand side resources appear to provide clean capacity and energy to the system at relatively low capital costs it added. The study noted that the region may be able to lower system wide wholesale electric energy prices and reduce air emissions if it either curbs demand or uses large amounts of power from low cost, clean fuel sources. The study also noted that the region will likely need continued grid improvements, especially if it adds more renewable resources.

NRG Energy announced today that it was partnering with PNM Resources and cascade Investment, to build a new natural gas fired power plant near Houston, Texas. The new 550 Mw plant, Cedar Bayou 4, will be built at the site of an existing NRG gas plant. Construction is expected to take 24 months and cost \$400 million.

The EIA reported today that U.S. coal production totaled 22.3 million tons during the week ending July 28th. This was up 5% from the previous week and off 0.4% from the same week a year ago.

PJM Interconnection said today that it would file a settlement proposal with the FERC aimed at reaching closure with all parties regarding the independence of the Marketing Monitoring unit.

AEP said today that it is seeking bids so it can sell four of its inactive natural gas fired power plants in Texas. The plants range from a generating capacity of 18 Mw to 362 Mw have operated in at least three years.

NYMEX Nat Gas Options Most Active Strikes for August 2, 2007

Symbol	Month	Year	Call/Put	Strike	Exp date	Settle	Volume	IV
LN	10	7	P	4	09/25/2007	0.0513	19,400	83.59
LN	9	7	P	5.5	08/28/2007	0.2002	7,700	73.00
LN	10	7	C	12.5	09/25/2007	0.0404	6,050	94.52
LN	10	7	P	4.5	09/25/2007	0.1148	5,800	82.86
LN	10	7	C	10	09/25/2007	0.1256	5,525	90.11
LN	4	8	P	6.5	03/26/2008	0.355	4,800	44.02
LN	4	8	P	8	03/26/2008	1.035	4,300	47.56
LN	9	7	P	6	08/28/2007	0.409	4,000	74.15
LN	10	7	P	5	09/25/2007	0.222	3,925	82.57
LN	4	8	C	9	03/26/2008	0.6194	3,250	34.57
LN	10	7	P	6	09/25/2007	0.6083	2,950	84.11
LN	10	7	C	7.5	09/25/2007	0.4139	2,750	81.40
LN	10	7	C	12	09/25/2007	0.05	2,650	93.67
LN	1	8	P	7	12/26/2007	0.4083	2,550	55.52
LN	10	7	P	4.4	09/25/2007	0.0991	2,500	83.02
LN	11	7	P	4	10/26/2007	0.026	2,400	70.64
LN	4	8	P	4	03/26/2008	0.012	2,360	43.14
LN	1	8	C	10	12/26/2007	0.6801	2,350	51.09
LN	4	8	P	6.75	03/26/2008	0.4499	2,350	44.99
LN	12	7	P	7	11/27/2007	0.447	2,300	57.46
LN	9	7	C	7.5	08/28/2007	0.1162	2,275	75.87
LN	10	7	C	8	09/25/2007	0.3237	2,125	83.65
LN	1	8	P	5.5	12/26/2007	0.0898	2,000	54.35
LN	10	7	P	3	09/25/2007	0.005	1,850	85.21
LN	10	7	C	15	09/25/2007	0.0155	1,850	98.75
LN	9	7	C	6.5	08/28/2007	0.3172	1,775	71.04
LN	1	8	C	15	12/26/2007	0.1594	1,750	60.71
LN	3	8	C	20	02/26/2008	0.1146	1,600	64.66
LN	4	8	P	4.5	03/26/2008	0.0317	1,600	43.30
LN	10	7	P	5.5	09/25/2007	0.3868	1,600	83.24
LN	4	8	P	7	03/26/2008	0.539	1,600	45.09
LN	10	7	C	5	09/25/2007	1.5274	1,500	70.98
LN	12	7	P	5	11/27/2007	0.0468	1,400	56.64
LN	9	7	P	6.25	08/28/2007	0.5485	1,275	75.19
LN	1	8	C	8.5	12/26/2007	1.131	1,200	46.24
LN	12	7	C	20	11/27/2007	0.0247	1,200	70.44
LN	1	8	P	6	12/26/2007	0.1567	1,200	54.10
LN	10	7	P	6.5	09/25/2007	0.8868	1,200	85.50
LN	3	8	C	9	02/26/2008	1.0765	1,150	46.20
LN	3	8	P	9	02/26/2008	1.664	1,150	61.49
ON	3	8	C	9	02/26/2008	1.07	1,150	53.92
LN	3	8	C	11	02/26/2008	0.6482	1,100	52.20
LN	4	8	C	8	03/26/2008	0.9279	1,100	31.11
LN	6	8	P	7	05/27/2008	0.589	1,100	44.64
LN	10	7	C	6.5	09/25/2007	0.7043	1,050	77.72

MARKET COMMENTARY

The natural gas market was hit with a double blow today, a slightly larger than expected storage build and bearish weather reports. The EIA storage report which was released at mid morning showed a 77 bcf build in working gas storage levels and estimated total stocks now reaching 2.840 tcf, now some 77 bcf above last years level and some 410 bcf above the five year seasonal average. The second bearish blow to this market was the news that the tropical wave moving through the Caribbean still had not shown and further development and its chances of reaching the Gulf of Mexico also was diminishing by each new forecasting model run. This coupled with a moderation in the outlook for hot temps especially in the East come next week seemed to keep the bears in control through the day. The market set its lows for the day by lunchtime and then went into a flat sideways range into the close.

This market seems will remain on the defensive again tomorrow. With the October \$4.00 puts posting the largest volume on the day, with over 19,000 lots traded it appears there is some strong fears of this market collapsing under the weight of record inventories of natural gas going into the winter.

We see support at \$6.075, \$6.00, \$5.916, \$5.85, \$5.806

and \$5.537. Resistance we see at \$6.296, \$6.455, \$6.50, \$6.566, \$6.614 and \$6.676-\$6.684.

