



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 4, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning downgraded Tropical Storm Chris to only a tropical depression as it moves through the Caribbean, and currently is expected to make landfall in Mexico next week possibly as a tropical storm once again, as it strengthens a bit as it moves across the warm waters of the Gulf of Mexico.

Baker Hughes reported that for the week ending August 4th, that there were some 1,396 rigs looking for natural gas, down 12 on the week, but still some 161 rigs higher than the same period a year ago.

Imperial Oil told the Canadian National Energy Board that completion of the Mackenzie Pipeline project may be delayed until 2012.

The General Accountability Office said today that the conditions of transmission pipelines continues to improve as operators complete their first round of pipeline assessments and make repairs. Some 33% of pipelines in highly populated areas of the U.S. had been assessed as of the end of 2005, with more than 2,300 repairs completed.

PIPELINE RESTRICTIONS

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

Texas Eastern Transmission said that it would not accept additional receipts sources between Longview and Batesville for delivery outside of the area. The company also said was restricting receipts sourced between Mt. Belvieu and Longview, and the area of Tompkinsville and Longview.

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

Kern River Pipeline reported that linepack has returned to normal over its entire system.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline said it has planned maintenance to replace mainline valves at Palermo, ND for August 21-25th.

Generator Problems

ECAR— Entergy's 1020 Mw Cook #1 nuclear unit finally returned to full power today after being at only 7% of capacity yesterday.

NPPC- Athens Generating's 258 Mw Unit #3 natural gas fired unit had returned to service Friday morning. The unit had been offline since July 16th.

PJM – Two of the three units at Edison Mission's 1884 Mw Homer City coal fired power plant were reportedly off line this morning.

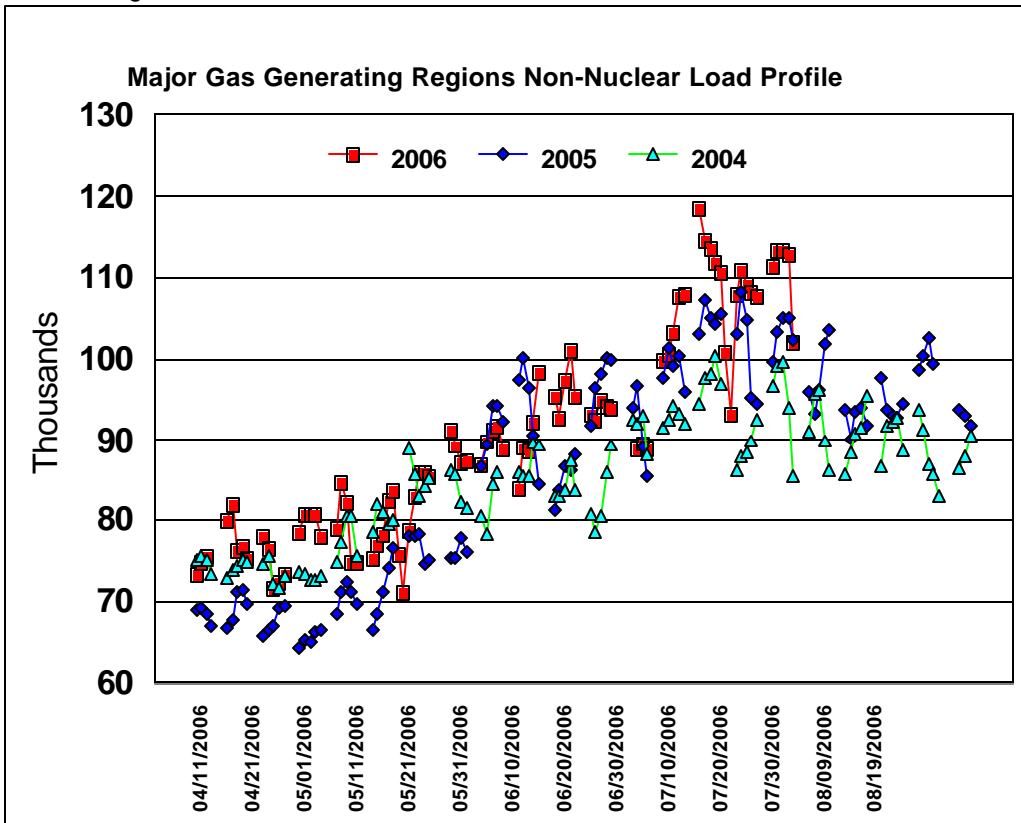
Exelon's 619 Mw Oyster Creek nuclear unit saw operating levels fall to only 53% of capacity down some 45% from yesterday's levels.

WSCC— APS' 1314 Mw Palo Verde #2 nuclear unit returned to full power this morning after running at 93% of capacity yesterday morning.

Canada – OPG's 494 Mw Unit #3 at the Lambton coal fired power station was taken off line for short term maintenance. The company also reported that its 490 Mw Unit #1 at the Nanticoke coal fired power station.

The NRC reported that U.S. nuclear generating capacity was at 95,581 Mw up .8% from Thursday and down 1.33% from a year ago.

Alliance Pipeline said that inspection work at its Gold Creek compressor scheduled for August 10th will require the unit to go off line for at least seven hours.



ELECTRIC MARKET NEWS

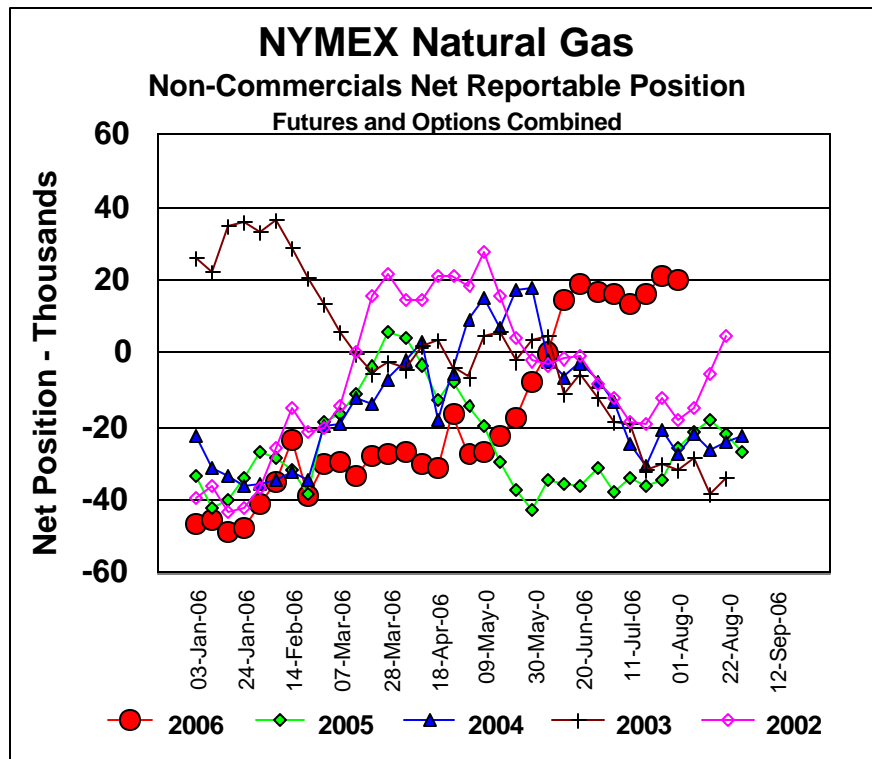
The staff of the New Jersey Board of Public Utilities said that they can not recommend acceptance of a settlement proposal that would clear the way for Exelon Corp. acquiring PSEG.

The Department of Justice and the Federal Trade Commission said yesterday that they would not stand in the way of the proposed purchase of Duquesne Light Holdings by a consortium lead by Macquarie Infrastructure Partners.

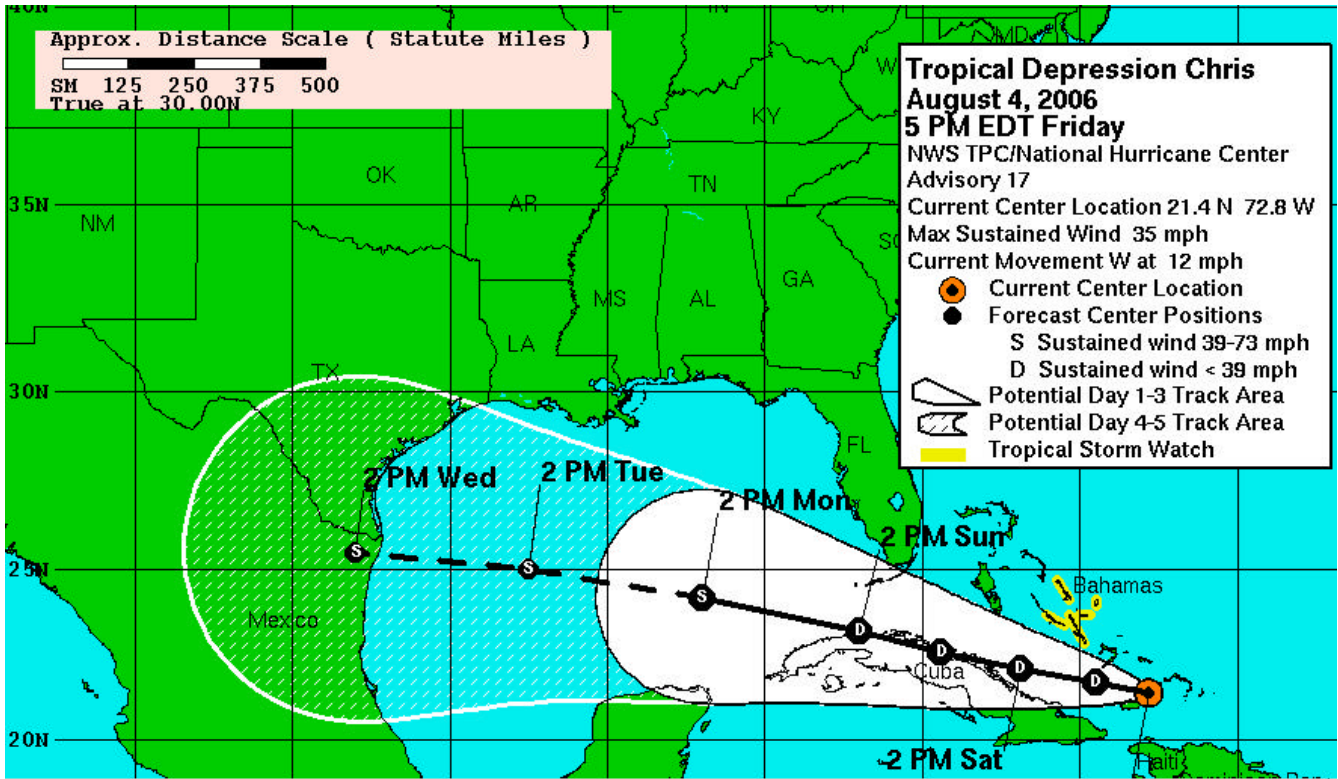
The California ISO board of governors Thursday approved the Sunrise/Greenpath transmission project. The combination 500-kV/230 – kV transmission link will provide access to additional hundreds of megawatts into the San Diego, Imperial Valley and Southern California markets.

MARKET COMMENTARY

The natural gas market opened a few pennies stronger this morning, but the market quickly went on the defensive as weather forecasters throughout the day continued to outline the basic demise of Tropical Storm Chris as a threat to the production facilities in the U.S. Gulf of Mexico. While some forecasters continued to hold out the possibility that the tropical depression that had been Tropical Storm Chris could once again strengthen when the system moved out into the Gulf of Mexico, it was seen as a limited threat as well as taking a path a bit further south than what had been discussed just a day or two earlier. The storm is now expected to make landfall in Mexico on Wednesday. In addition the moderating demand for



The California ISO



natural gas as a generating fuel also helped to keep the bulls quiet in the market today. As a result traded volumes were particularly light with just 59,000 futures traded with nearly 70% booked via spread trading. Today was the lightest volume day since July 19th.

NYMEX Most Active Natural Gas Options for August 4, 2006

Contract	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN		1	7 P	8	12/26/2006	0.452	0.4117	9,250	65.60
LN		3	7 P	8	02/23/2007	0.7308	0.7151	9,000	67.42
LN		10	6 P	6	09/26/2006	0.3056	0.2765	5,885	83.67
LN		9	6 P	6	08/28/2006	0.1088	0.092	4,875	75.06
LN		10	6 C	7.5	09/26/2006	1.008	1.024	3,550	91.34
LN		10	6 C	9.5	09/26/2006	0.4875	0.4909	3,550	98.36
LN		10	6 P	6.5	09/26/2006	0.5001	0.4595	3,400	86.24
LN		10	6 C	9	09/26/2006	0.5805	0.5851	2,800	96.67
LN		10	6 P	7	09/26/2006	0.7459	0.6973	2,650	88.82
ON		9	6 C	8	08/28/2006	0.402	0.404	2,433	92.51
ON		9	6 P	6	08/28/2006	0.109	0.092	2,401	75.10
ON		9	6 C	9	08/28/2006	0.219	0.218	2,199	98.53
LN		10	6 P	5.5	09/26/2006	0.1803	0.1614	2,100	83.73
LN		11	6 P	5.5	10/26/2006	0.1017	0.0952	2,000	76.37

This week's Commitment of Traders report showed that the non-commercial sector continued to increase their net length in the natural gas futures market, up some 2700 contracts from the previous week ending August 1st. This was the third straight week of gains in their net long futures positions. But upon looking at the combined futures and options report, non-commercials net long position actually declined modestly by just over 1000 contracts and as a result showed little fresh insight into these markets.

Weather will remain the key to this market next week. But as long as the tropics remain relatively quiet and the absence of a severe heat wave returning to the continental U.S. we could see prices quietly erode first

challenging support at the \$7.08-\$7.10 level, the 50% retracement of the rally of the past two weeks, followed by support at \$6.74. We see further support at the gap in the daily chart at \$6.43-\$6.26. Resistance we see at \$7.34, \$7.54, \$7.66, \$7.76. More distant resistance we see at \$7.88, \$8.01 and \$8.25-\$8.54.