



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 6, 2007

NATURAL GAS MARKET NEWS

Southern Natural Gas reported that a force majeure from Friday remained in force for the area upstream of its Toca compressor station, after an unplanned outage Friday at Gate 6 in offshore Louisiana. Some production has been shut in due to the outage and damage assessments continued on the affected facilities. The company hoped to have completed assessment on one of the three shut in lines by late Monday. The company though said "until the integrity of Southern's system upstream of Toca can be assured, Southern can not accept receipts upstream of its Toca compressor station." Prior to the problem Southern had some 600,000 mmcf/d flowing upstream of its Toca compressor station during the month of July. The outage over the weekend resulted in some utilities on Florida suddenly finding themselves short gas.

TransCanada and Northwest Natural Gas have formed a joint venture to build a new pipeline that would bring Canadian natural gas into Oregon and Northwest Natural Gas distribution system. The proposed pipeline would extend 220 miles from TransCanada's GTN system in central Oregon to NW Natural's system near Molalla, Oregon. NW Natural has contracted for 100,000 mcf/d of capacity of the 36-inch diameter line, even though the parties failed to disclose what the total planned capacity of the line will be. The project is expected to have an in-service date of late 2011. TransCanada said that the pipeline could be extended to the Columbia River if NorthernStar LLC, proceeds with its development plans for the Bradwood receiving terminal.

Generator Problems

ERCOT – The coal fired Big brown Steam Electric Station is expected to have maintenance on the fly ash silo starting today and continuing through Tuesday morning.

AEP's 528 Mw coal fired Unit #3 at the Welsh power station tripped off line this morning and was expected to be back to normal by August 10th.

The 1250 Mw South Texas nuclear unit #2 was at only 90% power this morning, off 10% since the weekend.

FPC – FPL's 839 Mw St Lucie #1 nuclear unit was running at 90% of capacity for the past two days.

MAIN – Exelon's 912 Mw #2 nuclear unit at the Dresden facility was at 90% of capacity this morning.

SERC – Southern Nuclear's 862 Mw Hatch #2 nuclear unit was operating at 88% of capacity this morning down from full power from over the weekend.

PJM – Mirant's Morgantown 620 Mw coal fired power plant reportedly went off line this weekend and was expected to be off line for the week.

NPCC – OPG's 494 Mw coal fired Lambton Units #3 and #4 were shut early Monday. Unit #32 though was brought back to service later in the day.

WECC – CDWR's Hyatt 293 Mw Hydro electric facility reportedly was taken off line yesterday. No restart date was given.

Calpine's 264 Mw gas fired Sutterpower plant was taken off line Sunday., No restart date was given

Energy Northwest's 1200 Columbia Generating nuclear unit was at 98% of capacity this morning, up from 15% from a week ago.

The NRC reported that 98,057 Mw of nuclear capacity is on line, up 0.51% from Friday, and up 1.07% from a year ago.

FERC Commissioner Mark Spitzer said today that the FERC's enforcement efforts will focus on ensuing market integrity and promised that the commission "will root out every vestige of manipulation" it finds. He stated that the FERC intends to make full use of its new expanded enforcement authority and will work closely with the Commodity Futures trading Commission. He noted that he preferred to focus resources on market manipulation as opposed to some other areas.

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	1,040,000	\$6.098	(\$0.014)	(\$0.163)	(\$0.005)	(\$0.134)
Chicago City Gate	449,900	\$6.103	(\$0.035)	(\$0.057)	(\$0.109)	\$0.072
NGPL- TX/OK	714,100	\$5.872	(\$0.027)	(\$0.289)	(\$0.101)	(\$0.196)
SoCal	1,135,700	\$5.793	\$0.151	(\$0.367)	\$0.077	(\$0.380)
PG&E Citygate	614,300	\$5.977	\$0.017	(\$0.183)	(\$0.057)	(\$0.126)
Dominion-South	267,200	\$6.635	\$0.176	\$0.475	\$0.102	\$0.553
Transco Zone 6	302,000	\$7.162	\$0.378	\$1.002	\$0.304	\$0.977

The FERC staff has prepared a final environmental impact statement for the Gulf South Pipeline's proposed Southeast Expansion Project. The proposed project would include the construction and

operation of approximately 111 miles of a 42 inch diameter natural gas pipeline operating in Eastern Louisiana, Central Mississippi and Western Alabama.

The FERC staff also has prepared a final environmental impact statement for the Elba III Project. The project includes expansion at the existing Elba Island LNG import terminal.

PIPELINE MAINTENANCE

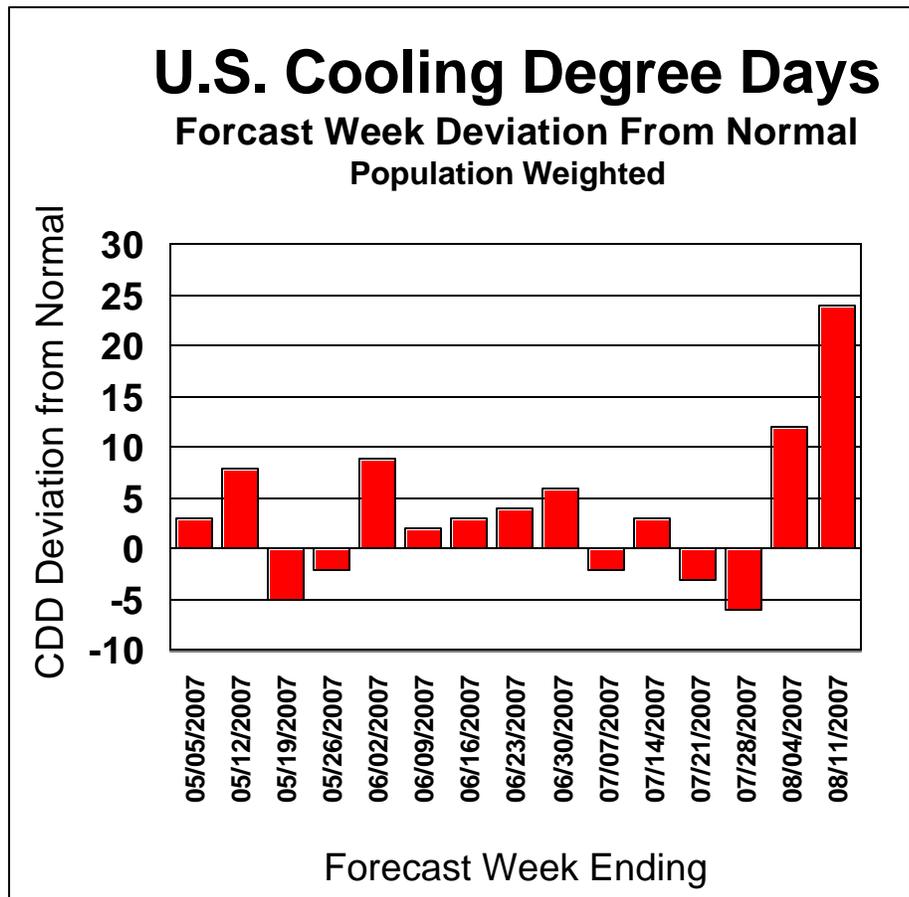
El Paso Natural Gas said over the weekend that a mechanical failure at the Dilkon B turbine will necessitate a complete teardown and reassembly of the turbine. The force majeure event has caused a reduction of 70 Mmcf/d as of August 4th through August 9th

ELECTRIC MARKET NEWS

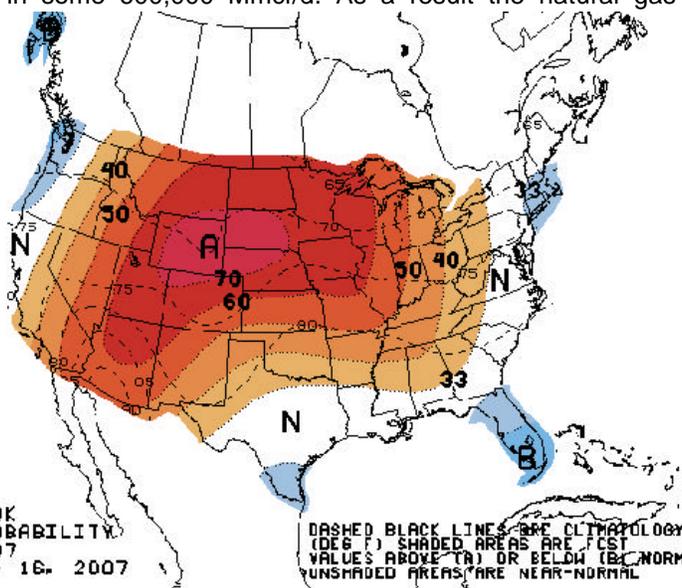
The north-to south capacity on the California-Oregon AC and Pacific DC are expected hold steady until next week at 4500 Mw and 2900 respectively.

MARKET COMMENTARY

The natural gas market today finally discovered summer cooling demand. With electricity prices soaring in tandem with hot temperatures especially in the Midwest and in the Northeast, implied heat rates in these key markets soared to their highest levels this summer. This coupled with the forecast for this coming week be the hottest week across the country, as well as being the significantly hotter than normal for this week and expectations for the following week to be warmer than normal as well finally gave bulls a reason to feel comfortable in buying this market, despite the absence of any tropical threat for



the next 7-10 days. To further support the bulls was the news of a pipeline rupture along Southern Natural's system that shut in some 600,000 Mmcf/d. As a result the natural gas market seemed insulated from the dramatic fall in crude prices today, which posted its first \$3.00 plus per barrel decline since 2003, while natural gas actually settled over a dime better.



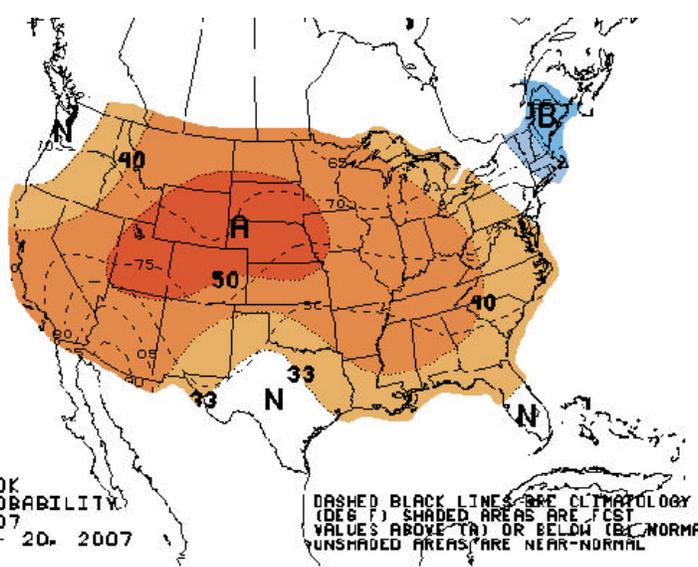
6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 6 AUG 2007
VALID AUG 12 - 16, 2007

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

Before we jump head first into the bullish euphoria that the natural gas market demonstrated today is the fact that the cash market did not stay in lock step with the futures market, outside of the Northeast. In addition the lack of tropical activity we feel could also return to traders minds especially as we approach the middle of the week and the next storage report. As a result

we feel that this market is rather in the middle of its trading range. We would be a seller up just over \$6.80 in the October and a buyer down at \$6.00 or lower.

In the September contract we look for resistance tomorrow at \$6.28-\$6.30 followed \$6.387, \$6.568, \$6.684 and \$6.84. Support we see at \$6.14, \$6.00, \$5.85 and \$5.78.

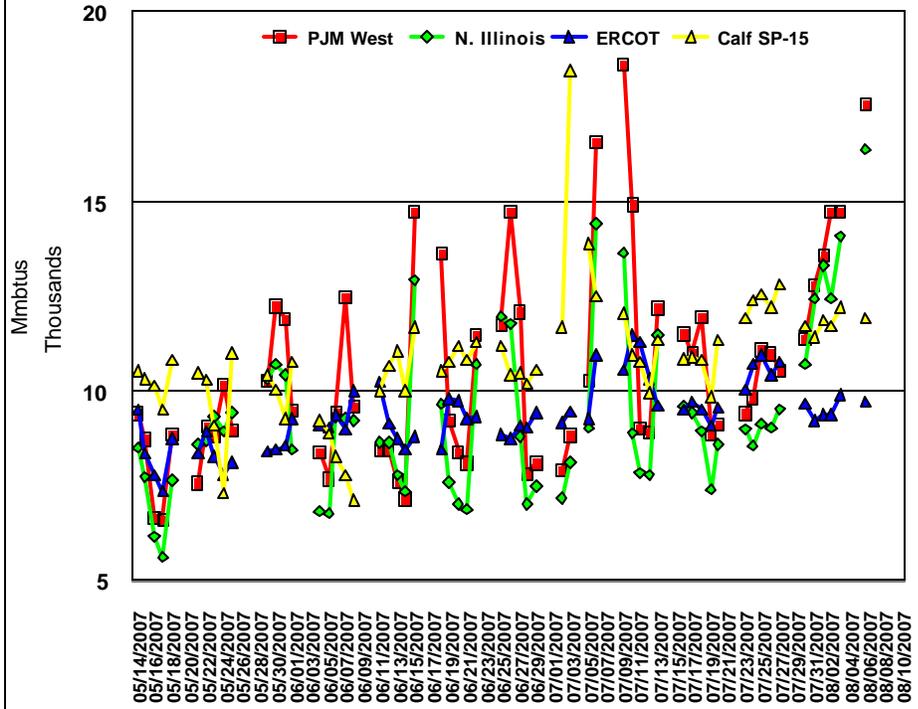


8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 6 AUG 2007
VALID AUG 14 - 20, 2007

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

Implied Heat Rates

Aug 2006 Avg: PJM: 11,422; N. Illinois:9,631; ERCOT: 12715; SP-15: 10,382



Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle

