



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 7, 2007

NATURAL GAS MARKET NEWS

The Tropical Atlantic remains extremely quiet as the few tropical waves traversing the Atlantic are unable to strengthen and intensify in part due to strong wind shear and dry air associated with the extensive and persistent African dust layer off the coast of Africa that these systems must pass through. As a result long range computer models do not point to any system development for at least the next 5-7 days. Meanwhile private weather forecaster Weather Derivatives said that the current heat wave across the U.S. is expected to lift average energy demand by 33% above normal levels over the next 3seven days.

The EIA released their latest Short Tern Energy Outlook report. It now calls for natural gas prices to average \$7.45 per mcf at Henry Hub in 2007 and \$8.06 in 2008. These estimates are down some 46 cents and 33 cents respectively from last month's estimate. Part of this price decline forecast comes from expectations for U.S. demand for natural gas in 2007 to grow by only 4% in 2007, revised downward by 0.3% from last month's forecast and 2008 demand now is seen growing by 1.3% to 22.98 tcf some 0.1% less than last month's estimate. This month's outlook sees domestic dry gas production reaching 18.68 tcf in 2007 and 18.96 tcf in 2008. While the EIA revised 2007 production estimate upward by 0.5% it lowered its 2008 production estimate by 0.1%. The agency see working gas inventories as of October 1st to stand at 3.19 tcf, some 20 bcf higher than last month's estimate.

The Federal Reserve Open Market Committee said today that it saw economic growth as being moderate during the first half of the year. It noted that while the financial markets have been volatile in recent weeks, credit conditions have become tighter for some households and businesses, and the housing correction is still ongoing, they still see the economy to continue to expand over the coming quarters, supported by solid growth in employment and incomes and a robust global economy. While its reading on core inflation have improved modestly in recent months, the Fed said a sustained moderation in inflation pressures has yet to be convincingly demonstrated.

El Paso Corporation reported today that it saw production of 857 million cubic feet equivalent per day, including unconsolidated affiliate volumes, an increase of 9% over the 2Q2006 and a 5% jump over 1Q2007. The company noted that it was able to increase production levels across all domestic regions, primarily through successful drilling programs, acquisitions, recovery of hurricane shut-in volumes, and bringing several key Gulf of Mexico discoveries on line. The company also reported that it has

Generator Problems

ERCOT – The 1250 Mw South Texas Project Nuclear #2 unit was back to full power this morning after falling to 90% yesterday.

FPCC – FPL said output from its 839 Mw St. Lucie nuclear plant were at 96% of capacity, up 6% from Monday's level.

SERC – Southern Nuclear's 862 Mw Hatch #1 nuclear unit saw output running at 96% of capacity up 8% from Monday.

PJM – Operators at PSEG's 1130 Mw Salem #2 nuclear unit have begun to restart the unit and had it powered up to 1% early Tuesday morning. The tripped off line automatically on Monday due to a problem with a feed water regulating valve.

Allegheny's 640 Mw coal fired unit at the Harrison power facility went off line on Monday.

Dominion's 584 coal fired Kincaid power plant in Illinois was reportedly taken off line Monday.

PPL's 324 Mw coal fired Brunner I unit was also reportedly off line since Monday.

WECC – Energy Northwest's returned its 1200 mw Columbia Generating nuclear unit back to full power as of this morning.

The NRC reported that 97,312 Mw of nuclear capacity is on line, down 0.76% from Monday, and down 0.06% from a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	868,200	\$6.380	\$0.282	\$0.057	\$0.220	(\$0.128)
Chicago City Gate	316,600	\$6.381	\$0.278	\$0.162	\$0.220	\$0.075
NGPL- TX/OK	804,200	\$6.139	\$0.268	(\$0.079)	\$0.210	(\$0.197)
SoCal	945,900	\$5.994	\$0.201	(\$0.224)	\$0.143	(\$0.379)
PG&E Citygate	416,700	\$6.168	\$0.191	(\$0.050)	\$0.133	(\$0.148)
Dominion-South	333,700	\$7.004	\$0.369	\$0.786	\$0.311	\$0.550
Transco Zone 6	382,200	\$7.500	\$0.338	\$1.282	\$0.280	\$0.998

expanded its hedge position for 2008 with new positions that create an \$8.00 per Mmbtu floor price and a \$12.00 per Mmbtu ceiling price on 31 trillion btus of anticipated 2008 natural gas production. When combined with previous 2008 ceilings

and floors, the company has an average floor price of \$7.61 and an average ceiling price of \$10.92 for 93 Tbtu of anticipated 2008 natural gas production. El Paso reported that it has entered into fixed price swaps on approximately 18 Tbtu of anticipated 2008 natural gas production at an average price of \$8.24. In addition the company has entered into swaps, which hedge the basis differential for El Paso's anticipated south Texas and raton production.

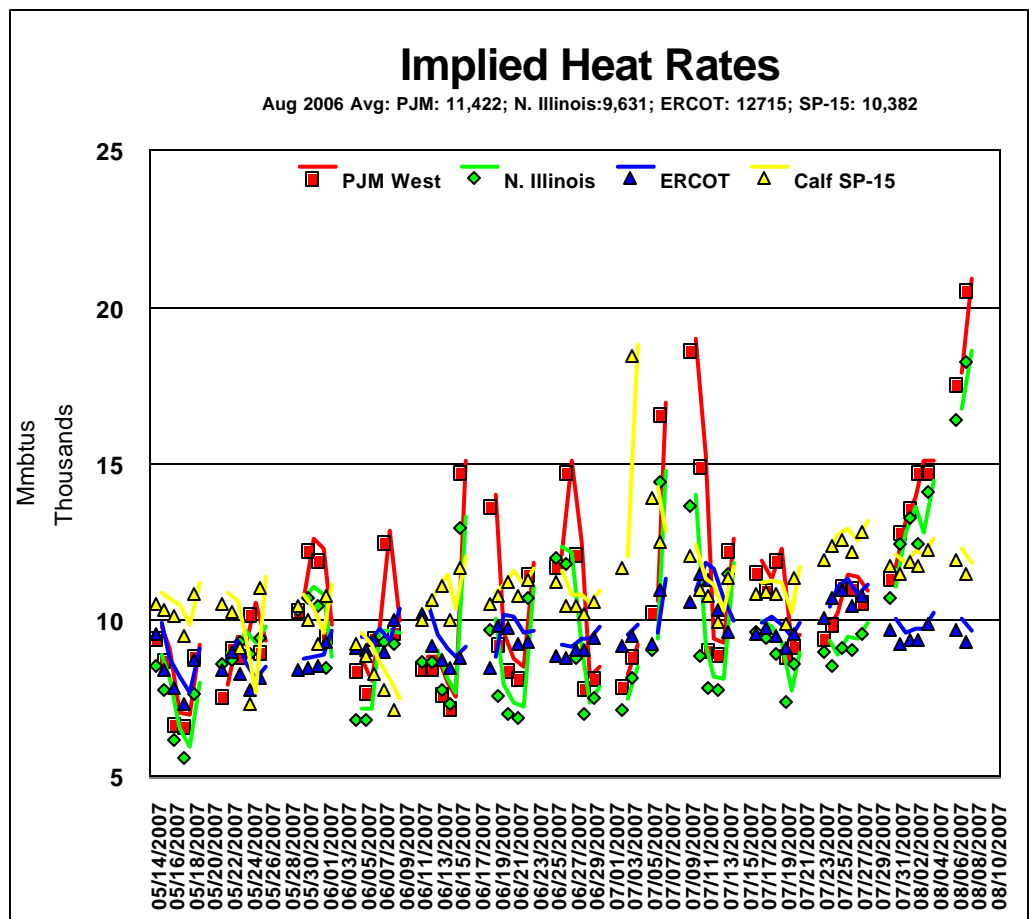
Amaranth Advisors has requested an additional month to respond to a FERC show-cause order that accuses the failed hedge fund of manipulating the price of natural gas. But its former trader, Brian Hunter continues to challenge the regulatory jurisdiction of the FERC in the case.

PIPELINE RESTRICTIONS

FGT on Tuesday issued an alert to shippers that due to forecasted hot temperatures expect for its service area, it was issuing an overage alert at 15% tolerance. No relief was expected in the Southeast until at least Friday.

PIPELINE MAINTENANCE

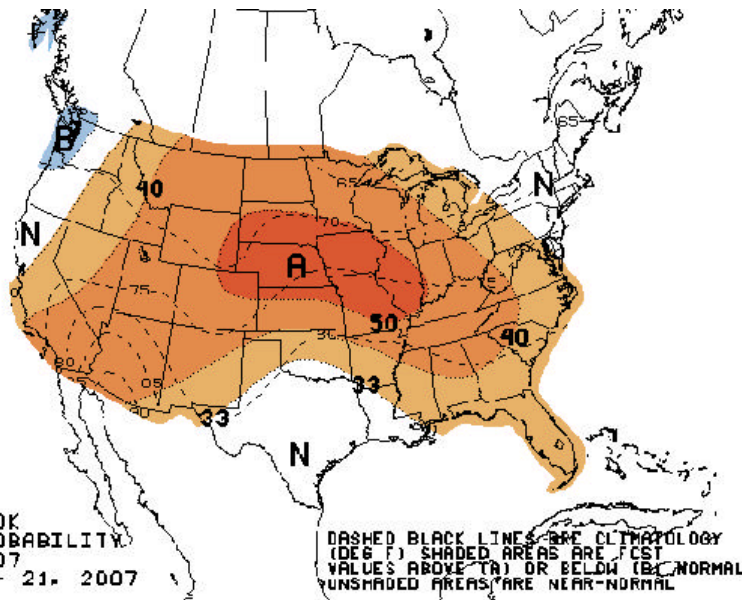
Southern Natural reported that one of the 20 inch natural gas pipelines leaving its Gate 6 platform in the Gulf of Mexico, off the Louisiana coast, would be out of service at least two to three weeks after a rupture late last week. The company also reported that



damage assessments on a 26 inch line that also leaves the platform continued. The Gate 6 platform has seven supply lines operated by three parties feeding into the platform and three Southern operated platforms leaving the platform. The company reportedly is looking at 420,000-600,000 of daily production remaining shut in for the duration of the repairs.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. coal supplies fell nearly 1% last week on strong summer air conditioning demand. U.S. power generators had an estimated 142,529,933 tons of coal for the week ending August 6th, down 1.53% from the previous week. Power stations had 52 days of average coal burn on hand some 12 more days than last year.



Southern Company reported that it set a new system peak demand record for electricity use on Monday. Its preliminary estimate place peak demand at 39,036 mw some 980 Mw higher than the previous record set last August 10th. The company noted that given the current temperature forecasts that it may well set more peak demand records this summer.

PG&E said today that it supported the California attorney general's request

to a bankruptcy judge to reject Calpine's reorganization plan. PG&E said Calpine's proposal to cancel a contract with the California Department of Water would add hundreds of millions of dollars of additional costs to PG&E's customers. The contract calls on Calpine to deliver 1000 Mw of round the clock power to PG&E through 2009.

PG&E today became the first utility to join the Green grid, a nonprofit consortium that seeks more energy efficiency in data centers and business computing systems.

The EIA in their latest Short Term Energy Outlook looked for cooler weather in the third quarter of this year (despite the current heat wave) to keep electricity demand growing at a relatively normal rate of 1.9%, with demand growth next year slowing to 1.4% due to a slowing economy and a return to normal temperatures. Coal consumption in the electric power sector is expected to rise with the projected growth in electricity demand. Consumption in the sector is expected to grow by 1% in 2007 and remain flat in 2008. Meanwhile coal supply is forecast to fall by 2.6% in 2007 and by 0.5% in 2008.

The EPA in documents released today alleges that six coal fired power plants in Illinois owned and operated by Midwest Generation are releasing too much microscopic air pollution, and the company has continued to operate the aging plants without adding pollution controls as required by the Clean Air Act.

MARKET COMMENTARY

The natural gas market appeared to falter this morning after basically retracing 62% of the sell off of the past week just prior to the opening. In addition while much of the nation was expected to remain hotter than normal for the next couple of weeks the lack of tropical threats may have been a bit sobering on the bulls. As a floor session kicked off the natural gas market seemed to just slowly erode into the midday before moving into non-descript sideways trading pattern for the afternoon. These higher prices in the morning though seemed to trigger some sellers to return to the market, as volume in the natural gas contract was the highest level since February 13th with over 160,000 lots changing hands.

We feel though that the current heat wave and the possibility of production shut ins remaining in place along Southern's system may be enough to hold this market in a basically a 50 cent trading range for the next week or so, despite the attempt of funds to sell this market off once again. Just like the crude oil market, there becomes a

point where the funds build such a large position that the market finds no new players to join the speculative funds in their net position.

We see resistance tomorrow at \$6.3, \$6.40, \$6.469, \$6.539 and \$6.551. Support we see at \$6.153, \$6.095, \$6.01-\$6.00, \$5.90 and \$5.864.

NYMEX Nat Gas Options Most Active Strikes for August 7, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	10	7	C	8	09/25/2007	0.2644	7,750	77.67
LN	10	7	P	6	09/25/2007	0.4943	7,530	77.98
LN	9	7	C	7	08/28/2007	0.1289	7,000	63.77
LN	9	7	P	5.5	08/28/2007	0.1025	4,965	63.33
LN	9	7	P	6	08/28/2007	0.2704	4,775	64.22
LN	10	7	P	5	09/25/2007	0.1536	4,650	76.65
LN	9	7	P	5	08/28/2007	0.0285	4,340	63.75
LN	11	7	P	6	10/26/2007	0.2778	3,580	64.21
LN	10	7	P	5.5	09/25/2007	0.2928	3,425	77.13
LN	9	7	C	8	08/28/2007	0.0327	3,300	68.79
LN	9	7	C	6.5	08/28/2007	0.2533	2,855	61.50
LN	11	7	P	5	10/26/2007	0.0746	2,700	63.16
LN	11	7	C	10	10/26/2007	0.244	2,280	67.47
LN	4	8	C	9	03/26/2008	0.5503	2,200	34.33
LN	4	8	P	6.75	03/26/2008	0.4559	2,200	44.21
LN	10	7	P	4	09/25/2007	0.03	2,200	79.40
LN	10	7	P	3	09/25/2007	0.0016	1,800	79.06
LN	10	7	C	7.5	09/25/2007	0.3541	1,400	75.55
LN	4	8	C	15	03/26/2008	0.0545	1,350	42.95
LN	9	7	C	8.5	08/28/2007	0.0169	1,350	71.29
LN	10	7	C	8.5	09/25/2007	0.1948	1,250	79.04
LN	10	7	C	7	09/25/2007	0.4817	1,250	73.79
LN	1	8	P	7	12/26/2007	0.3728	1,125	53.53
LN	11	7	C	9	10/26/2007	0.382	1,125	64.73
LN	9	7	P	4.5	08/28/2007	0.005	1,050	64.14
LN	10	7	P	6.5	09/25/2007	0.7576	1,030	79.18
LN	6	8	P	6	05/27/2008	0.2609	1,000	42.19
LN	12	7	P	4.5	11/27/2007	0.0137	1,000	54.37
LN	9	7	P	6.25	08/28/2007	0.3964	975	65.04
LN	10	7	C	6.5	09/25/2007	0.6533	930	71.78
LN	4	8	C	12	03/26/2008	0.1696	865	40.26
ON	10	7	P	6	09/25/2007	0.495	807	75.29
LN	4	8	P	7.8	03/26/2008	0.9403	775	46.22
LN	4	8	C	7.8	03/26/2008	0.9113	775	29.85
LN	3	8	C	10.5	02/26/2008	0.6633	700	49.52
LN	3	8	C	8.65	02/26/2008	1.1071	700	43.39
LN	3	8	P	8	02/26/2008	1.0013	700	55.94