



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 8, 2007

NATURAL GAS MARKET NEWS

Southern Natural Gas said today that its 26-inch natural gas pipeline leaving its Gate 6 platform in the Gulf of Mexico would flow at reduced rate of 150,000 dekatherms and then ramp up to full (pre-force majeure) volumes of 300,000 dth over the next three to five days. The two 20-inch lines remain out of service after on ruptured last Friday. The company has previously said it would take two to three weeks to get the undamaged line back up, but gave no timetable how long the ruptured line would take to be returned to service.

The Alaskan governor's office said that the deadline for applications from companies seeking to build Alaska's proposed natural gas pipeline has been extended by two months from October 1st to November 30th, due to increased interest.

South Korean LNG imports rose 12% in July from a year ago, as domestic sales surged by 20% due to the closure of the country's oldest nuclear power plant. KOGAS imported 1.4 million tones in July.

Gazprom said today that Belarus had fully paid its \$456 million debt for Russian gas deliveries, thus erasing Russia's threat to disrupt exports to Belarus.

Uruguay said today that it was looking at the possibility of building a "regasification plant" that will process LNG imports from Venezuela's Mariscal Sucre once it becomes operations. Venezuela's President Chavez said his country may invest in the regasification plant, and it would make it the second Venezuelan-backed plant planned in South America. He noted one was possible in Argentina as well. The plant could cost \$1 billion.

Generator Problems

SERC – Southern's 883 Mw Hatch #2 nuclear unit was shut down early Wednesday. The unit had been at full power on Tuesday.

Progress Energy's 938 Mw Brunswick #1 nuclear unit dropped to 46% of capacity on Wednesday. The unit had been at full power yesterday. Operators though hope to have the unit back to full power shortly following completion of repairs to a small electric capacitor. By mid day the unit was back to 87% of capacity.

PJM – PSEG 1130 Mw Salem #2 nuclear unit ramped up to 73% of power Wednesday. The Unit had tripped off line on Monday and had been restarted on Tuesday.

The NRC reported that 96,933 Mw of nuclear capacity is on line, down 0.39% from Tuesday, and down 0.03% from a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,090,400	\$6.245	(\$0.135)	(\$0.143)	(\$0.200)	(\$0.085)
Chicago City Gate	441,900	\$6.258	(\$0.123)	\$0.026	(\$0.137)	\$0.104
NGPL- TX/OK	704,400	\$5.982	(\$0.158)	(\$0.250)	(\$0.172)	(\$0.162)
SoCal	908,600	\$5.697	(\$0.297)	(\$0.535)	(\$0.311)	(\$0.367)
PG&E Citygate	584,900	\$5.970	(\$0.198)	(\$0.262)	(\$0.212)	(\$0.131)
Dominion-South	241,200	\$6.677	(\$0.327)	\$0.445	(\$0.341)	\$0.574
Transco Zone 6	441,100	\$7.103	(\$0.396)	\$0.871	(\$0.410)	\$1.011

Weather Derivatives said the current heat wave is expected to keep average energy requirements some 19% above normal for the next seven days.

The FERC Wednesday granted Amaranth Advisors an additional month to respond to its show cause order that

accuses the defunct hedge fund of manipulating natural gas prices.

The U.S. Court of Appeals has remanded the natural gas pipeline rates for Petal Gas Storage and High Island Offshore System after concluding that the FERC had mistakenly base the rates on a proxy group to include local distribution companies. The court ruled that the FERC's decision to include the LDCs, which carry less risk than interstate pipelines, compromised the outcome of the rate cases.

PIPELINE RESTRICTIONS

FGT extended its Overage Alert Day due to expected high demand in its market area again today due to weather conditions. The tolerance was set at 20%.

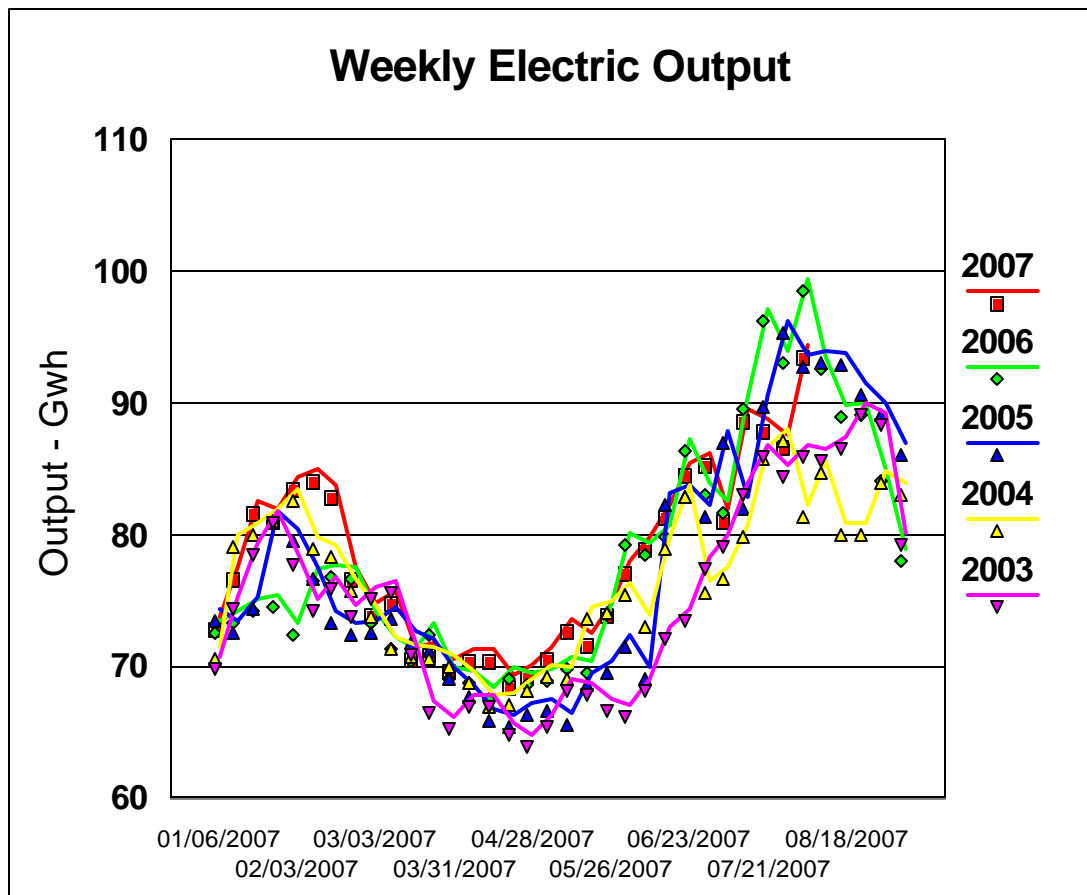
PIPELINE MAINTENANCE

Northern Natural Gas said that it planned to bring back on line the manned platforms, Matagorda 631 62309; Matagorda 632 25035; Matagorda 681 17925; Matagorda 686 452; Matagorda 703/704 17926; Matagorda 685c/686 78449; Mustang 759 62319 and Mustang 762 2410. The platforms would be brought back on line to pressure test the system and bring the mainline back to normal operating pressure through August 9th. The company also announced that on August 10th a pig would be launched from Platform 758 to clear accumulated liquids from the MOPS mainline system. All 8 manned platforms will remain online to facilitate the pigging activity. Nominations will be accepted at from those areas. Once the pig is accepted at the Tivoli Plant on or before August 14th, the liquids will be processed which may take up to three days. All production from the platforms will be shut in during the processing of the liquids. But operations on the system would return to normal once the liquids processing is completed.

ELECTRIC MARKET NEWS

The Mdwest ISO told market participants Wednesday it was working to fix a computer glitch that caused real time power prices to spike to over \$50,000 per Mwh at 8:30 EDT this morning.. MISO said it would exclude the erroneous prices as per grid procedures.

Southern Company reported that for the second consecutive day, it has set a new system peak demand record for electricity use. On August 7th the company reported that preliminary peak demand reached 39,215 Mw, some 179 Mw higher than Monday's record level.

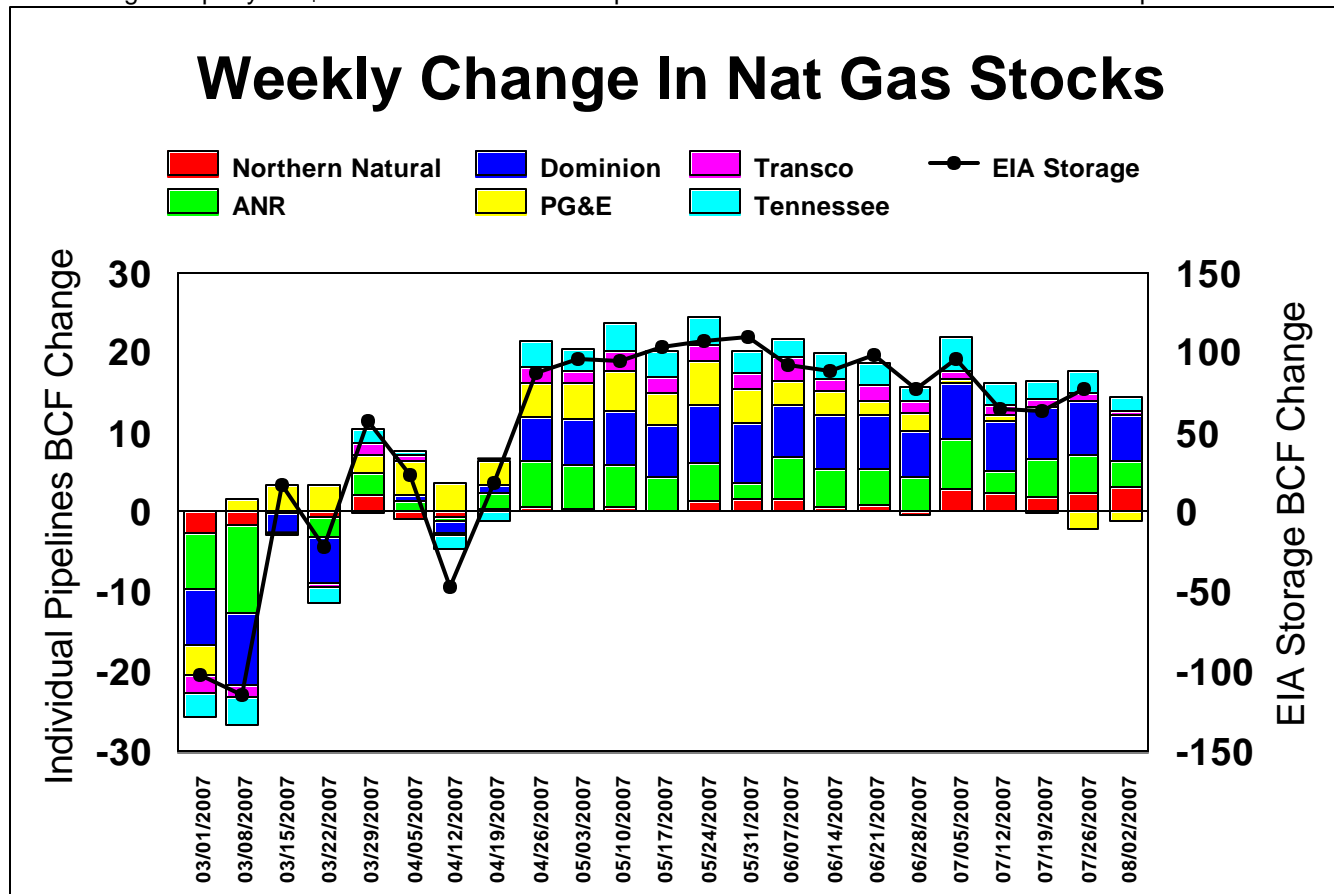


The Edison Electric Institute reported that for the week ending August 4th, U.S. electrical generation reached 93,540 Gwh up 8% from the previous week but off 5.4% from the same week a year ago.

Flooding rains that moved through New York City this morning left some 4000 customers without power. Late in the day the utility reported that it was also forced to implement a voltage reduction or brown out in part of its service territory due to heavy demand due to excessive heat and humidity. Some 87,000 customers were affected.

PJM Interconnection asked consumers in its territory to conserve electricity amid the extremely hot and humid weather across its service territory. The grid operator said the call for conservation was a precaution as the demand for electricity might approach record levels. PJM forecasted peak demand Wednesday to reach more than 141,000 Mw, slightly below last year's record of 144,624 Mw. PJM also called on its emergency demand response customers to reduce their electricity usage. In New York State, the grid operator forecasted demand of 31,500, a bit short of last year's record of 33,939. Late in the afternoon Pepco and other PJM Power Pool utilities reduced voltage by 5%.

Dominion Resources announced it would sell its Dresden Energy electric generation facility in Ohio to AEP Generating Company for \$85 million. The sale is expected to close before the end of the third quarter.



MARKET COMMENTARY

The natural gas market which had been eroding just before the floor opening saw a burst of buying that buoyed prices up some 18 cents in the first 90 minutes of trading. But once again the market failed to maintain any momentum and then basically slipped into a sideways 5-7 cent trading range for the remainder of the day. While the heat continued across many major population centers today, power prices and spot natural gas prices actually eased back slightly, seeming to take the bullish excitement for this market with it. At midday the

NYMEX reported that open interest for the natural gas contract contracted by 9807 lots, led for the most part by a larger than normal decline in the spot contract, which saw nearly 14,000 contracts closed on Tuesday.

NYMEX Nat Gas Options Most Active Strikes for August 8, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	9	7	P	5.5	08/28/2007	0.07	8,950	56.85
LN	9	7	P	5	08/28/2007	0.0197	8,675	60.68
LN	11	7	P	6	10/26/2007	0.2437	5,380	62.79
LN	9	7	C	7.5	08/28/2007	0.06	5,000	65.68
LN	10	7	P	4	09/25/2007	0.0275	4,825	79.94
LN	11	7	P	5	10/26/2007	0.0622	4,540	62.06
LN	11	7	C	16	10/26/2007	0.0184	4,400	74.21
LN	11	7	C	12.5	10/26/2007	0.0788	3,750	70.27
LN	10	7	P	6	09/25/2007	0.4462	3,455	75.32
LN	10	7	P	5	09/25/2007	0.1287	3,325	74.10
LN	9	7	P	6	08/28/2007	0.2382	2,855	61.09
LN	1	8	C	12	12/26/2007	0.3048	2,400	52.62
LN	11	7	C	13	10/26/2007	0.0631	2,200	70.87
LN	11	7	C	10	10/26/2007	0.245	2,150	65.99
LN	10	7	C	8	09/25/2007	0.2407	1,875	73.43
LN	9	7	C	7	08/28/2007	0.1127	1,625	60.81
LN	12	7	C	10	11/27/2007	0.4058	1,350	50.68
LN	12	7	P	6	11/27/2007	0.1119	1,350	51.43
LN	1	8	C	15	12/26/2007	0.122	1,300	57.68
LN	11	7	P	5.5	10/26/2007	0.1305	1,300	62.16
LN	3	8	C	12	02/26/2008	0.4377	1,250	51.31
LN	10	7	P	4.5	09/25/2007	0.0562	1,250	74.56
LN	11	7	P	6.5	10/26/2007	0.4227	1,250	64.95
LN	9	7	C	6.5	08/28/2007	0.2354	1,210	58.56
LN	6	8	P	6	05/27/2008	0.2455	1,150	41.69
LN	3	8	P	7	02/26/2008	0.4791	1,100	51.36
LN	1	8	C	9	12/26/2007	0.8878	1,050	44.95
ON	3	8	P	7	02/26/2008	0.477	1,050	46.77
LN	10	7	C	8.25	09/25/2007	0.2182	1,050	76.14
LN	3	8	C	9.3	02/26/2008	0.9318	1,000	45.10
LN	3	8	C	9.7	02/26/2008	0.8357	1,000	46.58
LN	11	7	C	8	10/26/2007	0.6212	950	59.67
LN	2	8	C	12	01/28/2008	0.3938	900	51.34
LN	8	8	P	6	07/28/2008	0.2948	900	43.15
LN	1	8	C	17	12/26/2007	0.0718	800	60.37
LN	2	8	C	15	01/28/2008	0.1768	800	56.12
LN	3	8	C	15	02/26/2008	0.2133	800	55.89
LN	3	8	C	19	02/26/2008	0.1044	800	61.28
LN	1	8	C	10	12/26/2007	0.6128	750	48.04
LN	4	8	P	6.75	03/26/2008	0.433	750	43.72

Market expectations for tomorrow's storage report appears to be centered around a 52 bcf injection level for the weekending August 3rd. Last year saw a 7 bcf draw down, while the five-year seasonal average is for a 45 bcf build. Our estimate was a little bit higher at a 56 bcf build.

We see resistance tomorrow starting around \$6.34 followed by \$6.404, \$6.508 and \$6.523. More distant resistance we see at \$6.684, \$6.84 and \$6.959. Support we see at \$6.124, \$6.10, \$6.02-\$6.00, \$5.932, \$5.906 and \$5.85.

