



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 9, 2007

NATURAL GAS MARKET NEWS

The National Weather Service this morning released their latest update on the current hurricane season. Forecasters now say that there is a greater than 50% chance for a La Nina event taking hold over the next two months. They now see 13-16 named storms, down slightly from its earlier outlook of 13-17 named storms. It now looks for 7-9 storms to become hurricanes down from an estimate of 7-10 from an earlier forecast. They still see 3-5 becoming major hurricanes. The NWS said that the current hurricane activity, up 75% of chance at its last report. This type of hurricanes.

Generator Problems

SERC – Progress Energy reported its 938 Mw Brunswick #1 nuclear unit was at 96% of capacity up from 46% of capacity recorded yesterday.

The NRC reported that 9,515 Mw of nuclear capacity is on line, up 0.6% from Wednesday, and up 1.35% from a year ago.

is now seen as a 85% chance as above normal in expected season usually leads to 24 U.S. landfall

EIA Weekly Report

	08/03/2007	07/27/2007	Net chg	Last Year
Producing Region	932	928	4	832
Consuming East	1544	1511	33	1554
Consuming West	406	401	5	379
Total US	2882	2840	42	2765

*storage figures in Bcf

Some computer models have the current tropical weather disturbance moving through the central Caribbean could move into favorable environmental conditions in the next 48-60 hours which may lead to some slow development in 2-3days. The NOGAPS model has this system developing in the far western Caribbean near the Yucatan Peninsula in about 56 days. The Canadian model the most

bullish of all models, moves this system into the central Gulf of Mexico and it becomes a major hurricane in about 6 days. The European model forecasts this system will develop into a tropical cyclone in the Bay of Campeche in some 6 days before it moves westward into central Mexico in 9 days. Most forecasters appear to be discounting the risk that the Canadian model is calling for. Elsewhere the GFS model and the UKMET models are calling for the potential of tropical development to occur this weekend south of the Cape Verde Islands, which would move westward and be in the central Atlantic by next week at this time.

Canadian Gas Association

Weekly Storage Report

	03-Aug-07	27-Jul-07	04-Aug-06
East	192.7	185.7	194.3
West	309.7	306.3	187.3
Total	502.4	492.0	381.6

storage figures are in Bcf

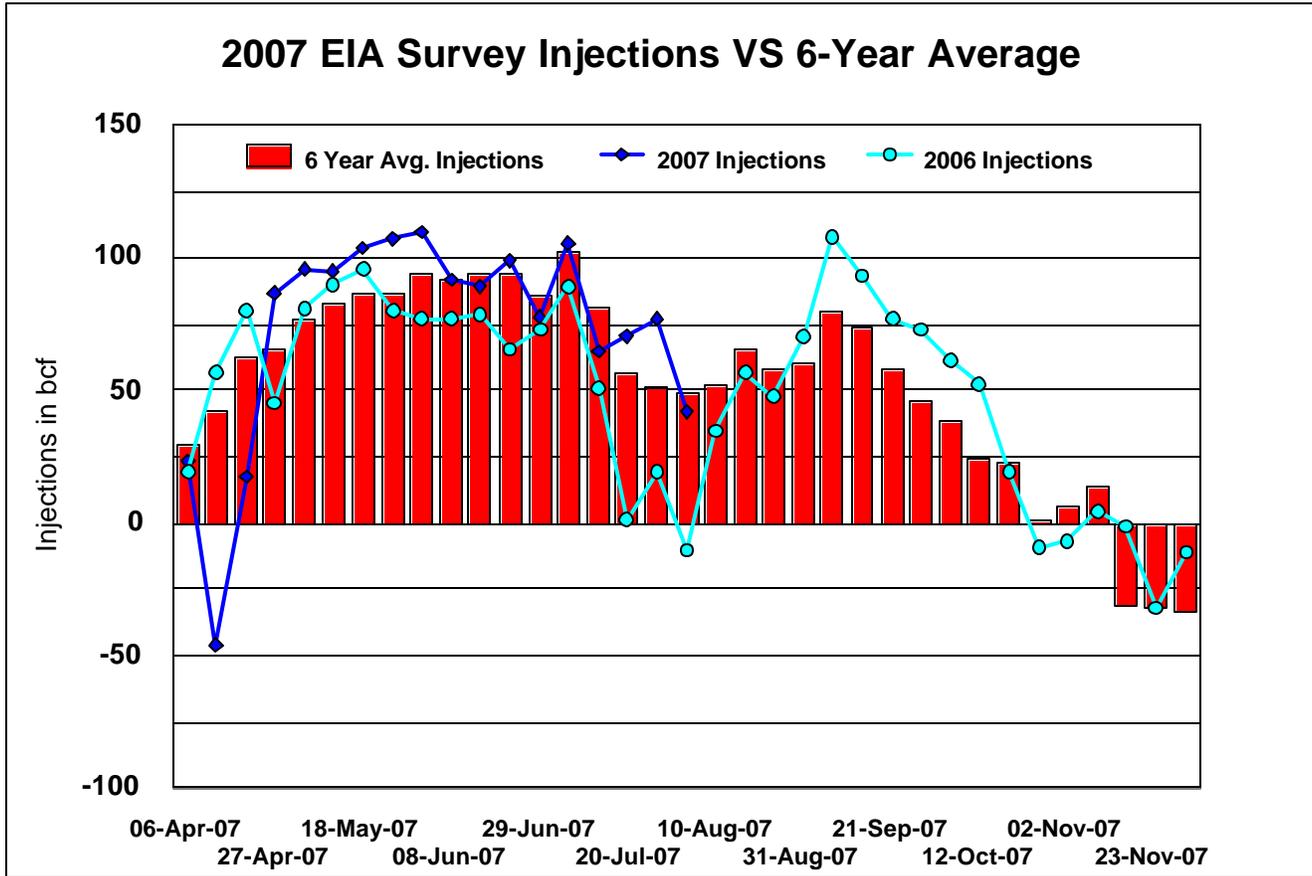
The UK's SEAL gas import pipeline, which delivers natural gas into the terminal at Bacton, was expected to be restarted following completion of annual maintenance on September 1st.

PEMEX reported that it was forced to shut the Poza Rica-Venta de Carpio natural gas pipeline Thursday morning after it was ruptured by construction machinery. The company gave no details on when the 18-inch line would be repaired. The company did say that natural gas

supplies for the Otumba municipality are arriving through alternative pipelines and that energy supplies for the area are fully guaranteed.

The Neptune Deepwater LNG port moved a step closer to becoming reality as the proposed facility which would be located 10 miles offshore of Gloucester, MA received all the necessary permits for the state of Massachusetts. The terminal would have a proposed 400-750 MMcf/d send out capacity coming on stream by 2009.

The UK gas market heard chatter today that the South Morecambe field could be shut down as early as Friday for maintenance. The field produces some 12 mcm/d to 15 mcm/d of natural gas.



Researchers at Britain's Met Office said today in a new forecast that global warming will set in with a vengeance after 2009, with at least half of the five following years should be hotter than 1998, the warmest year on record. The forecasters said that their new computer model takes into account such natural phenomena as the El Nino pattern in the Pacific Ocean and other fluctuations in ocean circulation and heat content. The group noted that its forecast for the next decade could be dominated by natural changes, rather than human caused global warming. The noted that over the next 100 years the main change to global climate will come from greenhouse gases, but in the coming 10 years the natural internal variability will dominate.

BP in a regulatory filing today noted that the CFTC and the Department of Justice are probing the company's

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	987,500	\$6.452	\$0.207	(\$0.292)	(\$0.149)	(\$0.140)
Chicago City Gate	394,700	\$6.401	\$0.143	(\$0.084)	(\$0.110)	\$0.020
NGPL- TX/OK	674,200	\$6.144	\$0.163	(\$0.341)	(\$0.090)	(\$0.229)
SoCal	1,161,200	\$5.679	(\$0.018)	(\$0.806)	(\$0.271)	(\$0.475)
PG&E Citygate	699,700	\$6.024	\$0.054	(\$0.461)	(\$0.199)	(\$0.216)
Dominion-South	366,200	\$6.920	\$0.243	\$0.435	(\$0.010)	\$0.502
Transco Zone 6	378,200	\$7.290	\$0.186	\$0.805	(\$0.067)	\$0.931

U.S. trading activities back to the year of 1999, instead of 2002 as previously reported. Last year the CFTC had filed a civil enforcement action against BP alleging that it had manipulated the price of propane in February 2004 and April 2003 as well as influencing the price

of gasoline in October 2002. In 2006, the Department of Justice filed a criminal charge against a former BP Products propane trader. Both the CFTC and DOJ are investigating BP's crude oil and storage activities.

PIPELINE RESTRICTIONS

FGT continued to issue an Overage Alert Day for its market area. Tolerance was set at 15%/

PIPELINE MAINTENANCE

PG&E California Gas transmission announced that maintenance work this week on the Baja system on the Hinkley compressor K-12 and Kettleman Station on Thursday and Friday will reduce capacity by 19% to 896 MMcf/d. Maintenance work Friday on the Redwood Path at the Tionesta Compressor K-1 will reduce throughput by 2% to 1988 Mmcf/d.

Panhandle Eastern Pipeline said that

unscheduled maintenance at the Cypress Compressor Station began yesterday and is expected to last 10 days. Texas capacity will be 310 Mmcf/d. Nominations may be limited to shipper contracts that are primary in path.

Northwest Pipeline said that it has detected a possible leak on a loop line approximately 39 miles west of the Pocatello compressor station. During the repair work the company will only be able to provide service through the mainline. As a result, the available capacity at the Burley compressor was reduced to 452,000 Dth/d.

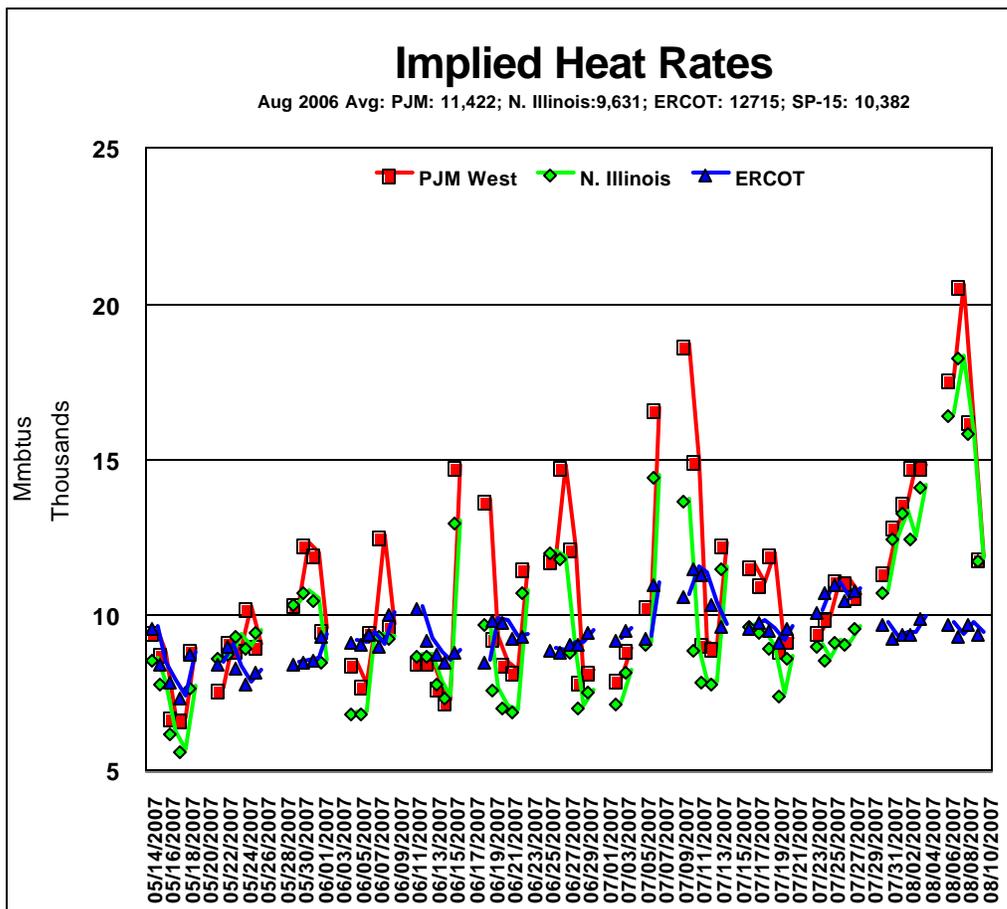
ELECTRIC MARKET NEWS

TVA reported that it set peak power demand records three days this week and expected to set another Thursday due the forecast of high heat and humidity for its service area. The peaks this week surpassed the 32,008 Mw record from July 2006, climbing to 32,095 Mw on Monday, 32,888 Mw on Tuesday and 33,344 Mw on Wednesday.

ConEd late Wednesday suspended the call for its customers to reduce electricity use in some neighborhoods in Brooklyn, NY, after resolving equipment problems that lead to voltage reductions yesterday.

MARKET COMMENTARY

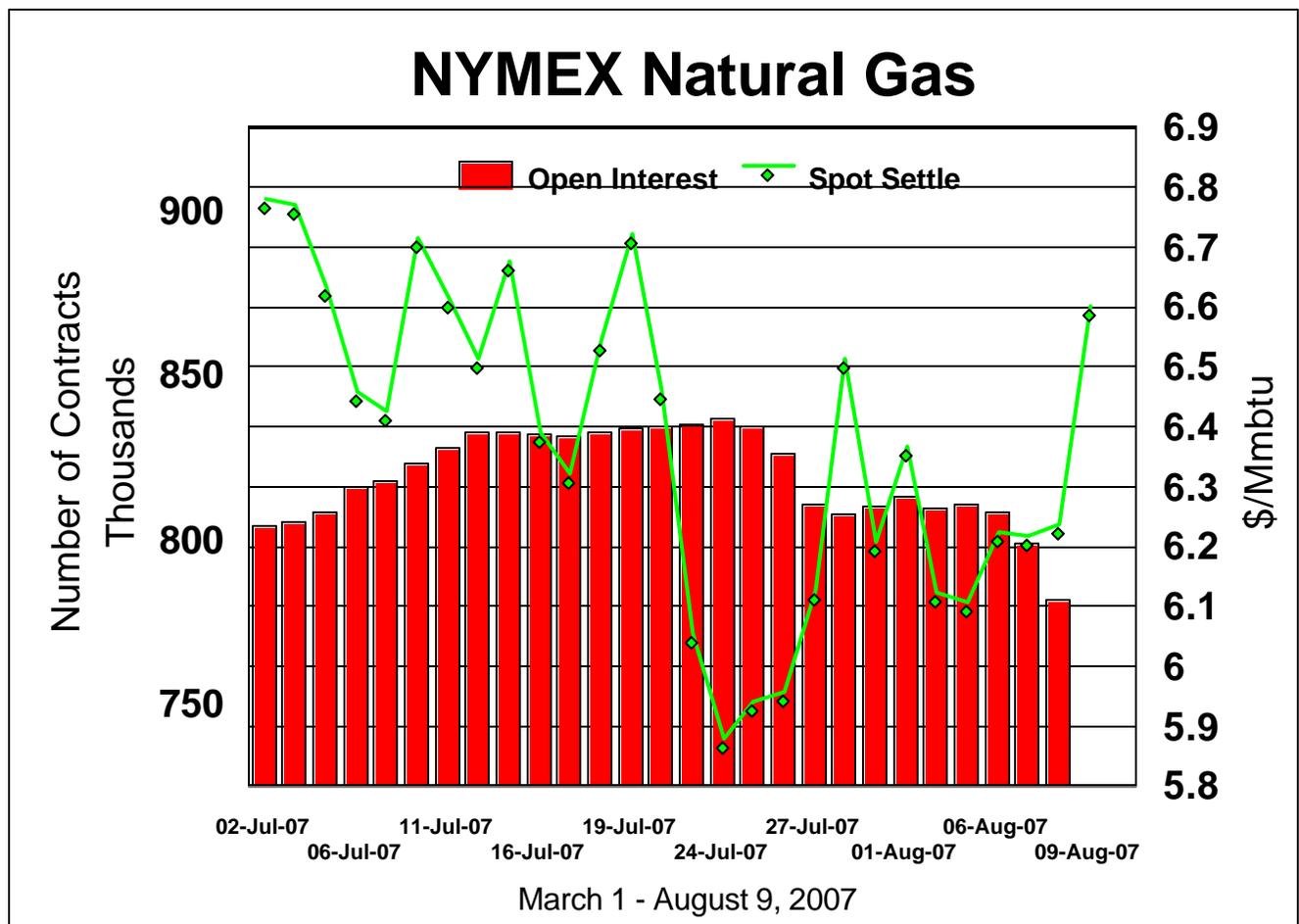
The natural gas market received a strong shove to the upside this morning when the EIA released their latest storage report, which came in some 10 bcf less than most market expectations. This supportive inventory report helped to trigger additional buying from technicians as a six-week downward trend line was breached at \$6.52. While the afternoon saw prices once again move into a sideways pattern the damage had been done, with the September contract settling at its highest level since July 19th.



The NYMEX reported at midday that open interest once again declined by a significant amount on Wednesday, 16,839 contracts overall and by 14,885 in the spot contract. This continues to point to us as short covering most likely by the funds to reduce their recent record short position in the futures and options markets.

Private weather forecaster Weather Derivatives estimated that U.S. energy demand for cooling needs will run 26% higher than normal for the next seven days. This we feel should prevent a dramatic sell off in natural gas futures prices, but today's price action seemed to get ahead of the underlying cash prices, which did not keep pace in most regional markets as well as power prices retreating as well. While we feel that the natural gas market should retrace some of the gains from today, traders will be reluctant to sell into this market on a Friday, if one of the computer models still leaves open the possibility of a hurricane wandering around the Gulf of Mexico come next week. But if tomorrow's forecast runs erase this possibility, then we feel that this market can sell off a bit but we do not feel that the lows set this week will be at risk for the near term.

We see resistance tomorrow at \$6.65, \$6.782, \$6.84, \$6.917, and \$6.956. More distant resistance we see at \$7.186 and \$7.22. Support we see at \$6.378-\$6.365, \$6.277, \$6.189, \$6.109, \$6.00 and \$5.974.



NYMEX Nat Gas: Oct Jan Spread

Price Vs Volume Traded

Trade Weighted Settle: -202

