



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 10, 2007

NATURAL GAS MARKET NEWS

The big news of the day was at midday when the National Hurricane Center noted that the development of a low pressure system over the central Caribbean and development if any would occur slowly, but a tropical depression or tropical storm could form this weekend into next week. Earlier in the day the Canadian forecast model continued to call for this weather system to move into the U.S. Gulf on Tuesday and track westward through the central Gulf of Mexico during the middle and latter part of next week. This idea appeared to be embraced by some private weather forecasters as well at midday. While most other models were not in agreement it kept traders on edge in front of a weekend. Elsewhere there seemed to be a growing consensus that a tropical depression storm will form by next week in the eastern Tropical Atlantic.

Generator Problems

ERCOT – Luminant Energy's 575 mw coal fired Big Brown Steam Electric station #1 unit was expected to be restarted Friday afternoon, following the completion of the 1-A ID booster fan oil pump.

NPCC – OPG's 494 Mw Lambton #4 coal fired unit returned to service this morning. The unit was taken off line on August 5th.

OPG's 515 Mw Pickering #5 nuclear unit was taken off line due to algae blockage in the station's cooling water intake system.

PJM Exelon's 619 Mw Oyster creek nuclear station dropped to 70% of capacity, off 30% from yesterday's operating levels.

WECC – PG&E's 1150 Mw Diablo Canyon #1 nuclear unit was ramping down Friday afternoon in order for operators to conduct several days of maintenance.

SERC – Southern's 883 Mw Hatch #2 nuclear unit exited from its outage and ramped up to 34% of power this morning. The unit tripped off line on Tuesday.

The NRC reported that 97,650 Mw of nuclear capacity is on line, up 0.14% from Thursday, and up 1.51% from a year ago.

The U.S. SEC Thursday charged three former Nicor executives with misrepresenting the company's natural gas inventory to meeting earning targets and boost revenues. The agency alleges that beginning in 1999 these officials devised a plan by which Nicor could profit through accessing its low cost last in first out (LIFO) layers of gas inventory. The SEC said the officials failed to disclose material information regarding the company's rigged

reductions in gas inventory levels that enabled it to improperly manipulate its earnings and to increase Nicor's revenues under a performance based utility plan. In addition the SEC charged that the former officers "materially understated Nicor's

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	995,000	\$6.569	\$0.117	(\$0.505)	(\$0.213)	(\$0.209)
Chicago City Gate	354,800	\$6.438	\$0.037	(\$0.342)	(\$0.258)	(\$0.059)
NGPL- TX/OK	687,000	\$6.219	\$0.074	(\$0.561)	(\$0.221)	(\$0.304)
SoCal	880,000	\$5.792	\$0.113	(\$0.988)	(\$0.182)	(\$0.584)
PG&E Citygate	606,600	\$6.111	\$0.086	(\$0.669)	(\$0.209)	(\$0.325)
Dominion-South	249,000	\$6.863	(\$0.057)	\$0.082	(\$0.352)	\$0.444
Transco Zone 6	392,000	\$7.296	\$0.006	\$0.516	(\$0.289)	\$0.895

expenses during the 1Q and 2Q of 2001 by improperly bundling a weather insurance contract with an agreement to supply gas to Nicor's insurance provider at below market prices. The SEC noted that this caused the losses on the supply agreement with the insurance provider to be improperly charged to Nicor's utility customers.

Transco said it would be conducting a binding open season until September 7th for expansion of its natural gas pipeline system in Mississippi due to the recent approval for construction of an LNG import terminal in the region.

A report by Bentek Energy released today noted that when the final leg of the Rockies Express Pipeline begins service in 2009 from Missouri into Ohio, capacity constraints east of Clarington, Ohio will limit the ability of this new natural gas supply to move further eastward.. Bentek estimated that during most summer seasons the gas will be able to move into the storage facilities in the Northeast, but many days in the winter season, especially peak demand days, downstream constraints would prevent incremental volumes from reaching Northeast market customers. It sees key bottlenecks at Lebanon, Ohio along the interconnects with Columbia Gas Transmission and Dominion Gas Transmission and at Clarington on the Texas Eastern Transmission and on the Tennessee Gas Pipeline. The report though said that the potential supply surplus at those locations would be mitigated in part by declining Canadian gas imports and increased storage a capacity.

The FERC today issued a final environmental impact statement for the Southeast Supply Header project, a 270 mile pipeline to connect the Perryville Hub with Gulf stream Natural Gas near Mobile County, AL. The line would carry up to 1.14 bcf/d.

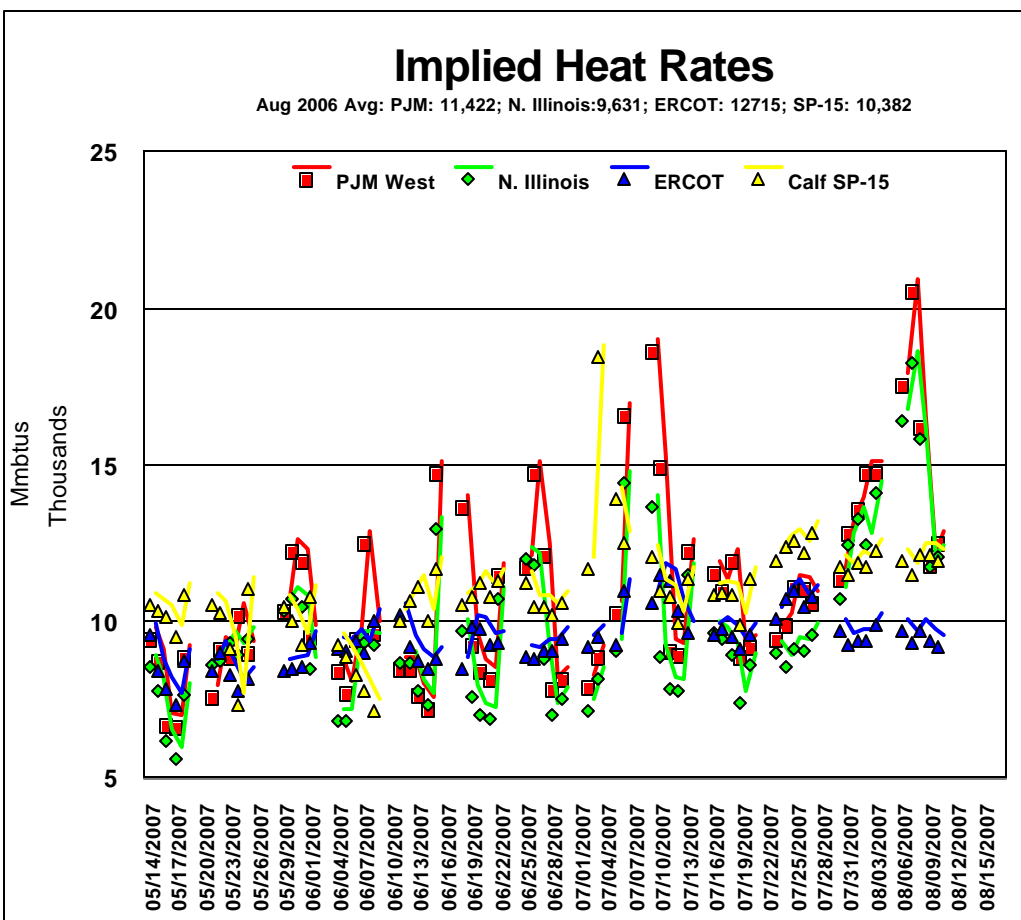
Baker Hughes reported that for the week ending August 10 the number of drilling rigs search for natural gas in the U.S. stood at 1497 rigs up 17 from the previous week and 20.9% higher than a year ago.

NYMEX confirmed today that a new volume record had been set Thursday as 1,039,413 contracts changed hands surpassing the previous record of 993,324 lots on July 26th. Natural gas futures totaled 150,031 also setting a new record.

PIPELINE RESTRICTIONS

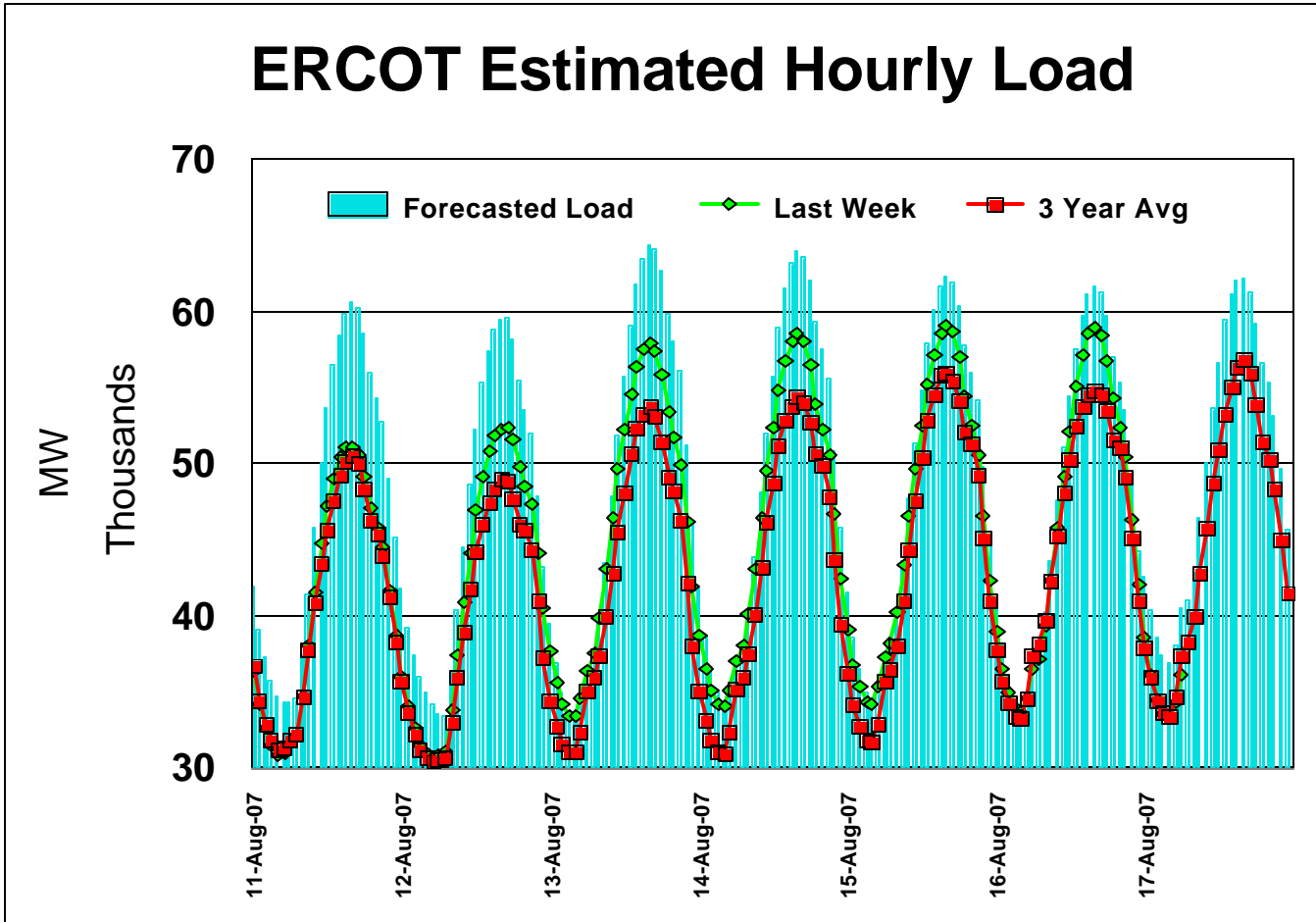
FGT continued to issue an Overage Alert Day for Friday, with an overage tolerance of 15%.

Southern Natural said that the Type 6 OFO issued for short imbalanced back on August 4th will be cancelled effective August 11th.



PIPELINE MAINTENANCE

Northern Natural Gas said that several maintenance projects were due to start on August 13th. It noted that its delivery capacity to WTG Sublette Discharge (POI 78922) will be limited to 50% of the scheduled volume due to maintenance on the Panhandle Eastern Pipeline system. PEPL will perform their annual ESD at the Liberal Compressor station, and the station will be down for 7-10 hours. No deliveries will be allowed to PEPL while the compressor station is down. Once the PEPL Liberal compressor station is back on line we will resume deliveries to the WTG Sublette Discharge meter. Scheduled volumes will resume on the intra-day one scheduling process for gas day Monday, August 13th. The company will also perform planned maintenance and ESD testing at the Mullinville Compressor Station from 9 am until 6 pm. All units at the station will be taken down. Capacity will be reduced by 50% on the Mullinville associated receipt and delivery points. The company also will perform planned maintenance and ESD testing at the Spearman Compressor station and Beaver on August 13th from 9 AM until 6PM. Capacity will be reduced by 50% on the Spearman Cargray and Beaver systems.



TransColorado Gas Transmission said that they expect the Force Majeure at the Dolores Compressor Station which was estimated to be lifted on August 11, will now be lifted on August 15th as a result of continuing repairs.

Southern Natural Gas Pipeline identified an interim solution that will allow approximately 300,000 Dth/d of Main Pass area volumes to flow into the 26-inch line. Initial estimates are that this work will be completed by August 12th. This 300,000 Dth/d is incremental to the volumes outlined earlier.

ELECTRIC MARKET NEWS

The EIA reported today that U.S. coal production for the week ending August 4th reached 22.501 million tons up 0.7% from the previous week and 2% higher than the same week a year ago. Year to day coal production in the U.S. has been running some 2.4% behind last year's rate.

For the fourth consecutive day Southern set a new peak demand level. On Thursday the company reported its customer demand reached 40,644 Mw. TVA also reported that during the first three days of the week new peak demand levels had been set and that Thursday another new high had been projected to have been reached. Meanwhile PJM Interconnection reported that consumer reductions in electric usage, or demand response, set a new record this week with 1,945 Mw voluntarily reduced on August 8th.

Genscape reported that its coal burn index for the week ending August 9th showed a 0.8% increase on the week but was some 8% higher than the same week a year ago. This would translate to a 12.1 million tons of coal burned on the week.

AES said that it has started commercial operations of its 233 Mw Buffalo Gap 2 wind farm near Abilene, TX. The project expands total generating capacity at the facility to 354 Mw. All the power from the Buffalo Gap 2 produces will be sold to Centrica's Direct Energy power retailer under a 10 year power purchase agreement.

The California Public Utilities Commission is set to vote on an energy efficiency proposal targeting utilities. Under the proposal the state's utilities could be paid up to \$500 million over three years for exceeding energy savings goals or they could be penalized up to the same amount for not meeting base line energy savings targets.

MARKET COMMENTARY

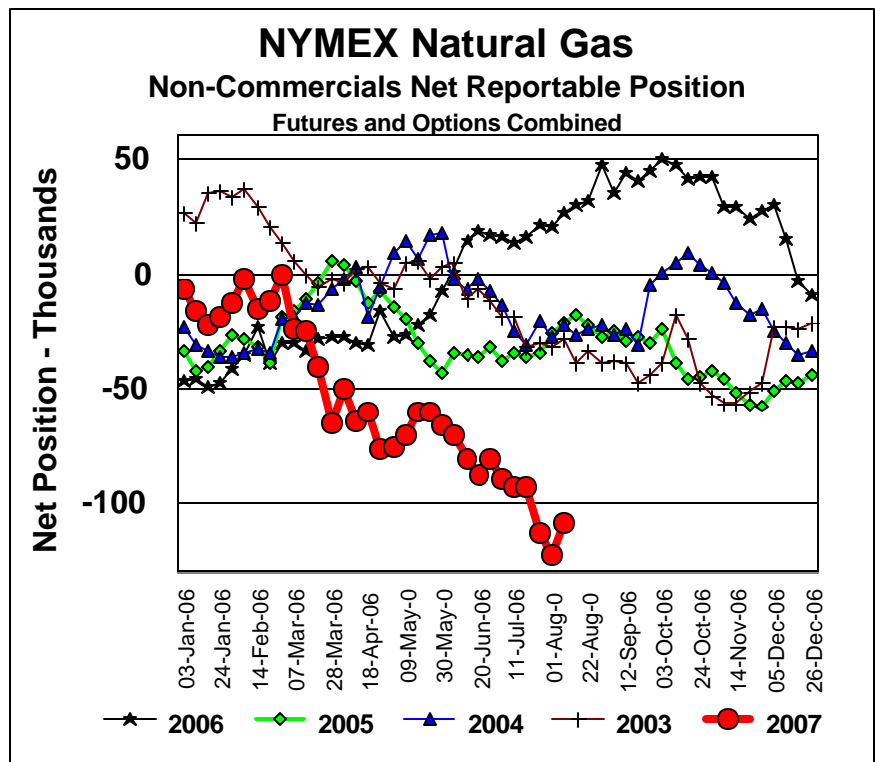
The natural gas market started out the day supported by the ongoing heat wave across most of the country that has been setting new peak demand records throughout the southeast, and the near term expectations that this record heat will move into Texas early next week as demand records there are expected to fall. But the real boost to the market came at midday, when headline scrolled across the news screens that the National Hurricane Center warned of the potential of tropical cyclone development in the Gulf Of Mexico by the start of the week. While the text of the story did not match the bullishness of the headline, basically saying it was only a remote possibility, the damage was done as the market prices surged to its highest level in the September contract since July 11th. The buying surge also received an additional boost from short covering on news of yet another large hedge fund in trouble. The surge in buying on the day resulted in 223,000 futures changing hands coming close to an all time record.

Tonight's Commitment of Traders Report showed that the funds had finally begun reducing their record net short positions during the week ending August 7th. The futures only report showed that the net short position

NYMEX Nat Gas Options Most Active Strikes for August 10, 2007									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LN	10		7 P	5	09/25/2007	0.0844	9,905	79.90	
LN	10		7 C	8	09/25/2007	0.4583	5,400	77.62	
LN	11		7 P	5	10/26/2007	0.0535	5,175	67.21	
LN	9		7 P	6	08/28/2007	0.101	4,975	67.93	
LN	9		7 C	6.5	08/28/2007	0.5722	4,610	63.62	
ON	10		7 C		10 09/25/2007	0.169	4,478	87.69	
LN	9		7 P	5.5	08/28/2007	0.0309	4,400	68.41	
LN	9		7 C	8	08/28/2007	0.0967	4,275	70.41	
LN	10		7 P	6	09/25/2007	0.3017	3,940	79.46	
LN	9		7 C	7	08/28/2007	0.3295	3,205	65.71	
LN	11		7 P	6	10/26/2007	0.1904	2,900	66.08	
ON	3		8 C		11 02/26/2008	0.661	2,700	55.31	
ON	9		7 C	7.5	08/28/2007	0.181	2,631	69.62	
LN	10		7 P	4	09/25/2007	0.015	2,625	83.36	
ON	9		7 C	7	08/28/2007	0.33	2,588	67.88	
LN	9		7 P	6.5	08/28/2007	0.2531	2,525	68.43	
LN	10		7 P	5.5	09/25/2007	0.1682	2,210	79.35	
LN	10		7 C	7	09/25/2007	0.7936	1,700	73.91	
LN	9		7 C	7.5	08/28/2007	0.1806	1,600	68.00	
LN	1		8 C		12 12/26/2007	0.3884	1,550	53.33	
ON	3		8 C		10 02/26/2008	0.871	1,501	54.02	
LN	1		8 C	9	12/26/2007	1.0518	1,375	44.40	
LN	2		8 C		12 01/28/2008	0.4759	1,300	51.51	
LN	10		7 P	7	09/25/2007	0.74	1,300	81.12	
LN	9		7 C	7.75	08/28/2007	0.1319	1,250	69.10	
LN	1		8 P	8.9	12/26/2007	1.0906	1,200	57.22	
LN	1		8 C	8.9	12/26/2007	1.1043	1,200	44.66	
LN	2		8 P	6	01/28/2008	0.1185	1,200	49.95	
LN	6		8 C	9	05/27/2008	0.6705	1,200	30.19	
LN	12		7 C		12 11/27/2007	0.2656	1,175	57.97	
LN	10		7 C		10 09/25/2007	0.1684	1,150	85.69	
LN	2		8 C		15 01/28/2008	0.2116	1,100	55.91	
LN	1		8 C		15 12/26/2007	0.1607	1,000	58.46	

was reduced by 5820 contracts, while the combined futures and options report a reduction of net shorts by 14,363 lots. With open interest declining over the past two sessions as reported by NYMEX, it would appear that this short covering continued this week and given today's price action as well. Seeing that net long crude oil positions by the funds were reduced by over 28,000 contracts it would seem that the funds are lightening up their

overall energy positions, possibly to reduce margin requirements given the recent financial market concerns.



While we feel that the market will pull back on Monday when it does not appear the remote risk of a hurricane threatening the Gulf of Mexico has not become a reality, we feel that threat of further short covering by the funds will keep this market from falling out of bed. We feel that short-term pullbacks probably warrant a minor buying opportunity possibly through call purchases in the October contract. We see support in the September contract Monday at \$6.566-\$6.556, \$6.432-\$6.41, \$6.308, \$6.254 and \$6.058. Resistance we see at \$6.96, \$7.041, \$7.074, \$7.26-\$7.27, \$7.32 and \$7.582.

