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POWER MARKET REPORT FOR AUGUST 22, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center is tracking tropical depression 4 as it moves away from the Cape Verde Islands and crosses the Atlantic. The system is 140 miles southwest of the islands and is moving west-northwest with 30 mph sustained winds and gusts over 40 mph. The depression is forecast to become a tropical storm during the next 24 hours. Currently the trajectory does not put the system into the Gulf, but rather the middle of the Atlantic. The government forecasters were also watching a tropical wave some 875 miles east of the Windward Islands which was moving westward at 20 MPH. This system continues to show signs of improving organization and some additional development is possible over the next couple of days.

Max Mayfield, director of the National Hurricane Center, warned today that there is plenty of potential for a storm worse than Hurricane Katrina to strike the U.S. coast. He noted that while people may think we have seen the worst, we have not. He said he did not know if will

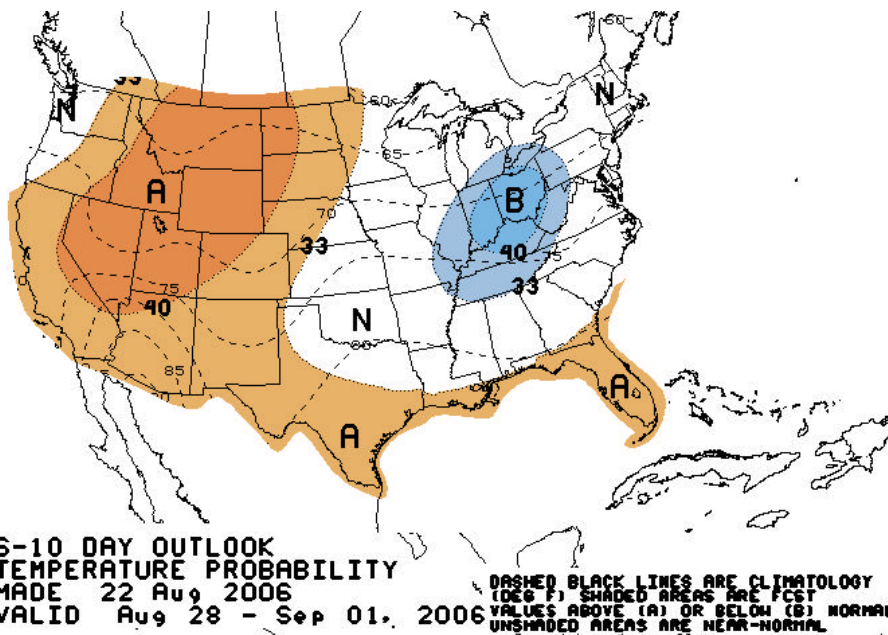
Generator Problems

SERC – Duke Energy's 846 Mw Oconee #3 nuclear unit ramped up to 84% capacity by early today. Yesterday the unit was operating at 41% capacity. Oconee #1 and #2 continue to operate at full power.

TVA's 1,100 Mw Browns Ferry #3 nuclear unit restarted and ramped up to 96% capacity. Browns Ferry #2 continues to operate at full power.

Canada – Ontario Power Generation's 490 Mw Nanticoke #8 coal-fired power station returned to service by early today. The unit shut on August 17.

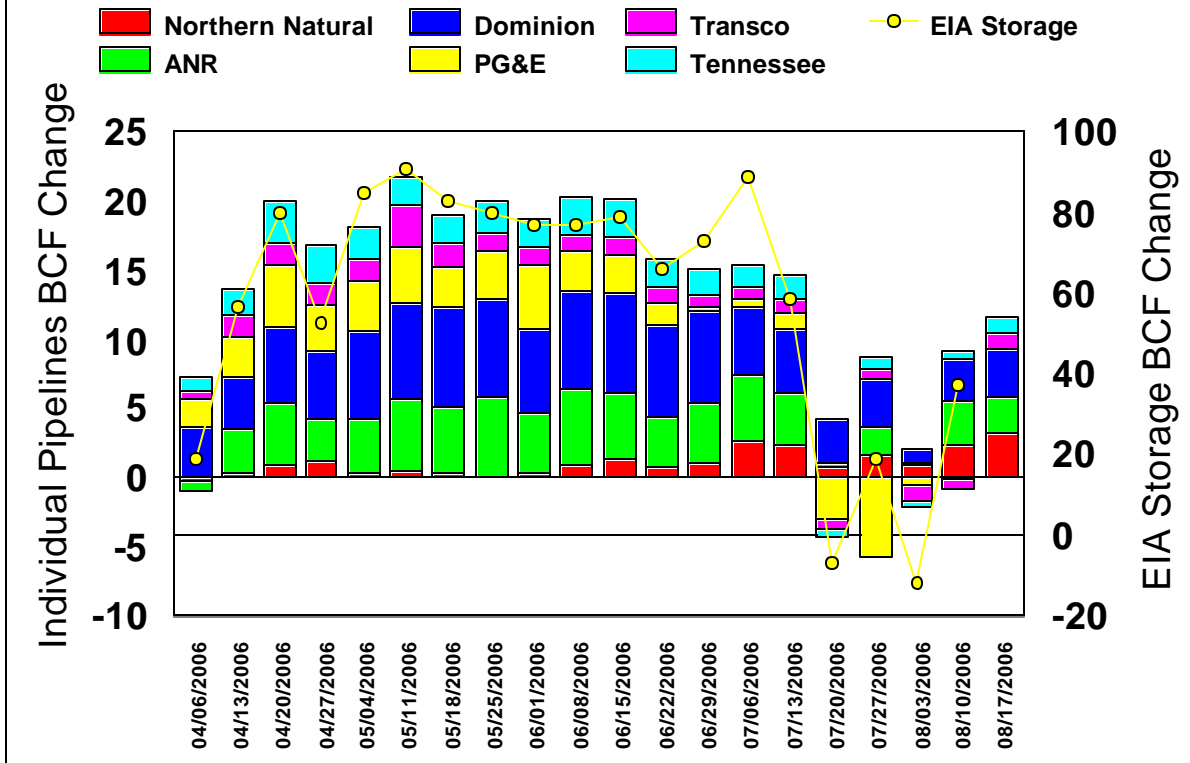
The NRC reported this morning that 95,368 Mw of nuclear generating capacity were on line, 1.40% higher than Monday, and .96% higher than last year levels.



occur this year or in five years or in a hundred years from now. But he was confident that a mega-disaster is in the cards especially as development of the U.S. coastline continues on the pace it is currently.

The weather outlook for the upcoming September-through-November period is expected to be cooler than normal across most of the northern half of the nation, especially the northern Plains, while warmer-than-normal temperatures are likely to prevail in the southern states and along the Pacific Coast, according to Andover, MA-based WSI Corp.

Weekly Change In Nat Gas Stocks



Britain's Energy Minister, Malcolm Wicks said that Britain's supply of gas this winter will be uncomfortably tight despite billions of pounds of investment by energy firms on projects to boost imports. Europe's biggest natural gas market will be as tight as the last two winters because rising demand and falling output from ageing North Sea fields cancel out the impact of new gas pipelines from Norway and the Netherlands.

Natural gas transmission and distribution pipelines are on track to have a fewer number of mishaps this year than in 2005, according to statistics from the Department of Transportation's Office of Pipeline Safety (OPS). The number of injuries and fatalities stemming from pipeline failures also are likely to be fewer than last year.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack has returned to normal over its entire system.

Texas Eastern Transmission Corp. said that it has restricted and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has restricted and sealed receipts in ETX. No increases in receipts sourced in ETX for delivery outside ETX will be accepted.

Trunkline Gas Company said that the Kountze compressor station in Texas began a minor annual inspection yesterday. It is expected to last 14 days. During this outage capacity will be limited to 280 MMcf/d. These scheduled projects are part of an ongoing integrity program conducted by Trunkline.

Williston Basin Interstate Pipeline Company said that it will be performing testing at its Elk Basin Storage Field October 3 through October 18, resulting in potential storage injection or withdrawal allocations.

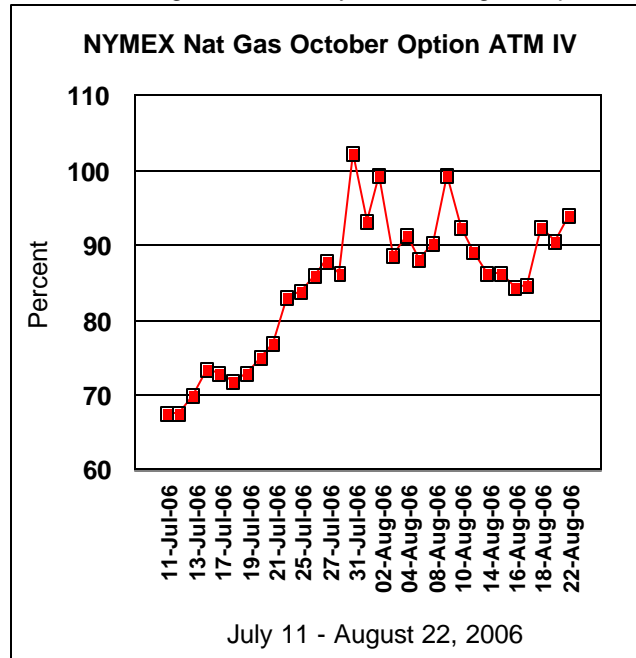
PIPELINE MAINTENANCE

El Paso Natural Gas Company said that Line 1301 maintenance upstream of Bluewater Station will continue through August 29. The capacity reductions for previously scheduled maintenance on the San Juan Crossover from August 21 through 24 will remain as posted. The capacity will be reduced by 5 MMcf/d August 25 through 29 from a base capacity of 620 MMcf/d.

Gulf South Pipeline said that due to scheduled maintenance at its Bistineau Storage Facility, Gulf South is requesting all shippers on its system to balance transportation and storage contracts by conforming receipts into the system with the deliveries being taken from the system. In addition Gulf South requests that shippers receive and deliver quantities at a uniform hourly rate of flow "as practicable." If shippers do not voluntarily comply with these provisions, Gulf South may be forced to declare a Critical Period or issue an operational flow order, which could result in severe penalties for shippers.

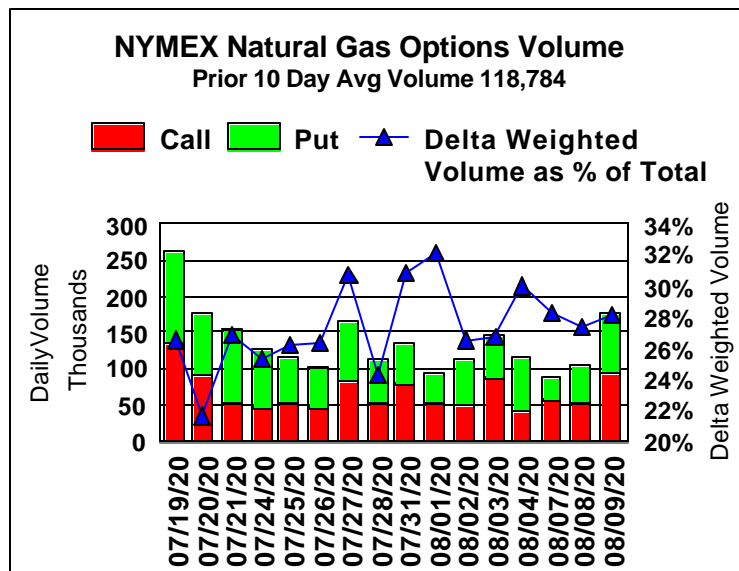
ELECTRIC MARKET NEWS

Dynergy has agreed to join with the Illinois Environmental Protection Agency in advancing a revised regulatory proposal that would significantly reduce mercury emissions and make further reductions in emissions of sulfur dioxide, nitrogen oxides and particulate matter from the company's Illinois power generation facilities. If the joint proposal is ultimately approved, Dynergy's five coal-fired power plants in Illinois will install additional particulates and carbon injection controls to reduce mercury emissions. In addition to a phase-in reduction of mercury emission of 90% by 2015, the rule would further reduce emissions of sulfur dioxide, nitrogen oxides and particulate matter. Certain reductions were previously established in a 2005 Consent Decree with the U.S. EPA.



MARKET COMMENTARY

The natural gas market opened 8 cents higher, rebounding off yesterday's dime slump. The market moved higher above the 6.80 level where it traded sideways through the afternoon. Short covering off an oversold condition, in addition to general caution as the market enters the peak of the storm season supported prices today. A late session pop pushed prices to a high of 7.03 and traders were able to keep the market bid to settle above 7.00 for the first time in seven trading session. September natural gas finished the day at 7.008, up 38.4 cents.



Over the last seven sessions, the bears were unable to pressure the market below the 6.50 level as a substantial base exists there, and with more chatter in the tropics as we are in the peak of the season, that level will be sustained for the next four weeks or so. With temperatures warm enough to keep cooling degree-day totals a bit above normal, the supportive storage trend is expected to continue. Current estimates call for a 30 to 67 Bcf injection. Our model calls for a 46-50 Bcf injection. Compared to last year's 58 Bcf injection and the five-year average injection of 67 Bcf, this week's report will continue on that

supportive trend. We see support at \$6.70, \$6.45, \$6.43, \$6.32 and \$6.10. We see resistance at \$7.03, \$7.12, \$7.19 and \$7.30. We see further resistance at \$7.90, \$7.95, \$8.00, \$8.25 and \$8.44.

Natural Gas options saw a significant increase in volume today, some 68% higher than yesterday's activity, mostly focused in the European style options. In addition implied volatility in the options continued to swell in part with the approach of the peak period of the hurricane appeared to be a potential key reason in seeing IV's reach levels not seen since earlier this month.

NYMEX Natural Gas Options Most Active for August 22, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	10	6	P	6	09/26/2006	0.2832	0.3852	9,325	90.32
LN	10	6	C	10	09/26/2006	0.2303	0.1347	7,025	106.70
ON	9	6	P	6	08/28/2006	0.015	0.052	6,625	76.14
LN	10	6	C	7	09/26/2006	0.8729	0.6391	5,150	89.39
ON	9	6	P	6.5	08/28/2006	0.097	0.223	4,739	81.44
ON	10	6	C	8	09/26/2006	0.561	0.376	3,103	100.51
LN	3	7	P	5.75	02/23/2007	0.179	0.2008	3,050	74.98
LN	10	7	C	15	09/25/2007	0.7021	0.5916	2,950	50.30
LN	10	6	C	9	09/26/2006	0.3593	0.2248	2,725	103.07
LN	1	7	P	8	12/26/2006	0.4176	0.4527	2,425	73.28
LN	12	6	C	12	11/27/2006	1.1585	0.9852	2,350	73.05
LN	1	7	P	10	12/26/2006	1.1533	1.258	2,350	75.83
ON	9	6	C	8	08/28/2006	0.065	0.03	2,168	95.44
ON	10	6	C	10	09/26/2006	0.229	0.135	2,101	108.26
LN	10	6	C	11	09/26/2006	0.1499	0.0835	2,100	109.76
LN	11	6	P	6	10/26/2006	0.1201	0.1312	2,000	79.92
LN	11	6	C	10	10/26/2006	0.9598	0.7855	1,950	83.42
LN	12	6	C	14	11/27/2006	0.743	0.612	1,925	77.14
LN	2	7	C	15	01/26/2007	1.2508	1.0783	1,925	75.35
LN	11	6	P	7	10/26/2006	0.3189	0.3575	1,900	80.44
LN	3	7	C	15	02/23/2007	1.4498	1.2522	1,875	77.85
LN	1	7	C	15	12/26/2006	1.0233	0.8688	1,875	76.21
LN	10	6	C	8.5	09/26/2006	0.4416	0.2911	1,800	99.82
LN	11	6	C	20	10/26/2006	0.045	0.0281	1,775	92.63
LN	9	6	P	6.5	08/28/2006	0.0973	0.2225	1,750	82.29