



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 29, 2007

NATURAL GAS MARKET NEWS

Weather forecasters this morning did not seem to be as impressed with the potential development of the tropical wave midway between Africa and the lesser Antilles as they were yesterday. This system labeled Invest 94-L by the National Hurricane Center was some 900 miles east of the Windward Islands at midday. The system was producing showers and thunderstorms but the overall activity remained disorganized, due to wind shear. The midday update from the National Hurricane Center continued to note that no development had taken place and in fact a large pool of dry dusty air north of the system continued to dampen any development. AccuWeather though this afternoon noted that it expects a powerful ridge to be established between September 5th the 10th should once again make the Gulf of Mexico a prime area for tropical activity.

The FERC today approved Central New York Oil & Gas Company's request to place in service "on or before" September 1st three of the four remaining gas storage wells and associated gathering facilities in Pennsylvania that were authorized as part of the Phase II expansion of the company's Stagecoach Storage facility. The project has a planned addition of 13.6 bcf.

Generator Problems

NPCC – Entergy's 670 Mw Pilgrim nuclear unit was back at full power this morning up 21% from yesterday.

The 535 Mw Vermont Yankee nuclear unit remained running basically at half power as work continues on a cooling tower.

ECAR – AEP's 1016 Mw Cook #1 nuclear unit was taken offline Wednesday. The unit had been at full power on Tuesday.

ERCOT – TXU reported that it planned to briefly shut its 750 Mw coal fired Unit #3 at the Martin Lake power station Wednesday morning for repairs.

The NRC reported that 95,762 Mw of nuclear capacity is on line, down 1% from Tuesday, and but up 2.43% from a year ago.

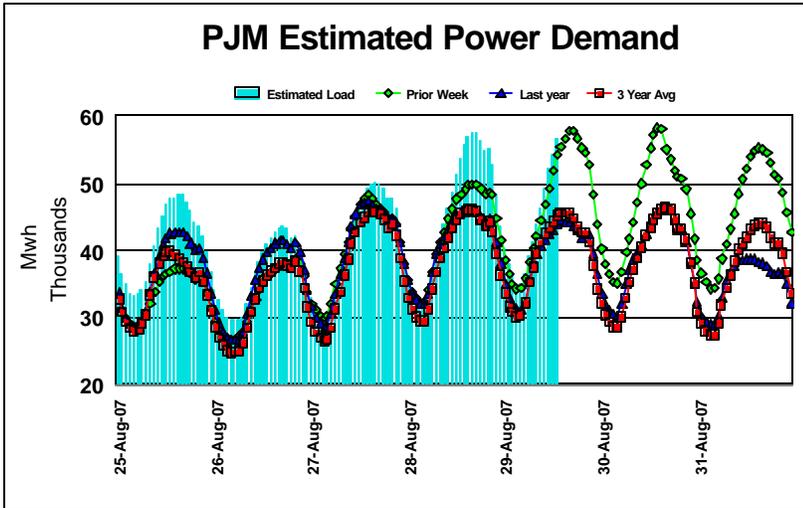
A federal judge has ordered McGraw Hill to turn over price information to the CFTC related to its complaint against Energy Transfer Partners LP and three of its subsidiaries for attempted manipulation of physical natural gas prices at the Houston Ship Channel delivery hub in September and November 2005.

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	1,262,700	\$5.644	\$0.082	\$0.095	\$0.401	(\$0.102)
Chicago City Gate	325,700	\$5.617	\$0.094	\$0.208	\$0.335	\$0.020
NGPL- TX/OK	471,200	\$5.441	\$0.069	\$0.032	\$0.310	(\$0.132)
SoCal	1,008,600	\$5.484	\$0.126	\$0.075	\$0.367	(\$0.181)
PG&E Citygate	960,600	\$5.608	\$0.104	\$0.199	\$0.345	\$0.044
Dominion-South	221,700	\$5.853	\$0.054	\$0.444	\$0.295	\$0.371
Transco Zone 6	387,000	\$6.171	\$0.108	\$0.762	\$0.349	\$0.653

The Omani government will market the gas produced. The Government is looking to expand development of its natural gas reserves as its crude oil production continues to decline. With most of its natural gas production

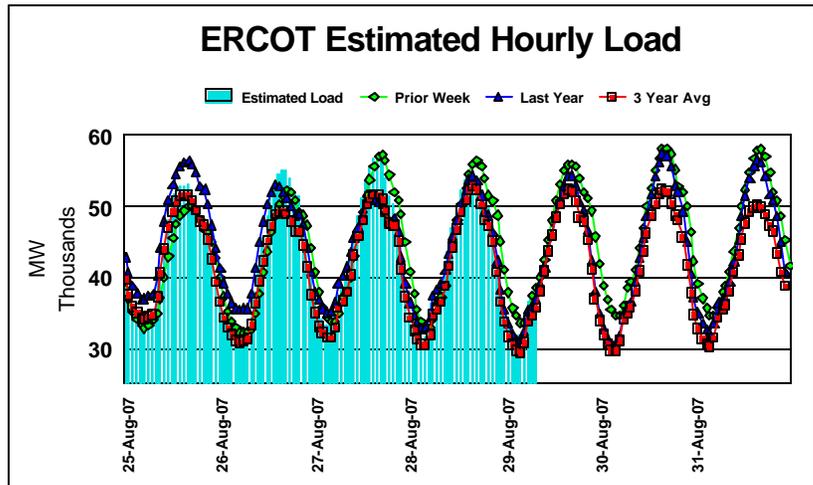
BP said that it expects the first commercial gas production from the Khazzan/Makaram gas fields which the firm is developing in Oman are expected to flow in 2011. The field has enough gas to meet a quarter of the nation's gas needs.

committed to LNG exports the government is aggressively seeking new sources of gas supplies, including imports from Iran.

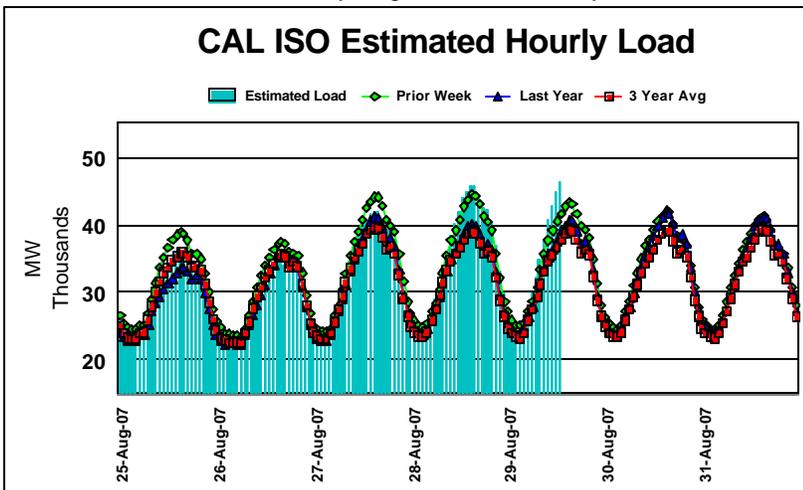


down 0.94% from the previous week but some 4.95% better than the same week a year ago. Year to date power production has averaged 1.9% higher than a year ago.

The Ontario Power Authority said today that the province would spend \$56.6 billion over the next 20 years in a conservation-focused effort to shut down coal power plants while ensuring an adequate power supply. The authority plans to spend C\$26.5 billion on nuclear power stations, a doubling of its renewable power sources or an additional 2000 MW above those already under contract and a reduction of some 6300 Mw of demand from consumers. It expects that over this time period the costs for consumers will jump by 15-20%.



The U.S. senior climate treaty negotiator said today that the United States does not intend to join a global carbon market "as a county".



PIPELINE RESTRICTIONS

FGT once again issued another Overage Alert Day, this time with a 10% tolerance.

PIPELINE MAINTENANCE

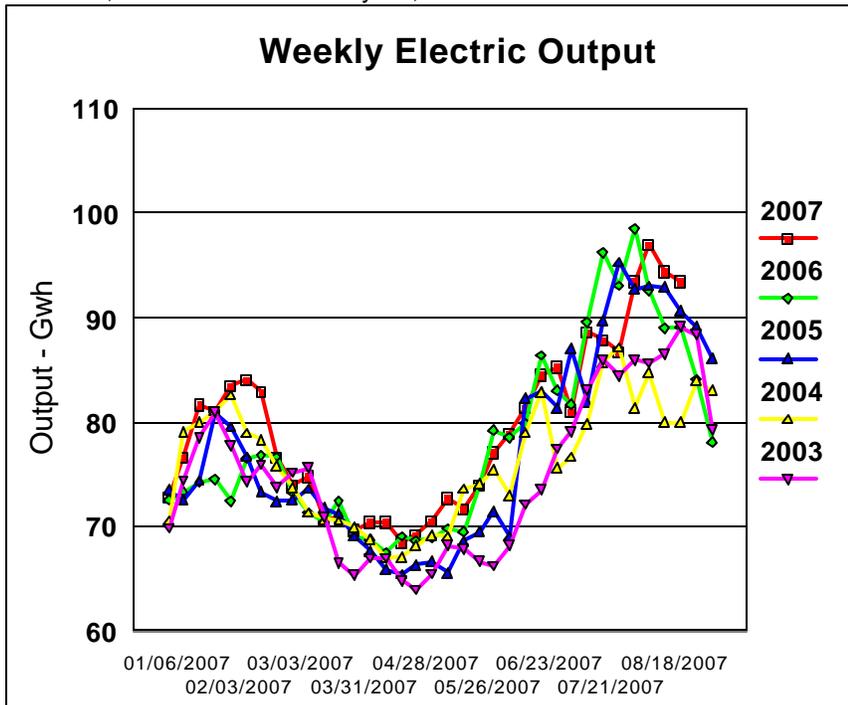
National Fuel Gas said that it currently estimates the availability of unit #4 at the Concord Station will be August 31st. Until then capacity will be reduced by 40,000 dth/d, impacting interruptible, secondary and primary service through the station.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending August 25th, U.S. electric generation reached 93,569 Gwh,

He noted that there was already a fairly active voluntary carbon market in the United States and that various state or regional level initiatives are under way. He noted that "knitting all the various national schemes together into a global carbon market is going to take some time". Also prevent participation is the fact that the U.S. is not a member of the Kyoto Protocol and thus cannot participate in the present markets created under that agreement. He did note though that the U.S. expects to establish a national emissions reduction target as part of a post-2012 framework agreement on climate exchange.

Cal ISO notified market participants today that due to expected high demand it was setting restrictions on maintenance of transmission lines through 8 PM Wednesday. Wednesday's peak demand was estimated would reach 48,200 Mw and Thursday 48,800.



Ohio's governor today said that regulators should set electric rates in the state until an efficient, open and competitive market develops there. The state is scheduled to move to market-based electric rates by the end of 2008. He noted that instead of creating a competitive market in the state and lowering prices, Ohio's deregulation gave utilities there a monopoly and pushed rates higher. He called on the Public Utilities Commission of Ohio to determine rates based on the cost of generation and delivering the power. The governor's plan though would require legislative approval.

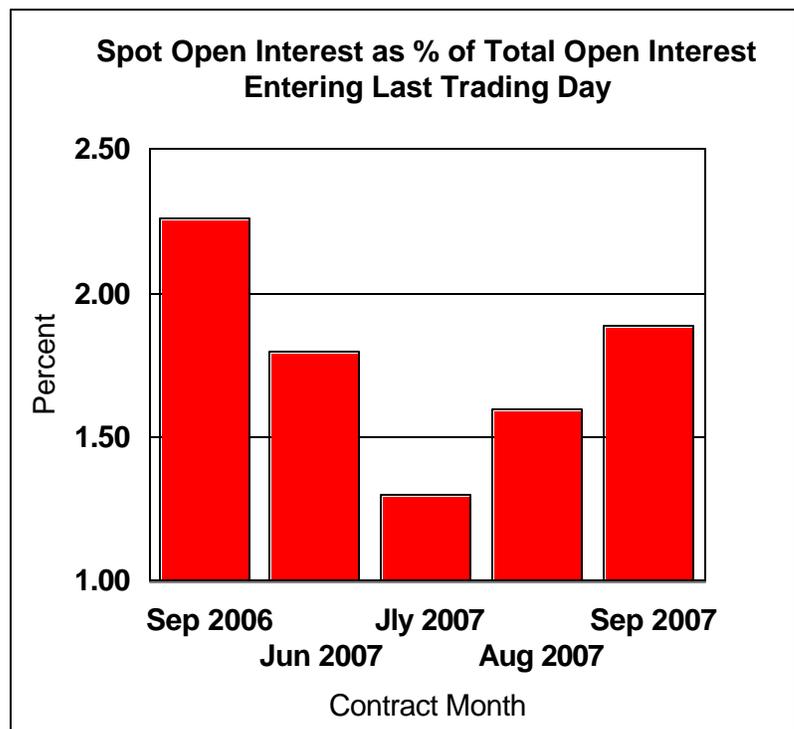
MARKET COMMENTARY

Well today's expiration in the September contract was interesting in the fact that it was nearly the exact mirrored opposite of Tuesday's

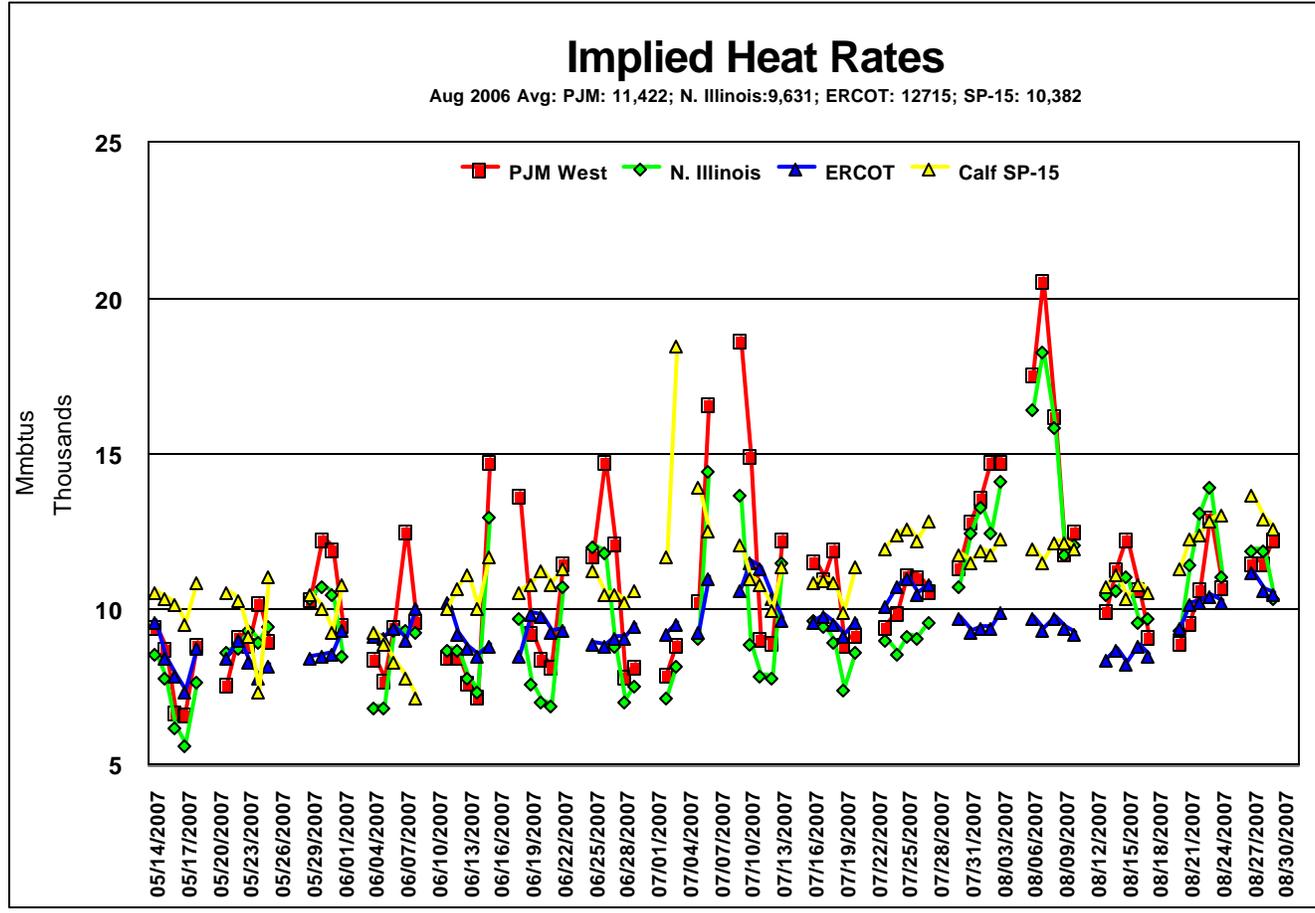
trading, as yesterday's highs and lows were matched today with Wednesday's settlement back near Tuesday's opening price level. Thus the gains from yesterday were basically erased. It appeared that once the midday tropical weather updates were released and there was not an increase in the potential threat of the system in the Atlantic strengthening near term, that the bulls moved to the exits. The final 30 minutes of trading in the September contract was relatively orderly and calm, as most players had squared up their positions. Total volume on the day was rather disappointing for an expiration day with just over 100,000 lots traded.

Market expectations for tomorrow's storage report now appear centered around a 42 bcf build. Stocks a year ago gained an adjusted 49 bcf for the same week while the five-year seasonal build is at 61 bcf. Our model points to a 32-34 bcf build.

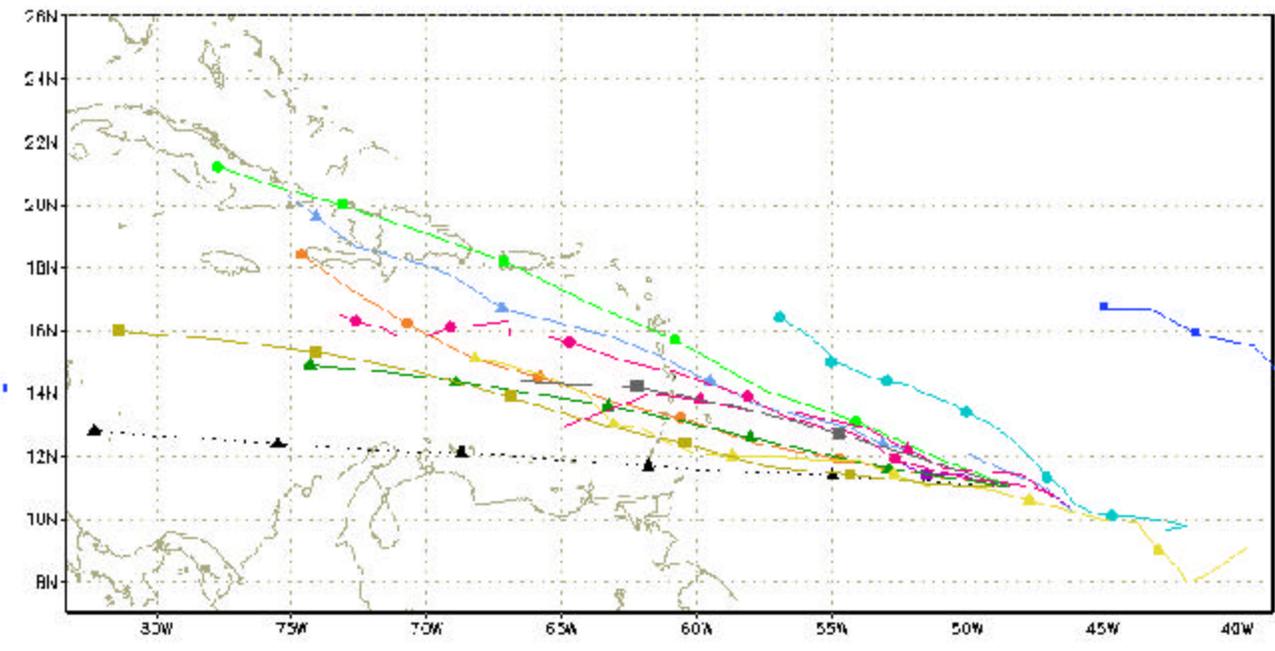
Tomorrow's price activity will be driven by two things the tropical outlook and the storage number, but while we feel that the overall trend for the next 24 hours is to the downside, we feel the reluctance of traders to go home short over the holiday weekend will keep this market from tanking and would look for some rebound



come Friday. We look for initial support in the October contract tomorrow at \$5.42 followed by \$5.392, \$5.276 \$5.19 and \$5.014. Resistance we see at \$5.77 followed by \$5.925, \$6.032 \$6.145-\$6.155, \$6.344 and \$6.61.



■ JNUU 29/1800z ■ EAMM 29/1800z ■ UKM 29/1200z ■ AEMN 29/1200z ■ LGEM 29/1800z
 ■ NHC Vol Avl ■ EAMS 29/1800z ■ N6FS 29/0300z ■ HWPF 29/1200z ■ CI PC 29/1800z



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