



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 31, 2006

NATURAL GAS MARKET NEWS

While Tropical Storm Ernesto continued to move northward toward the Carolina coast two minor tropical disturbances continued to move westward across the Atlantic. One was a tropical wave located about 750 miles southwest of the Cape Verde Islands. This system by day's end finally began to show some sign of further development and was expected to slowly develop over the next day or two. The other is an area of low pressure located some 750 miles east of the Leeward Islands. This system though has limited associated shower activity and is doubtful will show significant development.

The State of California is moving forward with a plan to cut 25% the amount of greenhouse gases emitted from California electric power plants, refineries and other sources by the year 2020. It would make California the first state in the nation to fight global warming by slapping caps on carbon dioxide and other emissions. California is the world's 12th biggest polluter.

It was reported today that new orders at U.S. factories fell by a smaller than expected 0.6% in July. Meanwhile the Chicago Purchasing Managers Index was reported to be slightly weaker in August in terms of current activity, while core U.S. consumer prices rose a less than expected 0.1% in July, but the year on year rate of nonfood, nonenergy inflation remained

EIA Weekly Report

	08/25/2006	08/18/2006	Net chg	Last Year
Producing Region	834	2857	-2023	750
Consuming East	1673	391	1282	1496
Consuming West	398	827	-429	379
Total US	2905	2857	48	2625

*storage figures in Bcf

at 2.4%, the highest level since September 2002.

Energy analyst John Gerdes forecasted in a report released today that the likely trajectory of U.S. LNG imports through 2011 essentially matches up with the probable growth in natural gas fired power generation. He said the need to reduce industrial demand given the limited supply should underpin at least \$8 per Mmbtu average gas price after 2006.

PIPELINE MAINTENANCE

Northwest Pipeline announced it will reduce the Oregon City compressor station's available capacity to 216 Mmcf/d until September 8th due to an unforeseen mechanical failure on unit one and ongoing upgrade work on the mobile unit at the station. If nominations increase to a level that exceeds available capacity, the company said it would be forced to cut nominations accordingly and declare a deficiency period if necessary.

Williston Basin Interstate Pipeline said that unplanned maintenance work is being performed on the Elk Basin Compressor Station effective immediately and running through September 6th. At this time the

Generator Problems

FRCC Operators at FPL's nuclear power station ramped output back up to full capacity at both the #3 and #4 nuclear units following the passage of Tropical Storm Ernesto.

MAAC – FirstEnergy's 821 Mw Beaver Valley #1 nuclear unit continued to ramp up and was back to full power this morning. The unit reconnected to the grid early yesterday.

MAINC – Exelon's 1043 mw Clinton nuclear unit ramped up output and stood at 97% of capacity after running at only 20% on Wednesday.

The NRC reported this morning that 94,801 Mw of nuclear generating capacity were on line, up 1.4% from yesterday and some 1.9% higher than a year ago.

Canadian Gas Association

Weekly Storage Report

	25-Aug-06	19-Jul-06	26-Aug-05
East	204.2	201.2	194.6
West	197.8	195.2	201.7
Total	402.0	396.3	396.3

storage figures are in Bcf

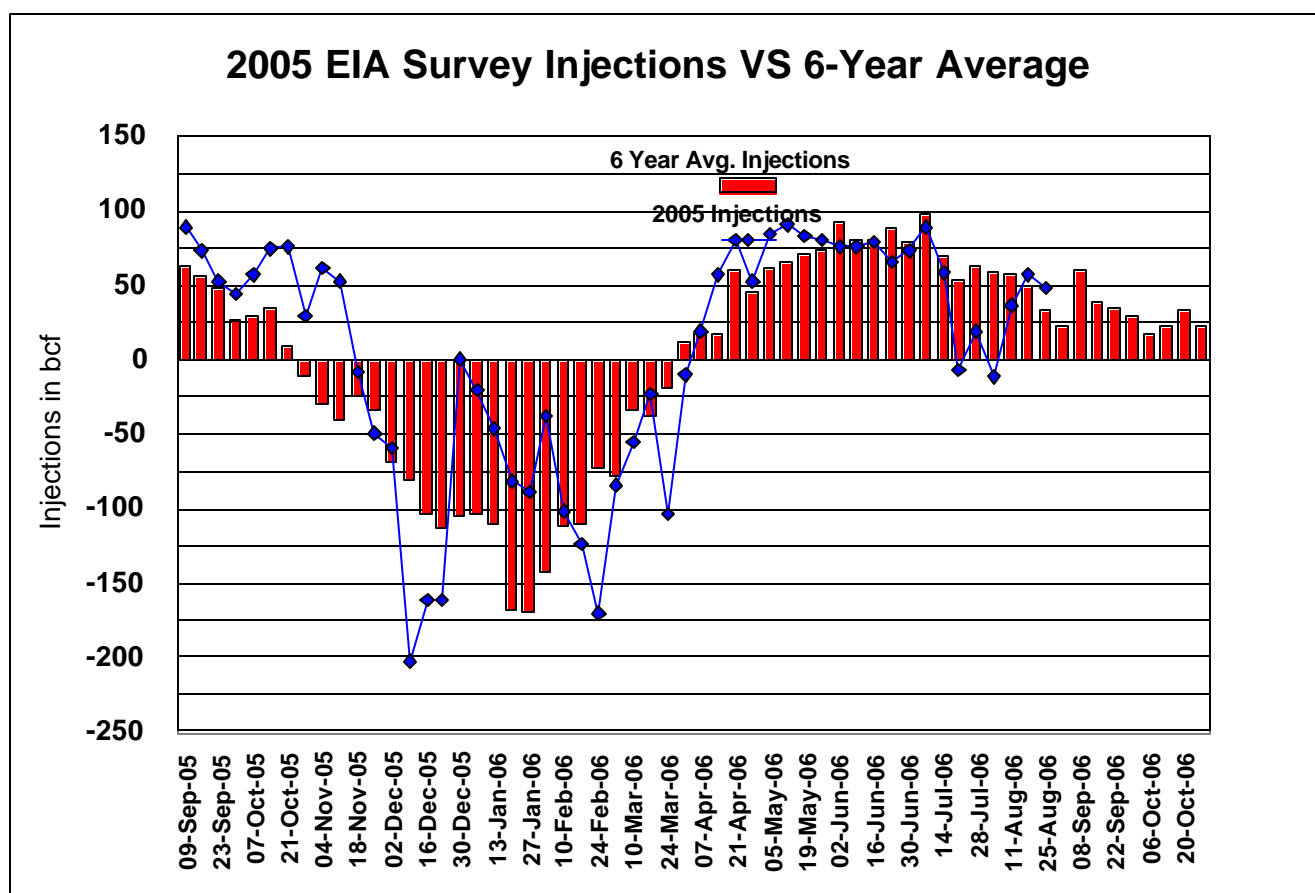
company did not anticipate any restrictions to the system.

Gulf South Pipeline said that scheduled maintenance at the Bistineau Storage facility is now complete.

Alliance Pipeline said that due to unforeseen circumstances work at the Kerrobert Compressor will be extended past the original 48 hour period. The company originally expected the station to be down for 48 hours beginning August 29th.

NGPL said that from September 12-17 it will be making pipeline modifications on Gulf Coast #3 line south of Station 304 to make the station capable of reverse flow. The work is not expected to impact transport scheduling at this time.

FGT said that Transco will be performing tie-in procedures for an interconnection with the Gulfstream natural Gas System on its Mobile Bay lateral from September 16th and 17th. This work will result in a complete shutdown of the lateral between discharge Compressor Station 82 and the FGT interconnect at Citronelle.



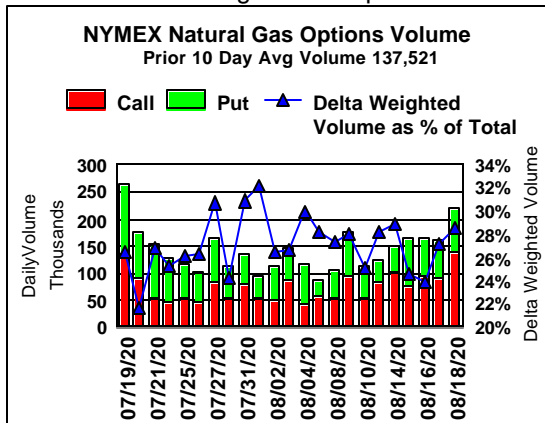
ELECTRIC MARKET NEWS

TXU announced today that it plans to develop applications to file with the NRC for combined Construction and Operating Licenses for 2-6 GW of new nuclear-fueled power generation capacity at one to three sites. The company hopes to submit the applications by 2008, which would result possibly in bring the new capacity on line between 2015-2020.

DTE Energy today said its Detroit Edison unit has reached a deal with Michigan regulators under which it will cut electric rates by some \$17 million for the rest of the year.

MARKET COMMENTARY

For the fourth time out of the last four trading sessions the market opened lower to start the trading day and for the third time out of the last four it settled lower in the front contract. The lack of strong utility or power generation demand for natural gas has kept the market on the defensive. This coupled with the lack of any tropical threat for



a disruption of USG natural gas productions has traders nervous that the market could be brimming with surplus gas in just a few short weeks. While today's storage report came in slightly less than market expectations its market price impact lasted only a few minutes as traders looked forward and saw that last year's limited injection rates from September into October was the result of significant shut in of production following damage to offshore facilities from storms. If this disruption is not repeated in some form this year then the surplus year on year comparison of stocks will once again quickly inflate in coming weeks. As a result weather remains a key to the near term price direction. While the trend and the momentum of this monthly sell off remains down we would look for prices to initially challenge new lows overnight and into

tomorrow morning now that the lower end of the monthly down channel was breached early in today's session. We would look for targets of \$5.95 and \$5.88. We do not think the spot low of \$5.52-\$5.47 from July will be at risk at least not tomorrow. We feel that with the prospect of a three-day weekend in the middle of hurricane season there could be impetus for a small short covering rally before the 1PM close Friday that could bring prices back above \$6.00.

The back months though appeared to be search for a bottom today as the winter months and beyond settled

NYMEX Natural Gas Options Most Active for August 31, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
ON	10	6	C	15	09/26/2006	0.001	0.008	12487	112.59
ON	3	7	C	25	02/23/2007	0.354	0.346	11290	90.127
LN	10	6	C	7.5	09/26/2006	0.1683	0.2448	9850	89.709
ON	10	6	P	6	09/26/2006	0.48	0.385	8520	79.096
LN	10	6	P	6	09/26/2006	0.4793	0.3848	7935	81.355
LN	11	6	P	7	10/26/2006	0.3682	0.3769	5850	74.155
LN	10	6	P	5.25	09/26/2006	0.1456	0.1176	5000	73.828
LN	10	6	C	10	09/26/2006	0.0263	0.0484	4950	100.9
LN	10	6	P	5	09/26/2006	0.0853	0.0739	3791	72.29
LN	12	6	P	9	11/27/2006	0.8194	0.8583	3300	71.857
LN	11	6	C	11	10/26/2006	0.3271	0.3577	3100	82.499
ON	3	7	C	20	02/23/2007	0.595	0.599	3091	86.969
ON	3	7	C	30	02/23/2007	0.237	0.209	3000	93.54
LN	10	6	C	7	09/26/2006	0.2391	0.3376	2865	84.883
LN	12	6	P	8	11/27/2006	0.416	0.4337	2850	68.82
LN	2	7	C	15	01/26/2007	0.9122	0.9411	2800	74.929
LN	3	7	C	15	02/23/2007	1.0971	1.1045	2600	77.19
LN	1	7	C	15	12/26/2006	0.6863	0.7224	2500	75.107
LN	11	6	C	10	10/26/2006	0.4819	0.5186	2175	79.615
LN	11	6	P	8	10/26/2006	0.8402	0.8519	2160	79.24
LN	10	6	C	6.5	09/26/2006	0.3491	0.4758	2150	79.904
ON	10	6	P	5	09/26/2006	0.085	0.074	2141	70.867
ON	3	7	C	15	02/23/2007	1.105	1.112	2050	82.927
LN	3	7	C	12	02/23/2007	1.6579	1.6519	2050	71.156

higher. This back month "bullish bias" was also shown by option players which saw calls as the preferred avenue of trading, as over 62% of the volume was booked in the call strikes of the American and European options, with the March 2007 \$25 call trading nearly 11,300 times. This strike traded throughout the day between 34.5-35 cents and settled at 35.4 up 0.8 cents on the day.