



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 31, 2007

NATURAL GAS MARKET NEWS

The NHC reported that satellite images and surface observations indicate that a tropical depression could be forming a little more than 200 miles east of the Windward Islands. There is potential for this system to form into a depression later today. However current models show the track of the system as further south than Hurricane Dean.

The CFTC reported that foreign brokers will be required to keep the same information as US futures brokers for five years. Under the new rule, foreign brokers are required to keep records dating back five years for all trades of futures for physical delivery, options, and swaps. The agency is also requiring foreign brokers to keep track of physical deliveries resulting from a futures contract.

Baker Hughes reported that the number of rigs searching for natural gas rose 23 to 1,523, while the number of rigs searching for oil fell 10 to 300.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission has extended a system wide operational flow order on its California natural gas pipeline system for today's gas flow due to low inventory. Tolerance is set at 5%.

Texas Eastern Transmission said that the start date for the pipeline outage on Line 1A downstream of Chester Junction has changed. The outage was originally set to begin on September 1, but will now begin September 4. The end date of September 30 remains unchanged.

PIPELINE MAINTENANCE

Colorado Interstate Gas Company reports that the Cheyenne Plains Compressor Station will have one unit out of service September 11-12. Capacity through CPW will be reduced from 782.0 to 648.0 MMcf/d. In Colorado Interstate Gas Company maintenance, unless otherwise noted, CIG does not expect the maintenance described below to impact nominated activities, based upon historical system demand.

In Wyoming, one unit will be out of service at Rawlins Compressor Station: September 1-12. Capacity through RS3 will be reduced from 600.0 to 550.0 MMcf/d. The Divide Meter Station will be out of service September 6 and the King Meter Station will be out of service September 26. The Hams Fork Meter Station will be out of

Generator Problems

NPCC – Entergy's 535 Mw Vermont Yankee nuclear unit shut down after a turbine stop valve closure prompted an automatic reactor scram.

PJM – Exelon's 1,112 Mw Peach Bottom #3 nuclear unit increased output to 94% capacity. The unit was operating at 83% power yesterday due to an increase in temperature of a pump seal. Peach Bottom #2 continues to operate at full power.

SERC – Southern's 888 Mw Farley #1 nuclear unit increased power to full power. The unit was operating at 84% power yesterday. Farley #2 continues to operate at full power.

TVA's Brown's Ferry nuclear plant returned all three units to full capacity.

Entergy's 1,207 Mw Grand Gulf #1 nuclear unit continues to operate at a reduced 55% capacity.

ECAR – AEP's 1,060 Mw Cook #1 nuclear unit has returned to full capacity today. Yesterday it was operating at 50%. Cook #2 continues to operate at full power.

FERC – Florida Power and Light's 839 Mw St. Lucie #2 nuclear unit restarted and is warming up offline at 3% power. St. Lucie #1 continues to operate at full power.

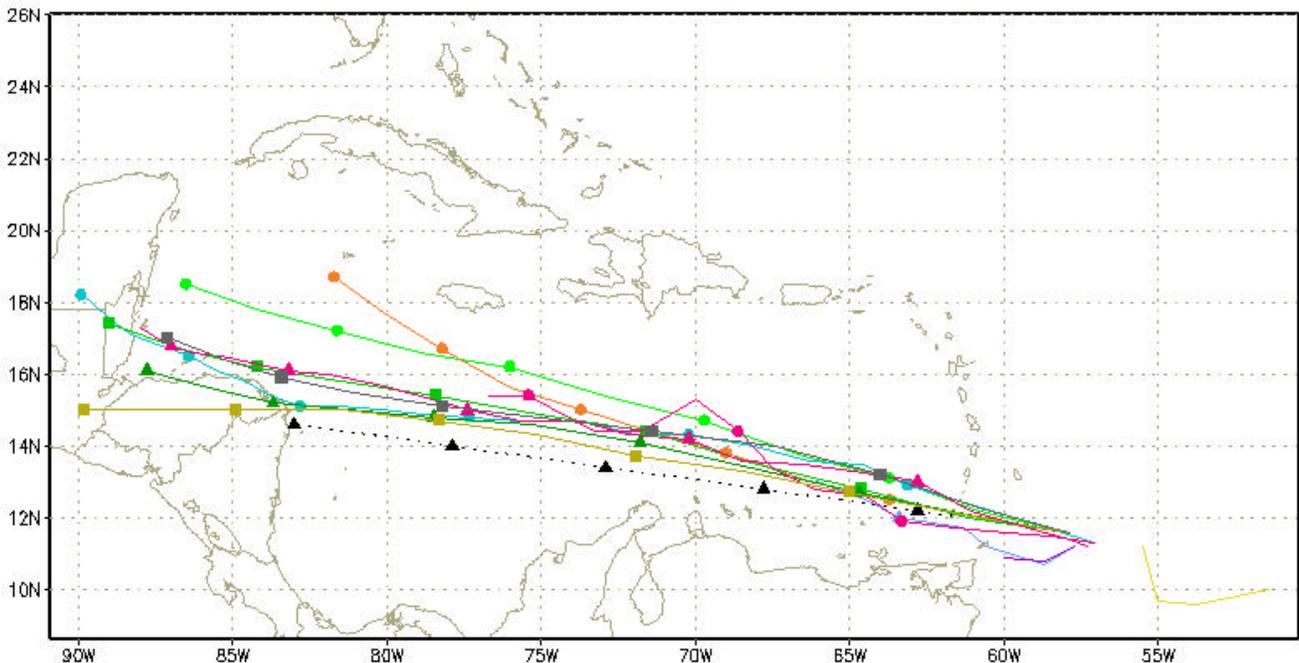
The NRC reported that 96,360 Mw of nuclear capacity is on line, up 0.51% from Thursday, and up 2.06% from a year ago.

service September 26 as well. Volumes on those stations will go to zero. One unit at Beaver Compressor Station will be out of service September 6-30 and Capacity will be reduced from 262.0 to 250.0 MMcf/d.

ELECTRIC MARKET NEWS

The California Independent System Operator has extended for a third day an order barring generators and transmission owners from carrying out non-emergency maintenance work as parts of California are forecast to continue to bake. The restriction, which was first posted Wednesday, will remain in effect through midnight PDT on Friday. The ISO declared today a Flex Alert Day and asked its customers to conserve power. The grid operator has predicted a peak load Friday of 48,322 MW. The all-time record was 50,270 MW set on July 24, 2006.

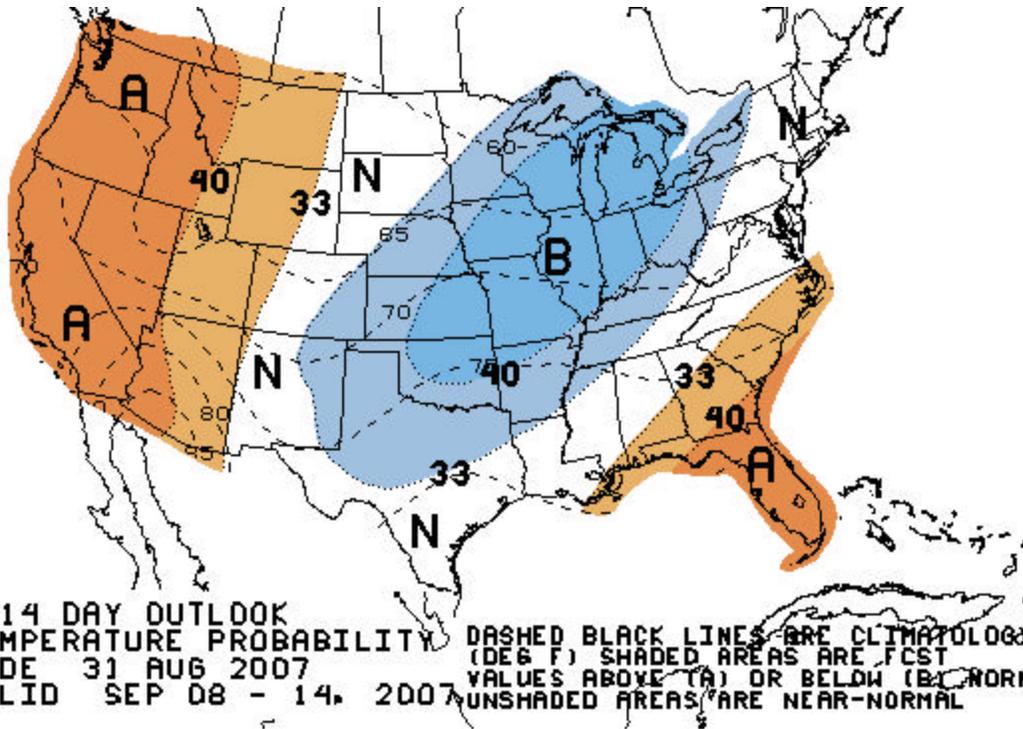
--▲-- XTRP 31/1800Z ▲ BAMD 31/1800Z ▲ GFDL 31/1200Z ▲ AVNO 31/1200Z ▲ GMC 30/1200Z
 --■-- CONU 31/1800Z ■ BAMB 31/1800Z ■ UKM 31/1200Z ■ AEMN 31/1200Z ■ LGEM 31/1800Z
 ● NHC Not Avail ● BAMS 31/1800Z ● NGPS 31/1200Z ● HWRF 31/1200Z ● CLP5 31/1800Z



MARKET COMMENTARY

The natural gas market opened a few pennies higher ahead of the long holiday weekend as traders watched four tropical waves. The October contract traded to a high of 5.762 in early open outcry trading, but once word came out that the wave most likely to develop into a threatening storm would not likely steer into the Gulf energy complex, traders sold off and took profits instead. Recent computer models have the system heading straight into the Yucatan Peninsula. The front month settled at its lows down 16.7 cents at \$5.468. In after hours trading, the October contract made new contract lows, trading to a low of 5.414, below Monday's 5.422 low.

Natural gas has recently rebounded from this year's low of 5.192 on Monday on a spot continuation basis and finds itself in a trading range contemplating heavy supplies, the approach of softer demand in the shoulder season, yet keeping an eye on a late season hurricane. The Commitment of Traders Report shows that non-commercial traders remain net short, though added to their long positions and reduced their short positions as of Tuesday's trading, showing support at the 5.20 level. In the combined futures and options position, non-commercial traders are short 69,148 lots, which is 10,801 lots less than last week. We see support at 5.40 scaled down to 5.20, with further support at 5.00 and 4.946. We see resistance at 5.75-5.80 and scaled up to 5.92, with further resistance at 6.00 and 6.20.



8-14 DAY OUTLOOK
 TEMPERATURE PROBABILITY MADE 31 AUG 2007
 VALID SEP 08 - 14, 2007

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F)
 SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL
 UNSHADED AREAS ARE NEAR-NORMAL