



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR JANUARY 3, 2007

NATURAL GAS MARKET NEWS

Range Resources Reported today that it has hedged approximately 80% of its anticipated 2007 production at an average floor price of \$8.12 per Mcf. For 2008 the company has hedged some 60% of its expected production in natural gas at an average \$8.91 per Mcf.

India is expected to ink a deal to buy 2.5 million tones a year of LNG from Australia to secure energy supplies as Asian demand grows. The LNG will come from Australia's Gorgon development. The deal is a 25-year contract and supplies are expected to begin in 2011. India, which imports more than 70% of the fuel it consumes, wants to ensure adequate supplies to sustain an economy growing at more than 8% a year. India is also negotiating LNG purchases with Iran.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that no due pipe makeup nominations will be accepted until further notice. Shippers should take immediate steps to resolve any due shipper imbalance.

East Tennessee Natural Gas said that no due pipe makeup nominations will be accepted until further notice. Shippers should take immediate steps to resolve any due shipper imbalance.

Natural Gas Pipeline Company said that Florida Jefferson has limited capacity available for deliveries. Limited ITS/AOR and secondary Firm transports are available. Florida-Jefferson is located in Jefferson County, Texas (Segment 25) in Natural's Texok Zone.

Texas Eastern Transmission Corp. said that no due pipe makeup nominations will be accepted until further notice. Shippers should take immediate steps to resolve any due shipper imbalance. Shippers and point operators should ensure they are flowing at scheduled volumes and take immediate action to alter flow or change nominations so as to remain balanced. Tetco will force balance TABS-1 pools as required.

TransColorado Gas Transmission said that until further notice, TransColorado has capacity available for deliveries through Segment 250 (Dolores Compressor Station to Mancos Compressor Station). Depending on the level of nominations, IT/AOR and secondary out-of-path volumes may be scheduled.

ELECTRIC MARKET NEWS

Generator Problems

ECAR – FirstEnergy's 597 Mw Eastlake #5 coal-fired power unit shut by early today. Some turbine work is expected.

ERCOT – TXU Corp.'s 750 Mw Martin Lake #3 coal-fired power unit shut to fix a boiler tube leak. The unit is expected to return in a few days.

NPCC – Dominion Resources' 612 Mw Brayton Point #3 coal/natural gas-fired power station shut today for short-term work to fix a boiler tube leak.

SERC – Progress Energy's 938 Mw Brunswick #2 nuclear unit increased output to 95% capacity. Yesterday, the unit was operating at 80% capacity. Brunswick #1 remains at full power.

Tennessee Valley Authority's 1,232 Mw Cumberland #1 coal-fired power station shut for short-term work for minor repairs today. The unit is expected to return to service within a few days.

Canada – Ontario Power Generation's 535 Mw Lennox oil and natural gas-fired units #1 and #2 shut today for short-term work. The units are expected to return within a week.

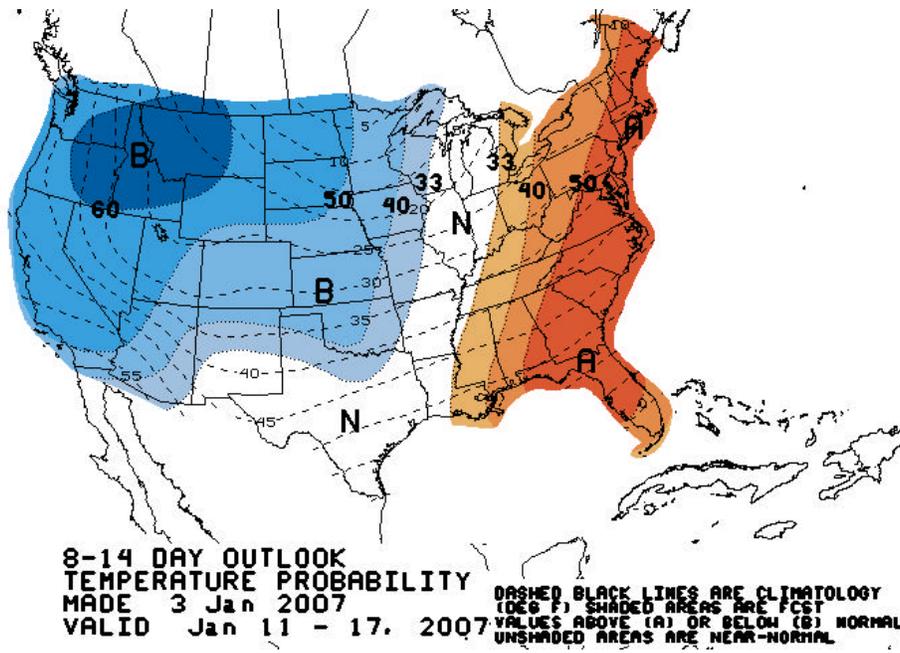
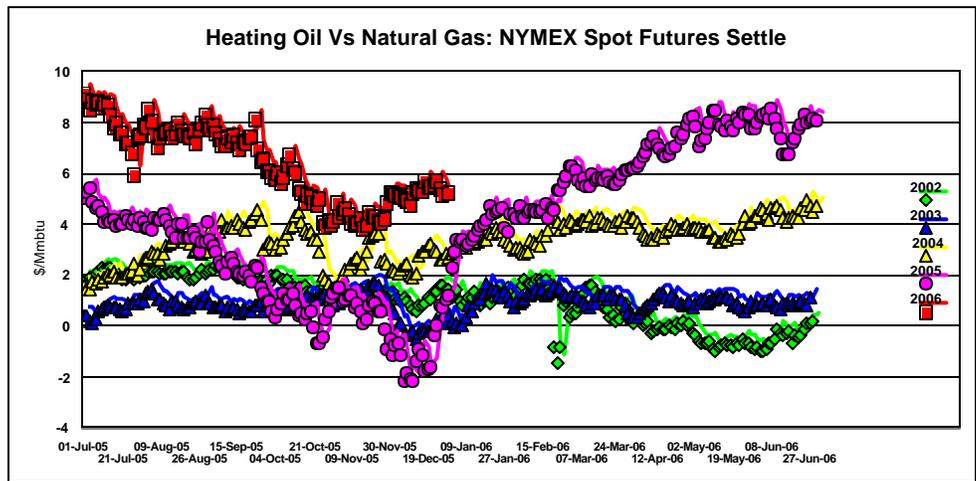
The NRC reported that 97,161 Mw of nuclear capacity is on line, up .12% from Tuesday, and 3.99% higher from a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	918,300	\$5.469	\$0.071	(\$0.556)	\$0.193	(\$0.625)
Chicago City Gate	529,400	\$5.772	\$0.235	(\$0.403)	\$0.283	(\$0.523)
NGPL- TX/OK	819,200	\$5.391	\$0.207	(\$0.784)	\$0.255	(\$0.898)
SoCal	645,700	\$6.008	\$0.290	(\$0.167)	\$0.338	(\$0.330)
PG&E Citygate	635,800	\$6.448	\$0.218	\$0.273	\$0.266	\$0.136
Dominion-South	505,600	\$5.650	\$0.071	(\$0.526)	\$0.119	(\$0.502)
Transco Zone 6	154,600	\$6.122	\$0.090	(\$0.053)	\$0.138	(\$0.102)

Entergy Texas told the Texas Public Utility Commission in a transition to competition filing posted on the agency's web site that it wants to join the ERCOT and give its customers the option to shop for power suppliers in January 2013. The Entergy subsidiary said the proposed six-year

transition period is needed for it and other electric utilities within ERCOT to make needed transmission interconnections.

Nebraska Public Power District said it was continuing to make progress toward stabilizing its electric grid. NPPD has 27 high-voltage transmission lines out of service, an improvement over the 37 high-voltage lines that were out at the height of the storm. Some 100,000 customers are without power through out the Midwest due to the ice and snowstorm.



ECONOMIC NEWS

The Institute for Supply Management said its index of national factory activity climbed to 51.4 from 49.5 in November, above the 50-threshold that separates growth from contraction. Analysts had forecast a reading of 49.9.

MARKET COMMENTARY

The natural gas market opened 2.9 cents lower than Friday's close as it posted another inside session in moderately negative territory. February natural gas chopped between 6.14 and 6.29 today in a relatively quiet session as the oil complex broke out of the fall's range with crude oil down near \$3.00 today. The spot contract settled down 13.6 cents at 6.163.

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With such a large sell off in the oil complex, and natural gas posting an inside trading day, there seems to be some reluctance to take natural gas lower. Some firming at cash points supported the market today keeping it above the 6.00 level, but rumors of winter are beginning to fly. Market players cite some possible longer-term weather forecasts calling for cold temperatures to make it into key consuming regions by the end of next week as reason to keep the market from taking the next step lower at this point. Expectations for Friday's EIA storage report range between 50 and 70 Bcf. Our heating degree-day model calls for a draw of 53 Bcf, on the lower end of expectations given the holiday week. We see support at \$6.05, \$6.00, \$5.95, \$5.85, \$5.75 and \$5.58. We see further support at \$5.35, \$5.20, \$5.00 and \$4.07. We see resistance at \$6.40, \$6.50, \$6.87, \$7.00, \$7.20 and \$7.40.