



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 20, 2007

NATURAL GAS MARKET NEWS

Private weather forecaster, WSI Corp. reported that temperatures will be above normal in most parts of the United States through March, spelling a mild end to the winter heating season.

The U.S. natural gas industry is one-third of the way toward achieving the most desirable supply-demand scenario outlined in a 2005 American Gas Foundation (AGF) study, the foundation said Tuesday. While the Energy Policy Act of 2005 has brought progress on a number of industry goals, much more work remains, the AGF said. AGF expects the North American gas market to remain in a tight supply/demand balance, with accompanying high prices, for the foreseeable future. It also believes continued supply/demand tightness will mean short-term supply disruptions could cause dramatic price increases and LNG imports will depend on the ability to build new import terminals and the ability to contract for LNG supplies.

A Merrill Lynch Global Markets & Investment Banking vice president speaking before the National Association of Regulatory Utility Commissioners said lower crude oil and natural gas prices, coupled with higher exploration and production costs, could lead to a drilling malaise.

Excelerate Energy announced the successful commissioning and commercial operation of its new Teesside GasPort in northern England. Now operational, Teesside GasPort will allow Excelerate Energy to deliver natural gas at peak rates of up to 600 MMcf/d into the UK market.

A substantial amount of unconventional natural gas reserves await discovery in North America, both in existing basins and new areas, and likely will account for 42% of U.S. gas supply by 2010, according to a report by UK-based energy consulting firm Wood Mackenzie. Unconventional gas, which includes coalbed methane, tight gas sands and shale gas, accounted for 27% of U.S. supply in 2005.

PIPELINE RESTRICTIONS

Generator Problems

FRCC – Progress Energy's 870 Mw Crystal River #3 nuclear unit reduced power by 70% over the weekend. The unit was operating at full power on Friday.

MAAC – Constellation Energy's 825 Mw Calvert Cliffs #2 nuclear unit trimmed production to 92% capacity as the unit prepares for a maintenance and refueling outage. On Friday, the unit was operating at 96% capacity. Calvert Cliffs #1 continues to operate at full power.

PPL's 1,115 Mw Susquehanna #2 nuclear unit reduced power from full power to 98% power as the unit prepares for a refueling and maintenance outage. Susquehanna #1 remains at full power.

NPCC – Entergy's 825 Mw FitzPatrick nuclear unit cut production to 55% capacity. Ahead of the weekend, the unit was operating at full power.

SERC – Tennessee Valley Authority's 1,100 Mw Brown Ferry #2 nuclear unit reduced output to 25% as it prepares to shut for a refueling outage. On Friday, the unit was operating at 73% power. Browns Ferry #3 continues to operate at full power.

Duke Power's 846 Mw Oconee #2 nuclear unit restarted and ramped up to full power. Oconee #3 remains offline and Oconee #1 remains at full power.

WSCC – Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit was forced shut late Friday due to technical specifications. Palo Verde #2 and #3 remain at full power.

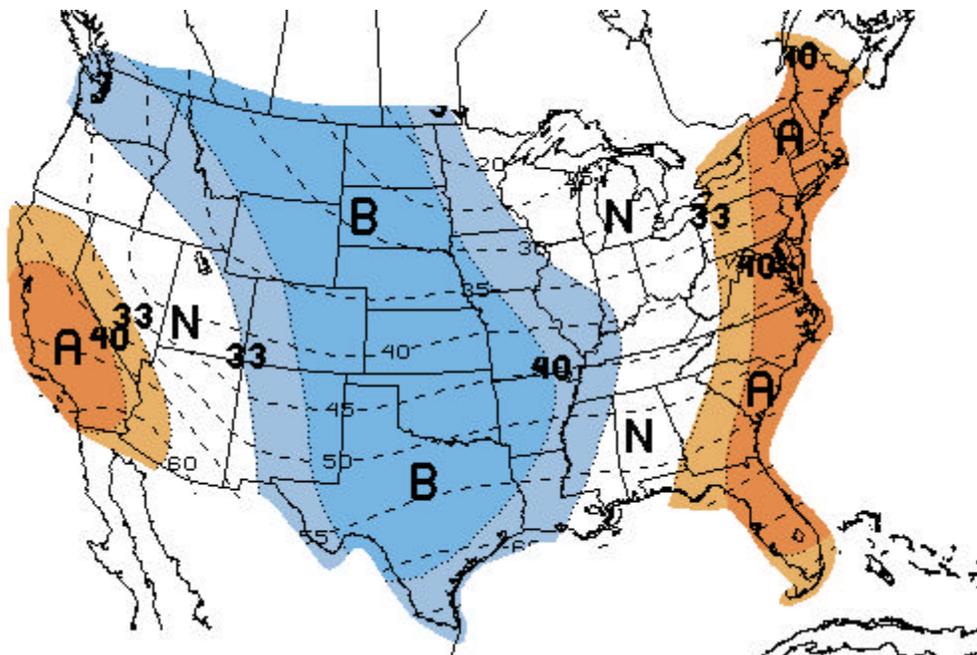
The NRC reported that 92,020 Mw of nuclear capacity is on line, down 1.83% from Friday, but 3.67% higher from a year ago.

KM Interstate Gas Transmission announced AOR/IT/Primary and Secondary at Risk restriction for today at the following points: SSC Grant, WBI Bridger, CIG Glenrock and CheyPGP Cheyenne.

Natural Gas Pipeline Company announced capacity constraints for several sections of its delivery system effective for today and until further notice. NGPL said that on the Amillo System, Segment 13, 14 and 15 are at capacity, while Segment 1 has limited capacity. On the Gulf Coast System, Segment 17 has limited capacity, while Segment 25, 23 and 24 on the Louisiana Line are at capacity. Also, Fla Jefferson (segment 25), Col Chalkley (segment 23), MRT Harris (segment 26) are at capacity while Fla Vermillion (segment 24) and TGT Lowry (segment 23) have limited capacity.

Tennessee Gas Pipeline said that effective today, due to nominations in excess of the available capacity, it anticipates restrictions. At station 25, 15% of supply to market is restricted, At Carthage Lateral, 34%. At Toca Delivery meter, 20%. At station 245, 45%. At station 321 and 355, 100%.

Texas Eastern Transmission Corp. said that it has restricted nominations flowing through Sarahville. Increases in nominations for receipts sourced upstream of Sarahville for delivery downstream of Sarahville will not be accepted. Tetco has restricted nominations sourced in zones STX and ETX for delivery outside that area. No



increases in receipts between Little Rock and Vidor for delivery outside that area will be accepted. Also, nominated deliveries downstream of Castor on the Castor lateral have put the pipeline at capacity in that area. No increases in deliveries downstream of Castor except to comply with NAESB bump guidelines will be accepted.

TransColorado Gas Transmission said that southbound transportation on Segment 220 is at AOR/IT/Secondary Risk for today.

PIPELINE MAINTENANCE

North Carolina's attorney general has told the US EPA that unless it takes action by March 1 to resolve two long-standing issues over emissions from coal-fired plants in other states, North Carolina will file lawsuits to force EPA's hand. The attorney general said that the EPA still has not enforced rules limiting nitrogen-oxide emissions from coal plants in northern Georgia, despite final implementation of rules in April 2004.

MARKET COMMENTARY

The natural gas market opened 20 cents lower as forecasters called for a warmer than normal ending to winter. March natural gas traded to a low of 7.25 early in the session and met with support. Natural gas then trended higher of its lows with the expiring crude oil contract. The front month contract traded to a high of 7.59 before settling up 8.2 cents at 7.585.

Weather forecasts for the next 20 days have a chaotic control of this market. Most forecasters feel the weather will vary with periods of warm and cold and that has added support to the market. Also supporting the market today is the likelihood of another large draw to stocks this week, though not as large as last week's almost record

withdrawal. Early calls for this week's report call for a draw of between 200 and 225 Bcf. If longer-term forecasts continue to call for a mild end to winter, we will see the market decline into the injection season. We see support at \$7.20, \$7.05, \$6.92 and \$6.20. We see resistance at \$7.60, \$7.80, \$8.00 and \$8.28-\$8.35.