



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 31, 2008

NATURAL GAS MARKET NEWS

Forecasting higher storage withdrawals this winter than last and less available liquefied natural gas (LNG), analyst Stephen Smith predicts that 2008 Henry Hub prices will exceed last year's by more than \$1/MMBtu. The caveat is that the rest of the winter does not turn out to be much warmer than normal.

Continuing high prices and the creation of operational efficiencies through mergers, reorganizations and asset acquisitions will make 2008 an overall positive year for gas and oil companies, according to Deloitte & Touche USA, but the industry will face increased costs associated with legislation and global resource nationalism.

Generator Problems

NPCC – FPL's 1,240 Mw Seabrook nuclear unit restarted and is warming up offline at 1% power.

SERC – Exelon's 1,162 Mw LaSalle #1 ramped up to 76% from 55% and unit #1 ramped up to full power from 82% power.

The NRC reported that 91,617 Mw of nuclear capacity is online, up .32% from Wednesday, and down 1.11% from a year ago.

EIA Weekly Report

	01/25/2008	01/18/2008	Net chg	Last Year
Producing Region	720	809	-89	813
Consuming East	1257	1402	-145	1482
Consuming West	285	325	-40	302
Total US	2262	2536	-274	2598

*storage figures in Bcf

British prompt gas prices rose today, recovering from a fall the previous session, as colder temperatures were expected to test supplies, while forward prices fell as oil prices dived. Gas for delivery on Friday firmed 0.60 to 54.10 pence per therm, although day-ahead power eased to around 51 pounds per MWh. Weather forecasters have predicted a fall in temperatures over the next few

days, but that follows a period of unseasonably mild weather that has helped to boost stocks.

The Judy gas field in the U.K. North Sea had still not restarted on Thursday afternoon but engineers hope to get it going again overnight. ConocoPhillips said the field, which shut last week after unspecified operational problems, had been expected to restart gas and oil output yesterday.

The EIA released their latest natural gas monthly report this afternoon for the period ending November 2007. It reported that U.S. domestic dry production of natural gas reached 53.8 bcf/d in November, up 1.8% from a year ago. This was the highest level of production since August 2004. These production gains though have been offset by limited net imports, which for the third month in a row stood at less than 10 bcf/d. In November LNG imports fell to their lowest level in over four years.. Consumption was pegged at 60.4 bcf/d some 2.8% higher than a year ago. This increase in demand was driven by electric power generation and industrial usage, which jumped by 8.6% and 3.4% respectively. Commercial customers saw demand at basically unchanged levels from a year ago, while residential usage in November was off 2.

Canadian Gas Association

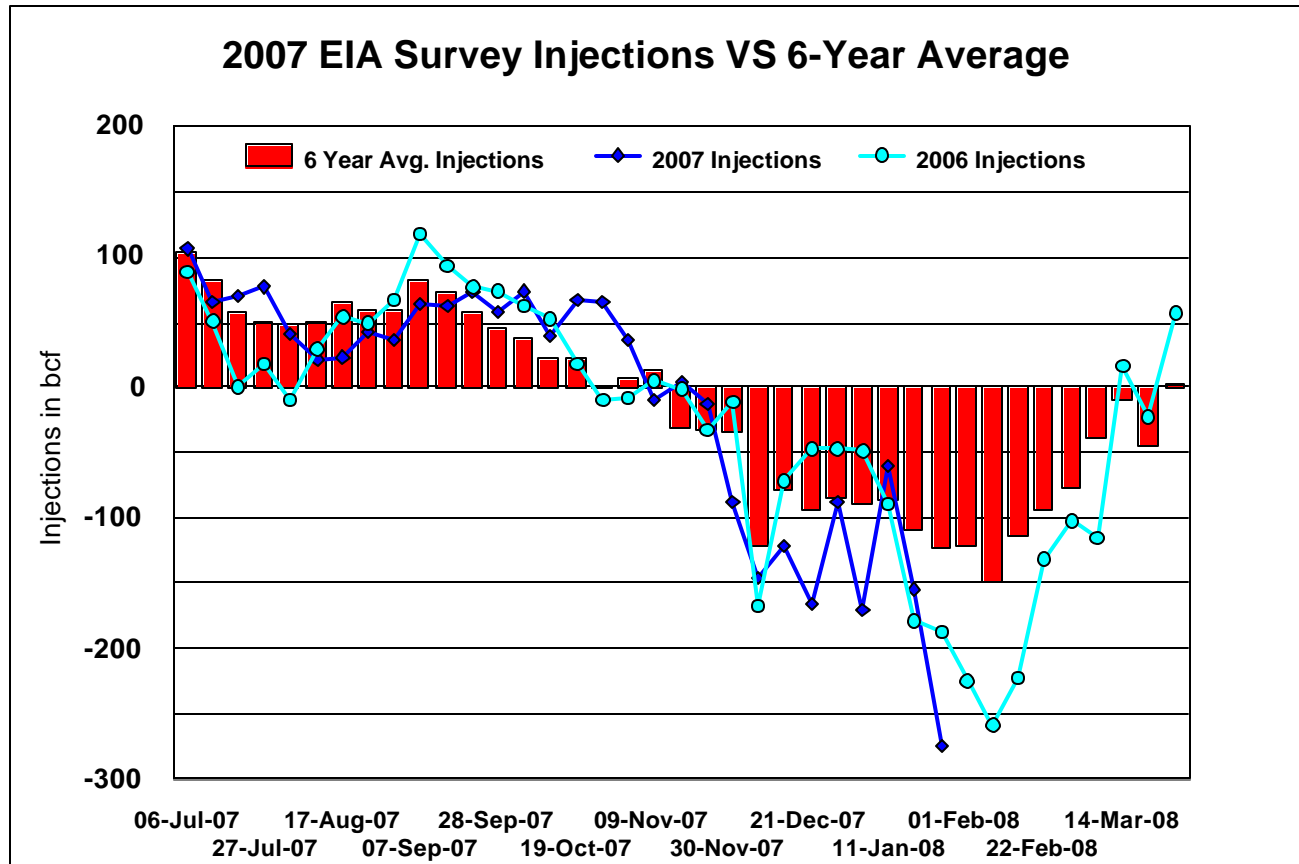
Weekly Storage Report

	25-Jan-08	18-Jan-08	26-Jan-07
East	154.4	177.7	190.9
West	218.8	242.4	156.9
Total	373.3	420.1	347.8

storage figures are in Bcf

PIPELINE MAINTENANCE

ANR Pipeline Company said that it began unplanned engine repairs at its Sandwich compressor station located in Illinois in the Northern Fuel Segment (ML-7). Effective immediately, ANR anticipates only Firm Primary delivery nominations will be scheduled for all locations north of Sandwich CS. At this time, it is anticipated this operational restriction will continue through February 4.



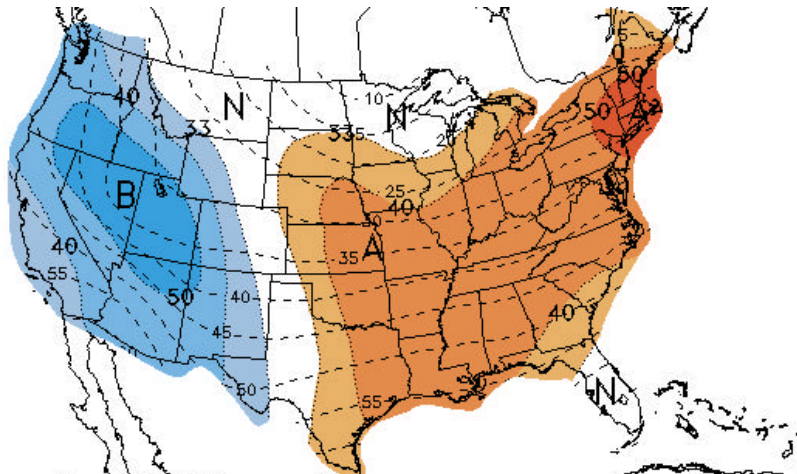
PIPELINE RESTRICTIONS

Alliance Pipeline said that the Kerrobert Compression Station went offline at 6:00 AM MT on January 29. Alliance personnel are currently attending to the problem but at this time it is unclear when the situation will be rectified. As a result system throughput (AOS) for February 1 is being lowered to 5%.

Natural Gas Pipeline Company said that the force majeure remains in effect on its Illinois Lateral #2 line (Segment 29) in Whiteside County, Illinois, just north of Compressor Station 110. Effective gas day February 2 and continuing until further notice Natural will be revising the scheduling percentage as indicated below through Compressor Station

110 pathed to go through the Illinois Lateral (Segment 29) and eastbound through Segment 14. Primary firm and secondary in-path firm transports will continue to be at risk of being scheduled to a reduced level

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	573,500	\$8.096	(\$0.073)	\$0.116	(\$0.103)	\$0.060
Chicago City Gate	857,900	\$8.205	(\$0.074)	\$0.225	(\$0.052)	\$0.188
NGPL- TX/OK	723,400	\$7.724	(\$0.087)	(\$0.256)	(\$0.065)	(\$0.290)
SoCal	833,900	\$7.980	\$0.045	\$0.000	\$0.067	(\$0.159)
PG&E Citygate	783,100	\$8.260	(\$0.015)	\$0.280	\$0.007	\$0.138
Dominion-South	361,300	\$8.521	(\$0.126)	\$0.541	(\$0.104)	\$0.425
Transco Zone 6	127,700	\$9.019	(\$0.625)	\$1.039	(\$0.603)	\$0.938



8-14 DAY OUTLOOK TEMPERATURE PROBABILITY MADE 31 JAN 2008 VALID FEB 08 - 14, 2008. DASHED BLACK LINES ARE CLIMATOLOGY (DEG F). SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

through Compressor Station 110 to a minimum of 90% of MDQ for each contract with Segment 14 primary/secondary in-path rights.

Northwest Pipeline said effective February 1, it will be limiting the Clay Basin withdrawal volumes to 125 MMcf/d until further notice. The reduction requirement is necessary in order to limit the liquids flowing from the Clay Basin storage facility into Northwest's system. Northwest will be making the Clay Basin capacity cuts based upon shippers rights at Clay Basin.

ELECTRIC MARKET NEWS

The auction to supply electricity to New Jersey's four investor-owned power companies will start on February 1. Electricity traders said they were divided on whether the auction would increase or decrease prices for New Jersey consumers since the auction would replace power acquired in 2005 when prices were high. The average price for on-peak power at the Western Hub in PJM in 2005 was \$76 versus \$72 in 2007. In 2007, the state auctioned more than 7,000 Mw of supply valued at \$6.5 billion, which boosted residential power bills from 10% to 14% depending on their utility. Since 2002, the utilities have participated in an auction in February to acquire electricity to serve Basic Generation Service customer, which are those that do not buy power from a competitive supplier.

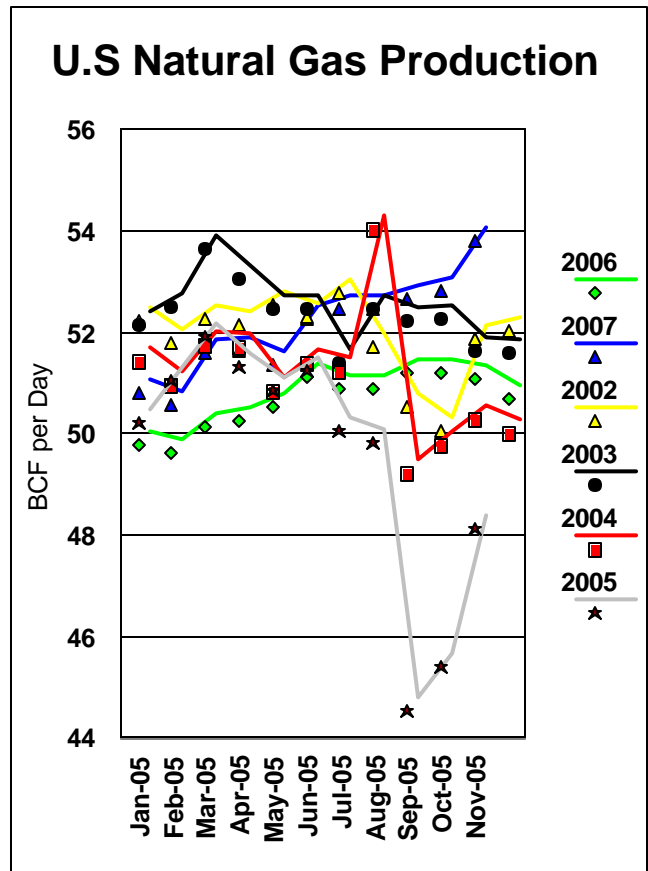
The snow pack in the Sierra Mountains of California jumped to 113% of normal from 60% only four weeks ago due to heavy January snows. April 1 is a key date because that is normally when snow pack is highest and the best indicator of the spring and summer water situation. Ample snowpack at the end of January does not necessarily mean that summer water supplies will also be ample, but this month's storms have been an excellent shot in the arm to the state's water supply.

A cooling tower section that collapsed last August at the Vermont Yankee nuclear plant is undergoing repairs and should be ready for service by the time the weather warms up and it is needed again. The collapse, which left a gaping, broken pipe spewing thousands of gallons of water onto a pile of rubble, forced the plant to reduce power because it needs the cooling towers in summer months to cool water taken from the Connecticut River before it is returned to the river.

The NRC has approved a request by PPL Susquehanna to increase the generating capacity of Susquehanna units #1 and #2 by 13% each. The NRC staff determined that PPL could safely increase the reactors output primarily by upgrading certain plant systems and components.

MARKET COMMENTARY

The natural gas market persists to vacillate on either



side of the 8.00 mark, finding support early in the day in anticipation of a record draw from storage, which lifted the March contract to a daily high of 8.123. The market backed off its highs as the session started because forecasts continued to moderate and show above normal temperatures for the eastern two thirds of the country. Following the release of the EIA inventory report, which showed an all-time record 274 Bcf was taken from storage, the market ironically traded lower to a daily low of 7.94. But as the equity markets gathered strength, and crude oil took off to an eventual 2.00 afternoon rally, natural gas buyers stepped in and bid the market back above 8.00 and as high as 8.104. The March contract finished the session up 2.9 cents at 8.074.

For the week ending January 25, total storage stands at 2,262 Bcf, 336 Bcf below last year's levels for the same week and 85 Bcf above the five-year average of 2,177 Bcf. With storage healthily below last year's levels and the five-year surplus dwindling, the 8.00 mark has yet again emerged as support. Global coal demand has been quickly on the rise and that is serving to raise the floor for natural gas. However, the long-range weather outlook sees mostly above-average temperatures in the Midwest and Northeast, leaving the market vulnerable to the downside with the highest draw of the year now past. We see support at 8.00-7.983, 7.87, 7.80 and 7.60. We see resistance at 8.12, 8.166, 8.236, 8.349 and 8.48.

