



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 2, 2007

NATURAL GAS MARKET NEWS

The National Weather Service reported that U.S. heating demand is expected to be 30% below normal this week as warmer temperatures persist in regions east of the Rockies. With the exception of one week in early December, heating demand has been running considerably below normal since autumn. Last week's demand was just under 23% below normal. In the week ending January 6, demand for heating oil will be about 33% lower than normal, while heating demand for natural gas will be just about 29% below normal and heating demand for electricity will be around 31% below normal.

Natural gas outfit Spectra Energy Corp. said it has completed its spinoff from power company Duke Energy. Spectra, a pure play gas midstream company, will look at possibly acquisitions, particularly in transmission and storage space in North America.

The Governments of Russia and Belarus announced an agreement on new natural gas pricing just hours before a threatened cutoff of supply from Russia. The deals calls for Belarus to pay more than two times the amount it currently pays Gazprom. Belarus will pay \$100 per thousand cubic meters, up from a previous \$47 per thousand cubic meters. Belarus also agreed to sell Gazprom a 50% share of its pipelines.

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.

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. Tetco has

Generator Problems

MAAC – Exelon's 619 Mw Oyster Creek nuclear unit returned to full power by early today. On Friday the unit was operating at 80% capacity.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit restarted over the weekend following a brief outage and ramped up to 80% capacity. Brunswick #1 continues to operate at full power.

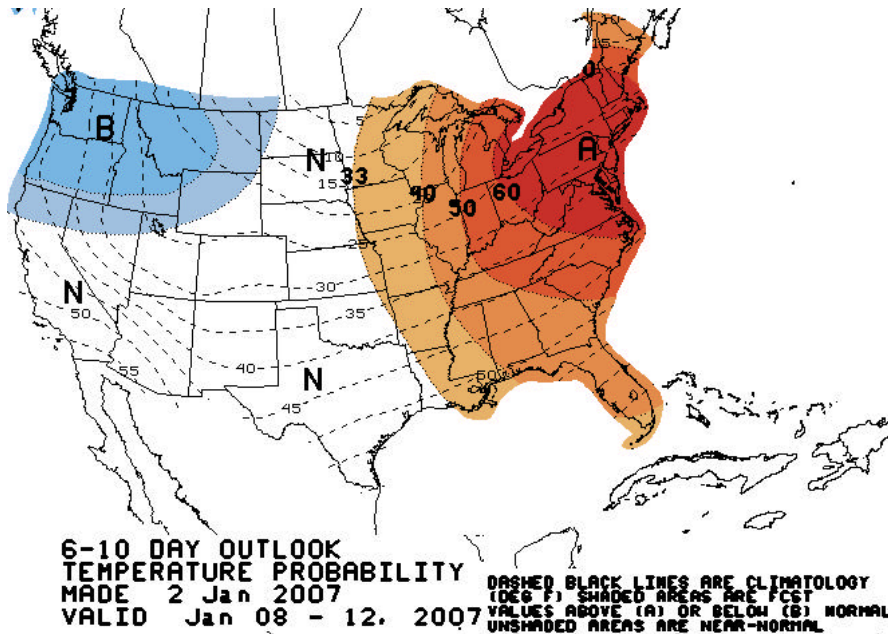
Duke Energy's 1,129 Mw Catawba #1 nuclear unit returned to full power over the weekend, completing its return from a refueling outage. Catawba #2 continues to operate at full power.

The Tennessee Valley Authority's 1,127 Mw Sequoyah #2 nuclear unit returned to full power over the weekend. It had been ramping up from a late November refueling and maintenance outage. Sequoyah #1 continues to operate at full power.

Entergy's 1,091 Mw Waterford nuclear unit ramped up to full power over the weekend completing a return from a refueling outage. On Friday the unit was operating at 70% capacity.

WSCC – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit ramped up to 98% capacity today. On Friday the unit was operating at 65% capacity. San Onofre #2 continues to operate at full power.

The NRC reported that 97,048 Mw of nuclear capacity is on line, up 2.94% from Friday, and 2.97% higher from a year ago.



also scheduled to capacity deliveries downstream of Castor on the Castor lateral. No increase of deliveries downstream of Castor on the Castor lateral will be accepted.

PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance will require Unit #2 at the Carson Creek Meter/Compressor Station to be unavailable for six hours on January 3. Station capacity will be reduced to 18.5 MMcf for this gas day. The Carson Creek Compressor is located in Alberta.

Natural Gas Pipeline Company said that its new Compressor Station 803 in Titus County, Texas (Segment 17 of Natural's Texok Zone) was scheduled to be

commissioned and available for service by January 1, 2007. However, due to problems recently discovered during the testing of these new compressor units, this in-service date will be delayed several days. The problem is with the insulation on the exhaust system and should be corrected within eight days. This delay only impacts the new firm expansion contracts through Segment 17.

Williston Basin Interstate Pipeline Company said that unplanned maintenance would be performed at the Manning Compressor Station through January 3. Maximum capacity at the Manning Compressor Station will be approximately 85 MMcf/d.

ELECTRIC MARKET NEWS

Nebraska Public Power District reported that the weekend's slow moving winter storm knocked out about 600 miles of high-voltage transmission lines. NPPD said it may take months to fully restore the transmission system, adding that up to 25,000 NPPD customers and customers of local utilities supplied by NPPD are without power. Power is expected to be restored to all customers by the end of the week.

Duke Energy Carolinas said it is pleased by state regulatory approval of a settlement that permits the utility to keep about \$18 million in profits from bulk-power sales from 2005 and the first half of 2006 instead of sharing them with its industrial customers.

MARKET COMMENTARY

With the NYMEX floor closed in remembrance of President Ford, natural gas posted an inside trading session on the electronic Globex system, trading between 6.10 and 6.30, holding in mostly negative territory during the session and finishing the day near Friday's close of 6.299.

The temperature outlook remains warmer than normal for the key heating markets in the Midwest and Northeast through the middle of January, keeping storage high and ultimately pressure on prices. On the storage front, early forecasts for this week's storage report, which will be on Friday, call for another modest withdrawal of between 50 and 70 Bcf. Without sustained cold, the overhang of gas will continue to keep a lid on prices and pressure them lower as we move through the peak of winter demand. We see technical support at \$6.05, \$6.00, \$5.95, \$5.75, \$5.58, \$5.35 and \$5.00. We see resistance at \$6.40, \$6.50, \$6.87, \$7.00 and \$7.20.