



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 4, 2008

NATURAL GAS MARKET NEWS

A blue-chip faction of Albertans believes lasers and fusion power might be the successor to natural gas-fired power generation. Edmonton's mothballed Rossdale powerhouse could be turned into a home for pioneers of a future power generation technology under a plan developing in academic, industry and government circles.

Baker Hughes reported that the number of rigs searching for oil and natural gas was 1,774, 8 less than last week, but 79 more than the previous year. There were 316 searching for oil and 1,450 searching for natural gas.

Williams announced it has placed an expansion of its Transco natural gas pipeline system into service, increasing firm transportation capacity into the New York City metropolitan area by 100 MMcf/d. The Leidy to Long Island project required expanding certain existing Transco pipeline facilities in New Jersey, New York and Pennsylvania. This included adding approximately 12 miles of new 42-inch pipeline.

Analysts at London-based brokers Societe Generale said that they believe U.K. gas prices are moving North. The reasons for forecasting higher 2008 natural gas prices were higher Russian gas prices, higher U.K. summer gas prices that could change the way Continental gas market players use storage, and the increased market power of the major gas companies.

EIA Weekly Report

	12/28/2007	12/21/2007	Net chg	Last Year
Producing Region	922	938	-16	943
Consuming East	1604	1657	-53	1745
Consuming West	395	413	-18	393
Total US	2921	3008	-87	3081

*storage figures in Bcf

Generator Problems

PJM – FirstEnergy's 830 Mw Bruce Mansfield #1 coal fired power station shut due to a turbine vibration.

SERC – Dominion Resources' 925 Mw North Anna #2 nuclear unit returned to full capacity. Yesterday, the unit was operating at 82% power. North Anna #1 continues to operate at full power.

Entergy's 966 Mw River Bend nuclear unit reduced output to 88% power as it prepares for a scheduled refueling outage.

The NRC reported that 92,796 Mw of nuclear capacity is online, up .03% from Thursday, and down 4.15% from a year ago.

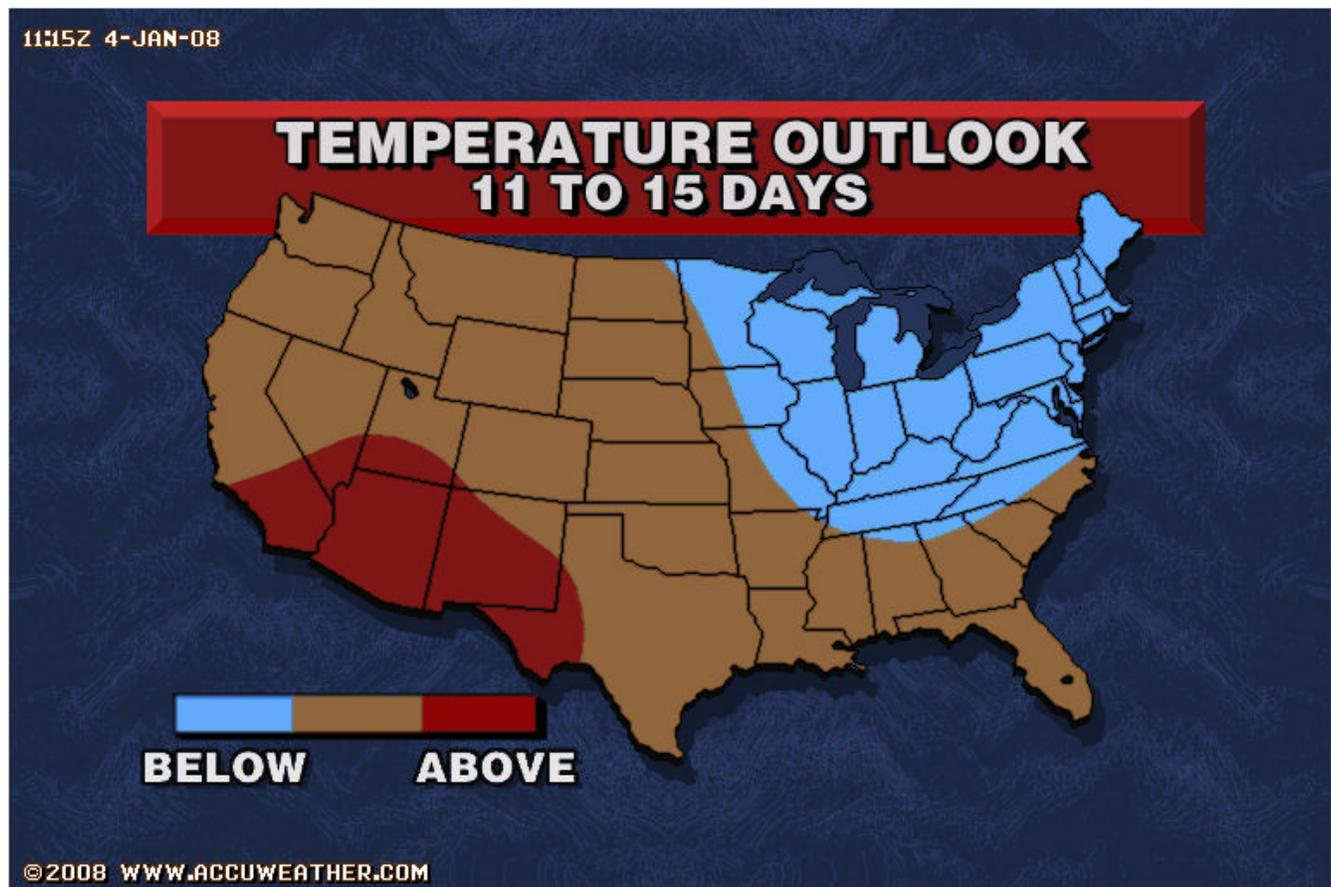
PIPELINE RESTRICTIONS

Florida Gas Transmission said that current weather conditions show freezing temperatures in Northern Florida, and linepack is low; therefore, FGT is notifying customers in FGT's Market Area that it is issuing an Overage Alert Day at 20% tolerance for today.

Southern Natural Gas Pipeline said that a Type 6 Operational Flow Order (OFO) is possible for the following dates based on anticipated receipts and projected deliveries. Today: OFO for short imbalances; January 5-6: UL for long or short imbalances.

Dominion Transmission said that it will rescind OFO #1, FTNN Hourly Limit and OFO #2, Conform Transportation Services to Scheduled Nominations for the Northern New York System, effective for start of gas day January 6.

Transcontinental Gas Pipe Line said that it has terminated the Imbalance Operational Flow Order (issued December 28) effective at 9:00 AM ET today as it experiences a return to more normal winter-time temperatures. Additionally, Transco will return pool-scheduling tolerances to 4% and will allow due-to-shipper nominations effective beginning with the Intraday 1 nomination cycle for today's gas day.



ELECTRIC MARKET NEWS

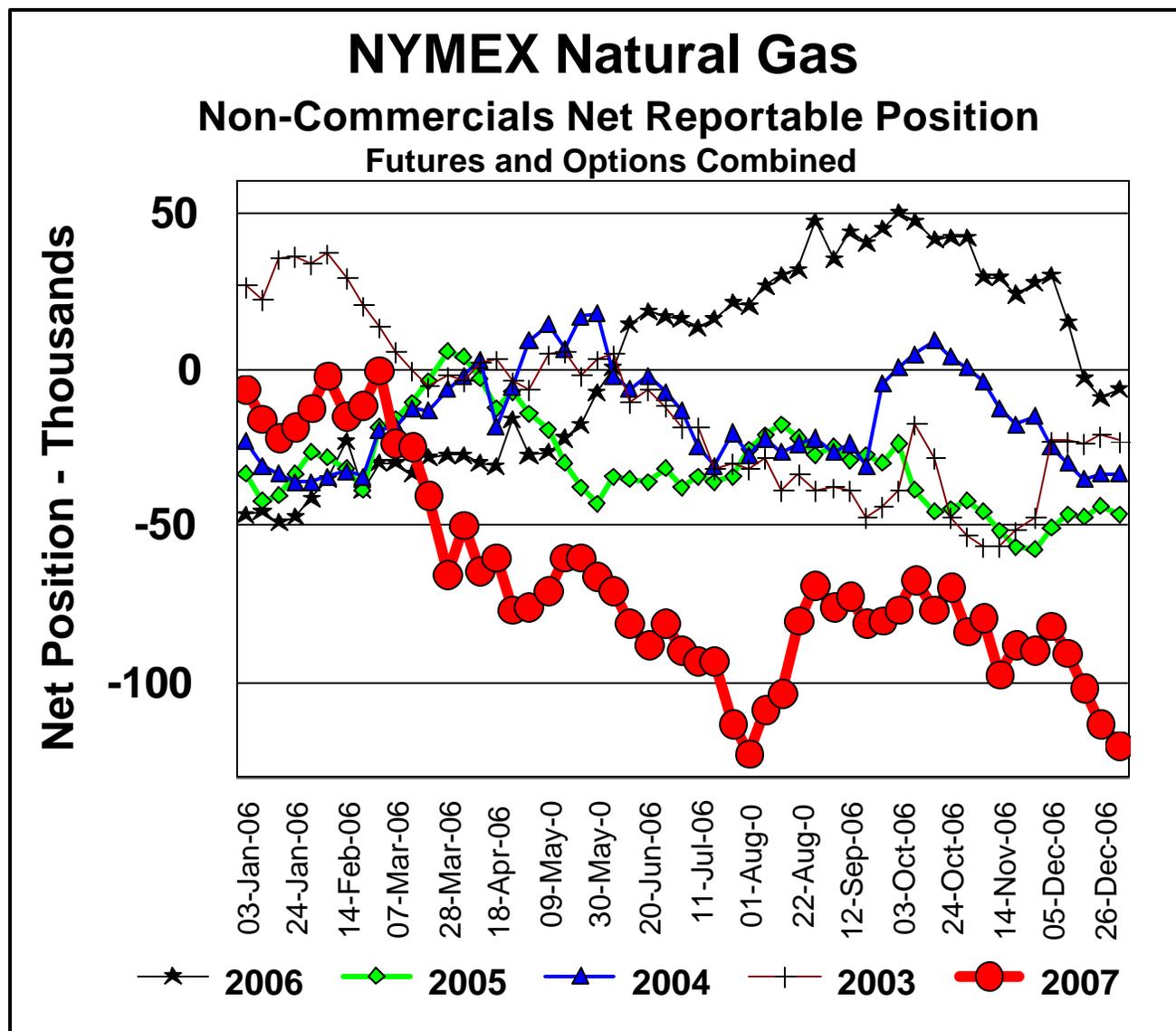
A fast-moving storm packing high winds today left 600,000 northern and central Californians without electricity.

PG&E is asking the FERC to approve incentive rates for a proposed \$5.1 billion, 1,000-mile transmission line that would move electricity from Canada and the U.S. Pacific Northwest to northern California.

The snowpack in the Sierra Mountains of California is 60% of normal, but rain and snow expected in the next few days will raise that figure.

Genscape's U.S. coal burn index rose 2.6% this week from the week before. For the week ended January

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	1,164,500	\$7.511	(\$0.326)	(\$0.235)	(\$0.533)	(\$0.018)
Chicago City Gate	829,000	\$7.453	(\$0.358)	(\$0.293)	(\$0.353)	(\$0.004)
NGPL- TX/OK	910,900	\$7.030	(\$0.344)	(\$0.716)	(\$0.339)	(\$0.490)
SoCal	727,700	\$7.207	(\$0.234)	(\$0.539)	(\$0.229)	(\$0.323)
PG&E Citygate	447,200	\$7.574	(\$0.133)	(\$0.172)	(\$0.128)	(\$0.013)
Dominion-South	322,200	\$7.682	(\$0.618)	(\$0.064)	(\$0.613)	\$0.422
Transco Zone 6	170,000	\$8.398	(\$4.637)	\$0.652	(\$4.632)	\$8.639



3, the index nationwide was up 13.9% from the same week a year ago. According to Genscape calculations, U.S. power plants burned 21.71 million tons of coal this week compared with 21.16 million tons last week and 19.06 million tons a year ago.

MARKET COMMENTARY

The natural gas market started the session lower in anticipation of the EIA's inventory report, which showed that a lower than expected 87 Bcf was taken from storage. The bearish report sent the spot month to a low of 7.501. However, short covering ahead of the weekend in the afternoon lifted prices to positive territory perhaps as traders looked at the possibility of a much larger storage figure for next week's report. The February contract traded to a high of 7.859 before settling up 16.7 cents at 7.841.

Total storage in the lower 48 states now stands at 2,921 Bcf, 160 Bcf below last year's levels for the same week but still 222 Bcf above the five-year average of 2,699 Bcf. With the ample storage and temperatures due to moderate to significantly above normal next week, we feel this market again over shot itself to the upside this afternoon. Cash prices were seen mostly lower today as demand is expected to moderate over the weekend and into next week. Therefore, we feel the market will make its way back to the lower end of its range finding initial support at 7.66, then 7.50, 7.403 and 7.304. We see additional support at 7.15, 7.00 and 6.80. We see resistance at 7.90, 8.00-8.02, 8.12 and 8.40.

2007 EIA Survey Injections VS 6-Year Average

