



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 7, 2008

NATURAL GAS MARKET NEWS

Private forecaster Planalytics reported that unseasonably mild weather this week in the U.S. East this week will be followed by colder weather next week. But the cold snap will not result in any prolonged below-normal temperatures. No signs of any sustained/long term Arctic cold events into the country are seen through the third week of January.

Strong domestic production and robust summertime liquefied natural gas (LNG) imports should lead to another year of record storage levels in 2008, according to Raymond James & Associates Inc. The firm has cut its 2008 full-year price forecast by 50 cents to \$6.50/Mcf, the lowest since 2004. The analysts note that their forecast for 2008 is more than 15% lower than the Bloomberg estimate and more than 17% below the NYMEX futures strip.

EnergySouth Midstream Inc. is holding an open season for up to 12 Bcf of high-deliverability natural gas storage capacity at its Mississippi Hub facility that is under development in Simpson County, MS. The open season begins at 5 p.m. CST Monday and will end on Jan. 25.

FERC Friday gave a favorable environmental review of PetroLogistics Natural Gas Storage LLC's proposal to build a high-deliverability natural gas salt dome storage cavern and header pipeline at its Bayou Choctaw storage facility in Iberville Parish, LA.

North American natural gas demand is projected to increase from 66 Bcf/d in 2006 to 81 Bcf/d in 2015, as an abundance of lower-cost liquefied natural gas floods the market driving down prices, according to a recent report by Ziff Energy. A continued expansion

Generator Problems

ERCOT – AEP's 528 Mw Welsh #2 coal-fired power station is expected to restart today.

Luminant's 545 Mw Sandow #4 coal-fired power station restarted today following inspections and repairs to the electrostatic precipitator system.

Luminant's 575 Mw Big Brown #1 coal-fired power station restarted after fixing a boiler tube leak.

Luminant's 750 Mw Monticello #3 coal-fired power station restarted after fixing a boiler tube leak.

Luminant's 750 Mw Martin Lake #2 coal-fired power station shut over the weekend for planned maintenance.

FRCC – FPL's St. Lucie #2 nuclear unit restarted following an extensive refueling outage, which lasted 3 months. St. Lucie #1 continues to operate at full power.

SERC – Entergy Corp.'s 967 Mw River Bend nuclear unit shut yesterday for a refueling outage. On Friday, the unit was operating at 88% power as it coasted down.

TVA's 1,100 Mw Browns Ferry #3 nuclear unit restarted and is warming up offline at 15% power. Browns Ferry #2 ramped up to full power over the weekend.

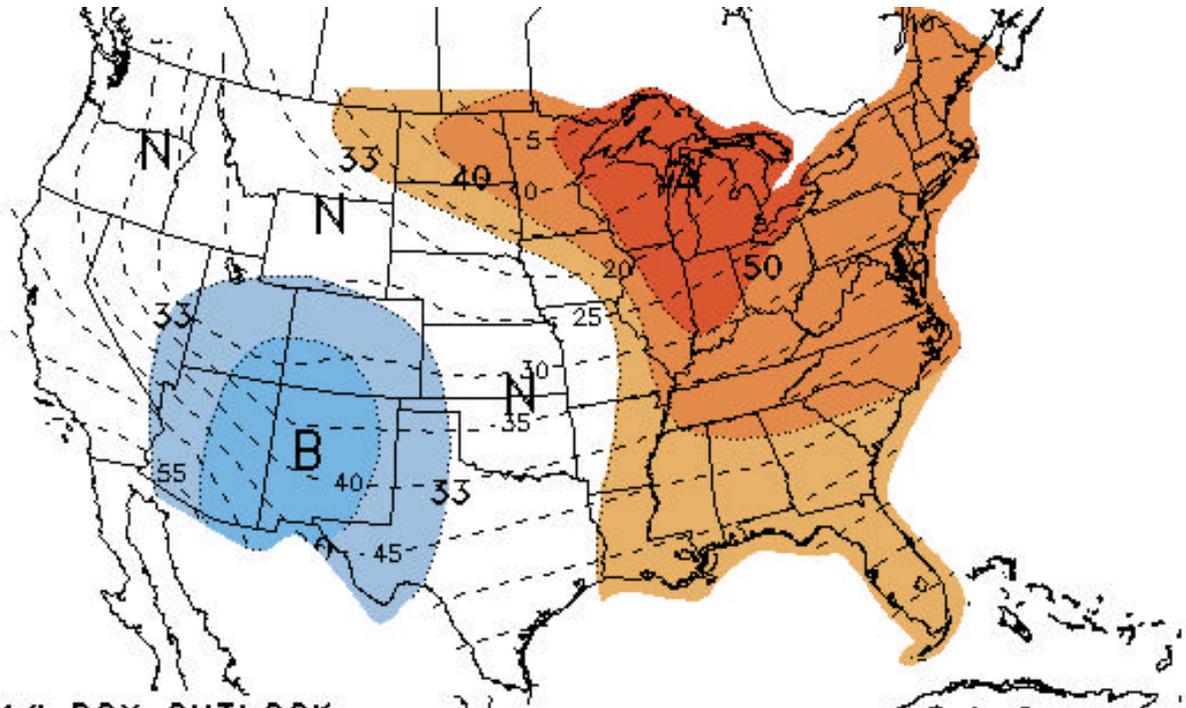
WSCC – APS' 1,270 Mw Palo Verde #3 remains offline amid refueling and maintenance. Palo Verde #1 and #2 continue to operate at full power.

AES's 480 Mw Redondo Beach #8 natural gas-fired power station shut for planned reasons yesterday.

Calpine Corp.'s 530 Mw Sutter natural gas fired power station cut power by 300 Mw yesterday for planned and unplanned reasons.

Canada – Ontario Power Generation's 490 Mw Nanticoke #7 coal-fired power station shut for short work today. The unit is expected to return to service within a week.

The NRC reported that 93,050 Mw of nuclear capacity is online, up .27% from Friday, and down 4.08% from a year ago.



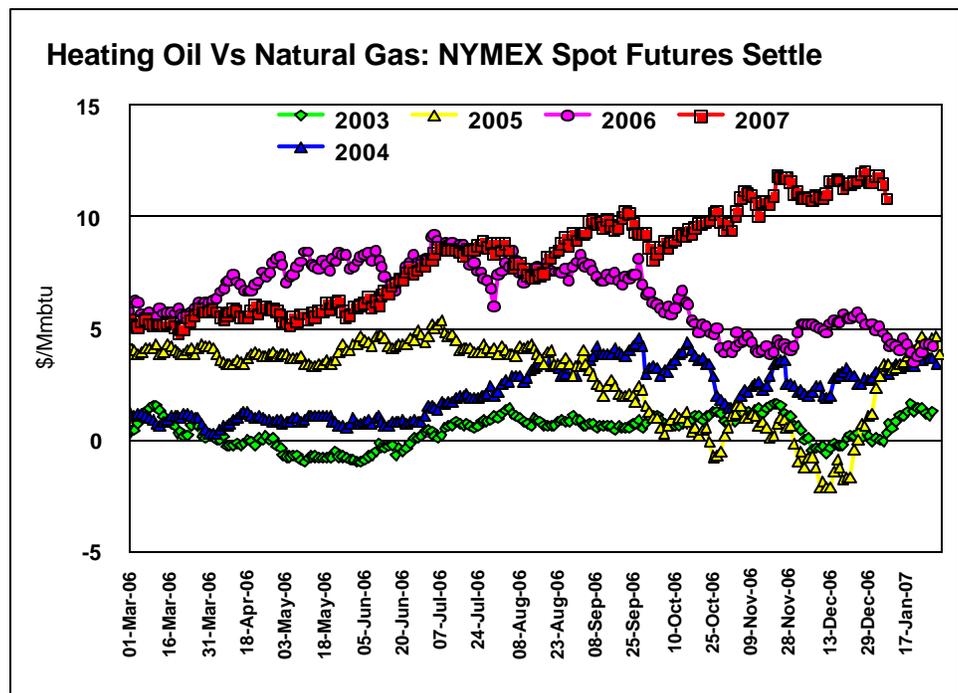
**8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 7 JAN 2008
VALID JAN 15 - 21, 2008**

**DASHED BLACK LINES ARE CLIMATOLOGY
(DEG F) SHADED AREAS ARE FCST
VALUES ABOVE (A) OR BELOW (B) NORMAL
UNSHADED AREAS ARE NEAR-NORMAL**

of U.S. LNG imports from all parts of the globe could reach the point where "you had better have world peace or you will be bombing your own natural gas suppliers."

British gas prices rose today, spurred by financial buying and forecasts temperatures would fall below the seasonal norm. Day-ahead gas rose by 2.60 pence per therm to 56.25 pence, although day-ahead power prices edged lower to around 56.50 pounds per megawatt hour. Traders said supplies were comfortable for now, but the market was nervous about possible future supply tightness after a steep decline in the amount of gas in long-term storage in early January.

U.K. finance minister Alistair Darling is seeking a meeting with the independent energy regulator Ofgem. Darling said he would like to hear an assessment of gas supply conditions in the U.K. and Europe, particularly the relationship between wholesale price movements and retail prices. Ofgem responded by saying it has a regular dialogue with the ministry and would be happy



to discuss issues raised by the minister.

PIPELINE MAINTENANCE

Alliance Pipeline said that three maintenance projects are scheduled for this week. The Tampico Compression Station will be offline for eight hours January 8 for inspections. System throughput may be impacted. The Wimbledon Compression Station will be offline for eight hours January 8 for inspections. AOS may be impacted. The Kerrobert Compression Station will be off-line for 10 hours on January 10 for inspections and AOS may be impacted but will be determined closer to the outage date.

KM Interstate Gas Transmission said that it will perform maintenance at its Casper Compressor Station from gas day January 8 through gas day January 18. Capacity through segments 45 and 730 will be limited to 178 MMcf/d. Based on the current level of nominations this outage is not expected to impact shippers.

TransColorado Gas Transmission said that it will begin maintenance at its Dolores Compressor Station on gas day January 9. Capacity through Segment 220 will be limited to 350 MMcf and capacity through Segment 240 will be limited to 400 MMcf. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

Trunkline Gas Company said that unscheduled maintenance on the Bayou Sale 20-inch line Friday forced the shut-in of the following locations: Sabine Henry Hub, HH High Pressure, TGC at Henry Hub – Jefferson Island Storage, TGC – Sea Robin Interconnect, and Delcambre – Gulfport Energy.

ELECTRIC MARKET NEWS

PG&E Corp. said about 100,000 northern California customers remained without power this morning after a series of storms hit the area over the weekend. In all, 2.2 million residential and business customers were without power at some point since Friday morning.

The NOAA is warning that a new 11-year cycle of heightened solar activity that could pose a threat to the electricity grid, critical military, civilian and airline communications and GPS signals, has begun.

MARKET COMMENTARY

The natural gas market traded erratically today showing initial weakness, trading to a low of 7.701 in sympathy with crude oil and moderating temperatures. Cash prices were weak across the northeast, as temperatures set record highs for this time of year, however cash prices were stronger in the western half of the country, supported by cold temperatures. Futures swung back to positive territory by midday as some longer-term forecasts suggested colder weather. The February contract traded to a high of 7.94 followed by some downdraft selling, encompassing about a 20-cent range. The erratic trading suggests a lack of direction and inefficiency in the market. The front month contract finished the session up 3.8 cents at 7.879.

Expectations for this week's EIA report call for a bullish draw of near 150 Bcf, reflecting last week's bitter cold snap and trumping the 63 Bcf five-year average withdrawal and last year's 49 Bcf pull. We continue to feel that the market is range bound and that we are currently at the upper end of the range. Without a sustained cold snap, this market will remain under pressure and any rally is an opportunity to establish a short position. We see resistance at 8.00, 8.09, 8.24, 8.34 and 8.50. We see support at 7.82, 7.70, 7.611, 7.521, 7.45 and 7.25.