



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 16, 2007

NATURAL GAS MARKET NEWS

Exploration and production (E&P) equities are down nearly 15% since early December, but if the current seasonal weather reverts to warmer-than-normal conditions in the next three weeks, share prices likely will be slapped down again in mid to late February, which could create "compelling acquisition opportunities," energy analysts said Tuesday.

With winter finally living up to its cold-weather reputation in just about every nook and cranny of Canada and the U.S. except peninsular Florida, cash prices spiked at virtually all points Tuesday in response to skyrocketing heating load. Quite a few gains were in triple digits and several Northeast citygates posted increases of more than \$3.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission has restricted all IT and a portion of priority 3 nominations flowing through Stony Point compressor station for today. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted.

CenterPoint Energy Gas Transmission issued a notice effective 9:00 AM CT today urging all parties to maintain balance between receipts and deliveries under contracts in light of the colder than normal weather conditions moving into its service area.

East Tennessee Natural Gas announced restrictions for the ETNG system effective today. There will be no secondary receipts out of path upstream of station 3104, out of path upstream of station 3205 or downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke. In addition, Maximum Allowable Delivery Service will be in effect beginning for today, in accordance with Section 7 of Rate Schedule LMS-MA of its FERC Gas Tariff. The unauthorized overrun charges for exceeding MAD will remain in effect until further notice.

Natural Gas Pipeline Company said that Segment 15 (Station 801) is at capacity while Segment 1 has limited capacity. The company also stated that Lukens W (Segment 4) is limited due to gas quality and K F Scott #1 (Segment 5) is shut in.

PIPELINE MAINTENANCE

Generator Problems

ERCOT – TXU Corp.'s 750 Mw Martin Lake coal-fired units #1 and #2 shut and restarted over the long weekend following the repairs.

TXU Corp.'s 750 Mw Monticello #2 coal-fired power station shut to fix a boiler tube leak. The unit is expected to return in a couple days.

MAPP – Xcel's 578 Mw Monticello nuclear unit remains shut from January 10 due to a RPS trip.

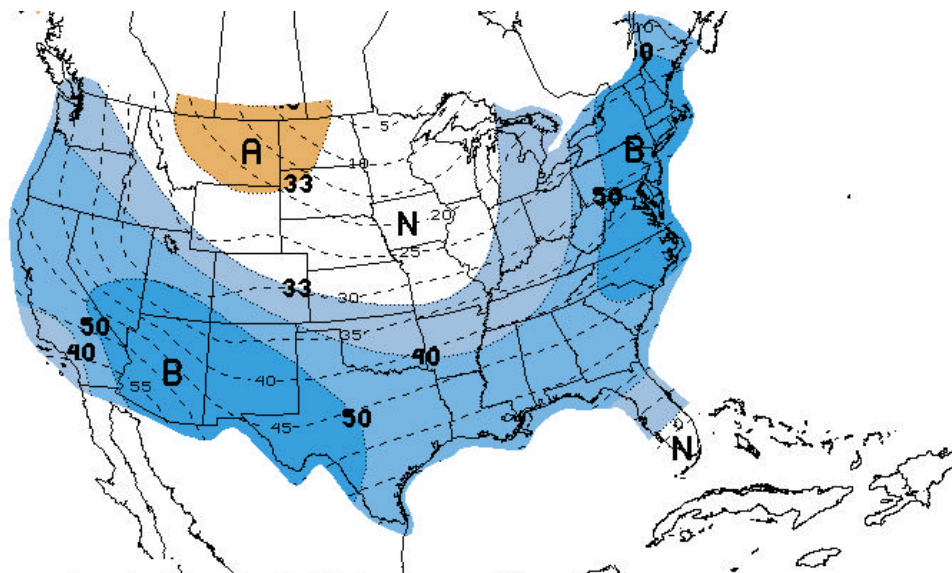
SERC – Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit restarted on January 13 and has returned to full power. Browns Ferry #3 remains at full power.

Canada – Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired power station returned to service by early today. The unit shut August 30.

Ontario Power Generation's 490 Mw Nanticoke #8 coal-fired power station returned to service by early today. The unit shut January 8.

Ontario Power Generation's 515 Mw Pickering B #6 nuclear unit started to exit an outage today. The unit shut December 21.

The NRC reported that 96,805 Mw of nuclear capacity is on line, up 1.12% from Friday, and 6.14% higher from a year ago.



6-10 DAY OUTLOOK TEMPERATURE PROBABILITY
MADE 16 Jan 2007
VALID Jan 22 - 26, 2007
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL. UNSHADED AREAS ARE NEAR-NORMAL.

Alliance Pipeline said that inspection and maintenance will be conducted at two locations on January 18. Inspections and maintenance will require the Tampico Compression Station to be offline for five hours. System capacity (AOS) will be impacted but will be determined closer to the outage date. Also, inspections and maintenance will require the Fairmount Compression Station to be offline for eight hours. AOS will be impacted but will be determined closer to the outage date.

Gulf South Pipeline began two maintenance projects yesterday, which will be in effect for several days or more. The Goodrich Compressor Station units 1, 2 and 3 will see maintenance that will shutdown one unit at a time and affect capacity by as much as 50 MMcf/d. The project is slated to be completed March 1. Unit #1 at the McComb Compressor Station will undergo maintenance scheduled for completion January 18 and affect capacity by as much as 50 MMcf/d.

Transco announced that it will make repairs to a section of pipeline that was damaged during Hurricanes Katrina and Rita in Southeast Louisiana in 2005. The work will take place in Eugene Island Block 135. With favorable weather, Transco expects the line to return to service January 31.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	908,500	\$6.815	\$0.841	\$0.355	\$0.697	(\$0.203)
Chicago City Gate	855,600	\$6.890	\$0.549	\$0.260	\$0.401	(\$0.139)
NGPL- TX/OK	1,222,300	\$6.697	\$0.784	\$0.067	\$0.636	(\$0.481)
SoCal	968,500	\$6.936	\$0.858	\$0.306	\$0.710	(\$0.198)
PG&E Citygate	1,081,900	\$7.108	\$0.552	\$0.478	\$0.404	\$0.210
Dominion-South	44,900	\$7.049	\$0.859	\$0.419	\$0.711	(\$0.052)
Transco Zone 6	98,200	\$10.049	\$3.425	\$3.419	\$3.277	\$0.905

Williston Basin Interstate Pipeline Company will perform unplanned maintenance at the Worland Compressor Station through January 19. At this time, no restriction to the system is anticipated.

ELECTRIC MARKET NEWS

General Electric Company and power company AES Corp. said they plan to create a partnership to develop projects that would reduce greenhouse gas emissions in the United States. The 50-50 business partnership is intended for "creating carbon offsets and selling them to third parties who either want to reduce their own emissions or resell the offsets to producers." Target volume is 10 million tones of greenhouse gas offsets by 2010. That's roughly the annual carbon dioxide emission from 2.2 million cars.

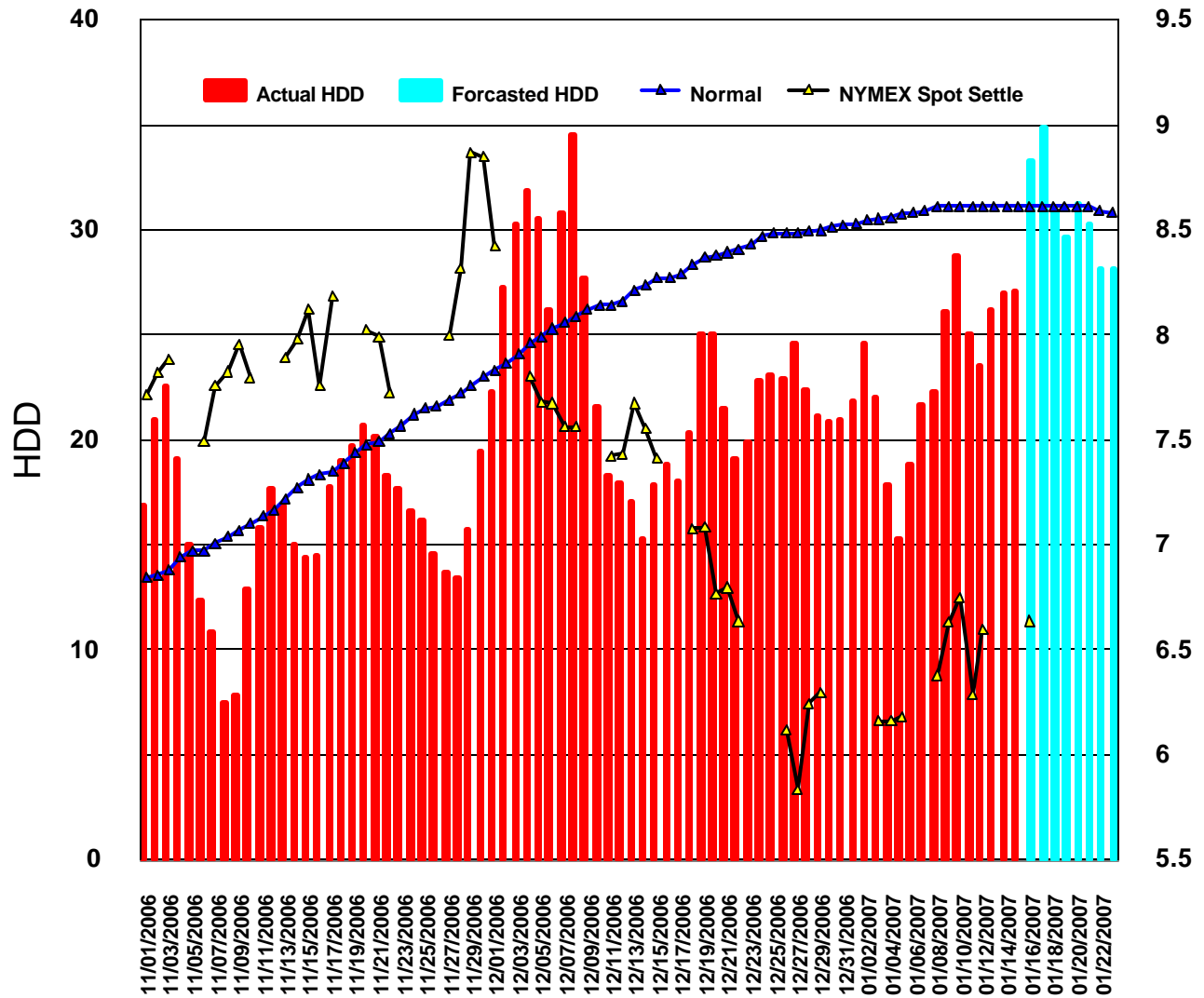
Merchant generator Mirant will sell six natural gas-fired plants in six states to LS Power Equity Partners for \$1.407 billion. The units have a combined capacity of 3,619 Mw and Mirant said the purchase price includes estimated working capital.

MARKET COMMENTARY

The natural gas market opened 4 cents higher than Friday's close to start quiet session that saw the front month trade between positive and negative territory. Despite the significant strength in the cash market due to cold temperatures across the country, a tumbling crude oil market weighed natural gas futures lower. February natural gas traded between 6.46 and 6.73 before settling up 3.7 cents at 6.638. The March and April contracts were down about a penny each.

U.S. Heating Degree Days

Basis Weighted Natural Gas Home Heating



With colder-than-normal temperatures forecast for the majority of the country for the next two weeks, upward pressure will be felt in the market. Early expectations for this week's EIA storage report range between 60 to 80 Bcf. Our model calls for a draw of between 75-80 Bcf. Last year, 42 Bcf was taken from the ground and the five-year average withdrawal is 119 Bcf. This report will probably fail to significantly impact the healthy storage overhang that exists leaving the bulls to focus on the next two weeks of cold temperatures to see what affect they have on storage totals. Prices ultimately remain vulnerable to any more confident shift back to warmer-than-

normal temperatures. We see resistance at \$6.80, \$6.87, \$7.00, \$7.20 and \$7.40. We see support at \$6.50, \$6.25, \$6.05, \$6.00 and \$5.75. We see further support at \$5.58, \$5.35, \$5.20, \$5.00 and \$4.07.

NYMEX Nat Gas Options Most Active Strikes for January 16, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	3	7	P	5.8	02/23/2007	0.133	4,445	55.32
LN	8	7	C	7	07/26/2007	0.9843	3,650	48.37
LN	8	7	P	7	07/26/2007	0.893	3,200	48.31
LN	3	7	P	5	02/23/2007	0.0188	2,585	53.49
LN	3	7	C	8.55	02/23/2007	0.0869	2,450	63.72
LN	3	7	C	8	02/23/2007	0.1465	2,375	62.06
LN	2	7	P	6	01/26/2007	0.0697	2,343	67.37
LN	5	7	P	5	04/25/2007	0.0797	1,750	49.59
ON	4	7	P	6.5	03/27/2007	0.47	1,540	51.80
ON	5	7	P	6.5	04/25/2007	0.511	1,540	49.29
LN	3	8	C	10	02/26/2008	1.1772	1,500	47.35
LN	3	7	C	7.5	02/23/2007	0.2354	1,475	60.56
ON	2	7	P	6	01/26/2007	0.07	1,440	67.48
ON	4	7	C	8	03/27/2007	0.238	1,325	53.90
LN	7	7	C	9.5	06/26/2007	0.2557	1,300	50.11
LN	3	7	C	8.5	02/23/2007	0.0911	1,225	63.58
ON	2	7	P	10.5	01/26/2007	3.862	1,186	126.12
LN	2	7	C	7	01/26/2007	0.1627	1,185	69.16
LN	3	7	C	6.5	02/23/2007	0.582	1,100	57.62
LN	7	7	C	7	06/26/2007	0.8579	1,050	47.69
LN	1	8	C	15	12/26/2007	0.3846	1,000	50.52
LN	2	8	C	15	01/28/2008	0.447	1,000	50.78
LN	3	7	P	6	02/23/2007	0.1912	1,000	55.99
LN	3	8	C	15	02/26/2008	0.4718	1,000	51.58
LN	2	7	C	8	01/26/2007	0.0216	950	71.91
LN	3	7	P	5.5	02/23/2007	0.0707	930	54.45
LN	5	7	P	6.5	04/25/2007	0.5092	875	49.15
LN	9	7	C	7	08/28/2007	1.0979	850	48.68
LN	3	7	C	9	02/23/2007	0.0559	750	64.75
LN	4	7	C	8	03/27/2007	0.2372	750	53.81
LN	5	7	C	12	04/25/2007	0.0315	750	57.62

