



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 22, 2008

NATURAL GAS MARKET NEWS

Colder-than-normal temperatures will dominate much of the northern United States and warmer-than-normal temperatures will be seen elsewhere through April, WSI Corp. forecasters said today.

A proposed 20 Bcf underground natural gas storage facility in Northern California drew strong interest in a recently completed open season, said its two principal backers, a subsidiary of Portland, OR-based Northwest Natural Gas Co. and San Francisco-based Pacific Gas and Electric Co.

Iroquois Gas Transmission System LP is holding an open season through Feb. 29 for its MetroExpress Expansion Project, with service commencing as early as Nov. 1, 2010. The project would serve the Iroquois market area with supplies carried on the Rockies Express Pipeline LLP (REX), as well as regasified Canadian and Atlantic Basin liquefied natural gas.

Japan's Mitsubishi, a downstream partner in the proposed 2 million mt/year Donggi LNG project in Indonesia's Central Sulawesi, has requested a lower feed gas price for the project. Mitsubishi said that the price of 3.85 based on a base oil price of \$35/barrel is too high.

PIPELINE RESTRICTIONS

Northern Natural Gas Company said that an SOL is being called due to extremely cold winter forecasted temperatures that continue for the next several days in all market area zones (Zone ABC 25%, Zone D 25%, Zone EF 25%).

Generator Problems

ECAR – Consumers Energy's 789 Mw Palisades nuclear unit ramped up to full power today. On Friday, the unit was operating at 90% power.

MAIN – Exelon's 912 Mw Dresden #3 nuclear unit reconnected to the grid and ramped up to 96% power. The unit was operating at 1% power over the weekend. Dresden #2 continues to operate at 97% power.

NPCC – FPL'S 1,240 Mw Seabrook nuclear unit shut over the weekend after a turbine trip. The unit was operating at full power on Friday.

SERC – TVA's 1,100 Mw Browns Ferry #3 nuclear unit restarted and increased power to 80% capacity. Browns Ferry #1 and #2 continue to operate at full power.

TVA's 1,125 Mw Sequoyah #1 nuclear unit restarted over the weekend and ramped up to full power by early today. Sequoyah #2 continues to operate at full power.

Entergy's 1,207 Mw Grand Gulf #1 nuclear unit reduced output to 77% power today. The unit was operating at 86% power on Friday

ERCOT – Luminant's 545 Mw Sandow #4 coal-fired power station restarted following repairs to a boiler tube leak.

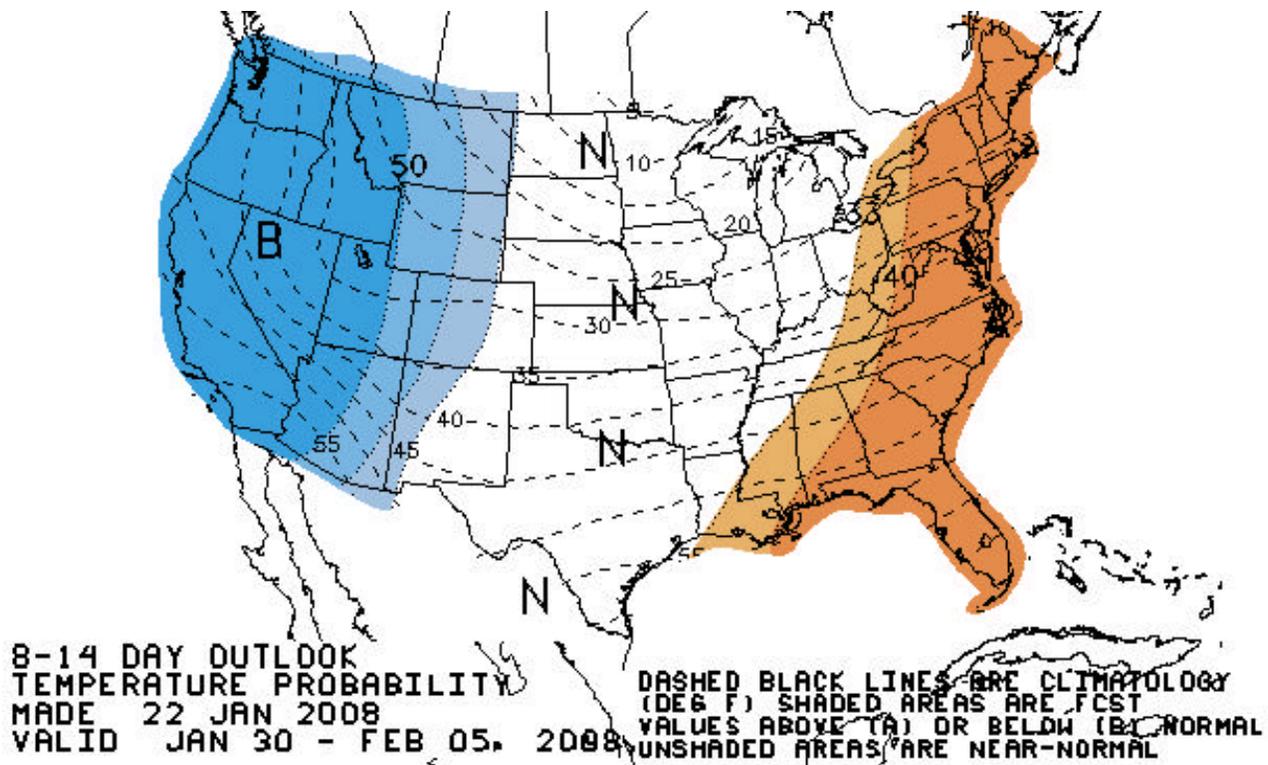
American Electric Power's 675 Mw Pirkey coal-fired power station shut due to equipment failure. The unit is expected to return on January 25.

WSCC – Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit ramped up to 95% power after completing an extended refueling outage.

APS' 1,270 Mw Palo Verde #3 nuclear unit is back online and ramped up to 69% power following a refueling outage. Palo Verde #1 and #2 continues to operate at full power.

Canada – Ontario Power Generation's 490 Mw Nanticoke #7 coal-fired power station returned to service today. The unit shut January 16.

The NRC reported that 92,707 Mw of nuclear capacity is online, up 3.62% from Friday, and down 3.77% from a year ago.



PIPELINE MAINTENANCE

Alliance Pipeline said that maintenance will require the Albert Lea Compression Station to be offline for 96 hours beginning at 9:00 PM MT today. System throughput (AOS) will be impacted but will be determined closer to the outage. Alliance also said that inspections require the Estlin Compression Station to be off-line for eight hours on January 23. System throughput (AOS) may be impacted.

ELECTRIC MARKET NEWS

U.S. coal supply fell .77% last week as coal weather pushed demand, but the stockpile cushion over last year grew. U.S. power generators had slightly less than 150 million tons of coal as of the week ended January 21, down 1,164,443 tons from the previous week. Power stations had coal stockpiles 10.85% more than they had during the same week in 2007, a cushion up 0.28 percentage points over the prior week.

The Midwest ISO will extend day-ahead trading for Wednesday by about 45 minutes due to a computer problem earlier Tuesday. The problem occurred at 9:50 AM ET and it prevented the market from making bids and offers in the day-ahead market for about 45 minutes.

A collection of 10 Georgia electric cooperatives said they plan to spend \$2 billion to build an 850 Mw, pulverized coal power plant near Sandersville, in Washington County in the eastern part of the state.

MARKET COMMENTARY

The natural gas market fell sharply today as the 11-15 day forecast calls for mild winter weather. Economic worries that plagued the crude oil market to start the session also had the natural gas market on the defensive, but as the FED's rate cut helped to par losses in crude oil and the equities, further moderation in the noon weather model sent natural gas shooting down the charts to a low of 7.626. The February contract settled down 32.3 cents at 7.67.

The current two-week weather outlook shows above-normal temperatures in the East along with seasonal to above-average temperatures in the Midwest. The impetus to cover short positions has been removed with this forecast and with the outlook of slower economic growth, the bears have regained fundamental and technical control. Early expectations for this week's EIA inventory report call for a draw of between 130 and 160 Bcf with most calling for a draw of 145-150. Our heating degree model calls for a draw of 143-144 Bcf. This will compare

to the five-year average draw of 161 Bcf and below last year's draw of 179 Bcf. Technically, the spot month settled below the 20-day moving average at 7.82, confirming that a short-term top has been posted. The next downside target is 7.50. We see support first at 7.626, 7.50, 7.375, 7.25, 7.124 and 7.00. We see resistance at 7.82, 8.00, 8.103, 8.216 and 8.48.