



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 24, 2007

NATURAL GAS MARKET NEWS

In his first State of the Union address to a Democrat-controlled Congress, President Bush Tuesday called for increased domestic oil and natural gas production as the nation accelerates the diversification of its fuel supply to include greater amounts of renewable and alternative energy sources.

Goldman Sachs Group Inc. and Morgan Stanley are said to be in talks to make a bid for Dominion Resources Inc.'s exploration and production assets. According to a report in *The Wall Street Journal*, the two banks are putting together a deal that could top \$15 billion.

The drilling boom in the Gulf Coast and Midcontinent regions probably will end up stifling liquefied natural gas import growth but won't come close to filling up the plethora of proposed gas pipelines, according to a new study by New York City-based consulting firm PIRA Energy Group and El Paso-based Lippman Consulting Inc.

The NYMEX reported that effective at the close of business tomorrow, margins for the first and second months of natural gas futures will increase to \$10,125 from \$8,775 for customers. Margins for the third month will increase to \$8,775 from \$8,100 for customers. Margins for the fourth to ninth month will decrease to \$6,750 from \$8,100 for customers.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that due to the weather forecasts and anticipated demand, AGT urges all shippers and point operators to carefully review demands and schedule gas consistent with daily needs and to tender and receive gas consistent with confirmed nominations. AGT believes that if shippers and point operators limit due pipe imbalances to 2% or less of scheduled deliveries to actual deliveries, the necessity of enforcing restrictions contemplated by the AGT tariff to maintain service to firm customers will be avoided. However, if necessary to protect system integrity and prevent impairment of firm service, AGT will take further actions. Furthermore, beginning today, AGT will not allow gas to be taken off AGT, until further notice. More specifically, due shipper make-up and/or due pipe creation will not be allowed.

Alliance Pipeline said that effective January 25, and until further notice, tolerance will be changed to -4/+4 percent.

East Tennessee Natural Gas said that weather forecasts show cold temperatures across the entire East Tennessee system beginning January 25. As a result, ETNG will be implementing restrictions at 9:00 AM CT.

Generator Problems

MAPP – Xcel Energy's 600 Mw Monticello #1 nuclear unit exited an outage and is warming up offline at 1% capacity. The unit is expected to be at full power within a few days.

SERC – Tennessee Valley Authority's 1,125 Mw Sequoyah #2 nuclear unit shut yesterday afternoon due to the failure of a feedwater regulating valve. Sequoyah #1 continues to operate at full power.

WSCC – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit ramped up to 98% capacity after being shut over the weekend to find and fix a condenser leak. The unit was operating at 65% power yesterday. San Onofre #2 remains at 99% power.

The NRC reported that 95,511 Mw of nuclear capacity is on line, down .86% from Tuesday, but 1.36% higher from a year ago.

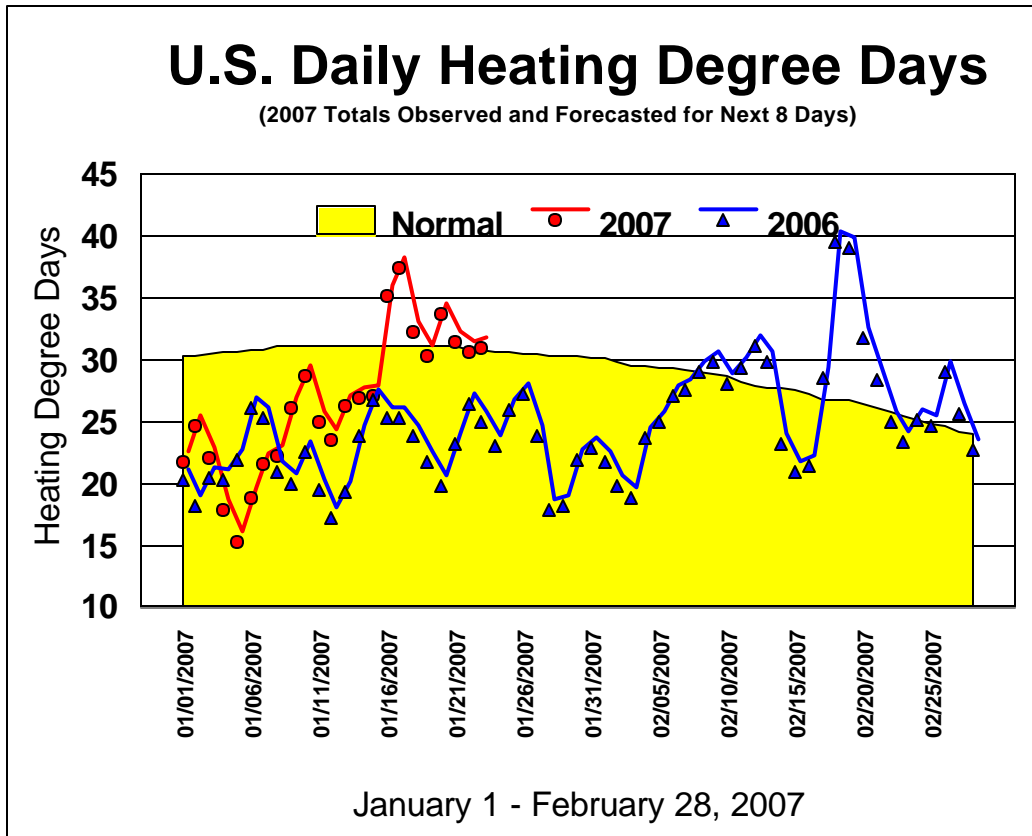
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	896,600	\$7.470	\$0.036	\$0.077	\$0.235	(\$0.092)
Chicago City Gate	51,800	\$7.280	\$0.008	(\$0.213)	(\$0.005)	(\$0.146)
NGPL- TX/OK	620,000	\$7.000	(\$0.082)	(\$0.493)	(\$0.095)	(\$0.377)
SoCal	977,000	\$7.089	(\$0.071)	(\$0.404)	(\$0.083)	(\$0.265)
PG&E Citygate	586,900	\$7.379	(\$0.103)	(\$0.114)	(\$0.116)	\$0.019
Dominion-South	349,900	\$7.875	\$0.161	\$0.382	\$0.148	\$0.170
Transco Zone 6	139,000	\$21.120	\$12.446	\$13.627	\$12.433	\$3.433

There will be no secondary receipts upstream of station 3104; no secondary receipts upstream of station 3205; no secondary deliveries downstream of station 3313. Also, ETNG will implement its Maximum Allowable Delivery Service effective 9:00 AM CT tomorrow.

While MAD is implemented, the force balancing letters currently in effect will be suspended during the MAD implementation.

Natural Gas Pipeline Company said that it is at capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 2. Scheduling will not be impacted for today. However, effective for gas day January 25, and until further notice ITS/AOR and Secondary out-of-path transports will be at risk of not being fully scheduled. Withdrawals from South Texas Storage Point will be included for purposes of scheduling.

Tennessee Gas Pipeline said that due to nominations in excess of the available capacity, Tennessee anticipates several restrictions today. At Leidy Meters, Tennessee is restricted through approximately 4% of Supply to Market evening cycle nomination increases pathed for delivery at the Leidy Delivery Meters. At Station 245, Tennessee anticipates restricting through approximately 100% of Supply to Market Secondary out of the Path nominations. At MLV



314, Tennessee anticipates restricting through approximately 48% of Supply to Market Secondary Out of the Path nominations. At Station 321, Tennessee anticipates restricting through approximately 36% of Supply Market Secondary Out of the Path nominations. At North Hampton Lateral, Tennessee will not accept any Supply to Market nomination increases pathed to meters located on the North Hampton Lateral.

NYMEX Nat Gas Options Most Active Strikes for January 24, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	2	7	C	8	01/26/2007	0.046	6,370	99.51
LN	3	7	P	5.5	02/23/2007	0.0342	3,900	68.56
LN	8	7	C		12 07/26/2007	0.1688	3,400	48.78
LN	5	7	C		14 04/25/2007	0.0219	3,250	60.72
LN	3	7	C	7.5	02/23/2007	0.5348	3,050	67.32
LN	2	7	C	7.5	01/26/2007	0.1792	2,992	97.59
LN	4	7	C	7.5	03/27/2007	0.5737	2,865	50.74
LN	3	7	P	6.5	02/23/2007	0.2093	2,650	69.98
LN	3	7	C	8	02/23/2007	0.3648	2,531	69.43
ON	3	7	C	7.5	02/23/2007	0.535	2,444	70.29
LN	2	7	C	8.5	01/26/2007	0.0084	2,425	101.21
LN	2	7	P	7.25	01/26/2007	0.1371	2,190	98.36
ON	2	7	C	7.75	01/26/2007	0.095	2,106	99.05
ON	4	7	C	7.5	03/27/2007	0.575	2,000	55.07
ON	2	7	C	8	01/26/2007	0.046	1,772	99.90
LN	3	7	P	7	02/23/2007	0.3959	1,706	71.39
LN	2	7	C	7.75	01/26/2007	0.0951	1,600	98.59
LN	8	7	C	9	07/26/2007	0.5265	1,600	43.13
ON	2	7	P	7	01/26/2007	0.061	1,572	97.21
LN	10	7	C		15 09/25/2007	0.1436	1,500	51.57
LN	10	7	C	9	09/25/2007	0.7624	1,500	42.50
LN	3	7	P	6	02/23/2007	0.0922	1,420	68.68
LN	3	7	C	9	02/23/2007	0.1654	1,405	73.10
LN	2	7	C	9	01/26/2007	0.0011	1,300	102.13
LN	4	8	P	7.5	03/26/2008	1.0247	1,250	43.98
LN	5	8	P	7.5	04/25/2008	1.0731	1,200	43.62
LN	6	8	P	7.5	05/27/2008	1.0755	1,200	43.57
LN	7	8	P	7.5	06/25/2008	1.0839	1,200	44.03
LN	8	8	P	7.5	07/28/2008	1.1082	1,200	44.80
LN	9	8	P	7.5	08/26/2008	1.147	1,200	45.96
LN	10	8	P	7.5	09/25/2008	1.1738	1,200	46.90
LN	2	7	C	8.25	01/26/2007	0.0204	1,000	100.36
LN	3	7	P	5	02/23/2007	0.0099	925	68.75
LN	2	7	P	7	01/26/2007	0.0613	875	97.82
LN	4	7	P	6	03/27/2007	0.1486	820	56.30
ON	6	7	C		10 05/25/2007	0.202	810	51.62
ON	2	7	C	7.5	01/26/2007	0.179	806	98.21
LN	4	7	C		10 03/27/2007	0.0959	800	56.95
LN	2	7	P	6.75	01/26/2007	0.0222	750	97.44
LN	4	7	C	8	03/27/2007	0.4057	700	52.31
LN	4	7	P	7.3	03/27/2007	0.6374	700	58.32
LN	4	7	C	7.3	03/27/2007	0.6562	700	49.98

Williston Basin Interstate Pipeline Company said that several line sections are in pipeline capacity constraint for today's Timely Cycle. Penalties will be imposed at the following line sections: Cabin Creek-Dickinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; and Belle Creek-Manning.

PIPELINE MAINTENANCE

Northern Natural Gas Company said it would perform two maintenance projects in Beaver County in the coming months. Northern will perform planned unit maintenance on unit #1 at the Beaver Co. #13 compressor station from February 19-23. Scheduled volume will be 0 during this maintenance. In addition, Northern will perform planned unit maintenance on unit #2 at the Beaver Co. #2 compressor station from March 5-9. Scheduled volume will be limited to 8,000 mmbtu/d during this maintenance.

Trailblazer Pipeline said that on February 28, the company will run a cleaning pig from Rockport in Weld County, Colorado, to Station 601 in Logan County, Colorado. This pig run is in Segment 10 of Trailblazer but will have no impact to transport scheduling.

ELECTRIC MARKET NEWS

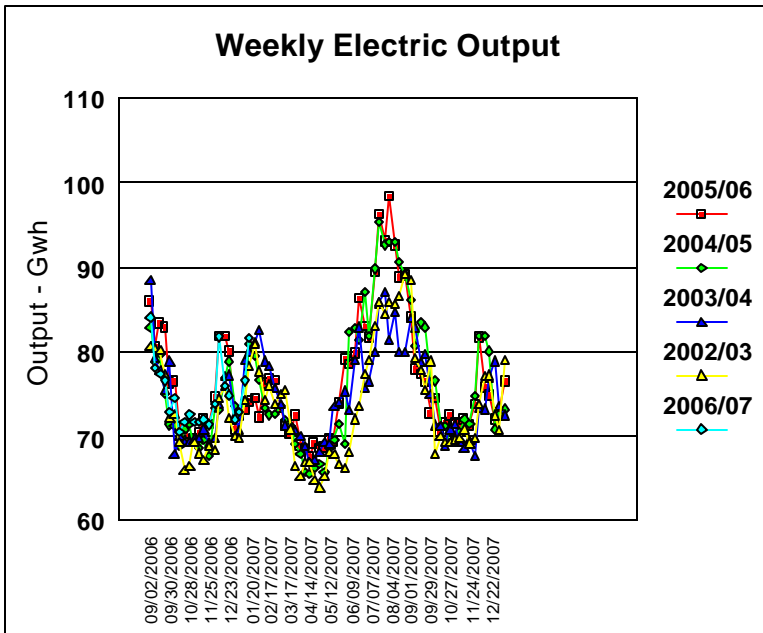
Pacific Gas and Electric Co.

has commenced work to finish construction of a partially built 530 Mw natural gas-fired power plant near San Francisco, to open in 2009. Independent power producer Mirant Corp began the Gateway Generating Station, about 40 miles northeast of San Francisco, and PG&E said it would cost about \$370 million to finish the plant.

The Edison Electric Institute reported that power production in the continental U.S. for the week ended January 20 jumped 10.1% from the same 2006 week to 81,592 GWh.

MARKET COMMENTARY

The natural gas market opened 13 cents lower as traders mulled over the storage situation and took a pause from its over \$1.00 rally in less than a week. February natural gas posted an inside trading session, trading between 7.35 and 7.54 despite firming cash prices, particularly in the northeast, which posted double digit increases as arctic air dips south. Profit taking ahead of tomorrow's EIA storage report ended the market's consecutive winning sessions, with the front month down 17.6 cents at 7.421.



Expectations for tomorrow's storage report range from a draw of 150 to 200 Bcf, with most calling for a draw of 180. Our heating degree-day model calls for a draw of 185 Bcf. This will compare to the five-year average withdrawal of 160 Bcf, but well above last year's 76 Bcf draw for the same week. The market remains sensitive to weather forecasts and with this week's report and next week's report priced in to an extent, market players will look at weather forecasts and HDD forecasts to see how the storage situation plays out for the end of winter. We see support at \$7.30, \$7.00, \$6.80, \$6.20, \$6.00 and \$5.75. We see resistance at \$7.70, \$8.00 and \$8.45.