



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 2, 2007

NATURAL GAS MARKET NEWS

According to a report from Cambridge Energy Research Associates, rising costs and declining production rates are squeezing the margins of many North American gas producers despite lofty wellhead prices. The multi-client study, which examined 2005 cost and volume data for 48,000 wells in 50 North American Basins, also found a dramatic shift toward unconventional gas production, which now accounts for a quarter of total output. According to the report, the weighted-average cost for developing gas reserves in 2005 ranged from about \$4/Mcf to \$12/Mcf. Judged against the record prices of 2005, which averaged \$8.80/Mcf at Henry Hub, more than 6% of basins had costs high enough that they would fail to achieve a 10% rate of return-on-investment.

Last year saw exceptional success for exploration in the deepwater Gulf of Mexico, according to a new report by Wood Mackenzie. Early estimates suggest total reserves discovered last year could be in the range of 1.5 billion boe, the Edinburgh, Scotland-based firm said Thursday.

PIPELINE RESTRICTIONS

Dominion Transmission announced that an Operational Flow Order would be in effect for February 4 and until further notice. Dominion has determined that operating circumstances could cause reduced pressures of flow rates to a level below that required to reliably service DTI's customers at existing firm contract levels because, based upon current and forecasted weather, customers may take delivery of gas in excess of DTI's daily or hourly capability at the listed delivery areas.

East Tennessee Natural Gas said that it has placed restrictions on its system effective 9:00 AM ET today. ETNG will be implementing the following restrictions: no secondary receipts upstream of station 3104; no secondary receipts upstream of station 3205; no secondary deliveries 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. The unauthorized overrun charges for exceeding MAD will remain in effect until further notice. ETNG will not assess an Unauthorized Overrun charge on a Balancing Party unless the quantity of gas by which the Balancing Party exceeds its MAD is more than the greater of 50 DTH or 2% of MAD.

Generator Problems

MAAC – Constellation Energy's 873 Mw Calvert Cliffs #1 nuclear unit returned to service and ramped up to full power by early today. Yesterday, the unit was operating offline at 8% capacity. Calvert Cliffs #2 continues to operate at full power.

PSEG's 1,049 Mw Hope Creek nuclear unit ramped up to 80% capacity today. Yesterday, the unit was operating at 43% power after exiting an outage.

NPCC – Constellation Energy's 497 Mw Ginna nuclear unit returned to full power by early today. Yesterday, the unit was operating at 56% of capacity after exiting an outage earlier in the week.

SERC – Entergy Corp.'s 1,001 Mw Arkansas #2 nuclear unit started to exit an outage and ramped up to 16% capacity by early today. Arkansas #1 continues to operate at full power.

WSCC – Arizona Public Service's 1,247 Mw Palo Verde #3 nuclear unit started to exit an outage and ramped up to 91% capacity by early today. Yesterday, the unit was operating at 50% capacity after exiting an outage.

Canada – Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired power station shut for short work today. The unit is expected to return to service in about a week.

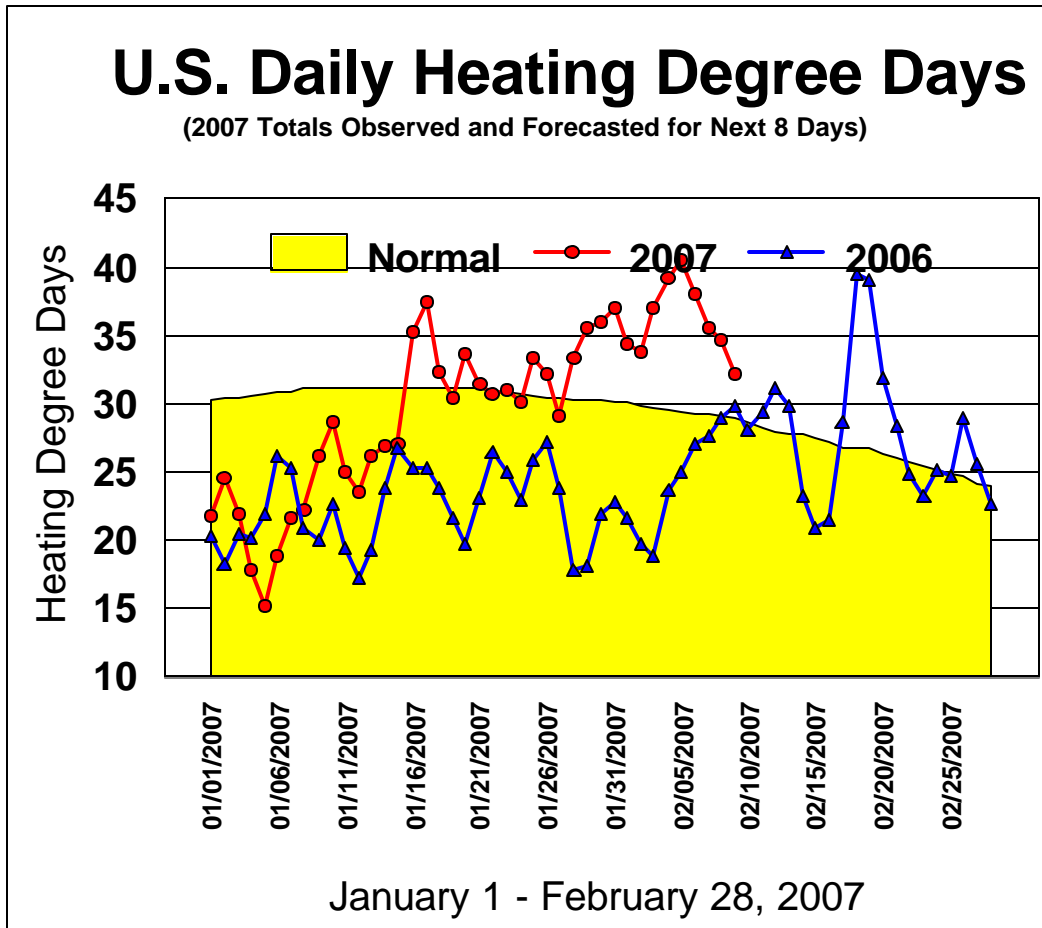
The NRC reported that 95,176 Mw of nuclear capacity is on line, up 2.73% from Thursday, and 2.08% higher from a year ago.

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	1,228,500	\$8.174	\$0.243	\$0.776	\$0.449	\$0.177
Chicago City Gate	914,800	\$9.992	\$1.910	\$2.528	\$1.942	\$0.642
NGPL- TX/OK	906,600	\$7.643	(\$0.025)	\$0.179	\$0.007	(\$0.111)
SoCal	1,097,600	\$7.403	(\$0.095)	(\$0.061)	(\$0.063)	(\$0.231)
PG&E Citygate	744,300	\$7.632	(\$0.136)	\$0.168	(\$0.104)	\$0.037
Dominion-South	612,200	\$9.114	\$0.903	\$1.650	\$0.935	\$0.666
Transco Zone 6	186,300	\$14.946	\$5.587	\$7.482	\$5.619	\$3.523

Gulf South Pipeline said that due to a broken regulator on NGPL's system, effective today Gulf South will not confirm any volumes at the location unless the total nominated quantity exceeds 38 MMcf/d. NGPL has indicated that this problem will not be corrected until

the spring.

KM Interstate Gas Transmission said that effective today and until further notice, Southern Star Central Thomas is at capacity for received volumes. Based on the current level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

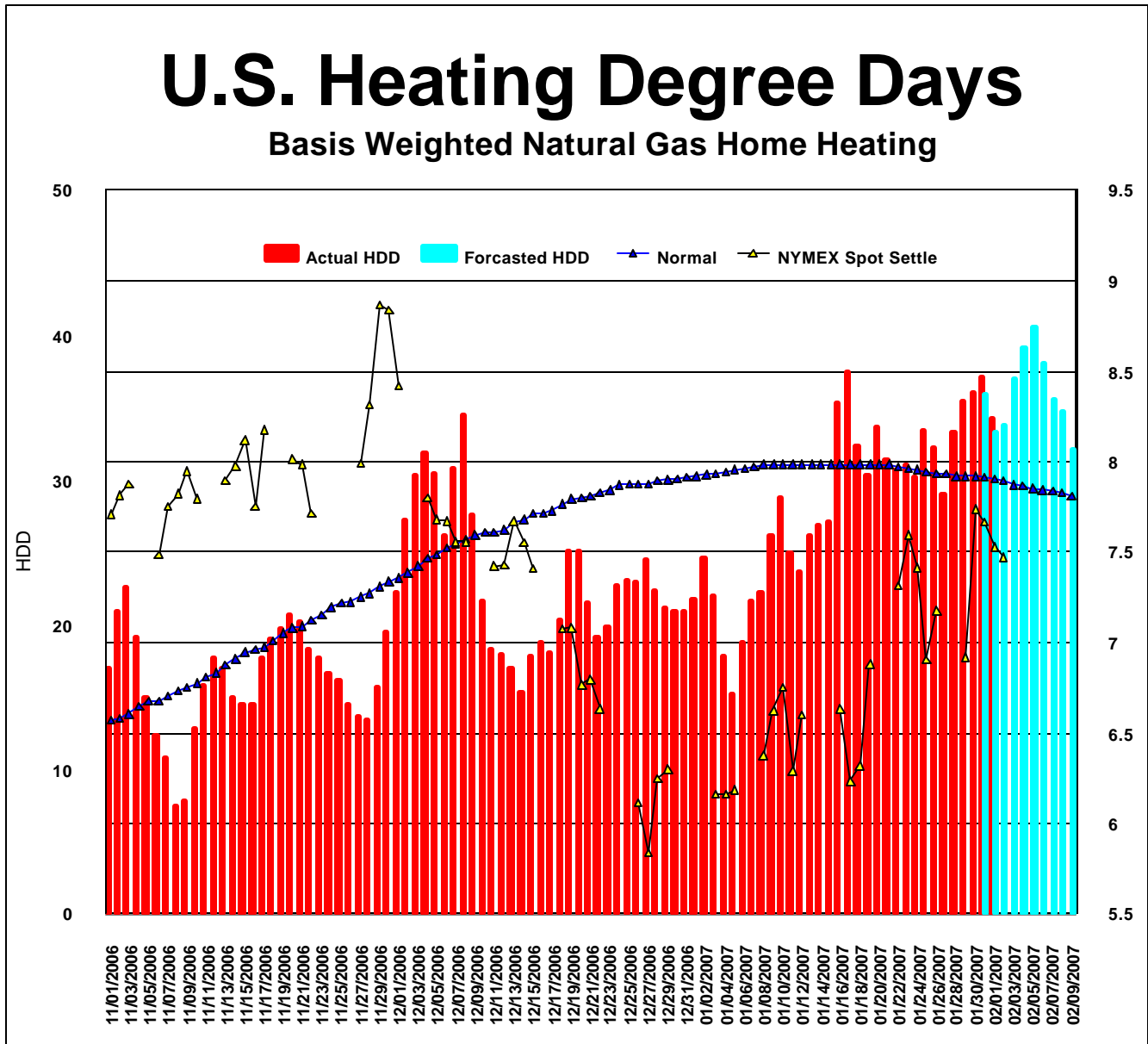


Natural Gas Pipeline Company announced various availabilities and restrictions for today. Effective today and until further notice, Natural has capacity available for gas going eastbound through the end of Segment 17. ITS/AOR and Secondary out-of-path transports are available. Also today and continuing until further notice, transportation for deliveries to Northern Border-Keokuk are at capacity. Natural will only be able to schedule delivered transports up to the level of scheduled receipts from Northern Border. This point is in Segment 14 of Natural's Iowa-Illinois

Receipt Zone. NGPL also announced that in the Amarillo system, Segment 13 (station 107) and Segment 15 (Station 801) are at capacity. On the Gulf Coast system, Segment 27 (309/310) and Segmetn 25, 24 and 23 on the Louisiana line are at capacity. Also, two points are at capacity: Fla Jefferson (Segment 25) and Col Chalkley (Segment 23).

Northern Natural Gas Company said that due to single digit system weighted forecasted temperatures and below zero low temperatures at most reporting stations in the market area, as SOL is being called for all market areas for tomorrow.

Tennessee Gas Pipeline said that effective Cycle 1 today, due to nominations in excess of the available capacity, the Tennessee Gas System is restricted. At Carthage Lateral Tennessee is restricted through approximately 22% of Supply to Market Secondary Out of the Path nominations. At Station 47, Tennessee is restricted through 100% of Supply to Market Interruptible Service nominations. At TOCA Exchange, Tennessee is restricted through approximately 45% of Supply to Market Secondary out of the Path nominations. At Station 245, Tennessee is restricted through approximately 64%, and at Station 321, Tennessee is restricted through approximately 33%.



PIPELINE MAINTENANCE

Southern Natural Gas Pipeline said that a repair plan has been developed for the outage at Elmore Compressor Station and the company expects to have the unit back in service by February 6. The company has evaluated the potential impact on market area deliveries and we expect to be able to serve all firm contracts in Southern's

NYMEX Nat Gas Options Most Active Strikes for February 2, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	3	7	P	5	02/23/2007	0.001	11,450	62.14
ON	4	7	P	5	03/27/2007	0.01	11,200	53.22
LN	3	7	C	8.5	02/23/2007	0.1482	5,550	64.60
LN	3	7	P	6.5	02/23/2007	0.0914	4,075	62.14
LN	4	7	C	10	03/27/2007	0.0814	3,975	55.03
ON	3	7	P	5.5	02/23/2007	0.006	3,972	60.91
LN	5	7	P	6	04/25/2007	0.1231	3,575	50.81
LN	3	7	C	8	02/23/2007	0.2591	3,025	62.69
ON	6	7	P	5	05/25/2007	0.028	3,000	45.37
ON	3	7	P	6.5	02/23/2007	0.091	2,441	60.81
LN	10	7	C	10	09/25/2007	0.573	2,150	41.94
LN	11	7	P	8.5	10/26/2007	1.2307	2,100	52.12
LN	11	7	C	8.5	10/26/2007	1.2172	2,100	34.49
ON	3	7	P	6	02/23/2007	0.026	1,955	59.83
ON	4	7	P	6	03/27/2007	0.082	1,935	51.80
LN	5	7	P	7	04/25/2007	0.4071	1,800	51.55
ON	3	7	P	7	02/23/2007	0.231	1,767	61.97
LN	12	7	C	9	11/27/2007	1.2743	1,750	32.22
LN	12	7	P	9	11/27/2007	1.3403	1,750	50.88
LN	3	7	C	7.5	02/23/2007	0.4373	1,600	60.49
LN	6	7	C	8	05/25/2007	0.6144	1,600	40.35
LN	6	7	C	10	05/25/2007	0.1901	1,580	45.21
LN	6	7	P	6	05/25/2007	0.1445	1,575	47.92
LN	3	7	P	6	02/23/2007	0.0261	1,400	60.87
LN	3	7	C	9	02/23/2007	0.0829	1,350	66.35
LN	4	7	P	6.5	03/27/2007	0.1811	1,350	53.87
ON	4	7	P	7	03/27/2007	0.349	1,293	52.34
LN	3	8	C	9	02/26/2008	1.5166	1,275	31.80
LN	3	8	P	9	02/26/2008	1.5364	1,275	53.42
ON	3	7	C	8	02/23/2007	0.259	1,248	64.52
ON	3	7	P	7.5	02/23/2007	0.461	1,220	63.00
LN	1	8	P	7	12/26/2007	0.4158	1,200	46.56
LN	5	7	P	6.5	04/25/2007	0.2375	1,200	51.11
LN	5	7	P	5.5	04/25/2007	0.055	1,200	50.64
LN	10	7	C	13	09/25/2007	0.2428	1,200	47.64
LN	12	7	P	7	11/27/2007	0.428	1,200	46.54
LN	3	7	P	7	02/23/2007	0.231	1,125	63.62
LN	3	7	C	9.5	02/23/2007	0.046	1,050	68.06
LN	7	7	C	10	06/26/2007	0.2683	1,050	43.11

market area. Southern could see some reduction in the level of interruptible service in the following market area delivery groups, as long as this unit remains out of service: Group 3 – South Main Zone 2; Group 5 – Atlanta Group; Group 6 – South Main Zone 3; Group 7 – East of Wrens; Group 9 – Brunswick Lateral; Group 10 – Savannah Group; All South Georgia Groups (Groups 161-169).

Texas Eastern Transmission said that repairs on the compressor unit at the Grantville compressor station are complete. Effective immediately, Texas Eastern has lifted the IT-1 restriction sourced west of Grantville for delivery east of Grantville. However, no due shipper imbalance resolution and no due pipe creation will be accepted until further notice.

ELECTRIC MARKET NEWS

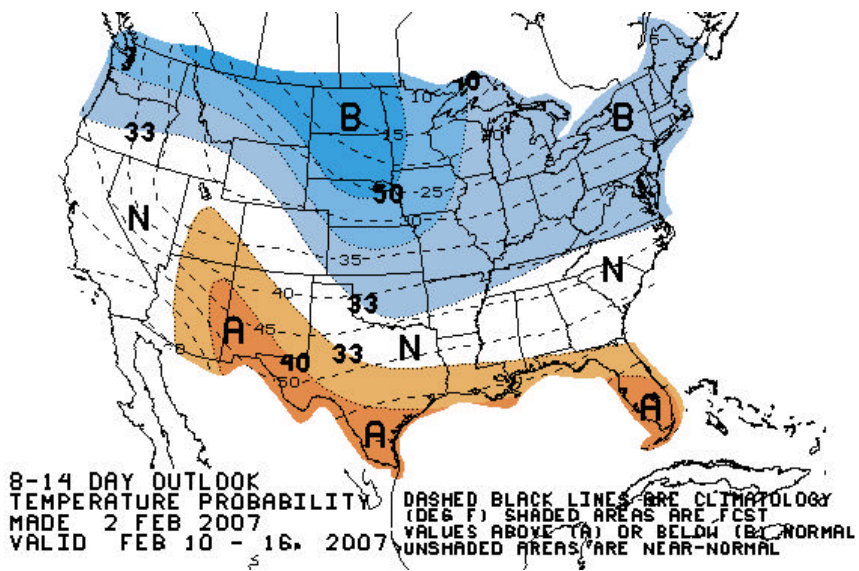
U.S. Energy Secretary Samuel Bodman said that human activities are causing climate change and that the issue is no longer up for debate. Bodman, along with EPA Administrator Stephan Johnson and NOAA Administrator Conrad Lautenbacher, held a press briefing to talk about an Intergovernmental Panel on Climate Change report released earlier today, finding that there is a 90% probability

that human activities, such as burning fossil fuels, has caused the world climate to change. Bodman said the report demonstrates the need for the US to work to limit greenhouse gas emissions, and he said President George W. Bush was committed to such action, citing the president's announcement last week to reduce gasoline usage by 20% in 10 years, in part to reduce emissions.

The Los Angeles Department of Water and Power has issued a request for proposals seeking 2.2 million MWh from renewable resources. LADWP said its January 31 solicitation will allow it to boost its renewable portfolio from 6% to 15%. The municipal utility's board in 2005 directed it to obtain 20% of its power from renewables by 2010.

MARKET COMMENTARY

The natural gas market opened 14 cents stronger as follow through buying lifted the market to a high of 7.74 following yesterday's sell off. As the buying subsided, the market then retreated on consolidation and some moderating weather reports forecasting more normal winter temperatures by the middle of the month, though the National Weather Service sees small batches of below normal temperatures remaining. The front month maintained ground above the 7.40 support level, trading to a low of 7.425. March natural gas settled the day down 5.4 cents at 7.476.



Temperatures next week are to be the fiercest of the winter, boosting cash prices and putting a bit of a dent in total storage. We look for the next two storage reports to show a combined 430 bcf drawdown. We feel the market will remain supported in the near term, but as forecasts get a better idea of temperatures for the latter half of the month, and signs of moderation will put the bulls on the defensive. Volatility will continue to be high as any change in weather will quickly change the direction of the market. We see support at \$7.40, \$7.00, \$6.90, \$6.20, \$6.00 and \$5.75. We see resistance at \$7.97-\$8.00, \$8.30, \$8.45 and \$9.00.