



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 6, 2007

NATURAL GAS MARKET NEWS

The EIA's Short-Term Energy Outlook for February 2007 reported that despite the recent return of cold weather, heating degree-days for January 2007 are estimated to be 10% below normal for the U.S. Mild winter weather in the Northeast and Midwest early in the heating season reduced natural gas demand and tempered the Henry Hub spot price, which averaged \$6.90 for December 2006 and \$6.75 for January 2007. Assuming normal weather for the remainder of the forecast period, the Henry Hub is expected to average about \$7.10 in 2007 and \$7.60 in 2008. The EIA increased their total consumption estimate for 2007 from 2.4 to 2.7 this month and based on a return to normal weather for the remainder of this year, residential consumption is expected to increase by 7.8% in 2007.

Generator Problems

SERC – Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit is operating at 91% capacity today. Browns Ferry #3 continues to operate at full power.

Southern Nuclear's 883 Mw Hatch #2 nuclear unit shut yesterday as planned for its refueling and maintenance outage. Hatch #1 ramped output from 45% to 90% today after restarting yesterday.

The NRC reported that 94,779 Mw of nuclear capacity is on line, down .52% from Monday, and .55% lower from a year ago.

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	1,105,900	\$8.287	(\$0.850)	\$0.194	(\$1.360)	\$0.570
Chicago City Gate	813,400	\$7.947	(\$1.430)	\$0.297	(\$1.506)	\$1.077
NGPL- TX/OK	703,000	\$7.187	(\$0.553)	(\$0.463)	(\$0.629)	(\$0.027)
SoCal	1,373,000	\$7.250	(\$0.359)	(\$0.400)	(\$0.435)	(\$0.148)
PG&E Citygate	821,300	\$7.586	(\$0.235)	(\$0.064)	(\$0.311)	\$0.115
Dominion-South	335,800	\$9.349	(\$2.290)	\$1.699	(\$2.366)	\$1.711
Transco Zone 6	209,800	\$16.994	(\$20.470)	\$9.344	(\$20.546)	\$10.102

2006. With regards to production, the EIA expects total domestic production of dry natural gas to rise 2.7% in 2007 and 0.7% in 2008. Imports are expected to rise a modes 0.5% in 2007, then increase by 7.9% in 2008 as more LNG comes on line as total imports are expected to be 0.8 Tcf in 2007 and 1.1 Tcf in 2008. Total storage currently stands at 2,571 Bcf and the EIA is forecasting that the winter season will end with 1,720 Bcf in the ground, almost 40% above the 5-year average and the highest level at the end of the heating season since 1991.

Russia is in danger of failing to meet its gas export commitments to Europe. Delays to new projects caused by Kremlin moves to increase control over its energy sector may mean a supply shortfall. Moscow has put pressure on international companies building massive gas projects to cede a stake in operations to its gas export monopoly Gazprom.

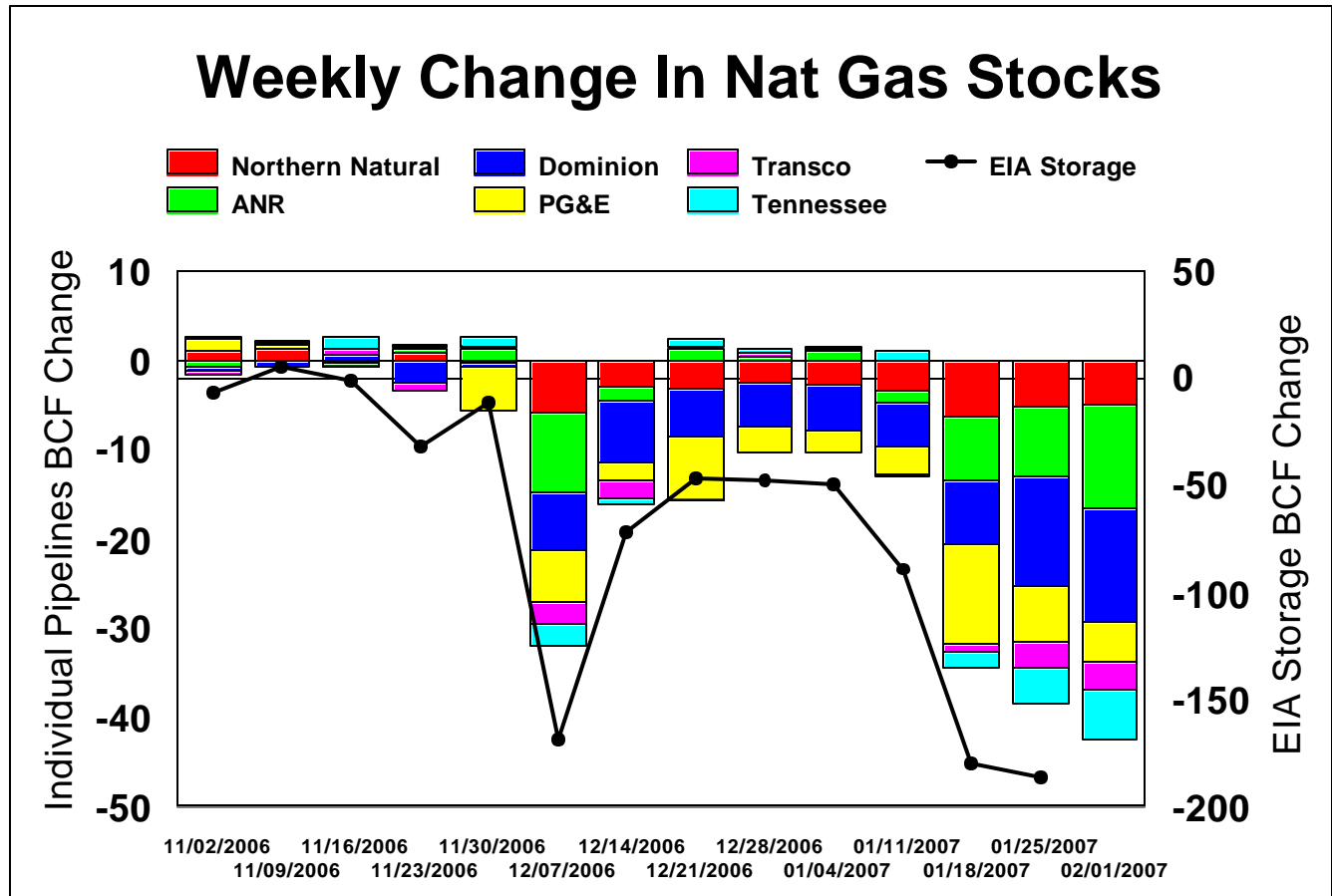
PIPELINE RESTRICTIONS

Columbia Gas Transmission extended through Wednesday an alert to natural gas shippers on its pipeline system as an arctic blast took hold of much of the eastern U.S. The company deemed Wednesday a critical day for

for electricity generation is expected to fall by 1.0% in 2007 because of the assumed return to normal summer weather. Projections for 2007 show a 3.0% increase in natural gas consumption in the industrial sector, following a decline in consumption of 1.4% in

natural gas shippers in its eastern U.S. market areas, extending Friday's designation of critical days for a fifth day. Based on forecasts, available facilities and capacity utilizations, the company said all available capacity would be needed in order to meet firm service obligations. Therefore, zero non-firm capacity is available.

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. ETNG has restricted all secondary deliveries on the Johnson City and Kingsport laterals. Only Firm priority 1 deliveries on the Johnson City and Kingsport laterals will be accepted. In addition, Maximum Allowable Delivery Service will be in effect 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.

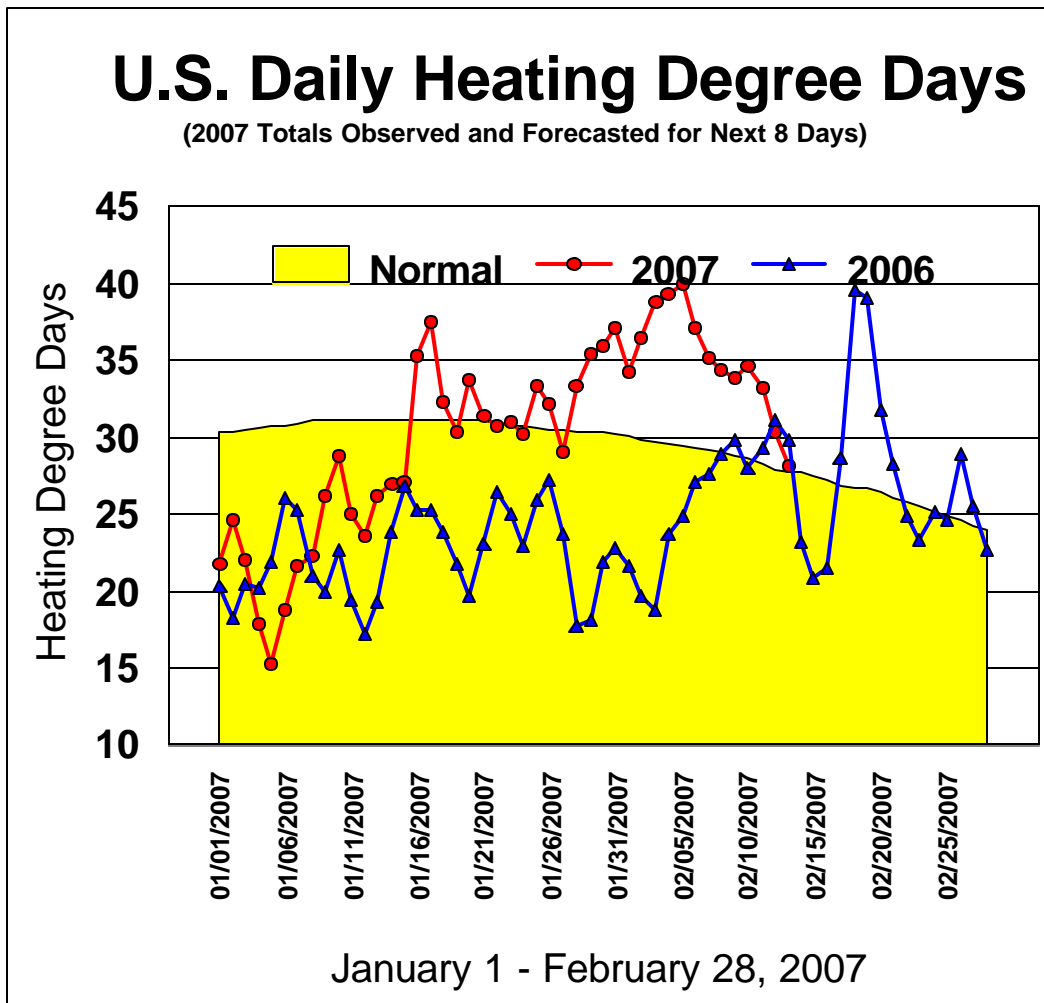


Florida Gas Transmission issued an alert to its natural gas shippers as cold weather forecast for the northern and central part of the state was expected to boost demand on its pipeline system. To maintain system integrity, the company issued an overage alert at 25% tolerance, meaning shippers must stay within 25% of scheduled volumes.

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 limited capacity today in Louisiana and Texas. The company said that effective today and until further notice, Texas Gas-Lowry is at capacity for deliveries. IT/AOR and Secondary transports are at risk of not getting fully scheduled. Texas Gas-Lowry is located in Cameron Parish,

Louisiana (Segment 23), in Natural's Louisiana Zona. NGPL also said that effective today and until further notice, the company has limited capacity available for gas going eastbound through the end of Segment 17. NGPL also has limited capacity available for gas received upstream of Compressor Station 155 in Wise County, Texas.



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 today and tomorrow.

Texas Eastern Transmission Corp. said that due to anticipated weather conditions and forecasted load, TE has restricted all forward haul IT-1 for delivery into Market Areas 2 and 3. Tetco has restricted receipts sourced between Mt. Belvieu and Little Rock for delivery outside of that area. No increase of receipts between Mt. Belvieu

and Little Rock for delivery outside of that area will be accepted. Due to the impending cold weather and high demand expected this week and to ensure system integrity, TE requires shippers to schedule receipts commensurate with scheduled deliveries. Therefore, TE will continue to restrict due pipe creation and due shipper make-up until further notice.

Trailblazer Pipeline said that effective for today and until further notice, Trailblazer is at capacity for gas going eastbound through Compressor Station 602 in Lincoln County, Nebraska. ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled.

TransColorado Gas Transmission said that all southbound transportation segments are at AOR/IT/Secondary Risk for today.

PIPELINE MAINTENANCE

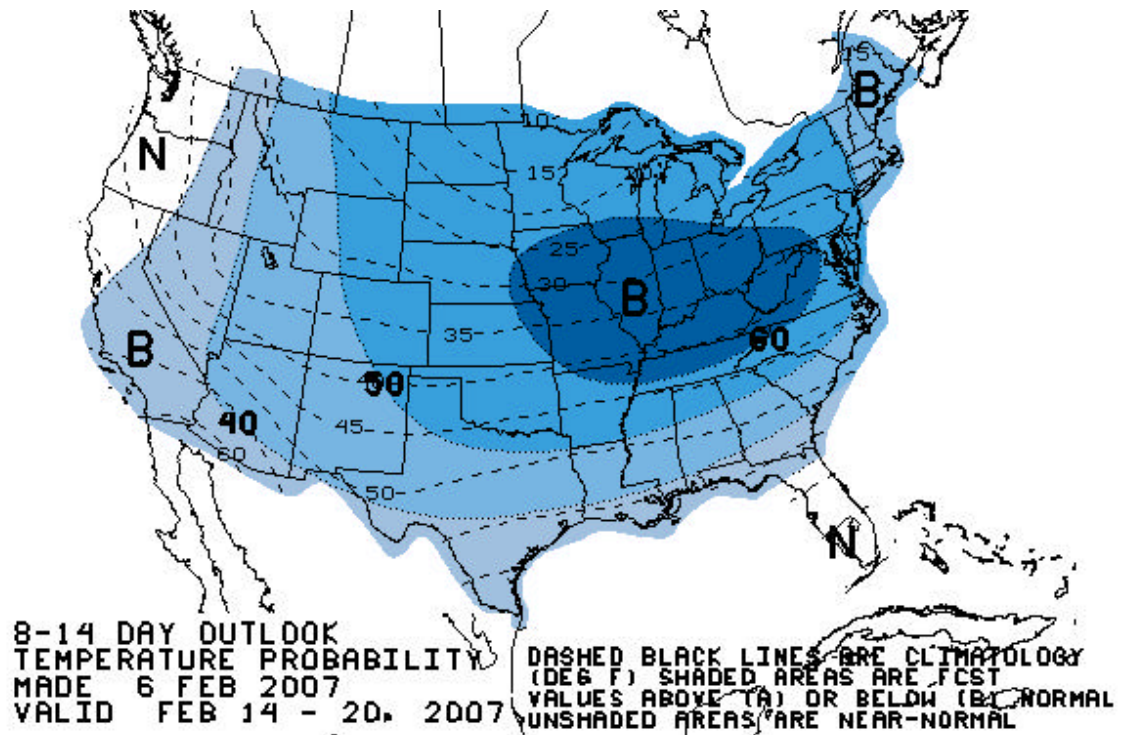
Gulf South Pipeline said that it will be performing scheduled compressor maintenance at the Clarence Compressor Station on Unit #3 beginning February 7 and continuing for approximately two days. Capacity through the Clarence Compressor Station facility could be reduced by as much as 150 MMcf/d during this maintenance.

Transcontinental Gas Pipe Line said that it has successfully completed repairs on the affected portion of its pipeline in Linden, New Jersey, which shown indications of degradation and led to a 15% reduction in late January. Transco subsequently lowered its maximum operating pressure in the area on January 24 to ensure continued safe operations.

ELECTRIC MARKET NEWS

The EIA's Short-Term Energy Outlook for February 2007 reported that the relatively slow growth in generation fuel costs should keep the growth in U.S. residential electricity prices at a comparatively lower rate of 2.4% during 2007. Prices are expected to rise by 3.6% during 2008 as increased fuel costs are passed through to retail customers. The EIA also said that coal consumption by the electric power sector fell 1.1% in 2006, the first decrease in demand since 2001. Electric power demand for coal in 2007 and 2008 is expected to recover, growing by 2.0% in 2007 and 0.8% in 2008.

PJM Interconnection set a new unofficial record for winter peak electricity use of 119,206 Mw on February 5 due to extremely cold temperatures. The grid operator said in a release electricity supplies and reserves were adequate and it did not ask consumers to curtail power use.



U.S. power company Duke Energy Corp. Chief Executive James Rogers said he does not expect the United States to implement carbon emission limits until 2009 or 2010, after the next presidential elections.

China, the world's top coal producer and consumer, may swing sooner than expected into a net importer of the fuel by the end of 2007, a move that will boost prices and step up competition among Asian energy importers. Chinese coal output is not growing fast enough to power an economy expanding at an annual rate of more than 10%, especially as oil prices are high and Beijing is closing small mines for safety and environmental reasons.

MARKET COMMENTARY

The natural gas market opened 8.6 cents stronger following another firmer overnight session, but resistance at the 8.00 level repelled the market as the weather picture following the current cold is still open to conjecture. March natural gas trended down the charts with a recoiling crude oil market to a low of 7.46. The market recovered modestly following the noon weather report, which hinted at cold conditions to persist and the front month contract settled the day down 1.8 cents at 7.616.

With clearly cold weather in place, many feel the market is waiting to see what the weather will be over the next few weeks and what it will mean for natural gas storage. Currently, weather forecasts vary with regards to how long the recent cold will last resulting in a choppy market vacillating between 7.40 and 8.00. With expectations

for this week's report and next calling for 200 Bcf to 225 Bcf being taken from storage, the surplus of gas should take a substantial cut and the weather forecasts will be the deciding factor regarding the market's next move. We see support at \$7.40, \$7.00, \$6.90, \$6.20, \$6.00 and \$5.75. We see resistance at \$8.00, \$8.35, \$8.45 and \$9.00.

NYMEX Nat Gas Options Most Active Strikes for February 6, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	C	12	03/27/2007	0.0193	5,425	61.45
LN	5	7	P	6.5	04/25/2007	0.199	4,150	50.18
ON	4	7	P	6.5	03/27/2007	0.155	3,976	52.49
ON	5	7	P	6.5	04/25/2007	0.199	3,863	47.59
LN	4	7	C	15	03/27/2007	0.0019	3,650	65.21
LN	7	7	C	9	06/26/2007	0.4653	3,500	40.84
LN	4	7	C	14	03/27/2007	0.0041	3,400	64.14
LN	6	7	C	12	05/25/2007	0.0684	3,300	49.49
LN	3	7	P	5.5	02/23/2007	0.0031	3,250	65.83
LN	5	7	C	12	04/25/2007	0.0363	3,200	52.87
LN	4	7	P	6.5	03/27/2007	0.1549	3,150	54.46
LN	8	7	C	9	07/26/2007	0.5898	3,050	40.43
LN	7	7	C	12	06/26/2007	0.1109	3,000	46.89
LN	8	7	C	12	07/26/2007	0.1749	3,000	46.56
LN	9	7	C	12	08/28/2007	0.2412	3,000	45.92
LN	10	7	C	12	09/25/2007	0.3269	3,000	45.99
ON	3	7	P	7	02/23/2007	0.162	2,596	63.16
LN	6	7	C	9	05/25/2007	0.3591	2,500	43.13
LN	4	7	C	10	03/27/2007	0.0897	2,450	56.95
LN	4	7	C	9	03/27/2007	0.1994	2,350	54.26
LN	7	7	P	6	06/26/2007	0.1556	2,300	47.10
LN	3	7	P	6.25	02/23/2007	0.0274	2,250	62.37
LN	8	7	P	6	07/26/2007	0.1951	2,250	48.01
LN	5	7	C	9	04/25/2007	0.271	2,175	46.79
LN	10	7	C	9	09/25/2007	0.8258	2,090	39.45
LN	3	7	C	9	02/23/2007	0.0848	2,050	68.98
LN	9	7	C	9	08/28/2007	0.6946	1,950	39.65
LN	3	7	P	7	02/23/2007	0.1617	1,590	64.45
ON	12	7	C	15	11/27/2007	0.297	1,500	49.44
ON	3	7	P	6.5	02/23/2007	0.05	1,437	60.52
ON	5	7	C	9	04/25/2007	0.272	1,300	49.99
LN	5	7	P	6	04/25/2007	0.0956	1,250	49.49
LN	3	7	C	11	02/23/2007	0.006	1,200	74.60
LN	3	7	C	8	02/23/2007	0.2764	1,160	64.23
ON	5	7	P	6	04/25/2007	0.096	1,100	47.40
LN	3	8	P	5	02/26/2008	0.0882	1,050	44.60
LN	6	7	P	7	05/25/2007	0.3911	1,030	48.31
LN	8	7	C	8	07/26/2007	0.9108	1,025	37.26
LN	3	7	P	6	02/23/2007	0.0133	1,000	62.68