



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 9, 2007

NATURAL GAS MARKET NEWS

Spurned last month by a harbor commission board that refused to complete several years of environmental review work, the sponsors of the proposed liquefied natural gas receiving terminal in Long Beach harbor Thursday asked a state Superior Court in Los Angeles to force the port to complete the job it took on jointly with FERC more than three years ago.

An energy price war could be on the cards in Britain, Europe's most competitive market, after the country's biggest supplier British Gas slashed its prices. The move puts other suppliers, many of which have been offering cheaper power and gas to their customers over the last year, under pressure to lower their prices soon or run the risk of losing market share. British Gas owner Centrica was the first to raise prices last year after wholesale prices soared on the U.K. gas market amid falling national production and tightening supply. It took the lead again by dropping domestic gas prices by 17¢ and power tariffs by 11% after months of sliding wholesale prices caused by improved supplies from Norway and mainland Europe.

PIPELINE RESTRICTIONS

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 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.

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, and SOL is being called for Zone EF for February 10.

Southern Natural Gas Pipeline said that there was a possibility that the company would implement a Type 6 OFO for today, tomorrow and Sunday based on current receipts and projected deliveries. Southern Natural Gas also said that based on current and projected system conditions, Southern does not expect that it will be able to

Generator Problems

ERCOT – TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station shut to fix a tube leak. The unit is expected to restart over the weekend.

SERC – Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit is operating at 81% today, down from 90%. The unit is expected to shut for refueling outage on February 20. Browns Ferry #3 continues to operate at full power.

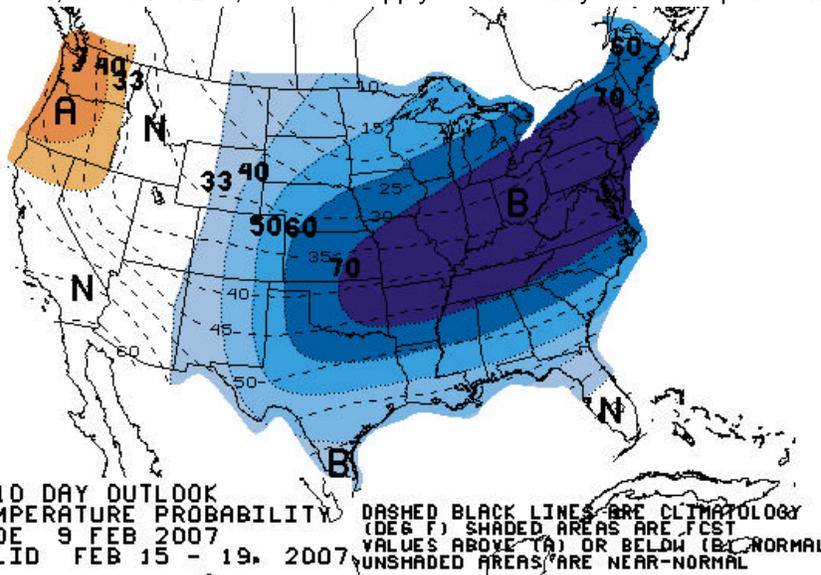
South Carolina Electric and Gas Company's 1,000 Mw Summer nuclear unit ramped up to full capacity today. Yesterday, the unit was operating at 75% capacity.

WSCC – Arizona Public Service's 1,314 Mw Palo Verde #2 nuclear unit reconnected to the grid and ramped up to 12% capacity early today. Palo Verde #1 and #3 continue to operate at full power.

The NRC reported that 93,787 Mw of nuclear capacity is on line, up .21% from Thursday, and 2.96% higher from a year ago.

accept increases in nominations for interruptible services that rely on storage on the evening cycle today. Southern will evaluate increases for Friday on the intra-day 1 and intra-day 2 scheduling cycles.

Tennessee Gas Pipeline is anticipating numerous restrictions effective Timely Cycle 9:00 AM CT for today, due to nominations in excess of the available capacity. At Carthage Lateral, Tennessee anticipates restricting through approximately 30% of Supply to Market Secondary Out of the Path nominations. At Station 47, 16% is restricted; at Station 245, 100% of supply to secondary out of the path nominations are restricted; At Station 314, Tennessee restricted 100%; At Station 321, 85% is restricted; At station 355, 100% and finally at Muskrat 500 Line, Tennessee will not accept any supply to market increases pathed from meters located on the Muskrat 500 Line.



Texas Eastern Transmission Corp. said that it has scheduled to capacity receipts sourced between Little Rock and Fagus for delivery downstream of Fagus. No increases of receipts between Little Rock and Fagus for delivery downstream of Fagus will be accepted. Texas Eastern 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.

Williston Basin Interstate said that several line sections remain in pipeline Capacity Constraint for today's timely cycle. The following line sections are constrained: Cabin Creek-Dickinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; and Belle Creek-Manning.

PIPELINE MAINTENANCE

Gulf South Pipeline said that the unscheduled maintenance at the Koran Compressor Station Unit #4 has been completed. The company also revised and clarified an early notice, now saying that it has been notified by Enterprise Texas Pipeline that the subject receipt location will not be shut-in during their planned maintenance.

Westcoast Energy experienced an electrical failure at 4:00 AM MT and at this point "A" and "B" Train are online at 50% capacity. Spectra Energy maintenance personnel have restarted the electrical generation units and are now repairing the power boiler unit. Spectra Energy is issuing an RGT Constraint of 50% effective immediately.

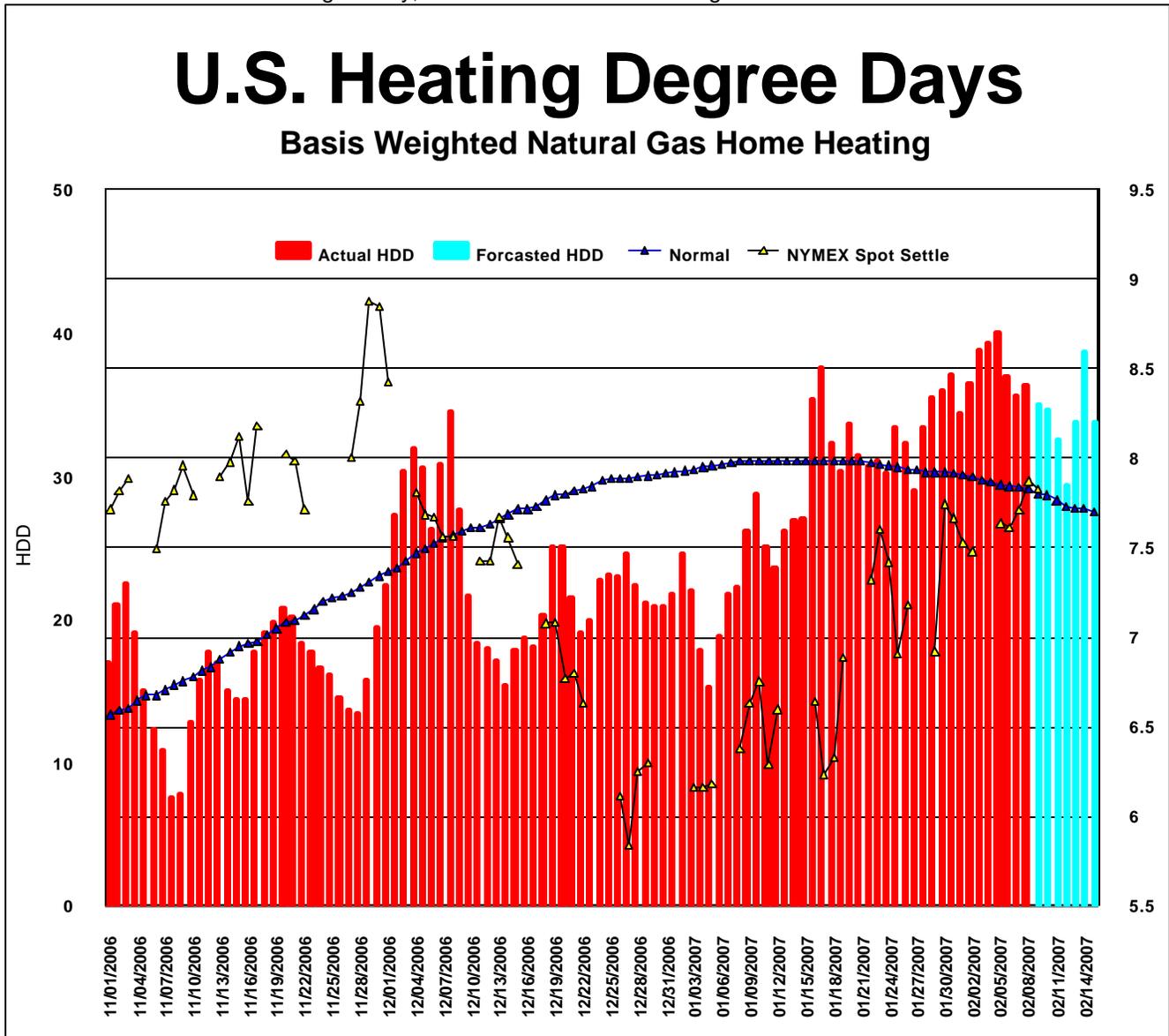
ELECTRIC MARKET NEWS

Venezuelan state oil company PDVSA will buy out U.S.-based AES's 82.14% stake in flagship electric company La Electricidad de Caracas for \$739 million. The parties plan to sign the final contract on Monday. AES then has 30 days to transfer its shares to PDVSA. AES paid \$1.6 billion six years ago for its stake in EDC and has since invested some \$600 million. It was not part of AES' plan to sell EDC.

New Jersey's investor-owned utilities purchased about 7,200 Mw of power representing \$6.5 billion, in their annual wholesale auctions, the state Board of Public Utilities said today in approving the results. The auction results are expected to lead to residential electricity price increases of just over 10% to slightly more than 14%.

ECONOMIC NEWS

The Economic Cycle Research Institute said its Weekly Leading Index slipped to 140.0 in the week ending February 2 from 140.1 in the prior week. This gauge of future U.S. economic growth was slightly lower on higher interest rates and lower housing activity, while its annualized rate of growth also fell.



MARKET COMMENTARY

The natural gas market opened 1.6 cents lower following an overnight session that saw the front month contract trade above 8.00 to a high of 8.027 as the crude oil market broke above its psychological \$60 level. Natural gas had a very light inside trading session, trading between 7.81 and 7.91, while the crude oil market chipped on either side of its key \$60 level. The March natural gas contract finished the session down 4.4 cents at 7.827, unable to make any serious attempt at the 8.00 level. The market thought is some 35.1 cents higher overall from last Friday's close.

Weather continues to be the name of the game with regards to natural gas, though even with a slightly colder forecast this morning and the market trading above 8.00 overnight, the natural gas market could not break out of its familiar range. With cold temperatures forecast through the middle of this month generating draws of over 400 Bcf over the next two weeks, we feel the market will continue to maintain its upside bias. The combination of the existing colder forecast with an improved technical bullish pattern, we feel the market will continue to

challenge the 8.00 level and possibly break through overhead resistance at 8.10 and 8.25. Further resistance we see at \$8.45, \$8.60 and \$9.00. We see support at \$7.70, \$7.40, \$7.00, \$6.20, \$6.00 and \$5.75.