



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 12, 2007

NATURAL GAS MARKET NEWS

In its second big step into pasture paddy-powered electricity, Pacific Gas and Electric Co. announced Monday another waste-to-energy renewable contract in California's manure-laced central agricultural valley, inking a 10-year deal for up to 3 Bcf of what the utility calls "renewable natural gas" annually from BioEnergy Solutions. As with a similar deal with another biogas provider last fall, the price and other terms of the agreement were kept confidential.

Britain's BG Group and Italy's Eni have signed deals with Nigeria's NLNG to buy LNG for shipment to the United States. BG Group has agreed to a 20-year deal to take 2.25 million tones a year of LNG from NLNG's planned Train 7 project. Deliveries are expected to start in 2011 or 2012. Eni has agreed to a 20-year deal to buy 1.375 million tones of LNG per year.

Anadarko Petroleum reported that since it has been unable to sell its partially completed LNG import terminal in Point Tupper, Nova Scotia it has taken a \$111 million write off and will mothball the Bear Head LNG project.

Excelerate Energy said Monday that after numerous ship to ship transfer test runs in the Gulf of Mexico, it has conducted the first ever commercial transfer of LNG from one ship to another. This they feel could revolutionize the way LNG is delivered.

PIPELINE RESTRICTIONS

Northern Natural Gas Company said that due to extreme cold at most reporting stations in the market area, an SOL is being called for all market areas for Tuesday and Wednesday.

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. Due to the impending cold weather and high demand expected this week and to ensure system integrity, Texas Eastern requires shippers to schedule receipts commensurate with scheduled deliveries. Therefore, Texas Eastern will continue to restrict due pipe creation and due shipper makeup until further notice. Additionally, TABS-1 parties are expected to schedule their pools balanced.

Generator Problems

ERCOT – TXU Corp.'s 565 Mw Monticello #1 coal-fired power station shut over the weekend due to a boiler tube leak.

Lower Colorado River Authority's 598 Mw Fayette #1 coal-fired power station is expected to restart tomorrow following planned maintenance.

FRCC – FPL Group's 693 Mw Turkey Point #4 nuclear unit exited an outage and ramped up to full power. Turkey Point #3 continues to operate at full power.

SERC – Tennessee Valley Authority's 1,100 Mw Browns Ferry #3 nuclear unit shut over the weekend from full power. The unit automatically tripped shut due to a loss of water level. Browns Ferry #2 is operating at 75% capacity.

WSCC – Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit is back online and operating at full capacity after restarting over the weekend. Palo Verde #1 and #3 continue to operate at full power.

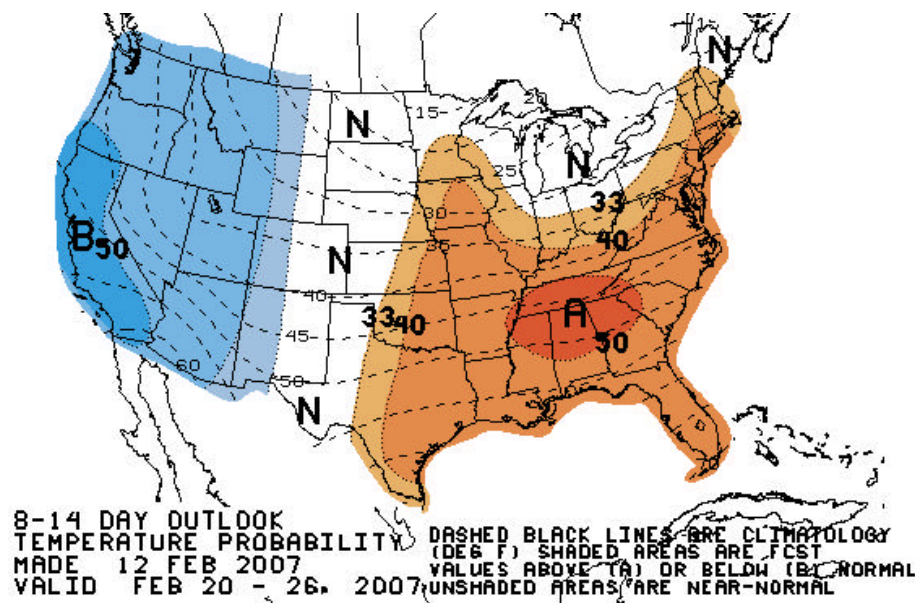
The Edison Mission 545 Mw Sunrise natural gas-fired power station resumed operation over the weekend. The plant went offline February 4 for a week of planned work.

Canada – Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired power station returned to service by early today. The unit has been shut since February 8.

The NRC reported that 94,497 Mw of nuclear capacity is on line, up .76% from Friday, and 5.97% higher from a year ago.

TransColorado Gas Transmission said Sunday that the company is at capacity for deliveries through Segment 220 until further notice. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.

Williston Basin Interstate Pipeline Company said that one point and two-line sections remain in pipeline Capacity Constraint for today's timely cycle. The line sections are Belle Fourche-Recluse and Belle Creek-Manning. The point is Northern Border-Manning.



PIPELINE MAINTENANCE

Alliance Pipeline announced three maintenance projects to commence this week. Alliance said that minor maintenance will require the Towner Compression Station to be offline for four hours February 13. AOS may be impacted but will be determined closer to the outage date. Also, minor maintenance requires the Peoples Meter Station to be out of service for eight hours tomorrow. There will be no deliveries to Peoples Gas for the duration of the outage. Commercial deliveries will not be impacted. The company also said that inspections and maintenance will require the

Teepee Creek Lateral Meter/Compressor Station to be unavailable for eight hours February 14. Station Capacity will be reduced to 984 MMcf/d for this gas day.

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	1,342,800	\$7.781	(\$0.375)	\$0.173	\$0.242	\$0.045
Chicago City Gate	659,200	\$7.816	(\$0.178)	\$0.436	\$0.297	\$0.269
NGPL- TX/OK	739,500	\$7.043	(\$0.311)	(\$0.337)	\$0.164	(\$0.474)
SoCal	867,200	\$7.005	(\$0.307)	(\$0.375)	\$0.168	(\$0.469)
PG&E Citygate	751,800	\$7.396	(\$0.314)	\$0.016	\$0.162	(\$0.096)
Dominion-South	567,300	\$8.903	\$0.125	\$1.523	\$0.600	\$1.180
Transco Zone 6	241,100	\$11.568	(\$0.219)	\$4.188	\$0.256	\$5.020

Panhandle Eastern Pipe Line Company said that beginning today there will be an outage on the Montezuma Main Engine Room #3 to replace loading valves on Unit 1316. Expected outage duration is 26 days. Capacity will be limited to 1,425 MMcf/d

through Montezuma for the duration of the outage. Also, Panhandle said that beginning today there will be an outage on the Montezuma Main Engine Room #2 to rewire ignition panels and modify jacket water/oil cooler piping on units 1313, 1314 and 1315. Expected outage duration is 56 days. At this time there is no anticipated impact to shipper nominations.

ELECTRIC MARKET NEWS

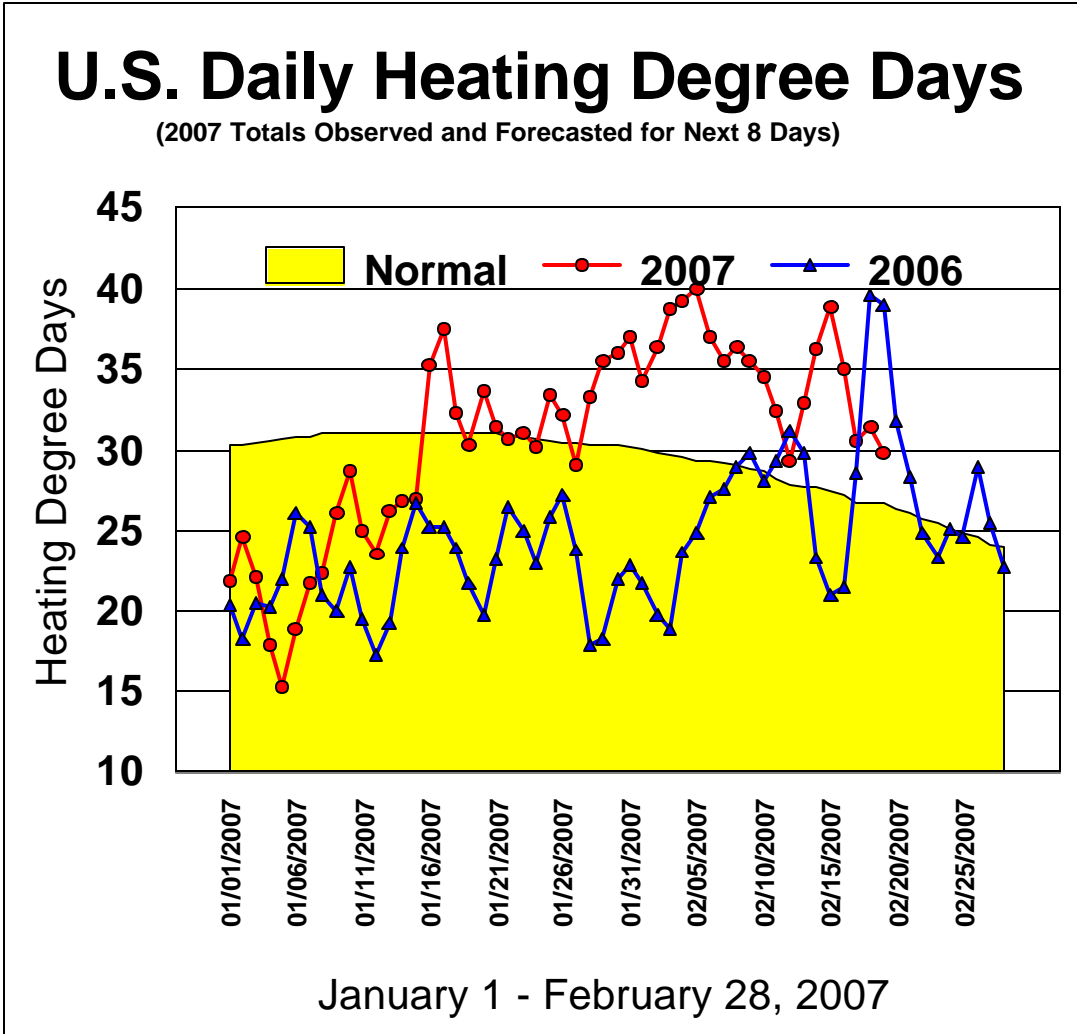
Opposition is growing to TXU Corp.'s \$10 billion plan to build new coal-fired power plants in Texas as lawmakers and regulators consider measures in the next few weeks that will determine whether the projects can move forward. Environmental groups have been joined by elected officials and business leaders arguing that TXU's plan to build 11 new coal plants will drastically increase emissions of sulfur dioxide, nitrogen oxides, mercury and carbon dioxide, worsening the state's air quality and contributing to global warming.

The AES Corporation announced it has purchased two 230 Mw petroleum coke-fired circulating fluidized bed power generation facilities in Tamuin, Mexico from subsidiaries of Exelon Corp. and ALSTOM. The total value of the transaction is approximately \$611 million.

MARKET COMMENTARY

The natural gas market gapped lower by 46.7 cents as long-term weather outlooks call for a return to above-normal temperatures and remarks by Saudi Arabia weakened the crude oil market by \$2.00. The March natural gas contract broke below the 7.40 support level on its way to a low of 7.19. The front month finished the session near the lows, down 60.1 cents at 7.226.

As the 8.00 level held bombardment last week and with long-term weather forecasts calling for better weather at



the end of next week, there just isn't enough winter left in the season to hold the market up as forecasts moderate. The market's volatility has been driven by weather forecasts and today is no change from that. The moderating forecasts showing an end to the arctic weather deflated the bulls push. We see support at \$6.90-\$7.00, \$6.835, \$6.20, \$6.00, \$5.75 and \$5.00. We see resistance at \$7.40, \$7.60, \$7.80 and \$8.00.

NYMEX Nat Gas Options Most Active Strikes for February 12, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	3	7	P	7	02/23/2007	0.194	7,389	61.00
ON	3	7	P	7	02/23/2007	0.194	6,984	59.68
LN	4	7	C	12	03/27/2007	0.0057	5,100	59.52
ON	3	7	P	6.5	02/23/2007	0.054	4,359	58.79
LN	4	7	P	7	03/27/2007	0.3427	3,975	52.95
LN	3	7	P	5.5	02/23/2007	0.0007	3,650	58.45
LN	3	7	P	5	02/23/2007	0.0001	3,600	59.06
LN	9	7	C	12	08/28/2007	0.1864	3,200	45.43
LN	4	7	C	13	03/27/2007	0.0021	3,100	60.60
LN	5	7	P	5	04/25/2007	0.0122	3,050	47.37
ON	3	7	P	7.5	02/23/2007	0.468	2,842	61.47
LN	9	7	C	10	08/28/2007	0.3879	2,300	41.68
ON	4	7	C	8	03/27/2007	0.272	2,165	52.10
LN	4	7	C	7.75	03/27/2007	0.3441	2,065	48.64
LN	6	7	P	5	05/25/2007	0.0225	2,050	45.95
LN	4	7	C	9	03/27/2007	0.1022	1,850	52.51
LN	6	7	P	5.5	05/25/2007	0.0582	1,850	45.78
LN	3	7	P	6.5	02/23/2007	0.0536	1,833	59.52
LN	7	7	P	5.5	06/26/2007	0.0779	1,800	45.09
LN	3	7	C	7.5	02/23/2007	0.1943	1,575	59.99
LN	4	7	C	15	03/27/2007	0.0003	1,550	62.75
ON	10	7	P	6	09/25/2007	0.297	1,515	45.60
LN	5	7	P	6.5	04/25/2007	0.2133	1,500	48.29
ON	3	7	C	9	02/23/2007	0.012	1,477	68.37
LN	6	7	P	6	05/25/2007	0.1285	1,425	45.91
LN	10	7	C	8	09/25/2007	1.0388	1,425	36.98
LN	10	7	C	12	09/25/2007	0.273	1,225	46.19
LN	4	7	P	6.5	03/27/2007	0.1633	1,200	51.43
ON	6	7	C	8	05/25/2007	0.501	1,094	44.64
LN	3	7	P	6	02/23/2007	0.008	1,000	58.06
LN	5	7	C	12	04/25/2007	0.0171	1,000	51.72
LN	6	7	C	12	05/25/2007	0.041	1,000	48.74
LN	7	7	C	12	06/26/2007	0.0714	1,000	45.75