



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 16, 2007

NATURAL GAS MARKET NEWS

FERC concluded in a report that U.S. natural gas and electricity markets in 2005 and 2006 were sufficiently robust to meet various supply and demand related challenges with no major failures of service.

Excelerate Energy plans to flow the first test gas through its Teesside LNG processing facility into the U.K. on Saturday. The company may not unload the full 132,000 cubic meter cargo in Britain because it can get more for the gas in the United States.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that the AGT interconnect with Tennessee Gas Pipeline at Mendon has been restricted to capacity for today. No increases in nominations sourced at Mendon will be accepted.

Columbia Gas Transmission extended an alert to natural gas shippers on its pipeline system for a 15th consecutive day, as cold weather kept hold over much of the eastern United States. Columbia deemed Saturday a critical day for natural gas shippers in its eastern U.S. market areas, extending the designation of critical days that began on February 3. 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 out of path upstream of station 3104; no secondary receipts out of path 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.

KM Interstate Gas Transmission announced AOR/IT/Primary and Secondary at Risk restriction for today at the following points: SSC Grant, CIG Weld, WBI Bridger, CIG Glenrock and CheyPGP Cheyenne. KM Interstate also said that due to a moderation in temperatures and on-system loads, KMIGT is lifting the Load Advisory Action effective gas day February 17 and until further notice. In addition, effective tomorrow and until further notice, KMIGT has capacity available for gas delivered quantities through Segment 190.

Generator Problems

ERCOT – TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station shut for planned maintenance.

American Electric Power's 675 Mw Pirkey coal-fired power station shut for planned maintenance.

MAIN – Exelon's 1,162 Mw LaSalle #2 nuclear unit decreased output to 89% capacity. Yesterday, the unit was operating at 89% power. LaSalle #1 remains at full power.

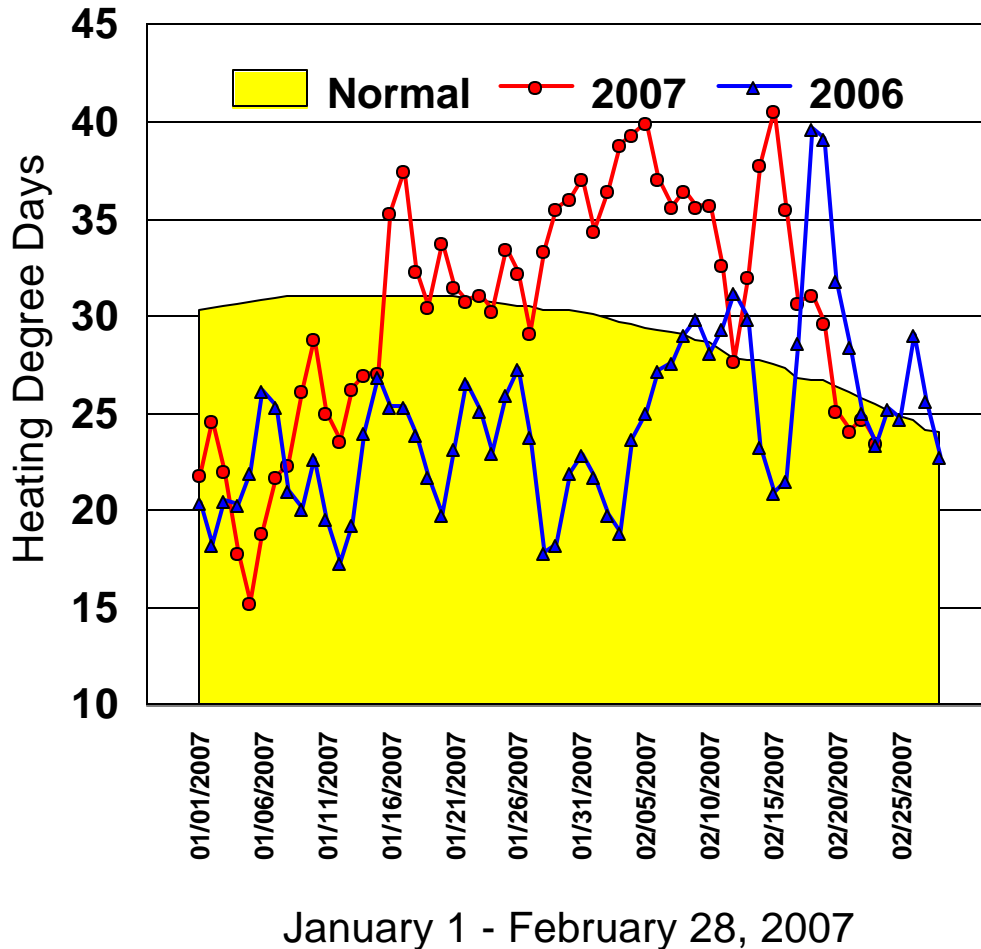
SERC – Duke Energy's 846 Mw Oconee #1 and #2 nuclear units shut by early today. Yesterday, both units were operating at full power. Oconee #3 continues to operate at full power.

Tennessee Valley Authority's 1,100 Mw Browns Ferry #3 nuclear unit ramped up to full power today. Yesterday, the unit was operating at 87% capacity. Browns Ferry #2 is operating at 73% capacity.

The NRC reported that 93,734 Mw of nuclear capacity is on line, down 1.59% from Thursday, but 5.32% higher from a year ago.

U.S. Daily Heating Degree Days

(2007 Totals Observed and Forecasted for Next 8 Days)



MRT said that effective tomorrow at 9:00 AM CT, the company will lift the System Protection Warning number 201 that was placed into effect on February 2.

Natural Gas Pipeline Company announced capacity constraints for several sections of its delivery system effective for today and until further notice. NGPL said that on the Amillo System, Segment 13, 14 and 1 have limited capacity, while Segment 15 is At Capacity. On the Gulf Coast System, Segment 27 is at capacity, while Segment 25, 23 and 24 Louisiana Line have limited capacity.

Southern Natural Gas Pipeline Co. said that based on current receipts and projected deliveries, for today and tomorrow, there is a probability of an OFO for short and UL long imbalances. For Saturday, there is a

probability of TCTC for short and UL long imbalances. Southern will evaluate very closely system conditions and supply nominations for each cycle. If Southern determines that adverse changes have occurred in system conditions and/or one of the scheduling cycles, a Type 6 OFO can be implemented on four hours notice of less depending on the situation.

Tennessee Gas Pipeline said that due to current weather conditions and limited operational flexibility, it does not have the ability to absorb imbalances caused by over takes from the system by delivery point operators and under deliveries into the system by receipt point operators. Tennessee also said that it expects numerous restrictions due to nominations in excess of the available capacity.

Texas Eastern Transmission Corp. said that due to anticipated weather conditions and no-notice load requirements, it has restricted all forward haul IT-1 for delivery into Market Area 3. Tetco is scheduled to capacity for nominations flowing through Perulack and Chambersburg. No increase of nominations flowing through Perulack and Chambersburg will be accepted. Tetco has scheduled all receipts sourced between Little Rock and Fagus for delivery outside of that area. No increase of receipts between Little Rock and Fagus for delivery outside of that area will be accepted. Tetco also restricted nominations sourced upstream of Opelousas for delivery downstream of Opelousas.

TransColorado Gas Transmission said that southbound transportation on Segment 220 is at AOR/IT/Secondary Risk for today.

Williston Basin Interstate Pipeline Company said that Northern Border-Manning is at pipeline Capacity Constraint for today's timely cycle.

PIPELINE MAINTENANCE

Gulf South Pipeline released an update regarding its scheduled pigging maintenance project on Index 301. The pigging maintenance is now scheduled for February 21-22. The project was originally slated to begin February 21 and last several days.

Questar Pipeline Company said that repairs at Fidler station will be completed this evening. As a result, ML 80 capacity will increase to 280 MMcf/d beginning cycle 1 February 17.

Transcontinental Gas Pipe Line said it began making repairs to a section of pipeline that was damaged during hurricane Katrina/Rita in Eugene Island Block 135. Operational issues and weather conditions have delayed the progress of the repair work. Transco now anticipates completion of this work on February 25.

ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center was unchanged at 94% of normal for its January-to-July forecast water runoff at the Dalles Dam in Oregon.

Sharyland Utilities proposed a \$1.5 billion electrical transmission project in Texas that would bring to market enough power generated by wind, coal and natural gas to run about 3 million homes. Sharyland and its power-generation partners said they filed with Texas regulators their proposal for the 345 Kv transmission project called the Panhandle Loop, to be operational by late 2010.

FERC approved major changes to its landmark 1996 order directing non-discriminatory access to the country's electric transmission system. The commission said its changes are designed to increase transparency and enforcement and to standardize the calculations that determine whether transmission and how much transmission service is available in wholesale power markets.

Ontario Power Generation said it expects increased financial pressures in 2007 due to anticipated low market prices, slow electricity demand, cost pressures, and the need for new generation projects.

MARKET COMMENTARY

The natural gas market opened 10 cents higher as traders initiated buying to cover their bets ahead of the long weekend. Natural gas along with the rest of the energy complex trended higher, to a high of 7.62. Cold near term weather forecasts also helped give the market a boost, as cash prices, though slightly softer today are still relatively firm versus futures. The market backed at the end of the session and March natural gas finished the session up 20 cents at 7.51.

Weather reports vary as to how the end of winter will perform, with many private forecasters seeing moderation and a return to above normal temperatures. Traders will return next week to examine the weather forecasts and with any moderation, prices will return to their down trend. We see resistance at \$7.60, \$7.80, 8.00 and \$8.28-\$8.35. We see support at \$7.20, \$7.00, \$6.92, \$6.20 and \$6.00.