



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 7, 2007

NATURAL GAS MARKET NEWS

The EIA today released their latest monthly natural gas report. It showed that for September U.S. domestic natural gas production reached 52.8 bcf/d, some 3% higher than the same time a year ago. Net imports of natural gas stood at just 9.7 bcf/d, down nearly 18% from August in part to the decline in LNG imports which in September totaled only 1.39 bcf/d some 50% less than August levels. Consumption of natural gas in September was pegged at 51.5 bcf/d, nearly 6% higher than the same time a year ago. While residential and commercial demand in September were some 6.4% and 4.5% lower respectively, gains were recorded in the industrial sector which saw a jump of 1.1% with electric power generation recording a strong gain of 16.2%.

Senate Democratic leaders Friday failed to win the 60 votes needed to bring the broad energy bill (HR 6) to the floor for debate. The defeat came less than one day after the House passed the sweeping bill, which was expected to face significant opposition in the Senate and a potential veto by President Bush.

The American Gas Association (AGA) announced its opposition to the Energy Bill, which passed the House yesterday. The bill includes several provisions that are detrimental to the nation's natural gas customers by causing higher prices. H.R. 6 discourages the expansion of natural gas distribution systems by increasing the depreciation period for natural gas distribution pipelines. The depreciation period for these systems was reduced from 20 to 15 years in the Energy Policy Act of 2005, which encouraged the expansion of new systems and to

Generator Problems

ECAR – FirstEnergy's 1,231 Mw Perry nuclear unit started to exit an outage and is warming up offline at 1% power. The unit shut November 28 due in part to the loss of feedwater.

FRCC – Progress Energy's 838 Mw Crystal River #3 nuclear unit exited a refueling outage and ramped up to 20% power. The unit shut on November 3 for the outage.

PJM – Exelon's 636 Mw Oyster Creek nuclear unit ramped up to full power. Yesterday, the unit was operating at 83% power.

SERC – TVA's 1,155 Mw Browns Ferry #3 nuclear unit exited an outage and ramped up to 37% power today. Browns Ferry #1 and #2 continue to operate at full power.

Canada – Ontario Power Generation's 490 Mw Nanicoke #2 coal fired power unit shut, while unit #8 started to exit an outage.

The NRC reported that 91,036 Mw of nuclear capacity is online, up .75% from Thursday, and up .56% from a year ago.

replace aging equipment. After only three years, the current legislation proposes to reverse this policy. Investments in natural gas infrastructure are important because without an effective delivery system, consumers will not have access to this

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	1,064,500	\$7.037	(\$0.253)	(\$0.145)	(\$0.018)	(\$0.074)
Chicago City Gate	962,100	\$7.333	(\$0.154)	\$0.151	\$0.057	\$0.159
NGPL- TX/OK	794,900	\$6.525	(\$0.145)	(\$0.657)	\$0.066	(\$0.621)
SoCal	1,037,900	\$6.825	(\$0.087)	(\$0.357)	\$0.124	(\$0.386)
PG&E Citygate	29,830	\$7.246	(\$0.047)	\$0.064	\$0.164	(\$0.037)
Dominion-South	308,700	\$7.500	(\$0.277)	\$0.318	(\$0.066)	\$0.535
Transco Zone 6	185,700	\$10.735	(\$2.091)	\$3.553	(\$1.880)	\$6.407

clean domestic fuel.

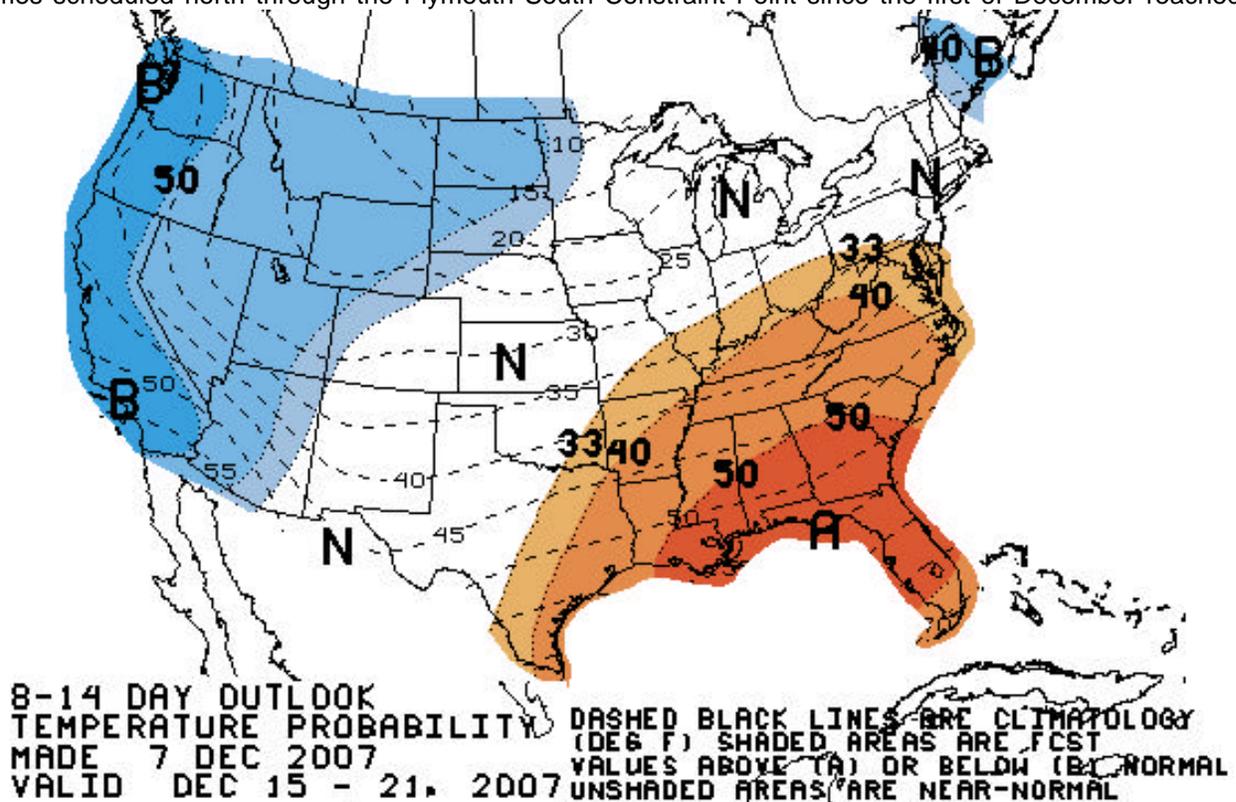
The noted Colorado State University hurricane research team predicted today that 13 tropical storms will develop in the 2008 Atlantic hurricane season, of which seven would strengthen into hurricanes. Of the seven hurricanes, three of them would be the most dangerous Category 3 or above, with winds of at least 111 miles per hour.

Sempra Energy's joint energy trading venture with the Royal Bank of Scotland (RBS), which is expected to close early next year, appears to have come at a most opportune time for the California-based corporation, and the sky may be the limit for *NGI's* top North American natural gas marketer.

Baker Hughes reported that for the week ended today the total rig count in the United States rose by five to a total of 1,828, 104 more rigs than the 1,724 counted during the same week in 2006. Some 1,482 were looking for natural gas, up 19 on the week, and 340 were drilling for oil, down 14.

PIPELINE RESTRICTIONS

Northwest Pipeline Company said that it has lifted the Recall Advisory along with the Contract-specific, Realignment and Must-flow Operational Flow Orders through the Plymouth South Constraint point. Primary volumes scheduled north through the Plymouth South Constraint Point since the first of December reached a



high of 640 MMcf/d, which were in excess of Northwest's current physical capacity of 590 MMcf/d. As a result, Northwest was unable to accommodate these high volumes using its limited storage flexibility without the issuance of the OFO.

PIPELINE MAINTENANCE

Panhandle Eastern Pipe Line Company said that repairs to the Haven 400 Line rupture should be completed to allow for a partial return to service for gas day December 11. Upon return to service, the pipeline will be limited to 1,250 MMcf/d until permission is granted by the DOT to return to full MAOP.

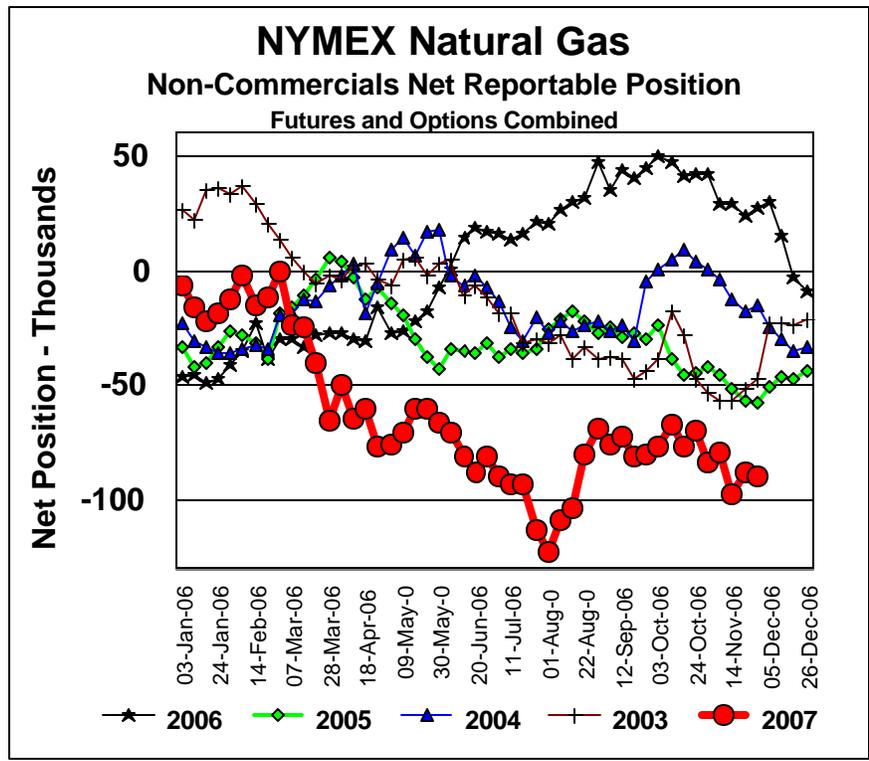
Tennessee Gas Pipeline said that it has declared a force majeure event effective immediately for Compressor Station 249 in Carlisle, New York. This event is being declared due to the necessity of performing emergency repairs to the foundation supporting the frame of Unit 1A. If left unrepaired, this issue could result in a loss of mechanical integrity of the unit, and/or a major failure resulting in an extended outage. The expected completion time of the repairs is 7 days.

ANR Pipeline Company said that it has completed the engine maintenance at its Sulphur Springs Compressor Station and the associated capacity restriction has been lifted for the next available gas day cycle.

Gulf South Pipeline said that the scheduled maintenance that began December 4 on Goodrich Compressor Station Unit #5 is complete. Gulf South also said it will perform scheduled pigging maintenance on the Black Bayou Field lines beginning at 8:00 AM December 11 and continuing for four days. Finally, the company will be performing scheduled maintenance on Goodrich Compressor Station Unit #2 beginning at 7:30 AM December 12 and continue of 12 hours. Capacity through the Goodrich Compressor Station could be reduced by as much as 50 MMcf/d during this maintenance.

MARKET COMMENTARY

The natural gas market showed weakness with the rest of the energy complex, trading into negative territory as weak fundamentals continue to dominate this market down to the 7.15 level. Some midday bullish weather revisions briefly supported the market with a quick 10 cent rally, but just as fast as the market rallied, it came right back to break intraday support at 7.15 and continue on to a daily low of 7.101. The January contract settled down 17.5 cents at 7.155.



Despite a midday report that called for the end of the 11-15 day period to remain quite cold across the Eastern half of the country with below to much belows, this market is still very much controlled by the bears. However, with such a short exposure, any sustained cold will result in a fairly strong short-covering rally. The market seems set on testing the 7.00 level again, but we feel that the market will move more sideways and take queues from any changes in the 11-15 day forecast and the overall energy complex. We see support at 7.05, 7.00, 6.919, 6.80 and 6.737. We see resistance at 7.30, 7.477, 7.574, 7.75 and 8.00.

