



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 19, 2007

NATURAL GAS MARKET NEWS

The American Gas Association recognized the important step Congress took by passing an energy package that promotes renewable fuels and increased efficiency. However, the AGA also said it is disappointed that the bill did not address the need to encourage increased natural gas supplies from America's land and waters.

The EIA reported that big oil and gas companies have invested \$203 billion last year to hunt for new supplies, 60% higher than what they spent in 2004. Profits for the companies has increased sharply, however, to date, the big increase in spending has not resulted in significant increases in reserves. The agency said that reserve additions in 2006 exceeded those of only two of the previous 17 years. In the next few months, oil and gas companies will report their 2007 reserve additions and we may start to see some results of the higher expenditures.

Ukraine's new Prime Minister Yulia Tymoshenko said she would initiate a new round of gas negotiations with Russia with the aim of eliminating the intermediary company RosUkrEnergo from gas supply arrangements. She said there must not be any mediators in the gas market but that there should be a bilateral agreement between Gazprom and the Ukrainian state-owned gas company Naftogaz Ukrayiny.

Indonesia's state-owned oil and gas company Pertamina, private upstream player Medco Energi, and Japan's Mitsubishi signed a shareholders agreement sealing their joint venture for setting up a 2 million mt/year LNG plant at Donggi in Central Sulawesi. The first drop of LNG from the project is expected in 2012.

The North African Maghreb region could rival Russia as a source of gas supply to the EU by 2020, according to EU energy commissioner. If the potential gas production of Algeria, Libya and Egypt were combined by 2020 it could serve as a key energy source for Europe. Ministers from North Africa and Middle Eastern countries round the Mediterranean Sea and the EU endorsed a 2008-2013 Euro-Mediterranean energy action plan during the conference. The plan foresees the countries working together in three priority areas: harmonizing and integrating energy markets and laws across the region, promoting sustainable energy, and developing common interest initiatives, such as extending infrastructure, financing investments and research and development.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will perform scheduled pipeline maintenance on Index 59 and 266 at Carthage Junction beginning December 20 and continuing for two days. The subject maintenance potentially could affect, based on nominations, the available capacity on Index 59 and/or out of East Texas.

Generator Problems

PJM – Exelon's 636 Mw Oyster Creek nuclear unit initially reduced power to 84% from full power early this morning, then later shut completely for maintenance.

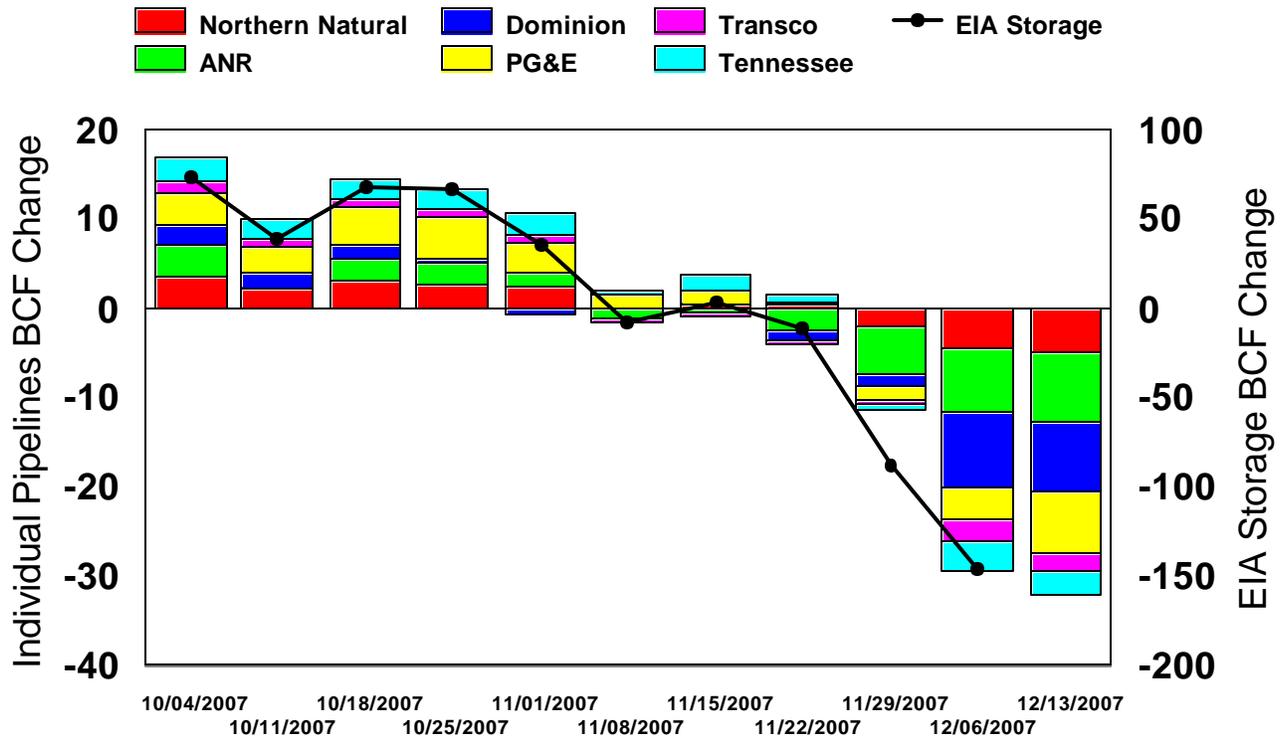
PPL's 1,540 Mw Montour coal-fired power station shut one of its units by early today.

SERC – Duke Power's 846 Mw Oconee #3 nuclear unit remains offline and is warming up at 19% power. Oconee #1 and #2 continue to operate at full power.

Canada – Bruce Power's 750 Mw Bruce #4 nuclear unit shut by early today to allow workers to perform maintenance on a heat transport pump. The unit is expected to return in a few days.

The NRC reported that 94,327 Mw of nuclear capacity is online, down .13% from Tuesday, and up 2.48% from a year ago.

Weekly Change In Nat Gas Stocks



Iroquois Gas Transmission System said that due to mechanical issues involving the air intake assembly, Iroquois is planning to take the Boonville Compressor Station out of service as early as gas day December 20 to perform unplanned maintenance. This outage is anticipated to last for a minimum of one day and will likely impact all ITS, ER/ED, and RTS services utilizing Waddington as an alternate receipt point.

PIPELINE RESTRICTIONS

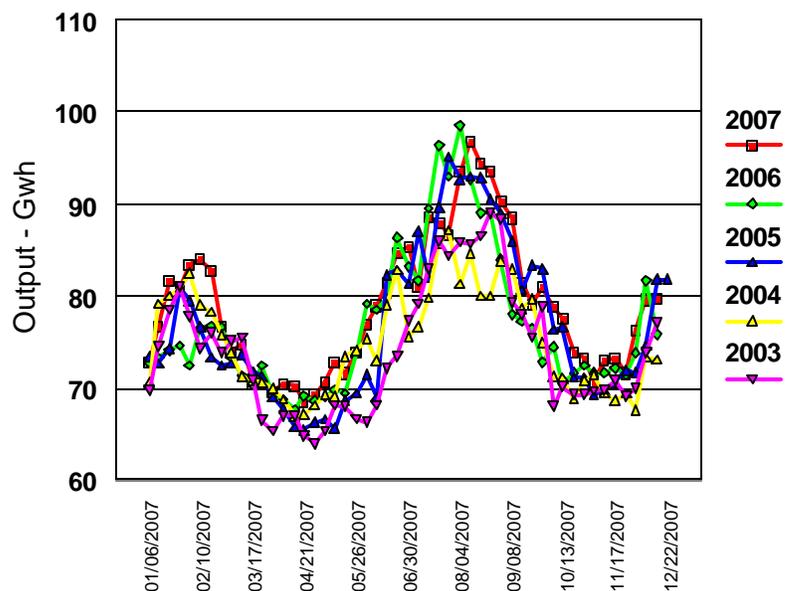
Dominion Transmission said that effective for start of gas day December 20, DTI has rescinded OFO #1, FTNN Hourly Limit and OFO #2, Conform Transportation Services to Scheduled Nominations for the Northern New York system. Customer questions should be directed to your Customer Analyst.

ELECTRIC MARKET NEWS

A massive explosion at a chemical plant near Jacksonville, Florida knocked out two of three generating units from the JEA generating plant. A spokeswoman for the Florida Reliability Coordinating Council said that the explosion did not threaten operation of the state's power grid.

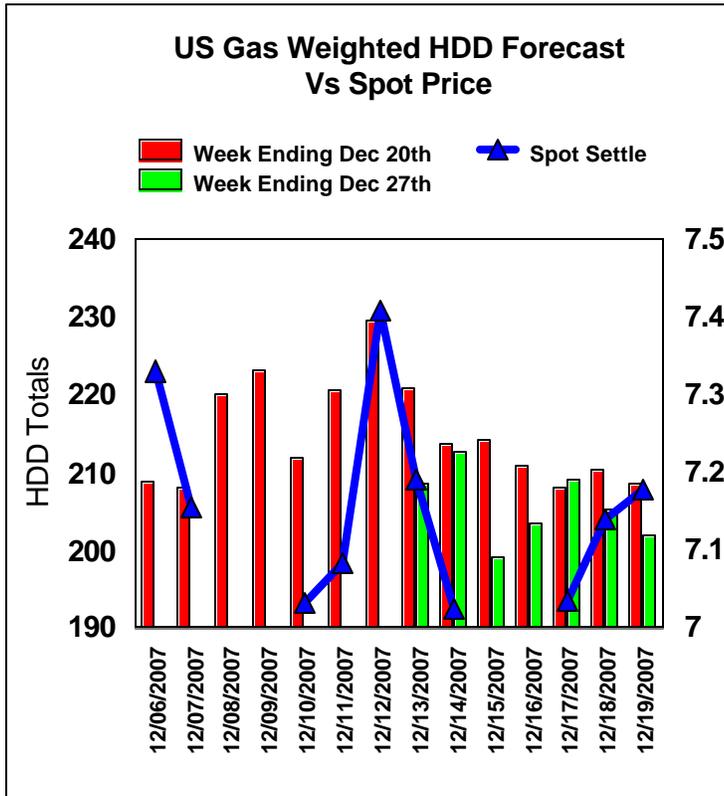
The Edison Electric Institute reported that electricity demand in the continental

Weekly Electric Output



U.S. was up 5.3% in the week ended December 15, compared with the same week last year. The continental U.S. used 79,780 GWh of electricity, about a 0.1% increase from the previous week.

President Bush signed into law a broad energy bill that would, among other things, require the use of 36 billion gallons of renewable fuel by 2022 and boost automotive fuel efficiency standards 40% by 2020. The bill also would increase energy efficiency across the U.S. economy, boost spending on so-called "smart" electricity grid technologies and would phase out use of 100-watt incandescent light bulbs by 2012.



The Texas electric grid operator said the region's surplus power reserve will improve from previous projections by 2009, thanks to new power plants and expansions projects under way in the state. Officials with ERCOT told state regulators that the market's reserve margin, excess power needed to avoid blackouts, will be about 12.1% in 2009, up from the agency's previous estimate of 10.1%.

PPL Corporation announced that it will ask the U.S. NRC to approve a combined license to construct and operate a new generating unit near the Susquehanna nuclear power plant near Berwick, Pennsylvania.

MARKET COMMENTARY

The natural gas market maintained its range trading today, retracing yesterday's short covering rally to again test the 7.00 level. The January contract traded to a low of 6.981, where support was found and traders again covered their short positions and drove the market back above Tuesday's closing point on the strength of crude oil and of course a possible above-average storage withdrawal. In the end, the

front month gained 3.8 cents on the day to settle at 7.179.

Expectations for tomorrow's EIA report range between 125-145 Bcf with many zeroing in on a 130 Bcf withdrawal, in line with the five-year average pull of 129 Bcf for this report. Forward weather forecasts offer no support for this model as they continue to call for above to much above temperatures for key consuming regions. After this week's report, the remaining two for the month are currently forecast to show smaller draws than the five-year average withdrawals of 119 Bcf and 89 Bcf respectively, leaving the current surplus over the five-year average more or less unchanged. The market is set to move lower and a report at or below 130 Bcf will see the market work lower. We see resistance at 7.25, 7.354, 7.50 and 7.60. We see further resistance at 8.00. We see support at 7.00, 6.90, 6.80 and 6.64. We see further support at 6.50-6.47.