



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 27, 2007

NATURAL GAS MARKET NEWS

States stand to lose an estimated \$42.5 million in oil and natural gas revenues in 2008 as a result of a provision in an omnibus spending bill President Bush signed Wednesday that gives the federal government a greater share of royalties, a spokesman for the Interstate Oil and Gas Compact Commission (IOGCC) said Thursday.

PG&E Corp. has signed a letter of intent to acquire a 25.5% interest in El Paso Corp.'s Ruby pipeline project, the two companies said. The line would extend 680 miles from the Opal Hub in Wyoming to the Malin, OR, interconnect near California's northern border.

The NYMEX announced that margins for the first and second months of the natural gas futures contracts will decrease to \$7,425 from \$8,775 for customers. The margins for the third month will decrease to \$6,750 from \$8,100 for customers. Margins for the fourth to seventh months will decrease to \$6,075 from \$6,750 for customers. These margin changes will take affect at the close of business tomorrow.

Natural gas demand in Spain is forecast to rise between 4.6% and 12.4[^] in 2008, according to various scenarios laid out in report issued December 26 by Spanish energy regulator CNE. The most optimistic projection, a 12.4% rise to 458,815 GWh, is based on assessments by gas distribution and transportation companies, while a more moderate increase of 7.0% to 436,960 GWh was made by Spain's Industry Ministry. However, the agency itself, after analyzing the methodology used, forecast that demand would rise only by 4.6% to 427,143 GWh. All three projections were based on natural gas demand reaching 408,241 GWh in 2007.

PIPELINE MAINTENANCE

ANR Pipeline Company said that the unplanned engine repairs at its Bridgman Compressor Station in Michigan, located in the Northern Fuel Segment, are ongoing. St. John W-E capacity will be reduced by 150 MMcf/d (leaving 1,155 MMcf/d available) through January 2.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that electricity demand in the continental U.S. was 7.8% higher compared with the same week last year. The continental U.S. used 80,631 GWh of electricity in the week ending December 22, about 1% more than the previous week.

After restoring power to almost 14,000 customers who lost power during the night, continued high winds knocked out power to an additional 5,000 Los Angeles Department of Water and Power customers this morning.

MARKET COMMENTARY

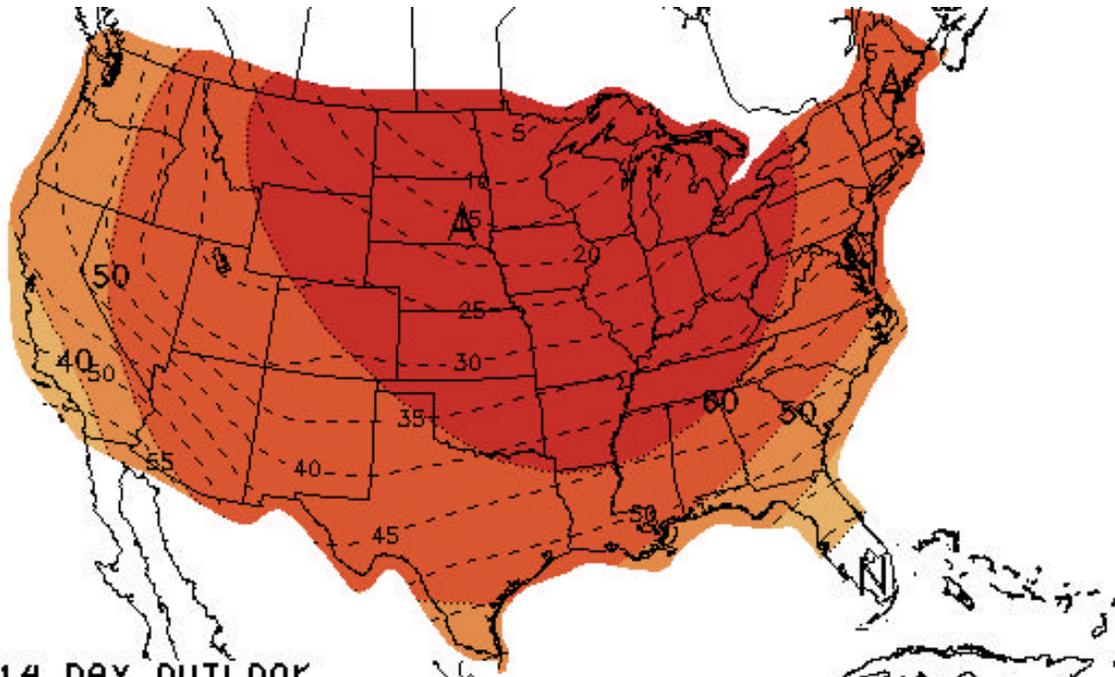
Above to much above temperatures forecast for the 8-14 day period pressured the expiring January contract to its lowest level as spot month, 6.838. Cash natural prices, trading for Friday-through-Monday ahead of the end

Generator Problems

ERCOT – AEP's 528 Mw Welsh #1 coal-fired power station is to restart soon following a brief outage.

WSCC – Arizona Public Service said that damaged sustained by a fire yesterday was essentially limited to the fiber glass shroud and will not delay the unit's return to service, which is expected near the first of the year or shortly after. Palo Verde #3 is currently down for refueling, while Palo Verde #1 and #2 continue to operate at full power.

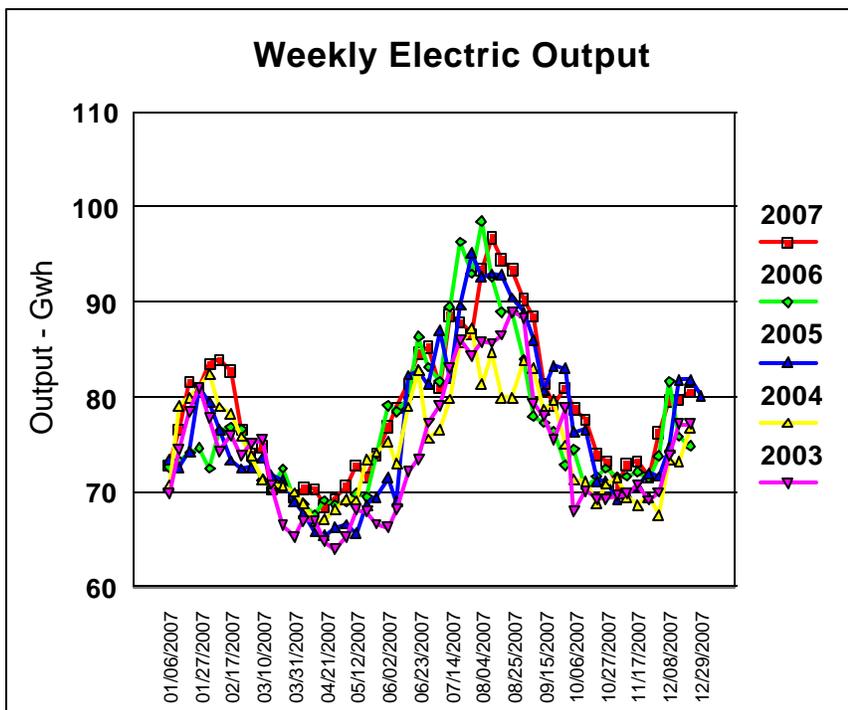
The NRC reported that 94,125 Mw of nuclear capacity is online, unchanged from Wednesday, and up .98% from a year ago.



**8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 27 DEC 2007
VALID JAN 04 - 10, 2008**

**DASHED BLACK LINES ARE CLIMATOLOGY
(DEG F) SHADED AREAS ARE FCST
VALUES ABOVE (A) OR BELOW (B) NORMAL
UNSHADED AREAS ARE NEAR-NORMAL**

of the month and the end of the year, were mostly lower as light trading and weak demand in many regions pressured prices. The market spent most of the session in negative territory and below the 7.00 level. However, with such a short open interest position and January expiring, a late short covering rally into the close pushed prices higher as market players covered their net short positions. The January contract spiked up to 7.24 before going off the board at 7.172 up 12.6 cents. The new spot contract February, settled 7.20 up 3.6 cents after trading between 6.951 and 7.38.



Expectations for tomorrow's EIA inventory data call for a withdrawal of between 130 and 150 Bcf with many calls towards the high side, 145-147 Bcf. This will be bullish compared to a five-year average withdrawal of 119 Bcf and last year's 49 Bcf pull for the same week. We continue to feel that based on the forecasts for the peak of the heating season, this market will work below the 7.00 level. We see support at 7.00-6.98, 6.91, 6.80, 6.754, 6.64 and 6.50-6.47. We see resistance at 7.35, 7.415, 7.60-7.612 and 8.00.