



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 25, 2008

NATURAL GAS MARKET NEWS

Goldman Sachs raised their 2008 Henry Hub natural gas price forecast to 9.75 from 8.50 and their 2009 forecast to 10.50 from 10.00 due to even lower LNG imports, greater gas-fired power demand and greater weather-driven demand.

The Federal Reserve Bank of Dallas reported today that its Texas monthly manufacturing index fell by 21.4 in February vs a decline of 20.7 in January. The index measures Texas factory activity. Readings above zero indicate expansion and negative levels contraction.

LNG terminal operator Cheniere Energy said today that it was looking for ways to maximize the value of its Sabine Pass LNG receiving terminal, which is scheduled to start operations later this year. The terminal currently scheduled to start operations in the second quarter of 2008 will have an initial peak send out capacity of 2.6 bcf/d and eventually a peak send out capacity of 4.3 bcf/d.

Natural Gas independent Chesapeake Energy believes the next two years could be the "golden years of value creation" for it and other well-positioned exploration and production companies as the range of gas prices rises 25%-30% to \$8-\$10. The higher range stems from a confluence of market factors that increasingly favor greater gas use, including high oil prices, high coal prices, emerging environmental trends and winter weather that is near the 30-year average and above the 10-year average.

Generator Problems

PJM – Constellation Energy's 825 Mw Calvert Cliffs #1 nuclear unit shut down for a scheduled refueling and maintenance outage. Calvert Cliffs #2 continues to operate at full power.

FirstEnergy's 861 Mw Beaver Valley #1 nuclear unit reduced output to 82% power. The unit was operating at full power on Friday. Beaver Valley #2 remains at full power.

SPP – Entergy's 1266 Mw Grand Gulf nuclear power station returned to service Monday morning. The unit had been shut down on Friday due to a feedwater heater problem.

SERC – Entergy's 836 Mw Arkansas unit #1 and #2 ramped up to 93% and 96% respectively. The units are recovering following tornadoes that hit two weeks ago.

Canada – Bruce Power LP shut the 822 Mw Unit #5 at the Bruce nuclear power station on Saturday to repair a fueling machine. The unit is expected back in early March.

The NRC reported that 90,243 Mw of nuclear capacity is online, down 1.80% from Friday, and up .22% from a year ago.

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	1,350,100	\$9.150	\$0.502	(\$0.020)	\$0.455	(\$0.187)
Chicago City Gate	783,900	\$9.406	\$0.521	\$0.236	\$0.452	\$0.296
NGPL- TX/OK	568,700	\$8.802	\$0.465	(\$0.368)	\$0.396	(\$0.428)
SoCal	617,500	\$8.604	\$0.377	(\$0.566)	\$0.308	(\$0.550)
PG&E Citygate	526,500	\$9.060	\$0.448	(\$0.110)	\$0.379	(\$0.221)
Dominion-South	406,200	\$9.552	\$0.430	\$0.382	\$0.361	\$0.442
Transco Zone 6	73,000	\$9.893	\$0.391	\$0.723	\$0.322	\$2.349

British gas prices rose today after colder weather increased demand and tightened supplies. Gas for delivery on Tuesday rose by 1.60 pence to 52.10. Also supporting prices today was a problem to Norwegian field outages. Production

from StatoilHydro's Kristin and Asgard fields was reduced Saturday afternoon.

PIPELINE RESTRICTIONS

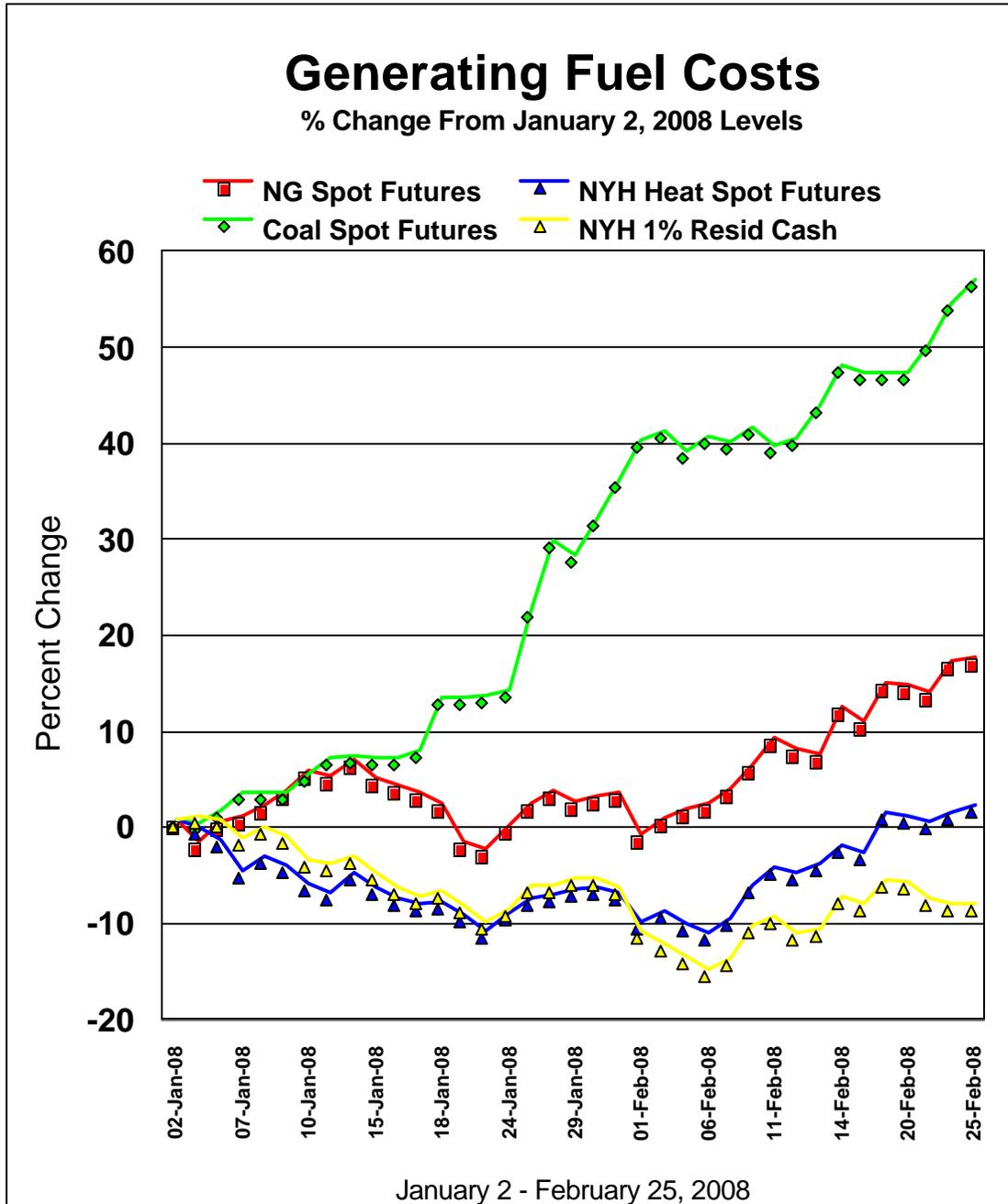
Florida Gas Transmission said that 30-degree weather is forecasted to move into Northern Florida by Wednesday morning; therefore, customers in FGT's Market Area are notified that there is the potential that FGT may issue an Overage Alert Day on one of the upcoming gas days. If an Overage Alert Day is issued, FGT believes there is a low probability for the need to interrupt previously scheduled Market Area ITS-1 service. Any actual interruptions will be posted as a part of FGT's transactional reporting.

PIPELINE MAINTENANCE

Alliance Pipeline said that the Wimbledon Compression Station will be offline for six hours on February 28 to perform minor maintenance. System capacity (AOS) may be impacted but will be determined closer to the outage date. The Loreburn Compression Station will be offline for 10 hours on February 28, also to perform minor maintenance. System capacity may be impacted but will be determined closer to the outage date.

Gulf South Pipeline said that scheduled maintenance Carthage Junction Compressor Station that began February 22 has been complete. The maintenance was undertaken to install auxiliary generation to back-up all Units (Units 1, 2, 3 and 4 on the existing facilities and Units 5, 6 and 7 on the expansion facilities). Also, the pigging maintenance on Index 266 Carthage - Sterlington 24-inch from Loggy Bayou, Louisiana to Sterlington, Louisiana is complete.

Westcoast Energy said that at Fort Nelson, the 10-



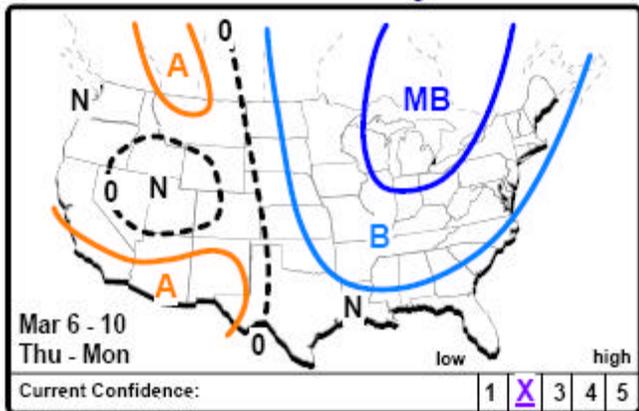
inch South Shekilie Pipeline will undergo an outage to move a pig sending barrel to MP 5.7 for 10 hours today beginning at 9:00 AM MT. CNR South Shekilie (10-12) will be shut-in for the duration of this event. At Fort St. John, Kobes Unit #2 will undergo a 2500-hour inspection beginning today and extending through February 28. Upstream Receipt Points will experience higher than normal RGT System pressure.

Florida Gas Transmission said it will be performing maintenance at Compressor Station #6 which will require all three units to be offline. This outage is scheduled to begin March 19 and is expected to continue into the month of April. During this work FGT will schedule up to approximately 150,000 MMBtu/day through Compressor Station #6. During normal operations FGT schedules up to 300,000 MMBtu/day. The company will be performing pipeline maintenance close to Compressor Station #7. This outage is scheduled to begin March 19 and is expected to last one day. During this work FGT will schedule up to approximately 325,000 MMBtu/day through Compressor Station #7 compared to 465,000 MMBtu/d during normal operations. Also, FGT will be performing pipeline maintenance close to Compressor Station #75. This outage is scheduled to begin March 12 and is expected to last two days. During this work FGT will schedule up to approximately 875,000 MMBtu/d through Compressor Station #75 compared to 1,000,000 MMBtu/d during normal operations. Finally, FGT will be performing maintenance on one of the two units at the FGT/Tennessee Carnes Interconnect just upstream of FGT Compressor St. 10. This outage will start on March 4. This outage is expected to last until March 19. During this work FGT will schedule up to approximately 30,000 MMBtu/d at the Carnes Interconnect compared to 60,000 MMBtu/d during normal operations.

ELECTRIC MARKET NEWS

Continental U.S. power generation in the week ended February 21 fell 1.73% from the week before and was 5.55% below the same week a year ago. Although there was a cold snap in parts of the United States last week, weather generally eased from the previous week, so heating demand was down.

Latest 11 to 15 Day Outlook



MARKET COMMENTARY

The natural gas market continued with its upside momentum and high range close from Friday to rally to a two year high of 9.36 in over night trading as weather forecasts continue to call for below average temperatures in the Midwest and Northeast. By the time of the NYMEX open, the market was off its highs and choppy through most of the session as volatility persists as the market establishes its new range. Profit taking added selling pressure around midday, and lowered prices to a daily low of 9.061, where support held. The market returned to positive territory however, as the bull tone remains in place. The soon to expire March contract finished the session up 4 cents at 9.186.

Natural gas is in a very bullish scenario right now, where the recent draws from storage have been above the five-year average and the upcoming inventory reports are forecast to continue on that patter. Ultimately, total storage will be a lot less when we end winter as compared to last winter and that is giving natural gas its current boost. Expectations for this week's EIA report call for a draw of 150-160 Bcf, which would be 10-20 Bcf above the five year average of 141 Bcf. Looking to the following week, early expectations call for a draw of 120-130 Bcf, which again would stand 10-20 Bcf over the much smaller 111 Bcf five-year average draw for that week. We see further upside to this market with the potential of a test of 9.80. We see support at 9.06, 9.00, 8.90, 8.738, 8.62 and 8.50. We see resistance at 9.336, 9.497, 9.635 and 9.80.