



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 26, 2008

NATURAL GAS MARKET NEWS

StatoilHydro reported that it had resumed production at its Asgard field in the North Sea after being reduced on February 23rd. Normal production returned overnight. Production from the Kristin field, which had been cut as well back on February 23rd remained reduced. The Asgard field normally produces some 32 million cubic meters of gas per day while the Kristin field pumps 11 million cubic meters of gas per day.

Weather forecaster Tom Skilling noted overnight that the current La Nina weather pattern that has been bring the Midwest one of its coldest and snowy winters in recent years this year, could impact this summer's weather as well. He noted that the six summers since 1950 with moderate or strong La Nina, like this year, have featured hot summers. This could translate into seeing the average summer temperature in the Chicago area running 2.8 degrees above normal with 36 days of 90+ degrees this summer versus an average of just 24 days.

Private forecaster WSI Corp. said that after a mild winter, the U.S. Northeast will see a cooler-than-normal spring and that the outlook could spell robust demand for heating oil and natural gas in the tail-end of the heating season.

The Conference Board reported this morning that its U.S. Consumer Confidence index fell sharply in February to its lowest level in five years to 75.0 from a downwardly revised 87.3 level in January, which had been reported originally at 87.9.

Investment Bank Tudor, Pickering, Hold and Co. said the U.S. may secure higher supplies of LNG in March as prices catch up with Europe. The benchmark at Henry Hub was 75 cents below prices in the U.K. last week,

compared with a year-to-date discount of 2.20 as of February 19. The U.S. may receive as much as 1.5 Bcf/d of LNG next month, based on shipping schedules and commissioning of the Sabine Pass, Texas and Northeast Gateway terminals. LNG supplies to the U.S. declined to 800 MMcf/d this month from 1.5 Bcf/d a year ago.

Generator Problems

FRCC – FPL's Turkey Point #3 and #4 performed as designed and automatically took themselves off the grid after the utility's transmission system was disrupted.

SERC – Entergy's Arkansas nuclear units #1 and #2 both returned to full power following the tornadoes of February 6.

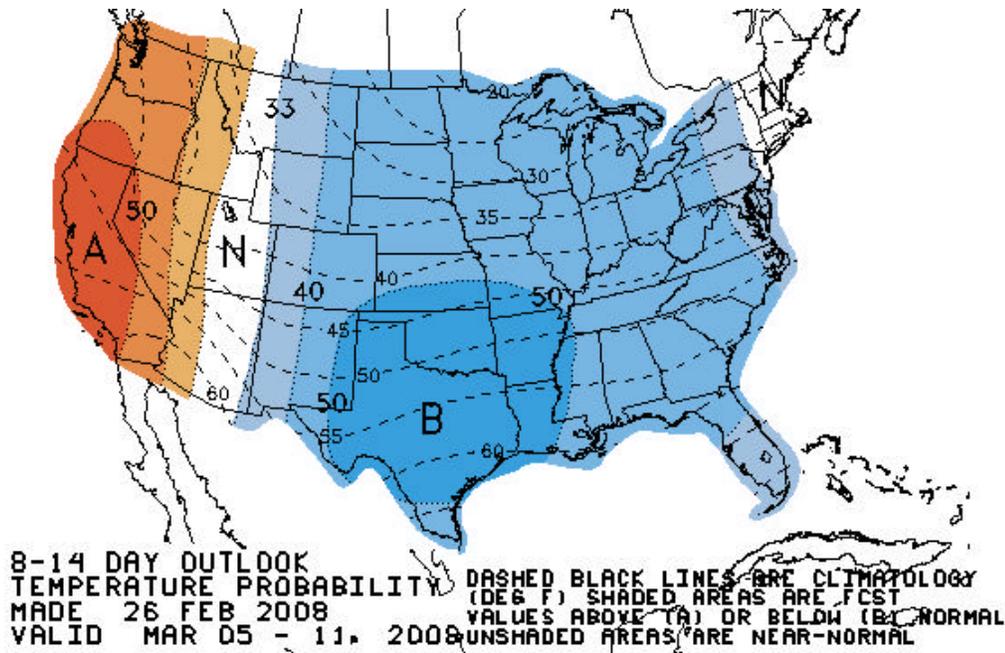
WSCC – Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit reduced power from 99% to 96% power. San Onofre #3 continues to operate at full power.

The NRC reported that 90,278 Mw of nuclear capacity is online, up .04% from Monday, and down .25% from a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,849,900	\$9.210	\$0.059	(\$0.030)	\$0.069	(\$0.202)
Chicago City Gate	1,040,200	\$9.496	\$0.090	\$0.256	\$0.020	\$0.187
NGPL- TX/OK	606,800	\$8.826	\$0.024	(\$0.414)	(\$0.046)	(\$0.442)
SoCal	617,300	\$8.654	\$0.050	(\$0.586)	(\$0.021)	(\$0.588)
PG&E Citygate	452,900	\$9.020	(\$0.041)	(\$0.220)	(\$0.111)	(\$0.229)
Dominion-South	526,300	\$9.911	\$0.359	\$0.671	\$0.289	\$0.470
Transco Zone 6	114,700	\$11.808	\$1.916	\$2.568	\$1.846	\$2.162



Rockies producer Bill Barrett Corp. is among those in the region enjoying higher netbacks on the back of Rockies Express Pipeline (REX)-West, as well as colder weather in the region. Executives said Tuesday they also are encouraged by the failure of coal-fired power generation to gain a foothold in the region.

Cheniere Energy does not plan on selling its entire stake in the Sabine Pass LNG receiving terminal. Cheniere said it was looking for ways to optimize the value of the terminal, which will be

the largest terminal of its kind in North America when it begins operating in the second quarter.

The need to avoid severe price volatility in Florida's rapidly growing natural gas market will compel utilities to sign on with gas storage providers. Gas demand in Florida is expected to double in the next 10 years and comprise about half of the generation capacity in the state.

With the initial 30-day negotiating period set to expire, CME Group Inc., owner of the Chicago Mercantile Exchange, and Nymex Holdings Inc., owner of the New York Mercantile Exchange, on Tuesday have agreed to extend talks regarding CME's potential acquisition of Nymex until March 15, they said Tuesday.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that its linepack is currently low and cold weather is forecasted to move into Florida tonight and tomorrow morning; therefore, for today's gas day, FGT has notified customers in Market Area that an Overage Alert Day at 25% has been issued. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.

PIPELINE MAINTENANCE

Gulf South Pipeline said that the scheduled maintenance on Marksville Unit #4 that was planned to start upon the completion of Unscheduled Maintenance Unit on #2 began Monday and will continue for approximately 30 to 45 days. Capacity through the Marksville Compressor Station could be reduced by as much as 150 MMcf during the maintenance.

ANR Pipeline Company said that it will continue unplanned engine repairs at its Sardis Compressor Station on the SE Mainline located in Indiana in ANR's Southeast Southern Fuel Segment (ML-2). The total SEML capacity will be reduced by the following: 100 MMcf/d (leaving 1,325 MMcf/d available) through March 14. Based on current nominations, it is anticipating that the above reductions will have no impact to services.

El Paso Natural Gas Company said in San Juan Basin and San Juan Mainline, Line 1202 will run a gauge pig March 31. In North Mainline maintenance, various points will have inspections throughout the month of March. Capacity reductions will vary from 80 MMcf/d to 255 MMcf/d. In South Mainline maintenance, pig runs will reduce capacity between 195 MMcf/d to 345 MMcf/d throughout the month.

ELECTRIC MARKET NEWS

Florida Power and Light reported widespread power outages across Miami-Dade and Broward Counties and spotty outages in Palm Beach County due to a series of power issues today. The outages were affecting approximately 700,000 customers. FPL expects to restore service to most customer affected by the outages in about two-hours.

The U.S. FERC conditionally accepted the Midwest ISO's ancillary services market proposal. A June 1 launch is scheduled for the centralized market, which would be co-optimized with MISO's real-time and day-ahead market to ensure that generation is efficiently dispatched.

MARKET COMMENTARY

The natural gas market showed early strength, testing yesterday highs around the 9.30 area, where the spot March contract, due to expire tomorrow, traded to a high of 9.327. Resistance at that level held once again despite the cold and snow in the Midwest and Northeast. With expiration tomorrow, recent longs squared their books, pressuring the market in the second half of the session. The March contract traded negative to a low of 9.103, but with below normal temperatures forecast in the 11-15 day period, and above average withdraws from storage expected, the market kept its bull tone and rallied back to positive territory to settle up 2 cents at 9.206.

With end of winter storage reserves looking to be 1.3 Tcf, as compared to 1.569 Tcf last year and 1.695 Tcf in 2006, this year-on-year deficit is adding further bullish sentiment to the market. The tightening supply and demand picture and firming coal market are raising the floor for natural gas. We continue to have a price target of 9.80, a high from February 1, 2006, and weakness in this market should be seen as a buying opportunity. We see support at 9.094, 9.00, 8.87, 8.80 and 8.62. We see resistance at 9.318, 9.435, 9.542 and 9.80.