



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 28, 2008

NATURAL GAS MARKET NEWS

Chevron reported today that its natural gas production of natural gas in 2007 reached 1.699 tcf down 6.1% from 2006 levels.

Anadarko Petroleum Corp. has seen costs related to North America natural gas drilling ease, due partly to higher rig capacity.

A 'major' fire broke at out Shell's Bacton gas terminal in Norfolk, U.K., the British Broadcasting Corp. said, citing local rescue services. The facility is used to bring North Sea gas onshore and contains the Interconnector (U.K.) Ltd. pipeline system used to send gas to Europe, the BBC said. Flows of gas into Bacton gas terminal fell by about 45 million cubic meters per day, about 13% of current U.K. gas demand, after the fire there.

EIA Weekly Report

	02/22/2008	02/15/2008	Net chg	Last Year
Producing Region	571	606	-35	595
Consuming East	852	952	-100	912
Consuming West	196	212	-16	244
Total US	1619	1770	-151	1752

*storage figures in Bcf

Gas storage levels in Britain and Belgium stood at 42% full in the week to February 25, down 5% from the previous week.

Gazprom's South Stream gas pipeline project should not torpedo the EU's plans to build the cheaper Nabucco pipeline so as to cut reliance on Russian gas. The South Stream pipeline is aimed at crushing competition, while the Nabucco will promote conditions needed for competition, protect Hungary and other EU states against supply disruptions and increase transparency in the energy sector.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that near freezing temperatures are forecasted in Florida tonight; therefore, for today's gas day, FGT would like to notify their customers in FGT's Market Area that it is issuing an Overage Alert Day at 25% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity. FGT will continue to monitor hourly and daily takes.

East Tennessee Natural Gas said that it is experiencing large daily due pipe imbalances on its system. ETNG does not have the operational flexibility to continue to manage these imbalances. Therefore, in order to maintain the operational integrity of the system, ETNG is issuing a Balancing Alert Operational Flow Order.

Generator Problems

FRCC – FPL's Turkey Point nuclear units remain offline following disruptions to the electrical grid.

SERC – Entergy's 1,266 Mw Grand Gulf nuclear unit exited an outage and ramped up to 35% power by early today. Yesterday, the unit was warming up at 1% power.

Canada – Ontario Power Generation's 515 Mw Pickering #1 nuclear unit shut today for short-term work.

The NRC reported that 89,275 Mw of nuclear capacity is online, up .44% from Wednesday, and up 1.64% from a year ago.

Canadian Gas Association

Weekly Storage Report

	22-Feb-08	15-Feb-08	23-Feb-07
East	93.5	109.8	99.6
West	148.1	160.9	114.1
Total	241.6	270.7	213.7

storage figures are in Bcf

PIPELINE MAINTENANCE

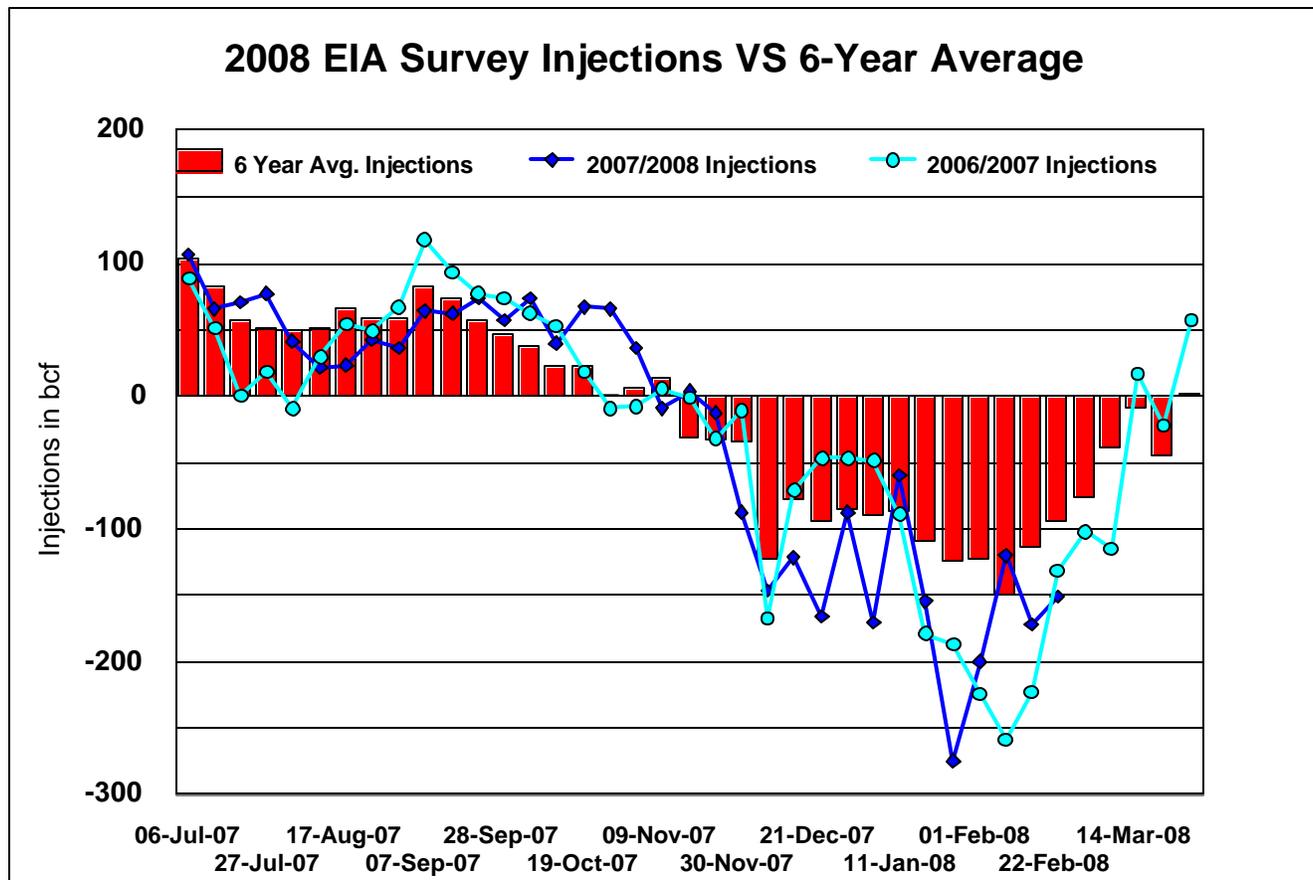
Questar Pipeline Company said that it has experienced an electrical failure at its Oak Spring compressor station that will require a station shutdown for approximately three hours beginning at 2:00 PM MT today.

To facilitate the work, the ML 104 capacity will be reduced to 375 MMcf/d in cycles 3 and 4 today.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,169,800	\$9.113	(\$0.097)	(\$0.272)	(\$0.671)	(\$0.205)
Chicago City Gate	842,100	\$9.239	(\$0.188)	(\$0.146)	(\$0.521)	\$0.101
NGPL- TX/OK	906,000	\$8.685	(\$0.084)	(\$0.700)	(\$0.417)	(\$0.506)
SoCal	577,200	\$8.515	(\$0.154)	(\$0.870)	(\$0.487)	(\$0.656)
PG&E Citygate	707,700	\$8.986	(\$0.034)	(\$0.399)	(\$0.367)	(\$0.250)
Dominion-South	540,000	\$9.799	(\$0.231)	\$0.414	(\$0.564)	\$0.493
Transco Zone 6	114,500	\$12.735	(\$5.655)	\$3.350	(\$5.988)	\$3.276

ELECTRIC MARKET NEWS

A drop in wind generation late on Tuesday coupled with colder weather, triggered an electric emergency that caused the Texas grid operator to cut services to some large customers. ERCOT said a decline in wind energy production in west Texas occurred at the same time evening electric demand was building as colder temperatures moved into the state. Wind production fell from more than 1,700 Mw, before the emergency event, to 300 Mw when the emergency was declared. At the time of the emergency, ERCOT demand increased from 31,200 Mw to a peak of 35,612 Mw, about half the total generating capacity in the region.



MARKET COMMENTARY

The April natural gas contract took over as front month today and was higher ahead of the EIA inventory release as a colder revision in the 6-10 forecast and strong crude oil market supported natural gas. The EIA reported

that an expected 151 Bcf was taken from the ground last week and the April contract took little time in breaking through resistance at the 9.30 level. The new front month contract took its lead from a screaming crude oil contract, which traded near \$103, to come close to the 9.50 level. The April contract traded to a two-year high of 9.498 before settling up 38.3 cents at 9.443.

The dismal performance of the U.S. dollar has instilled inflation fears and caused many to use commodities as a hedge to soaring inflation. The energy complex is a recipient of those fears and the surging crude oil market is lending serious support to natural gas. The differential between the two has jumped to a record of over 10:1. Historically, this means that natural gas could easily be trading over \$10. With a more supportive storage situation, and firm heating demand, we continue to call for a higher natural gas market. Total storage now stands at 1,619 Bcf, 133 Bcf below than last year at this time and now only 87 Bcf above the five-year average. The bull move is strongly intact and we have an initial price target of 9.80. We see support at 9.316-9.30, 9.20, 9.00, 8.863, 8.714 and 8.62. We see resistance at 9.50, 9.686, 9.80 and 10.00.