



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 25, 2008

NATURAL GAS MARKET NEWS

Chesapeake Energy reported this morning that its recent discovery in the Haynesville Shale play in Louisiana may contain natural gas reserves of 7.5 tcf to 20 tcf, while its recent oil finds may hold up to 1 billion barrels of crude oil.

The Conference Board today reported that U.S. consumer confidence took an unexpectedly sharp decline in March dropping to a five year low to 64.5 from an upwardly revised February level of 76.4. The Conference Board also reported that its expectations index fell to 47.9, its lowest level since January 1974.

With a portion of the REX Pipeline online, it is clear that it will have an influence in determining the face of the industry. The segment -- between the Wamsutter Hub in Wyoming and Cheyenne Hub in Colorado -- completed Kinder's initial phase of REX construction and increased regional takeaway capacity by 750 MMcf/d. While there was seemingly minimal impact on the spot market after the first REX phase was completed, in early 2008 the pipeline began flowing REX gas into ANR Pipeline on an interim basis and market players across the region felt an immediate effect. Liquidity at key points such as Cheyenne Hub and Kern River Gas Transmission at the Opal, Wyoming, plant increased and volatility declined. However, spreads between the Rockies and the Midcontinent hovered around variable rates. Despite the negligible impact on pricing so far, REX will be an important issue going forward as access to the eastern markets comes online.

The Alaskan government will decide by August whether to accept a Canadian company's bid to build a pipeline connecting massive gas reserves in the northern part of the state to North American consumers. TransCanada Alaska Co. was the only company to meet the state's guidelines for bids on the pipeline. Starting in 2017, the pipeline, estimated to cost \$26 billion, would connect about 37.5 Tcf of gas reserves in Alaska's North Slope to TransCanada Corp.'s pipeline hub in Calgary, 1,715 miles to the southeast.

Generator Problems

NPCC -- Entergy's Indian Point #2 nuclear reactor shut today for a refueling outage two days early after a malfunctioning pump forced a shut down.

MAPP -- Xcel's 593 Mw Prairie Island #1 nuclear unit ramped up to 50% power. Yesterday the unit was operating at 30% power. Prairie Island #2 remains at full power.

The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit returned to full power. Yesterday the unit was operating at 70% power.

PJM -- Exelon's 1,134 Limerick #1 nuclear unit exited an outage and ramped up to 22% power following repairs to the turbine control system. Limerick #2 continues to operate at full power.

SERC -- Entergy's 967 Mw River Bend nuclear unit ramped up to 87% power by early today. Yesterday, the unit was operating at 38% after exiting an outage.

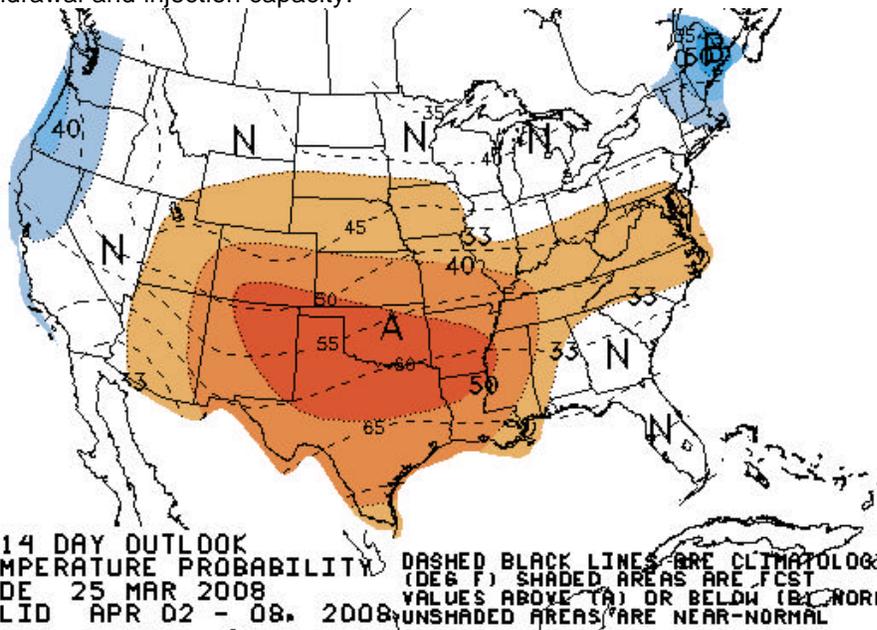
Entergy's 1,266 Mw Grand Gulf nuclear unit exited an outage and ramped up to 54% power today. Yesterday, the unit was operating at 14% capacity.

TVA's 1,121 Mw Watts Bar #1 nuclear unit started to exit an outage and ramped up to 13% capacity by early today. The unit shut February 10 for refueling.

Canada -- Ontario Power Generation's 515 Mw Pickering #1 nuclear unit returned to service today.

The NRC reported that 80,709 Mw of nuclear capacity is online, up 2.06% from Monday and off 2.27% from a year ago.

MoBay Storage Hub, an affiliate of Falcon Gas Storage Co. Inc., is holding an open season for Phase I storage service beginning Oct. 1, 2009, which will provide 50 Bcf of high-deliverability, multi-cycle capacity with 1 Bcf/d of withdrawal and injection capacity.



Alliance Pipeline and Questar Overthrust Pipeline Company announced that they have entered into a Memorandum of Understanding to develop the Rockies Alliance Pipeline, a jointly owned interstate natural gas pipeline from Wamsutter, Wyoming to the Minnesota U.S./Canadian border (Emerson trading hub). The proposed 42-inch pipeline will traverse approximately 800 miles northeasterly through Wyoming, Montana, and North Dakota; connecting the fastest-growing natural gas producing region in North America – The Rockies - with

robust natural gas markets in the U.S. Midwest and central Canada.

Between now and the middle of next year 40 infrastructure projects in the Southeast/Gulf Coast region will shift natural gas flow patterns, disrupt regional pricing relationships and realign the value of transportation capacity across the most complex pipeline grid in North America, according to a new report from Bentek Energy LLC. The pipeline and LNG projects represent a total of more than 25.4 Bcf/d of additional capacity serving the Southeast Gulf region, with an additional 6.3 Bcf/d of new storage deliverability as well. But there is a catch, in the short term there will not be enough incremental supplies to fill the new pipeline and LNG terminal capacity. The initial shortfall of supply will have significant implications for regional flows and pricing. Several of the new pipelines with favorable cost and tariff structures will displace or “steal” gas from traditional pipelines that deliver gas into and across the region. Furthermore, the new pipelines will increase demand in the producing areas while increasing supplies in areas that typically enjoy premium pricing. This development is expected to narrow the price differential between the prolific Barnett, Woodford and Fayetteville Shales and the Bossier Sands region and the premium Southeast markets at Transco Zone 4, TETCO M1, FGT Zone 3 and Sonat LA.

PIPELINE MAINTENANCE

ANR Pipeline Company said that it will continue unplanned engine repairs at various compressor stations along the SE Mainline in ANR’s Southeast Southern Fuel Segment. The total SEML capacity will be reduced by 100 MMcf/d through March 31. Based on current nominations, it is anticipated that the above restrictions may result in the curtailment of IT and Firm Secondary nominations.

TransColorado Gas Transmission said that it will perform maintenance at its Mancos Compressor Station on gas day March 26. Capacity through Segment 220 will be limited to 345 MMcf and capacity through Segment 240 will be limited to 395 MMcf. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

ELECTRIC MARKET NEWS

The Green Exchange has reported a strong first week of trading. Trade volume in The Green Exchange’s carbon contracts alone totaled 1.59 million tons, making it the most successful launch of exchange-traded carbon contracts.

MARKET COMMENTARY

The natural gas market exhibited another choppy session, following the erratic crude contract first higher in early morning trading to 9.48 and then selling off to support at 9.278 by mid morning. With underlying supportive fundamentals and some below normal temps lingering, natural gas returned to its highs, extending them to 9.486. The soon expire April contract (March 27) settled up 9 cents at 9.419.

Natural gas is continuing to see buying interest, inspired by a sense that natural gas under its \$10 value of recent weeks is at least relatively cheap, and with some cold in the 6-10 day forecast to maintain downward pressure on storage and upward pressure on prices. Expectations for this week's storage report point to a draw of near 50 Bcf, above the five-year average of 40 Bcf and well above last year's draw of just 11 Bcf. Assuming a withdrawal of 50 Bcf, the year-on-five-year-average surplus would drop below 20 Bcf while the year-on-year deficit would swell back over 250 Bcf. We see support at 9.315, 9.278, 9.193, 9.00 and 8.66. We see resistance at 9.45-9.48, 9.523, 9.61, 9.731 and 10.00.