



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 22, 2008

NATURAL GAS MARKET NEWS

Natural gas prices are poised to break out of their \$6-8 range due to a number of factors and could trade in an \$8-10 range for the next two years or so, said Chesapeake Energy Corp. CEO Aubrey McClendon.

Kern River Gas Transmission announced it is holding a supplemental open season for 84 MMcf/d of firm year-around transportation service to Utah, Nevada or California. New Expansion service will be available November 1, 2010. On February 1, Kern River concluded a previous open season for firm transportation service. Based on the results of that open season, the company has determined the optimum size of an expansion is 145 MMcf/d.

TransCanada Corp. is confident the U.S. Congress will back an innovative financial guarantee for its proposed multibillion-dollar Alaska natural gas pipeline, despite an Alaska senator's warning that Congress will not back its bid. TransCanada is seeking a "bridge shipper commitment" where the U.S. government would commit to paying gas shipping capacity prior to the construction of the line if gas producers did not commit to enough capacity to make the project viable.

Royal Dutch Shell is looking for oil and gas in the Chukchi and Beaufort Seas off the coast of Alaska, but the finds will have to be significant to justify the huge cost of development. The U.S. Minerals Management Service thinks 15 billion barrels of oil and 75 Tcf of natural gas can be found in the Chukchi Sea.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline said that emergency repairs began late Thursday at Compressor Station 409A in Alamo, Texas. Tennessee may require restrictions on current scheduled volume levels through a pro-rata portion of Secondary In the Path nominations pathed through Station 409A as well as volumes flowing on Tennessee's 100 Line System serving southern Texas.

Dominion Transmission released its maintenance schedule covering March and April. The TL-460 facility is set for three days of maintenance March 17-19 to run cleaning and magnet pigs from Syracuse to Biddlecum. TL-460 will also be down March 20 to run a calipher pig from Syracuse to Biddlecum, and also March 24 to run a smart pig. The L-543 facility will be down March 17 to run cleaning and magnet pits from Horseheads to Gardner Rd. This unit will also be down March 18 and 20. The Sharon facility will be down 8 days from March 17-24 for a spring shut-in test. The Harrison facility will be down March 24-31, Quinlan will be down March 24-31 and L-542 will be down March 25 to run a cleaning and magnetic pigs. The TL-418 will be down March 25 for cleaning and magnetic pigs. Southbend will be out of service March 31 – April 7 for a spring shut-in test. Finally, the Fink Kennedy facility will be out of service March 31-April 7 for a spring shut-in test.

ELECTRIC MARKET NEWS

Generator Problems

WSCC – Calpine Corp.'s 724 Mw Pastoria natural gas-fired power station returned to near full power today.

Canada – Ontario Power Generation's 490 Mw Nanticoke #3 coal-fired power station shut for short work. The unit is expected to return to service within a week.

The NRC reported that 91,899 Mw of nuclear capacity is online, down .08% from Thursday, and up .39% from a year ago.

NYMEX Nat Gas Options Most Active Strikes for February 22, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	5	8	C	13	04/25/2008	0.031	10,900	46.68
LN	3	8	C	10	02/26/2008	0.0113	9,401	51.83
LN	3	8	C	9	02/26/2008	0.2493	6,618	42.45
LN	3	8	C	9.5	02/26/2008	0.0604	6,040	47.24
LN	3	8	C	9.25	02/26/2008	0.128	4,946	44.72
LN	3	8	P	8.25	02/26/2008	0.0008	3,590	39.99
ON	3	8	C	9	02/26/2008	0.249	3,540	43.84
LN	4	8	C	10	03/26/2008	0.1813	3,338	39.98
LN	4	8	P	8.25	03/26/2008	0.0898	2,700	39.41
LN	4	8	C	11	03/26/2008	0.0537	2,325	42.74
LN	4	8	C	12	03/26/2008	0.0151	2,315	45.07
LN	3	8	C	9.75	02/26/2008	0.0267	2,279	49.60
LN	3	8	P	9	02/26/2008	0.1033	2,240	44.68
LN	11	8	C	10	10/28/2008	1.1672	2,190	33.22
LN	12	8	C	10.5	11/21/2008	1.1442	1,950	31.68
LN	7	8	C	12	06/25/2008	0.1847	1,750	38.13
LN	3	9	C	12	02/24/2009	0.9858	1,600	35.65
LN	3	8	C	9.2	02/26/2008	0.1473	1,543	44.22
LN	3	8	P	8.5	02/26/2008	0.0069	1,457	41.45
ON	3	8	C	9.5	02/26/2008	0.06	1,442	47.74
LN	4	8	P	8	03/26/2008	0.0513	1,395	39.09
LN	3	8	P	8.45	02/26/2008	0.0047	1,362	41.22
LN	5	8	C	11	04/25/2008	0.1425	1,350	40.28
ON	3	8	C	10	02/26/2008	0.011	1,221	51.99
LN	1	9	C	12	12/24/2008	0.8837	1,200	34.07
LN	4	8	C	11.5	03/26/2008	0.0285	1,200	43.91
LN	4	8	C	10.5	03/26/2008	0.0998	1,193	41.43
LN	2	9	C	12	01/27/2009	0.9909	1,100	34.66
LN	12	8	C	14	11/21/2008	0.4591	1,100	39.41
LN	7	8	C	10.5	06/25/2008	0.4342	1,050	35.74
LN	8	8	C	12	07/28/2008	0.2902	1,050	38.59
LN	3	9	C	11	02/24/2009	1.196	1,000	32.61
LN	10	8	P	7	09/25/2008	0.25	1,000	46.65

The U.S. Department of Energy and SuperPower Inc. are jointly investing in the world's first use of second-generation HTS wire on the grid. This 350-mile HTS cable runs between the Riverside and Menands Substations in Albany, New York. HTS cables encounter essentially no resistance in electricity flow, which increases efficiency by eliminating 7-10% of the energy losses of conventional copper-based cables. DOE is accounting for over \$13.5 million of this \$27 million project.

Genscape's U.S. coal burn index fell 0.04% in the week ended February 21. The index, a gauge of power plant demand for coal, was up 0.03% from the same week last year.

As estimated by the EIA from data on railroad car loadings, U.S. coal production totaled approximately 22.8 mmst during the week ended February 16. This production estimate is approximately 1.5% higher

than last week's estimate, and almost 7% higher than the estimate reported for the comparable week in 2007.

MARKET COMMENTARY

The natural gas market was weaker overnight and early this morning, consolidating in its new range. The March contract traded to a low of 8.771, but support from the 8.75 level held. Despite some moderation in weather reports for the two-week period, volatility in the energy markets as a whole sparked a short covering rally, and natural gas shot up the charts, clearing the 9.00 and the 9.12 levels. Uncertainty in the weather picture is supporting the market and with strong storage draws expected over the next two weeks, the March contract was boosted to a high of 9.166. The front month settled above its recent highs, up 26.4 cents on the day to 9.155.

Without a drastic bearish revision to weather forecasts, we see further upside to this market as the supply-demand relationship continues to trend tighter. Total stocks are on pace to be below the five-year average in the next couple weeks and that could propel natural gas prices to the 9.50 level. We see initial resistance at 9.166, 9.353 and 9.457. We see further resistance at 9.50, 9.748 and 8.00. We see support at 8.75, 8.667, 8.563 and 8.50.

This afternoon's Commitment of Traders Report showed that while non-commercial's net short position declined by 14,409 contracts, this group actually increased its over all net short position when taking futures and options

together, growing by another 10,550 lots and reaching a new record net short position of 142,276 lots. It appears these shorts have been increased through active call selling and light put buying.

