



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 28, 2007

NATURAL GAS MARKET NEWS

Canadian natural gas production is expected to increase by a meager 0.2% this year and then begin a decline as conventional gas extraction in Alberta slowly falls, the Conference Board of Canada said Wednesday.

On the heels of El Nino, its opposite La Nina may soon arrive, which could increase hurricane activity in the Atlantic Ocean, according to the National Oceanic and Atmospheric Administration. After getting a free pass last year with less activity than expected, Gulf of Mexico oil and natural gas producers in 2007 could be looking at a storm season more on par with the devastating one seen in 2005. In addition, electricity consumers could feel the price pinch if the western drought associated with La Nina episodes reduces hydropower capacity.

The EIA today released their latest Natural Gas Monthly Report, which detailed supply/demand statistics for December 2006. It showed that U.S. domestic production of natural gas in December stood at 51.9 bcf/d up 1.2% from November and some 5.7% better than a year ago, when domestic production was still limping along in the wake of the aftermath of Hurricane Katrina. This was the highest average monthly production rate since March of 2005. Net imports during the month also showed strong gains up 27.1% from November as it reached 10 bcf/d, a level only matched twice before this year. LNG imports on the month showed a 5% gain over November reaching 1.65 bcf/d, a level not seen since the summer. Consumption in December was pegged at only 68.2 bcf/d some 10% less than last year and some 9.2% less than December 2004. Residential and commercial customer demand was off 19.3% and 18.1% respectively. Industrial demand though despite the warmer weather was only off 2.2% from last year, while electrical generation demand for natural gas during the month was actually higher than a year ago, up 1.1%.

Generator Problems

MAIN – Dominion Resources' 591 Mw Kewaunee nuclear unit tripped shut during a surveillance procedure. The unit is expected to return within a week.

Exelon Generation's 855 Mw Quad Cities #2 nuclear unit shut overnight due to decreasing condenser vacuum. The unit was operating at 30% capacity yesterday. Quad Cities #1 continues to operate at 97% capacity.

PJM – Exelon's 1,116 Mw Peach Bottom #3 nuclear unit reduced output to 77% capacity after an unusual event was declared.

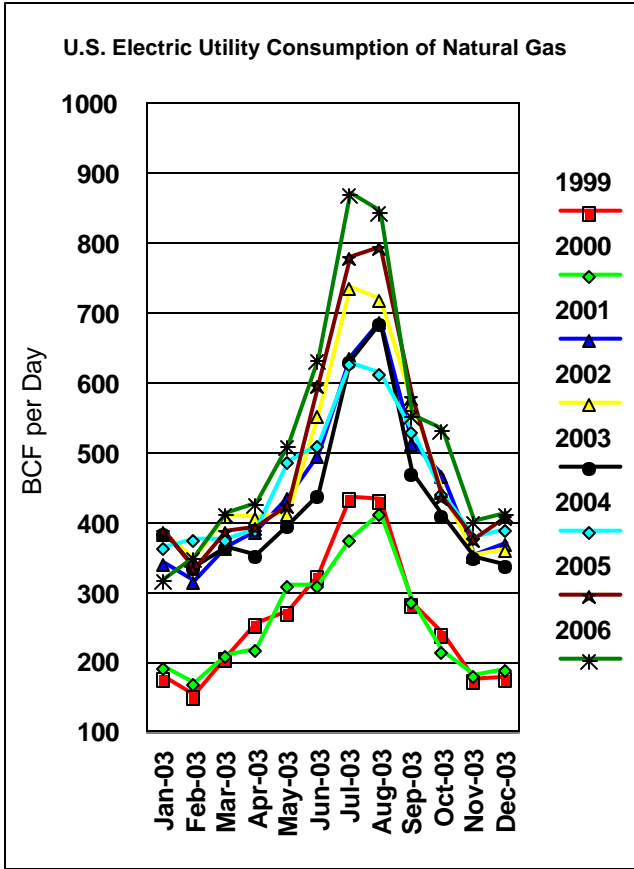
NPCC – Entergy's 1,019 Mw Indian Point #2 nuclear unit tripped offline from full power early today due to a failed transmitter on a water pump. Indian Point #3 continues to operate at full power.

SERC – Dominion Resources' 925 Mw North Anna #2 nuclear unit reduced output to 31% capacity due to a problem with the emergency core cooling system. But after repairs were made, the unit began to ramp output. North Anna #1 continues to operate at full power.

WSCC – Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit returned output to full power today. Yesterday, the unit was operating at 78% capacity.

The Elk Hills 525 Mw natural gas-fired power station shut and restarted today as operators restarted it earlier in the week following a 20-day shutdown related to an explosion in the natural gas field that serves the plant.

The NRC reported that 88,554 Mw of nuclear capacity is on line, down 2.15% from Tuesday, and .10% lower from a year ago.



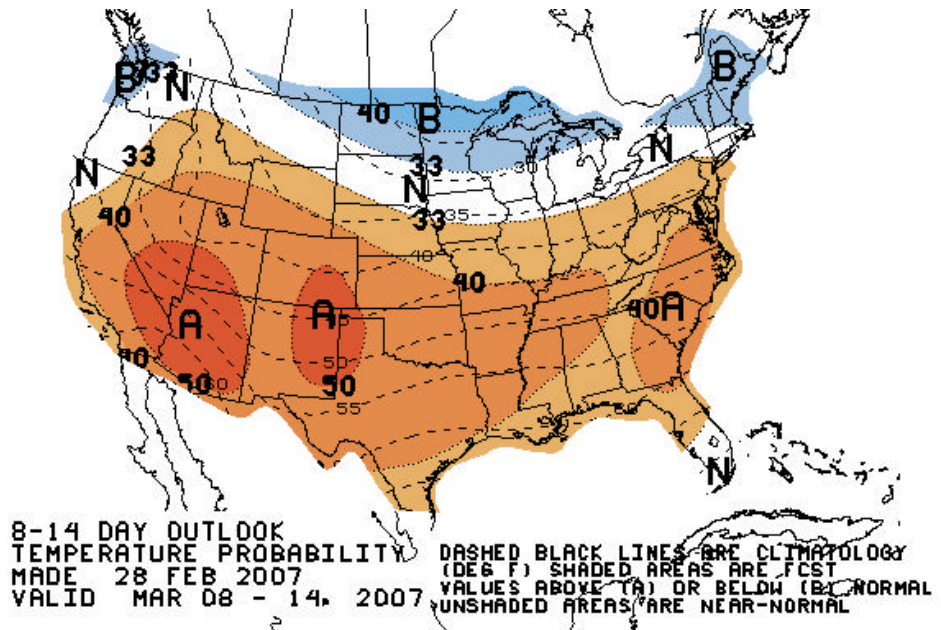
PIPELINE RESTRICTIONS

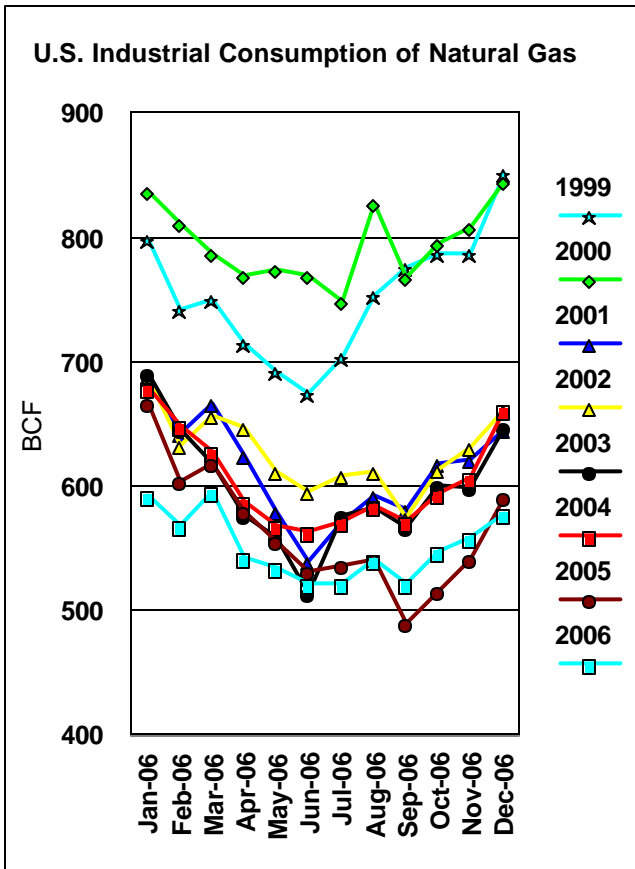
KM Interstate Gas Transmission announced AOR/IT/Primary and Secondary at-risk restrictions for today. KMIG said that SSC Grant, CIG Weld, WBI Bridger, CIG Glenrock and Cheyenne were classified as AOR/IT/Secondary Risk. SSC Grant is also at Primary At Risk. The West End Segment was listed as AOR/IT/Secondary Risk.

Natural Gas Pipeline Company announced several points of capacity constraints and pipeline conditions for today. On the Amarillo system, NGPL said that segment 13, 14, 15 and 1 are at capacity. On the Gulf Coast system, Segment 17, 25, 23 and 24 are at capacity, as are Fla Jefferson and Col Chalkley. Trunkline (Seg 23), MRT Harris (Seg 26), Fla Vermilion (seg 24), TGT Lowry (seg 23) and PEPL Moultrie (seg 28) have limited capacity. NGPL also said effective today and until further notice, Natural is at capacity for northbound flow through and downstream of Compressor Stations 109 and 110 (Segment 14). Limited ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled. Also, effective today and until further notice, Natural is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas. ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled.

Texas Eastern Transmission Corp. said that it has extended restrictions for the system today. The company said it has scheduled nominations flowing through Batesville. Increases in nominations for receipts sourced upstream of Batesville for delivery downstream will not be accepted. In addition, Texas Eastern has scheduled nominations sourced in zones STX and ETX for delivery outside that area. No increases in receipts between Little Rock and Vidor for delivery outside that area will be accepted. Additionally, TE has forced balanced all long TABS-1 pools in STX, ETX and M1 24-inch zones.

Tennessee Gas Pipeline said that effective 9:00 AM CT today, due to nominations in excess of the available capacity, it still had restrictions in the following places: at Carthage Lateral, at the Harrison Storage Meter. Tennessee also said it will not accept any nominations for in-field storage transfers from Tennessee to Dominion at the Harrison storage facility.





TransColorado Gas Transmission said that southbound transportation on Segment 220 is at AOR/IT/Secondary Risk for today. All other points and segments have available capacity.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it would be performing scheduled maintenance on Goodrich Compressor Station Unit #4 beginning March 9, and continuing until June 9. Capacity through the Goodrich Compressor Station could be reduced by as much as 50 MMcf/d for the duration of the maintenance.

Natural Gas Pipeline Company said that the delivery to Gulf South-Deep Lake will be unavailable for station maintenance March 7-8. This delivery is in Segment 23 of Natural's Louisiana Zone.

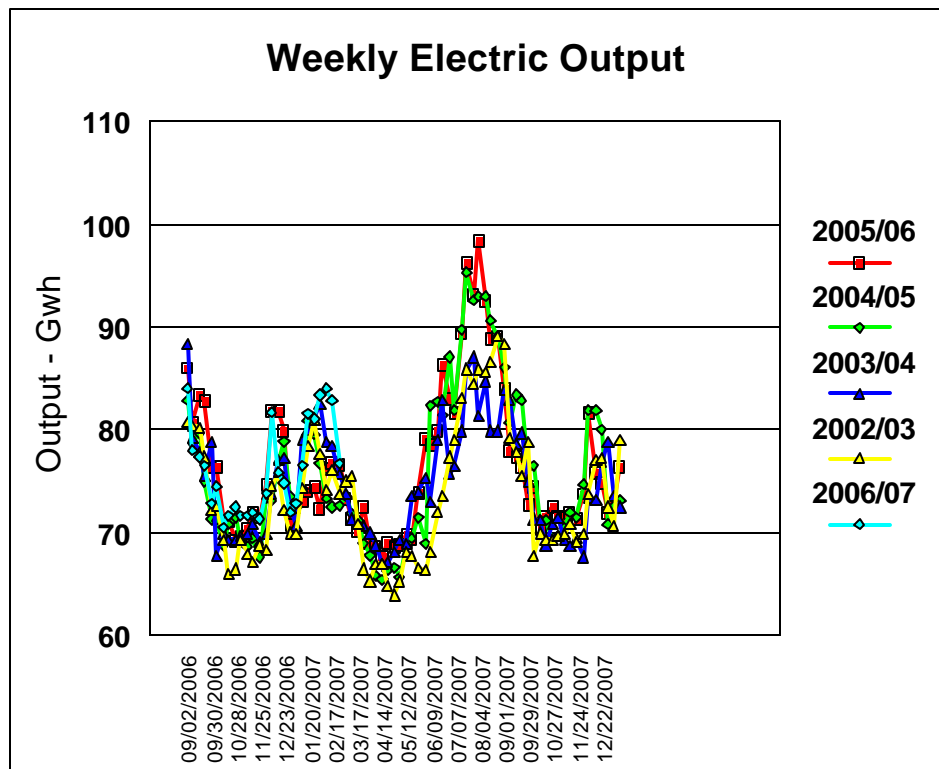
Northern Natural Gas Company said that the Spraberry compressor station will conduct their annual ESD test and maintenance April 10-12. Several receipts and deliveries will be scheduled to zero on those days.

Williston Basin Interstate Pipeline Company said that unplanned maintenance began at the Elk Basin Compressor Station yesterday. Flow at receipt point #3255 South Elk Basin will be approximately 12,500 dkt today.

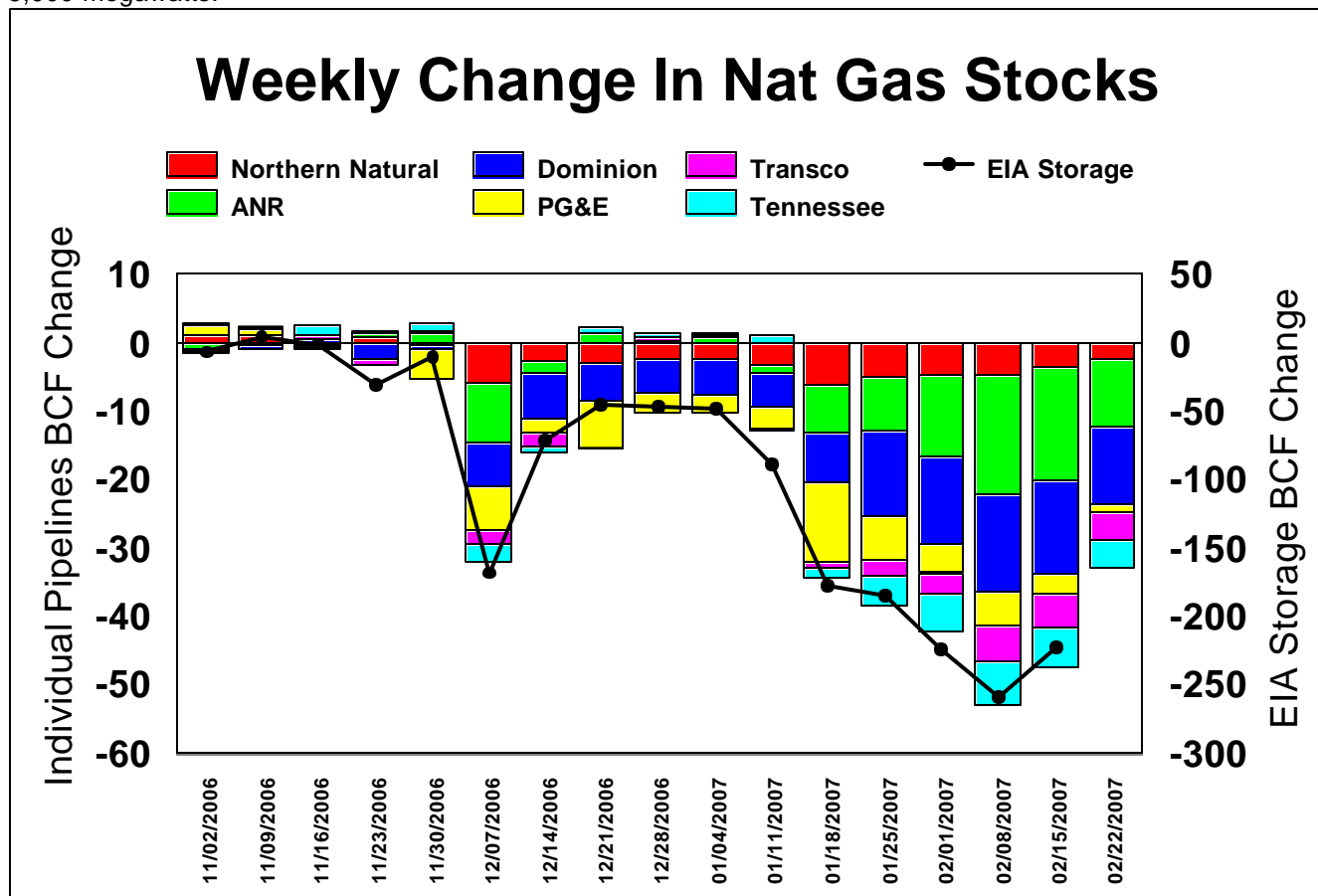
ELECTRIC MARKET NEWS

The Edison Electric Institute reported that power production in the continental U.S. for the week ended February 24 rose 0.1% from the same 2006 week to 76,705 GWh. For the first eight weeks of the year, power production is up 7.1% from last year.

TXU Corp. said it would give a 10% price cut for residential customers in its traditional service area due to a planned leverage buyout of TXU by private equity firms Kohlberg Kravis Roberts and Co. and Texas Pacific Group. The Texas power company said the price cut would be for those residential customers in its traditional service area who had not already selected one of its lower-priced offers.



Privately held Astoria Generating Co. and EBG Holdings said they are combining in a deal worth \$2.5 billion, creating an independent power producer with plants in both the New York and Boston areas. The company will be named US Power Generating Co. and will own eight power-generating facilities with a total capacity of over 5,000 megawatts.



Calpine Corporation announced that it is moving forward with plans to expand its Deer Park Energy Center in the Harris County town of Deer Park, Texas. Deer Park Energy Center is a 1,007 Mw low-carbon natural gas-fired combined cycle cogeneration power plant. The facility is comprised of four gas combustion turbines and one steam turbine. Initially designed with the infrastructure to support up to six gas combustion turbines, Calpine plans to add the final two combustion turbines to the facility, effectively adding 400 Mw to the capacity of the plant.

MARKET COMMENTARY

The natural gas market opened 18.3 cent lower as forecasts continue to moderate. April natural gas traded to an intra day low of 7.25 early in the session as the crude oil market showed some early weakness. But as the oil complex found some upside momentum, natural gas instead held fast below key support at 7.40 and settled down 23.3 cents at 7.30.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	1,219,800	\$7.231	(\$0.204)	(\$0.282)	\$0.266	(\$0.377)
Chicago City Gate	668,800	\$7.208	(\$0.154)	(\$0.087)	\$0.265	(\$0.175)
NGPL- TX/OK	655,400	\$6.763	(\$0.135)	(\$0.532)	\$0.284	(\$0.685)
SoCal	904,400	\$6.980	(\$0.049)	(\$0.315)	\$0.370	(\$0.519)
PG&E Citygate	624,800	\$7.513	(\$0.014)	\$0.218	\$0.405	(\$0.000)
Dominion-South	488,300	\$7.458	(\$0.471)	\$0.163	(\$0.052)	\$0.369
Transco Zone 6	342,000	\$7.789	(\$0.464)	\$0.494	(\$0.045)	\$0.654

NYMEX Nat Gas Options Most Active Strikes for February 28, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	P	7	03/27/2007	0.2068	10,590	45.47
LN	5	7	P	7	04/25/2007	0.2774	6,200	43.29
LN	5	7	P	6.5	04/25/2007	0.1205	6,150	41.97
LN	4	7	P	6.5	03/27/2007	0.0669	5,570	44.24
LN	12	7	P	8	11/27/2007	0.7158	3,800	46.96
LN	4	7	C	8	03/27/2007	0.13	3,425	44.51
LN	5	7	C	10	04/25/2007	0.0349	3,150	45.76
LN	10	7	C	20	09/25/2007	0.0287	3,050	54.79
LN	5	7	C	8	04/25/2007	0.2683	3,025	39.87
LN	6	7	C	10	05/25/2007	0.0753	2,800	41.75
LN	7	7	C	10	06/26/2007	0.1442	2,800	40.58
LN	4	7	C	10	03/27/2007	0.0071	2,700	53.06
LN	8	7	C	10	07/26/2007	0.218	2,700	39.74
LN	9	7	C	10	08/28/2007	0.325	2,700	40.68
LN	10	7	C	10	09/25/2007	0.4253	2,700	40.78
LN	6	7	C	8	05/25/2007	0.3903	2,650	36.70
LN	7	7	P	6	06/26/2007	0.1079	2,625	42.05
LN	8	7	P	6	07/26/2007	0.1417	2,625	42.92
LN	7	7	C	8	06/26/2007	0.5192	2,550	34.72
LN	8	7	C	8	07/26/2007	0.6503	2,550	34.15
LN	4	7	P	6	03/27/2007	0.0163	2,300	44.84
LN	5	7	P	6	04/25/2007	0.0483	2,250	42.99
LN	10	7	C	8.5	09/25/2007	0.7766	2,125	37.46
ON	5	7	P	6	04/25/2007	0.048	2,021	41.24
ON	10	7	C	10.5	09/25/2007	0.361	2,000	47.14
LN	12	7	P	9	11/27/2007	1.2219	1,900	49.33
LN	4	7	P	5.5	03/27/2007	0.0031	1,850	46.76
LN	7	7	P	7	06/26/2007	0.3758	1,800	43.04
LN	9	7	P	6.5	08/28/2007	0.3264	1,700	45.35
LN	9	7	P	6	08/28/2007	0.1951	1,675	44.84
LN	5	7	P	7.5	04/25/2007	0.5236	1,632	45.14
LN	4	7	P	6.75	03/27/2007	0.1215	1,625	44.46
LN	10	7	P	6	09/25/2007	0.2421	1,625	46.95
LN	6	7	P	7	05/25/2007	0.3341	1,600	43.20
LN	6	7	P	6	05/25/2007	0.0766	1,575	41.91
LN	8	7	P	7	07/26/2007	0.4284	1,550	44.23
LN	9	7	C	9	08/28/2007	0.5025	1,550	38.14
LN	9	7	C	8	08/28/2007	0.7921	1,550	34.87
LN	10	7	C	8	09/25/2007	0.9505	1,550	35.88
LN	9	7	P	7	08/28/2007	0.5078	1,450	46.24
LN	10	7	P	7	09/25/2007	0.5798	1,450	48.90
LN	5	7	P	6.75	04/25/2007	0.1893	1,350	42.70
ON	4	7	P	7	03/27/2007	0.207	1,320	43.49
LN	11	7	P	8	10/26/2007	0.8729	1,250	48.79
LN	7	7	C	8.5	06/26/2007	0.3759	1,225	36.52
LN	10	7	C	15	09/25/2007	0.088	1,225	49.21

Natural gas is focusing on diminishing heating demand, warmer weather and lighter storage withdrawals as it heads into the shoulder season and awaits summer forecasts for cooling demand and hurricane predictions. The NOAA did release a statement concerning the possible development of a La Nina weather condition, which would enhance the Atlantic hurricane activity. Expectations for tomorrow's EIA storage report range from a draw of 130 Bcf to 160 Bcf, with most expectations calling for a 143-145 Bcf draw. Our heating degree-day model calls for a draw of 133 Bcf, while our pipeline receipt/delivery model calls for a draw of 163 Bcf. Last year's report saw a draw of 165 Bcf, while the five-year average decline for this report is 129 Bcf. We feel that the market will take a stab at the 7.00 level as the market is becoming comfortable with the current 182 Bcf year-on-five year storage surplus and the current 296 Bcf year-on-year storage deficit. We see support at \$7.25, \$7.05, \$7.00, \$6.92 and \$6.20. We see resistance at \$7.40, \$7.85-\$7.87, \$8.00 and \$8.25.