



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 1, 2007

NATURAL GAS MARKET NEWS

EIA chief Guy Caruso said before a Senate Panel that delays in pipeline projects bringing supplies to US markets would boost the need for LNG imports, which typically cost more than piped gas. EIA is already projecting that LNG imports, now at about 3% of the market, will grow to 4.5 Tcf, or close to 20% of the total market by 2030.

Liquefied natural gas is becoming more economic compared with drilling in many U.S. basins, and by 2009, it could compete with wellhead supply, according to a study by Pickering Energy Partners Inc.

PIPELINE RESTRICTIONS

KM Interstate Gas Transmission said nominations have been received and scheduled. Effective today and until further notice, KMIGT has the following capacity constraints on its system: SSC Grant will be unavailable for receipt nominations, due to operational conditions; CIG Weld: KMIGT will not accept delivery nominations at CIG Weld to the extent that the point becomes a net delivered quantity to CIG; NNG Milligan is at capacity for delivered volumes; IT/AOR and secondary FT quantities are at risk of not being scheduled; WIC Cottonwood is at capacity for delivered volumes; IT/AOR and secondary FT quantities are at risk of not being scheduled; West End Constraint: the combined quantities of the following three points located in Fremont County, Wyoming are at capacity, due to operational conditions; IT/AOR and secondary quantities are at risk of not being scheduled (Hendry Pt, WBI/Bridger, Lost Cabin).

Texas Eastern Transmission Corp. said that it has scheduled all receipts sourced between Little Rock and Batesville for delivery downstream of Batesville. No increases in receipts nominations will be accepted between Little Rock and Batesville.

EIA Weekly Report

	02/23/2007	02/16/2007	Net chg	Last Year
Producing Region	592	616	-24	630
Consuming East	898	996	-98	1092
Consuming West	243	253	-10	275
Total US	1733	1865	-132	1996

*storage figures in Bcf

Generator Problems

ERCOT – American Electric Power's 690 Mw Oklaunion coal-fired power station shut for planned maintenance. The unit is expected to return after March 5.

MAPP – Xcel Energy's 593 Mw Prairie Island #2 nuclear unit shut for planned valve work. The unit was at full power yesterday. Prairie Island #1 remains at full power.

PJM – Exelon's 1,116 Mw Peach Bottom #3 nuclear unit increased output to 90% power after an unusual event decreased output on Tuesday. Yesterday, the unit was operating at 77% capacity.

NPCC – Entergy's 1,019 Mw Indian Point #2 nuclear unit exited an outage and ramped up to 20% capacity today. The unit tripped offline yesterday due to a failed transmitter on a water pump.

SERC – Dominion Resources' 925 Mw North Anna #2 ramped output to 93% power today. Yesterday, the unit was operating at 31%. North Anna #1 continues to operate at full power.

Canada – Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station shut for short-term work by early today. The unit is expected to return to service in about a week.

The NRC reported that 87,837 Mw of nuclear capacity is on line, down .81% from Wednesday, and .60% lower from a year ago.

PIPELINE MAINTENANCE

Gulf South Pipeline will be performing unscheduled maintenance on Montpelier Compressor Station Unit #4 beginning immediately and continuing

through March 14. Capacity through Montpelier Compressor Station could be reduced by as much as 75,000 Mcf/d during this maintenance. Gulf South also said that until further notice, Deep Lake CP#1 and Bridgeline at Grand Chenier will be shut in during maintenance at Index 195. Capacity may be affected by as much as 50 MMcf/d at Goodrich Compressor Station units 1, 2 and 3 with one unit down at a time that should be completed today. At Arnaudville Compressor Station Unit #1, capacity may be affected by as much as 150,000 Mcf/d until further notice. Capacity may be affected by as much as 150,000 Mcf/d at Bistineau Compressor Station Unit #5. At Longview Compressor Station #1 Unit #1, the affected capacity could be as much as 8,000 DTH in a seven-day maintenance project beginning March 12.

Canadian Gas Association

Weekly Storage Report

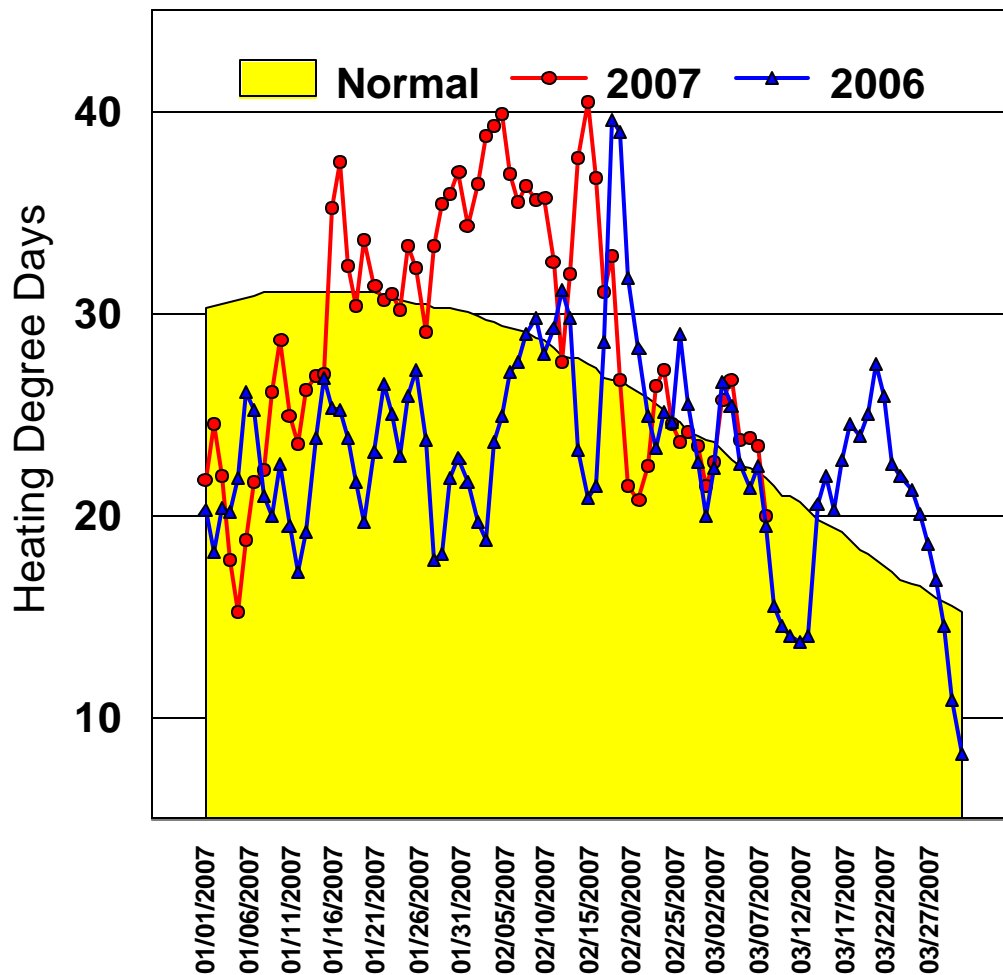
	23-Feb-07	16-Feb-07	24-Feb-06
East	99.6	118.1	131.4
West	114.1	120.4	140.6
Total	213.7	238.5	272.0

storage figures are in Bcf

KM Interstate Gas Transmission will be performing maintenance at its Casper Compressor Station from March 6-

U.S. Daily Heating Degree Days

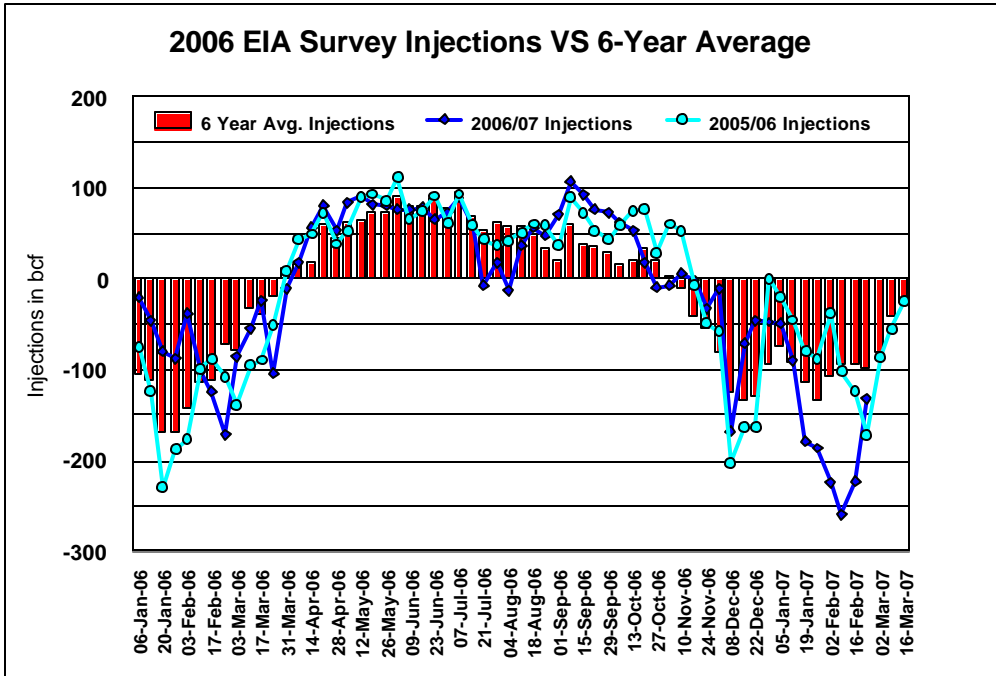
(2007 Totals Observed and Forecasted for Next 8 Days)



January 1 - March 31, 2007

16. Capacity through segments 45 and 730 will be limited to 190,000 Dth/d. Based on the current levels of nominations, AOR/IT and secondary FT quantities are at risk of not being scheduled. All primary FT quantities will be scheduled. KMIGT will also be performing maintenance at its WIC Cottonwood interconnect from gas day March 20 through March 30. Nominations to this PIN will not be available during this maintenance. AOR/IT, secondary and primary FT quantities will not be scheduled.

TransColorado Gas Transmission said that nominations have been received and scheduled. Effective today and until further notice, TransColorado does not have any capacity constraints on its system. TransColorado said that it will be performing



maintenance at its Mancos Compressor Station on gas day March 6. Capacity through Segment 250 will be limited to 415 MMcf/d. Based on the current levels of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled. At this maintenance progresses, additional scheduled quantities may become available for the Intraday 2 cycle. TransColorado will post this increase if it becomes available.

Williams Company's Transcontinental Gas Pipe Line unit said it

would perform maintenance March 7-8 on part of its mainline natural gas system in Hidalgo County, Texas. The mainline tap installation at the Guerra meter station would affect about 20 MMcf/d of production. In order to accommodate the work, Transco said, it must shut in or have deliveries upstream of mile pole 26.16 rescheduled to an interconnect with Spectra Energy's Texas Eastern system.

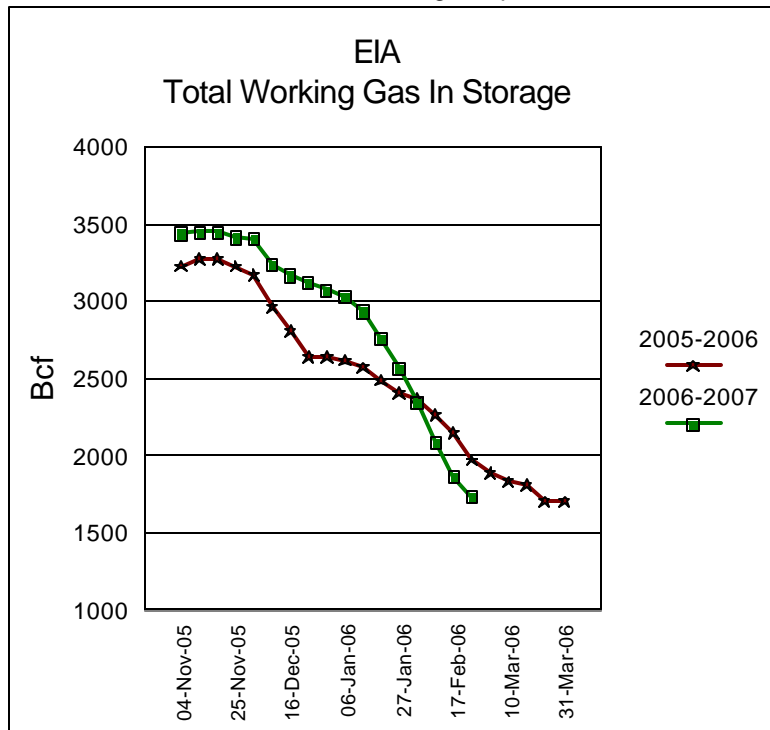
Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed today at the Vida Compressor Station. At this time, the company does not anticipate any restriction to the system. The company also said that maintenance will be performed at the Saco Compressor Station starting May 14 and ending May 18. Volumes at Receipt Point Bowdoin, Whitewater and Vandalia will be zero during the period.

ELECTRIC MARKET NEWS

US District Court Judge Sam Sparks of the Western District of Texas ruled that TXU may begin construction on a 600 Mw Lignite-fired power plant adjacent to an Alcoa aluminum smelting complex in Milam County. The plant is one of three lignite plants TXU said it would continue to pursue after an investment group led by KKR and Texas Pacific Group said it planned to buy the utility and cancel plans to build eight coal-fired plants in the state. The settlement also calls for the new plant to achieve a sulfur-dioxide emission rate 25% lower than that in a 2003 consent order, and a nitrogen-oxide emission rate 20% lower than that in the consent order.

MARKET COMMENTARY

The natural gas market opened 5.5 cents lower as it anticipated a bearish inventory report. The EIA reported that 132 Bcf of gas was taken from the ground last week,



slightly lower than expectations, which resulted in the April contract spiking to a low of 7.10. Natural gas could not muster further downside momentum to challenge the 7.00 level, and with support from a rallying oil complex, natural gas clawed its way to near unchanged by the end of the day. The market returned to range-bound trading at the end of the session, as most fundamental and technical drivers remained stuck. April natural gas settled down 1.2 cents at 7.288.

NYMEX Nat Gas Options Most Active Strikes for March 1, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp date	Settle	Volume	IV
LN	4	7	P	6	03/27/2007	0.0138	5,800	43.91
LN	4	7	C	8.5	03/27/2007	0.0524	3,550	45.80
LN	4	7	P	6.5	03/27/2007	0.0611	3,225	43.26
LN	5	7	C	9	04/25/2007	0.1033	3,200	44.41
LN	4	7	P	7	03/27/2007	0.1987	2,825	44.55
LN	4	7	C	10	03/27/2007	0.0046	2,700	51.22
LN	4	7	C	7.7	03/27/2007	0.1839	2,650	42.32
LN	8	7	C	10	07/26/2007	0.2337	2,600	40.62
LN	6	7	C	10	05/25/2007	0.0839	2,580	43.03
LN	5	7	C	10	04/25/2007	0.0374	2,550	46.87
LN	7	7	C	10	06/26/2007	0.1576	2,550	41.65
LN	5	7	C	7.75	04/25/2007	0.3484	2,475	39.80
LN	7	7	C	8.25	06/26/2007	0.4771	2,375	37.38
LN	10	7	C	10	09/25/2007	0.4475	2,350	41.64
LN	9	7	C	10	08/28/2007	0.3431	2,250	41.46
LN	10	7	C	9	09/25/2007	0.6609	2,225	39.61
LN	5	7	P	7	04/25/2007	0.2853	2,200	44.40
LN	4	7	P	6.7	03/27/2007	0.1031	2,050	43.76
LN	5	7	C	8	04/25/2007	0.2761	2,025	41.01
ON	10	7	C	9.5	09/25/2007	0.547	2,000	46.78
ON	10	7	C	8.5	09/25/2007	0.812	2,000	46.19
LN	6	7	C	9	05/25/2007	0.1866	1,975	40.82
LN	9	7	C	9	08/28/2007	0.5253	1,800	38.92
LN	7	7	C	9	06/26/2007	0.2913	1,750	39.10
LN	8	7	C	9	07/26/2007	0.395	1,700	38.18
LN	4	7	C	9	03/27/2007	0.0232	1,600	47.72
LN	5	7	P	6.5	04/25/2007	0.1262	1,600	43.09
LN	4	7	C	8	03/27/2007	0.1163	1,560	43.70
LN	10	7	C	8	09/25/2007	0.9808	1,550	36.80
ON	5	7	C	10	04/25/2007	0.037	1,450	48.37
LN	1	8	P	7.5	12/26/2007	0.5182	1,050	46.91
LN	2	8	P	7.5	01/28/2008	0.598	1,050	48.45
LN	3	8	P	7.5	02/26/2008	0.7107	1,050	49.68
LN	9	7	C	8	08/28/2007	0.8191	1,050	35.65
LN	4	7	C	13	03/27/2007	0.0001	1,000	59.06
LN	5	7	C	13	04/25/2007	0.003	1,000	54.60
LN	6	7	C	13	05/25/2007	0.0124	1,000	50.37
LN	7	7	C	13	06/26/2007	0.0304	1,000	47.53
LN	8	7	C	13	07/26/2007	0.0596	1,000	46.56
LN	9	7	C	13	08/28/2007	0.1088	1,000	46.91
LN	10	7	C	13	09/25/2007	0.1725	1,000	47.65
LN	10	9	C	10	09/25/2009	0.6738	1,000	17.64
LN	11	7	P	7.5	10/26/2007	0.6457	1,000	48.01
LN	12	7	P	7.5	11/27/2007	0.5259	1,000	46.39

Total storage inventories now stand at 1,733 Bcf, 263 Bcf below last year's levels for the same week and 179 Bcf above the five-year average of 1,554 Bcf. The year-on-year deficit currently remains the strongest point of support. As warmer temperatures move in and with the likelihood of ever decreasing storage withdrawals ahead, the bears' minds may ease as the shoulder season eventually gives way to injections. The market will remain range bound, taking its lead from weather forecasts and the volatile oil complex, though we feel the market will maintain a downside bias and take a look at the 7.00 level. We see support at \$7.05-\$7.10, \$7.00, \$6.90, \$6.82 and \$6.20. We see resistance at \$7.40, \$7.60, \$7.85-\$7.87 and \$8.00.

NYMEX Natural Gas Options Volume American and European Options

■ Call
 ■ Put
 ▲ Apr ATM IV

