



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 5, 2008

NATURAL GAS MARKET NEWS

Independent energy companies are bulking up reserves and production with natural gas, a market with an increasingly bullish outlook. There is more leverage to make gains in natural gas right now as opposed to crude oil. For example Deven Energy, the largest U.S. independent oil and gas company by market capitalization, added a total of 437 million barrels oil equivalent to its proved reserves in 2007. Over half of those additions were natural gas. Last year, record supplies in storage weighed on gas prices. But this year, the market has been lifted by cold weather demand and lower imports of LNG. The fact that inventories have run down mean you are going to have the need to replenish those inventories over the summer, which will keep upward pressure on prices.

Exxon Mobil Corp.'s Chief Executive Rex Tillerson said the United States will have trouble competing with Asia and Europe for LNG in coming years.

Generator Problems

MAIN – Exelon's 1,162 Mw LaSalle #1 nuclear unit reduced power to 84% capacity. The unit was operating at 96% power yesterday. LaSalle #2 continues to operate at full power.

PJM – FirstEnergy's 861 Mw Beaver Valley #1 nuclear unit returned to full power today. The unit was operating at 82% power for the past two weeks.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit was taken offline today for maintenance. The turbine is operating at 21% and is expected to return to the grid in a couple days. Brunswick #1 reduced power to 93% power as it coasts down for a refueling outage.

Entergy's 967 Mw River Bend nuclear unit ramped up to 54% power today. The unit was operating at 28% power yesterday after exiting a outage.

Canada – Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station shut for short work. The unit is expected to return within a week.

Ontario Power Generation's 515 Mw Pickering #1 nuclear unit started to exit and outage today. The unit has been shut since February 28.

The NRC reported that 87,271 Mw of nuclear capacity is online, down .19% from Tuesday, and up 1.54% from a year ago.

British prompt gas and power prices fell today on comfortable supplies and with milder weather for the next few

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,641,500	\$9.372	\$0.138	(\$0.322)	(\$0.124)	(\$0.418)
Chicago City Gate	833,300	\$9.799	\$0.224	\$0.105	(\$0.050)	\$0.011
NGPL- TX/OK	885,700	\$9.167	\$0.132	(\$0.527)	(\$0.142)	(\$0.560)
SoCal	1,117,200	\$9.102	\$0.076	(\$0.592)	(\$0.198)	(\$0.722)
PG&E Citygate	945,500	\$9.309	(\$0.056)	(\$0.385)	(\$0.330)	(\$0.285)
Dominion-South	417,000	\$9.781	\$0.156	\$0.087	(\$0.118)	\$0.169
Transco Zone 6	107,600	\$10.521	\$0.388	\$0.827	\$0.114	\$1.149

days set to erode demand. Gas for delivery on Wednesday eased to 52.30 pence per therm, down 0.70 pence from Tuesday's close, with the system comfortably supplied with gas on the last day of the current cold snap.

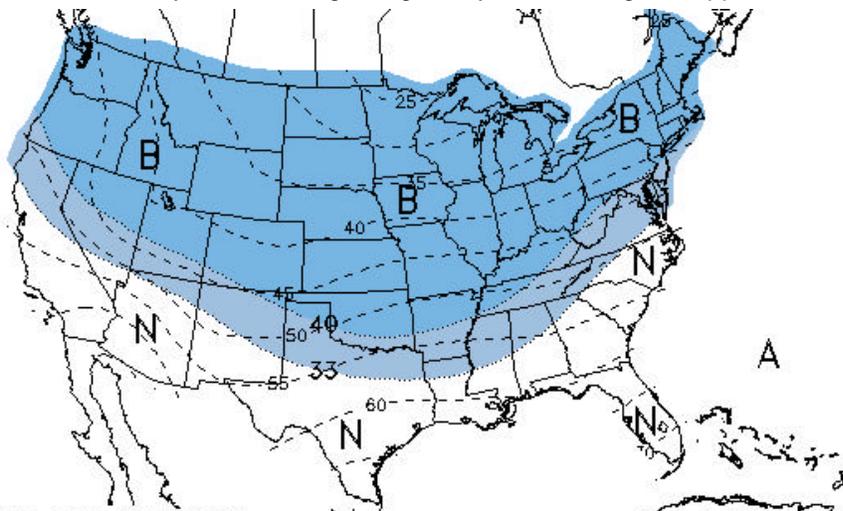
There are some signs of the U.K. NBP contract becoming a U.S. Henry Hub style gas trading equivalent for Europe, according to Fredrik Voss of ICE Futures. Voss pointed to continental players hedging their risk on the U.K. exchange, which they were able to do because U.K. NBP prices are closely correlated to European spot gas prices at Belgium's Zeebrugge hub and the Dutch TTF hub, but could not do elsewhere because continental Europe lacks a liquid exchange.

Germany's Federal Cartel Office opened legal proceedings against 35 companies it suspects of charging inflated gas prices.

Qatar is in talks with fellow Gulf Arab state Kuwait to supply LNG. Train six or Rasgas III would come online in the first quarter of 2009 and train seven would start by the end of the same year. Each will have a capacity of 7.8 million tones a year. Qatar plans to boost total production of LNG to 77 million tones per year in 2010, up from 31 million tones now.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will perform scheduled pipeline maintenance on Index 129 (Aqua Dulce 24-inch) in Wharton County, Texas, beginning today and lasting for approximately three days. Gulf South does not anticipate any service interruptions with this maintenance.



8-14 DAY OUTLOOK TEMPERATURE PROBABILITY MADE 5 MAR 2008 VALID MAR 13 - 19, 2008. DASHED BLACK LINES ARE CLIMATOLOGY (DEG F). SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL. UNSHADED AREAS ARE NEAR-NORMAL.

Lateral through today.

Transcontinental Gas Pipe Line said that it has completed the remaining maintenance at Station 100 in Chilton County, Alabama. At this time, both compressor stations are fully operational. Transco originally posted a notice on December 18, 2007, addressing unplanned maintenance at Compressor Station 70 and 100 on its system.

Trunkline Gas Company said that it will continue to run pigs on the Quicksand Creek

Williston Basin Interstate Pipeline Company said that the unplanned maintenance at Elk Basin Storage Reservoir will be completed by noon today. The maximum capacity for aggregate storage will be approximately 330 MMcf/d.

ELECTRIC MARKET NEWS

FirstEnergy said about 113,000 customers were without power today in northeast Ohio and Northwest Pennsylvania following an ice storm last night.

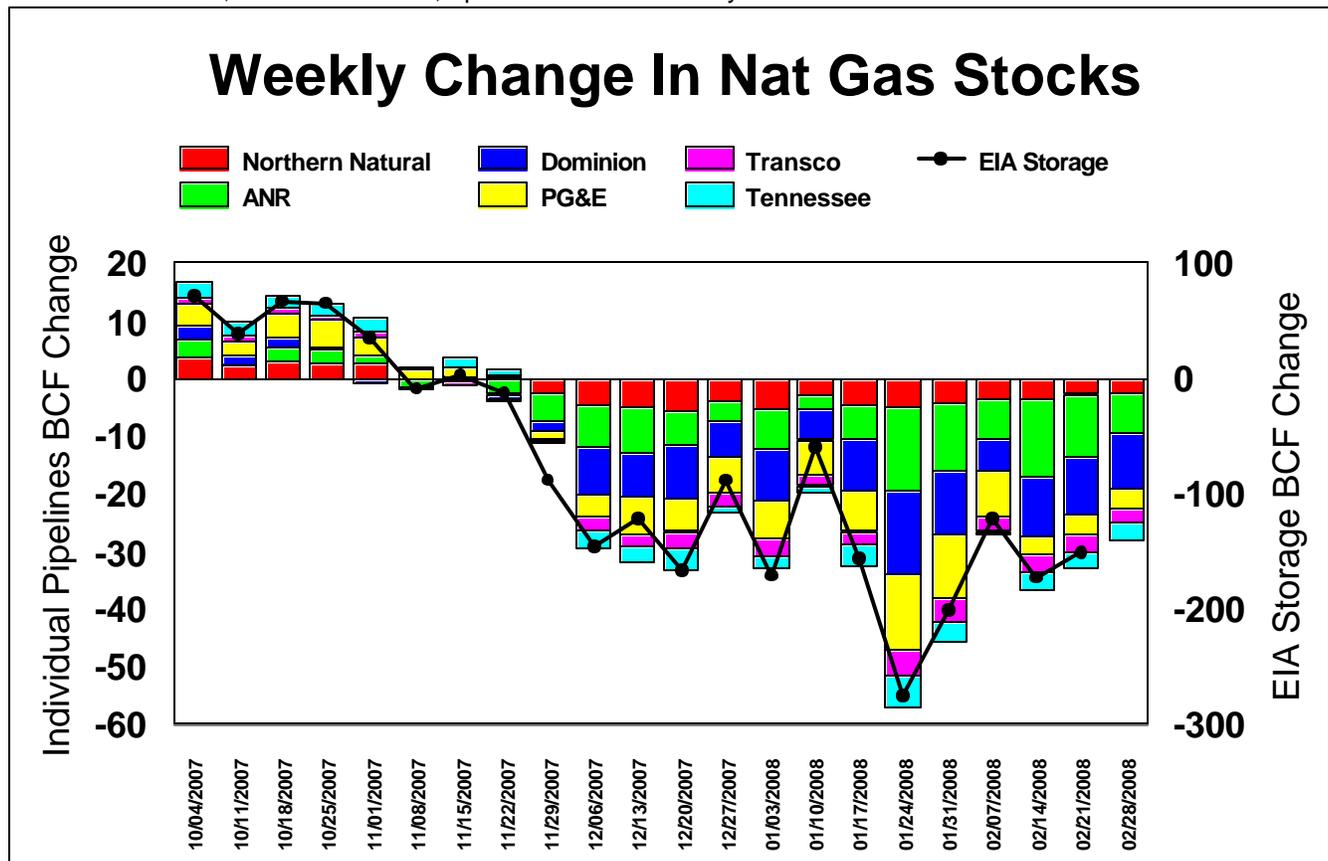
The Edison Electric Institute reported that power production in the continental U.S. for the week ended March 1 rose 3.6% from the same 2007 week to 76,644 GWh. Compared to last week, it is a 2.2% decrease.

The U.S. NRC said it approved Southern Co.'s request to increase the generating capacity of the Vogtle nuclear power plant in Georgia by 1.7%. The NRC staff determined the plant output could increase through more accurate means of measuring feedwater flow. The power up-rate will increase Vogtle Unit #1 from about 1,109 Mw to 1,174 Mw, and Unit #2 from about 1,127 Mw to 1,173 Mw. The company said it plans to implement Unit #1's up-rate at the completion of the spring 2008 refueling outage and Unit #2's up-rate at the completion of the fall 2008 refueling outage.

The Megatons to Megawatts program has eliminated the equivalent of 13,000 nuclear warheads, USEC announced today. To date, 325 metric tons of highly enriched uranium from Russian nuclear warheads have been downblended to low enriched uranium as part of this landmark energy and nonproliferation program. The low enriched uranium downblended to date could be used to generate enough electricity to meet the annual needs of 361 million U.S. households.

MARKET COMMENTARY

The natural gas market mounted sharp gains today boosted initially by late-season cold surfacing in the most recent two-week forecast and then a bullish oil report, which resulted in a \$5.00 rally. April natural gas broke through recent highs at 9.60 to trade to two-year highs at the 9.82 level. The market traded with momentum through that price point to a daily high of 9.876. The natural gas market followed the frontline crude surge, as crude oil traded \$5.00 higher, natural gas was 50 cents higher. The April contract was pressured off its higher ahead of the close, to settle at 9.741, up 38.8 cents on the day.



Expectations for tomorrow's EIA inventory report have trended higher, with most calling for a draw of 141-143 Bcf, which would cut the year-on-five-year average surplus to below 60 Bcf while the year-on-year average deficit would once again exceed 165 Bcf. We see the drawdown to be in a range of 123-148 bcf. With the tightening supply situation continuing, and late season cold in the forecasts, this market has not seen its top yet. We feel that the market will continue its upward breakout toward the 10.00 level. We see support at 9.675, 9.63, 9.473, 9.30-9.32, 9.13 and 9.00. We see resistance at 9.82, 10.00, 10.211, 10.545 and 10.70.