



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 12, 2007

NATURAL GAS **MARKET NEWS**

Total officials said today that their LNG projects worldwide have so far been sheltered from surging building costs due to its "project management strategy. The company said it attempts to adapt the contractual structure to the market structure. He said overall delays in construction projects in the global LNG market will remain tight until possibly 2015.

Chevron said that it and its partners in the proposed Gorgon LNG project in western Australia would remain within their allocated site even if the project was expanded from 5 million mt per year to 7.5 million mt per year in order to be more cost effective. The project is currently slated to begin operations 2011.

Statoil officials said today that Europe will have an oversupply of natural gas through 2012 and as a result will prompt suppliers to send LNG cargoes out of Europe to Asia and North America. Statoil's Snohvit field is expected to start

Generator Problems

MAPP – Xcel Energy's 600 Mw Monticello nuclear unit was operating at 97% of capacity this morning as it continues to coast down to its refueling outage.

Xcel Energy's 593 Mw Prairie Island #2 nuclear unit was at 53% of capacity this morning, as operators continue to ramp this unit back up from a recent repair outage.

Dominion Resources 591 Mw Kewaunee nuclear unit was restarted over the weekend and was at 99% of capacity this morning.

MAIN- AmerenUE 1190 Mw Callaway nuclear unit tripped off line on Friday and remained offline today.

ERCOT – South Texas Project Nuclear's Unit #2 was slowly coasting down to a planned outage. The unit was at 85% of capacity this morning.

SPP- Entergy's 836 Mw Unit #1 at the Arkansas Nuclear One power station returned to full power Monday after running at 75% of capacity on Friday, due to adjustments to control rods. The 858 Mw Unit #2 returned to full capacity today following completion of weekend repair work.

Entergy's 1207 Mw Grand Gulf #1 nuclear unit saw output cutback over the weekend and was at 92% of capacity, as it appeared the unit has begun coasting down to its planned outage for next weekend.

PJM – Exelon's 1134 Mw Limerick #2 nuclear unit went off line today as it entered a month long planned maintenance outage.

PSEG Nuclear's 1100 Mw Salem #1 nuclear unit was at 97% of capacity as it coasts down to its planned maintenance outage, possibly scheduled for March 27th.

SERC- Duke Energy's 1100 Mw Unit #1 at the McGuire nuclear plant was off line today in what appeared to be the start of a planned maintenance outage. The #2 Unit was at only 56% of capacity this morning for unknown reasons.

NPCC – Constellation Energy's 565 Mw Nine Mile point Nuclear unit was at 85% of capacity this morning as it coasts down to a planned Saturday maintenance outage. Its sister unit remains offline since Thursday due to a technical problem.

WSCC- Calpine's 811 Mw Delta natural gas fired power plant was offline today.

Canada – OPG shut its 490 Mw Unit #2 at the Nanticoke coal fired power station on Monday, for "short term" maintenance. The company also took its 515 mw Unit #1 at the Pickering nuclear station offline for maintenance work as well.

The NRC reported that 81,484 Mw of nuclear capacity is on line, down 4.18% from Friday, and some 3.23% less than a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	979,700	\$6.808	(\$0.238)	(\$0.437)	\$0.063	(\$0.245)
Chicago City Gate	688,900	\$6.702	(\$0.356)	(\$0.221)	(\$0.109)	(\$0.087)
NGPL- TX/OK	654,800	\$6.384	(\$0.290)	(\$0.539)	(\$0.043)	(\$0.495)
SoCal	899,900	\$6.233	\$0.078	(\$0.690)	\$0.325	(\$0.719)
PG&E Citygate	586,400	\$6.805	(\$0.096)	(\$0.118)	\$0.151	(\$0.152)
Dominion-South	355,400	\$7.063	(\$0.363)	\$0.140	(\$0.116)	\$0.844
Transco Zone 6	337,800	\$7.384	(\$0.450)	\$0.461	(\$0.203)	\$3.491

exporting LNG supplies later this year.

Connecticut's Attorney general asked Shell Oil to abandon its Broadwater LNG facility currently proposed for Long Island Sound. He said that there are better alternative sites that are safer in Massachusetts, Maine,

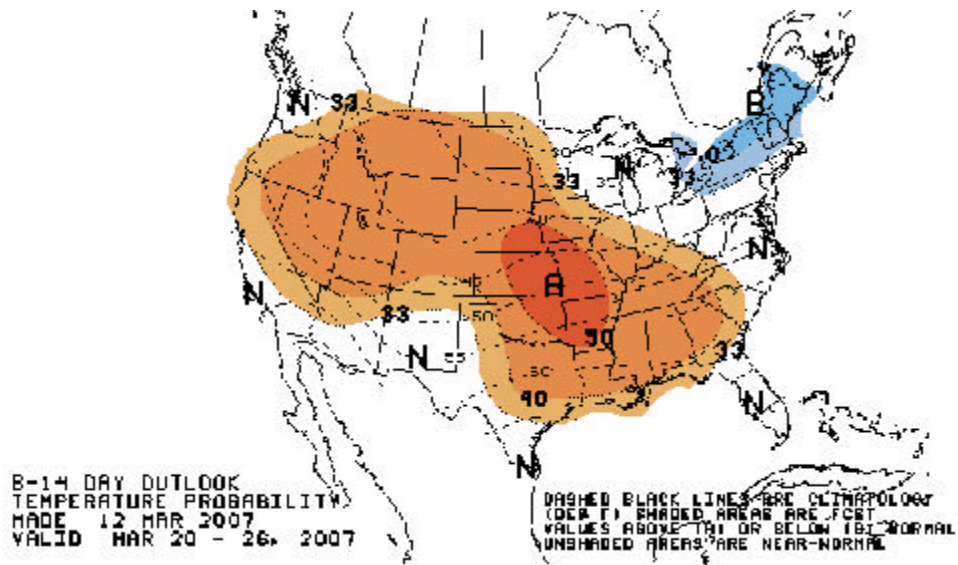
Virginia or Maryland. He said the state would go to court to seek that this project does not become a reality.

The Parker County Sheriff's Office in Texas confirmed an explosion and fire at a gas pipeline that killed one person on Monday. It stated that a construction crew was putting in a new gas line when they struck an old gas line. Power lines were affected, causing a power outage to residents in northern Parker County.

US Senator Jeff Bingaman, chairman of the Senate Energy and Natural Resources Committee, was not satisfied with the initial response by the FERC to his inquiry into the monitoring of the natural gas commodity markets. He said the response was partial. He continues to question the actions of natural gas traders, as it appears that they could be engaged in market manipulation tactics that will drive up prices that are ultimately paid by natural gas consumers.

The FERC granted approval to Martimes and Northeast Pipeline to double its capacity to accommodate supplies of natural gas expected to come into the market from Canaport LNG terminal at Saint John, New Brunswick. The capacity will go from 418,000 dekatherms per day to more than 833,000 dekatherms per day. Construction is expected to begin this year and meet an in service date of November 2008. Cost for the project is pegged at \$321 million.

The Mackenzie Gas Project in Canada appears will be delayed yet again and will not begin service until 2014 according to project sponsors today. Earlier projections had the facility coming on line between 2010-2012. Cost estimates have increased by 62%.



PIPELINE RESTRICTIONS

Texas Eastern Pipeline said that nominated deliveries downstream of Castor on the Castor lateral have put the pipeline at capacity and as a result no increases to deliveries downstream of this point will be accepted.

Tennessee gas Pipeline noted that restrictions remained at the following points: Carthage Lateral running at 56% of Supply to Market Secondary Out of path nominations; Station 17 running at 73% of Supply to market Secondary Out of path nominations; Harrison Storage Meter—will not accept any Supply to market increases pathed to the Harrison Storage meter; Grand Chenier 507-A Line—meters located on these lines must be delivered to Targa Seahawk Pipeline System for processing at the Lowry Gas Processing Plant.

**PIPELINE
MAINTENANCE**

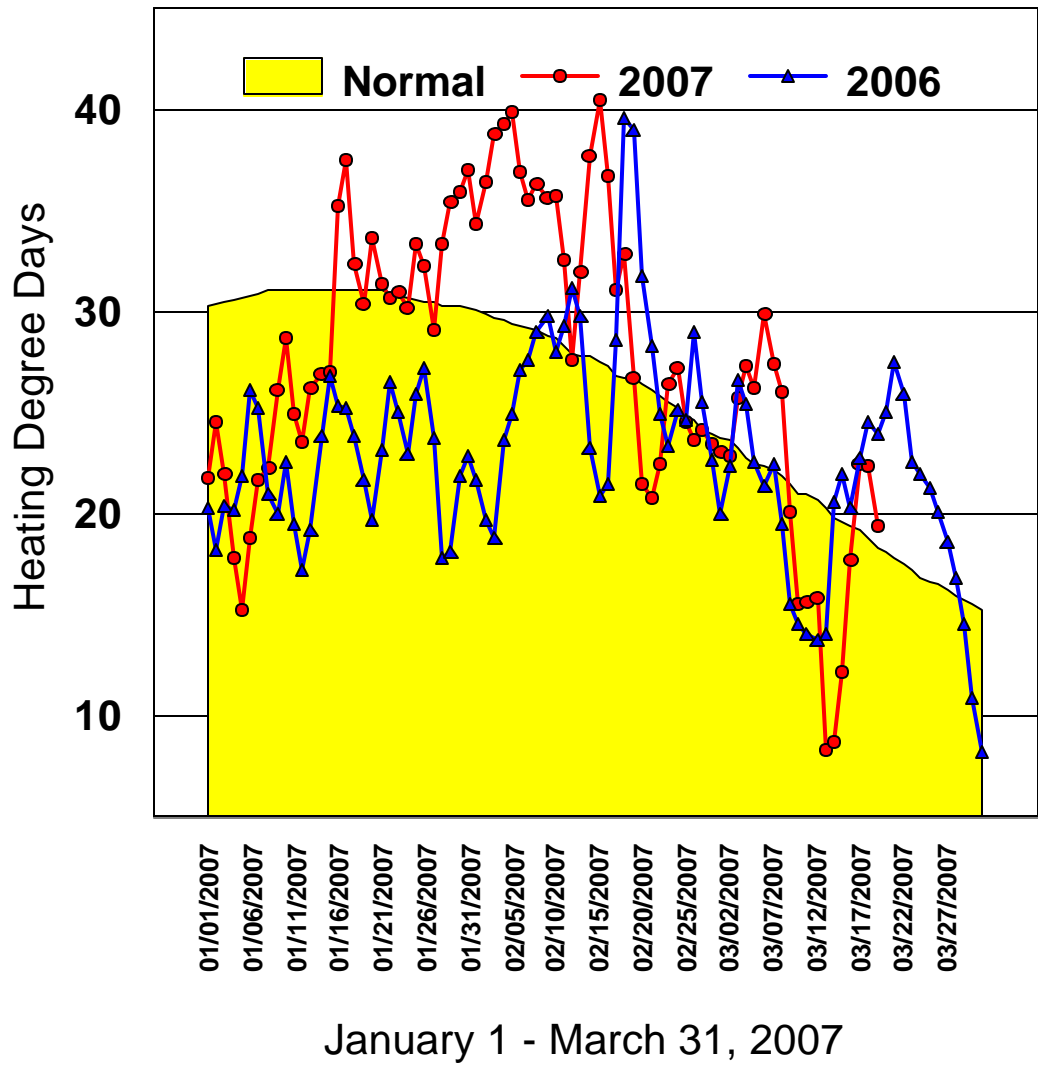
CIG reported that its Greasewood Compressor Station is back in service as of today and capacity has been increased by 65 Mmcf/d to 195 Mmcf/d. The station was out of service on Sunday.

**ELECTRIC
MARKET NEWS**

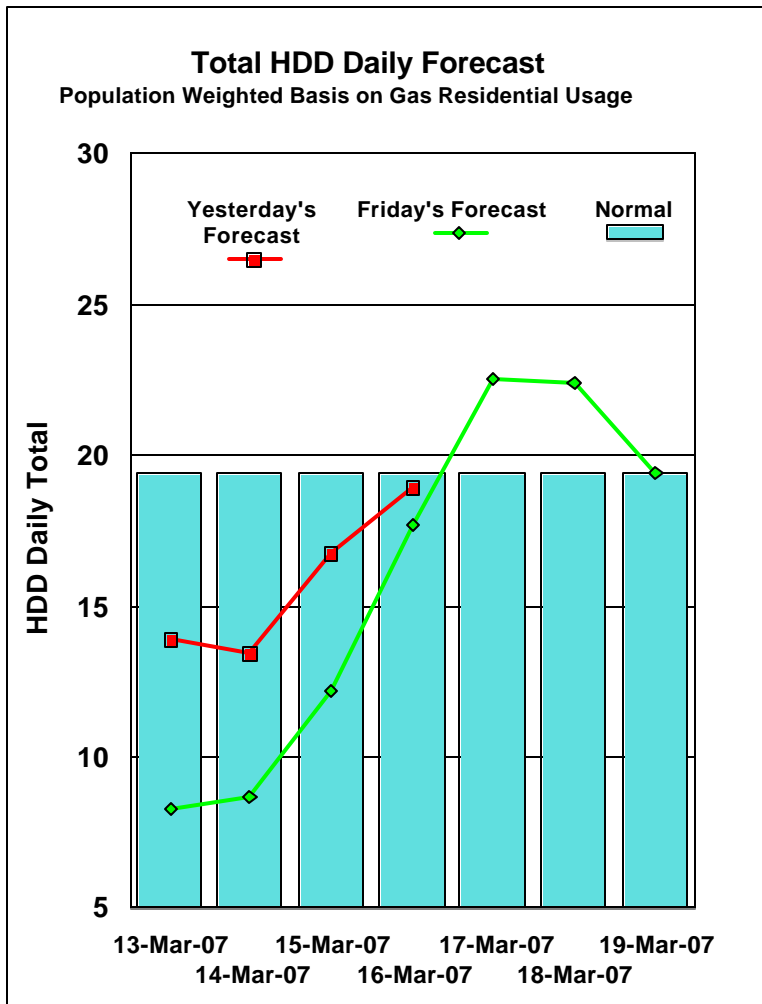
San Diego Gas & Electric said Friday that it had begun a competitive bid process for new electricity supplies for its service area starting in 2010. The company said it needed at least 700 Mw of power supplies. This needs to be achieved through a combination of conservation and or new generation projects. The power would replace several power contracts with the California Department of Water Resources that will expire over the next few years. The company is looking for at least 200 Mw of electricity from peaker plants and 500 Mw of base load generation.

U.S. Daily Heating Degree Days

(2007 Totals Observed and Forecasted for Next 8 Days)



The chairman of the Senate Energy and Natural Resources Committee, Senator Jeff Bingaman said he hoped to offer an improved climate change bill in April, with a stronger greenhouse gas reduction and a higher safety valve price on carbon dioxide. He said he was uncertain when the bill would be ultimately considered by the US Senate but believed that progress was being made.



Dnyergy said an independent proxy advisor firm recommended that shareholders approve the company's proposed merger with the private equity fund LS Power.

Progress Energy announced today that it has entered into a series of transactions to divest itself of substantially all of its merchant power business. It looks to sell 1855 Mw of nominal gas fired generation assets in Georgia, to ArcLight Capital as well as assign its contract portfolio, which consists of full-requirements with 16 Georgia electric cooperatives, forward gas and power contracts, gas transportation contracts and other structured agreements to Constellation Energy Commodities Group.

ERCOT said its investigation showed that TXU's wholesale power subsidiary, due to its large size was able to raise power prices unfairly in 2005, costing wholesale power customers an additional \$70 million.

MARKET COMMENTARY

Moderating temperatures and the prospects for even warmer than expected temperatures for the first part of this week, sent traders

quickly to the sell side as they arrived at their offices this morning. This sent prices through the \$7.00 price barrier down to the \$6.90 area. The market failed to find follow through selling and as a result prices remained mired in a 5 cent sideways trading pattern for much of the day, before settling back down near the lows at \$6.912. This was the lowest settlement in the April contract since January 18th, Total volume on the day was pegged at 55,000 lots on Globex and 22,000 lots basis open outcry trading.

We continue to look at the \$6.885-\$6.82 area as an initial downside target to this market. We see additional support at \$6.58-\$6.59, \$6.49 and \$6.33. Resistance we see at \$6.97 followed by \$7.0, \$7.06-\$7.082, and \$7.20.