



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 16, 2007

NATURAL GAS MARKET NEWS

NOAA said today that while the U.S. winter season has ended up near normal, a record warm January globally has resulted in the global average temperature for this winter to be the warmest on record.

The EIA reported today that a record number of residential natural gas customers, some 4.2 million, bought gas from retail marketers rather than their regulated utilities in December. The agency reported that enrollment in customer choice programs increased by 8% in 2006, with New York and Ohio posting the biggest gains.

The FERC today issued a favorable final environmental review of three projects that make up the westernmost end of the Rockies Express Pipeline LLC proposed \$4 billion, 1663 mile pipeline project. The line would move gas from the Rockies onto the Midwest and eastern markets. The project is just on estep away from receiving a FERC certificate.

A federal appeals court today has vacated a FERC decision to assert jurisdiction over an offshore Louisiana gas pipeline system, citing a "glaring shortfall" in FERC's reasoning. The ruling was over the Jupiter Energy system, a small diameter system that moves gas in the Vermillion Block 39 production area to subsea lines owned by TRANSCO and Tennessee Gas Pipeline some 10 miles away. Unocal compresses this gas so it can get to the downstream interstate pipeline systems. The court stated that the glaring shortfall in the commission's order is the lack of a reasoned explanation to support its disregard of the length, diameter, operating pressure and non-physical factors on the Jupiter's system with all weight in favor of a gathering function.

PIPELINE RESTRICTIONS

Alliance Pipeline said that effective today tolerance will be changed to -8%/0%, due to line pack position. This will remain in effect until further notice.

Restrictions along the Tennessee Pipeline from earlier in the week continued today.

NGPL said that effective today and until further notice capacity will be available for gas received upstream of Compressor Station 155 in Wise Country Texas. The company noted that limited capacity is available for gas

Generator Problems

SERC - Southern's 883 mw Unit # 2 at the Hatch nuclear power plant began to restart operations and was at 2% power following a refueling outage that BEGAN ON February 6th.

TVA's 1125 Mw Sequoyah #2 nuclear unit was up to 62% of capacity as it continued to ramp back up from its recent outage.

ERCOT - South Texas #2 nuclear unit continued to coast down and was at 83% capacity this morning.

The NRC reported that 82,835 Mw of nuclear capacity is on line, up 0.84% from Thursday, but some 1.40% less than a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	815,900	\$6.839	(\$0.183)	(\$0.604)	(\$0.385)	(\$0.462)
Chicago City Gate	396,300	\$6.656	(\$0.204)	(\$0.314)	(\$0.151)	(\$0.289)
NGPL- TX/OK	771,800	\$6.304	(\$0.271)	(\$0.666)	(\$0.218)	(\$0.603)
SoCal	676,100	\$5.502	(\$0.949)	(\$1.469)	(\$0.896)	(\$0.853)
PG&E Citygate	654,800	\$6.410	(\$0.450)	(\$0.560)	(\$0.397)	(\$0.288)
Dominion-South	303,300	\$7.520	(\$0.221)	\$0.550	(\$0.168)	\$0.314
Transco Zone 6	315,800	\$8.117	(\$0.066)	\$1.147	(\$0.013)	\$0.687

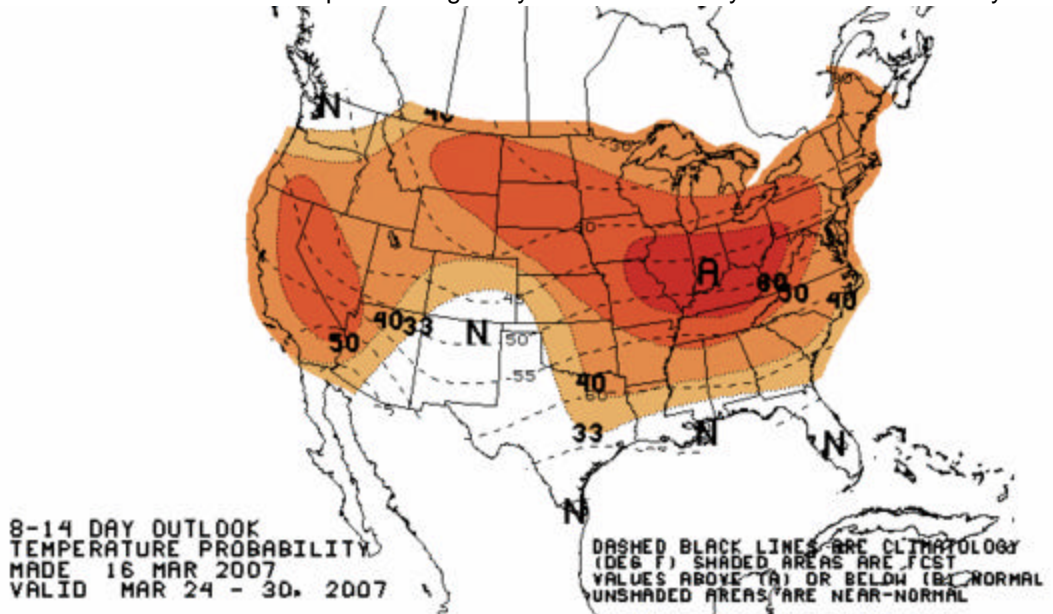
going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. It also reported that ANR South Joliet #2 is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled. On the Amarillo System, Segment 13, 14 and 15 are at capacity. On its Gulf Coast System, Segment 26 and 17 have limited capacity available. On the Louisiana line Segment 23, 24, and 25 are all at capacity

KMIGT said it is at capacity for deliveries through the Guernsey Compressor Station.

Texas Eastern reported that restrictions that we in place along its system on Thursday remain in effect today

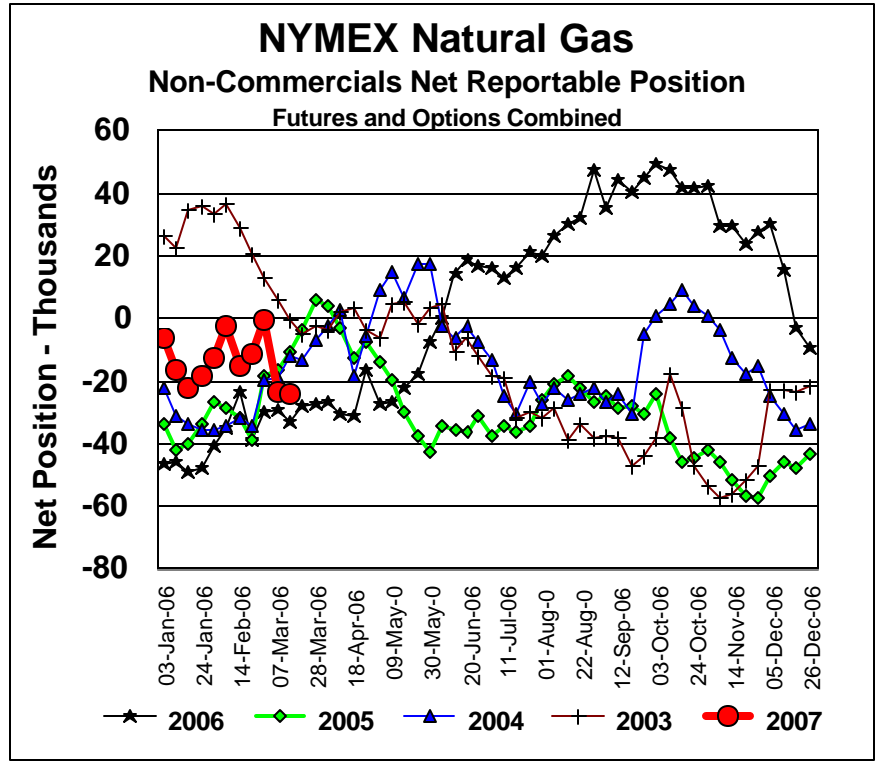
PIPELINE MAINTENANCE

Alliance reported that inspections and maintenance will require the Manchester Compression Station to be offline for 36 hours starting on March 20th. System throughput (AOS) will be impacted but will be determined closer to the outage date.. The company also noted that inspections and



maintenance require that the Towner Compression Station will be taken offline for 36 hours on March 20th and system throughput (AOS) will be impacted. Inspections and maintenance work will also take off line for 24 hours

the Irma Compression Station on March 20th. System throughput (AOS) will be impacted. The Loreburn Compression Station will be taken offline for just two hours on March 22nd for corrective maintenance but throughput is not expected to be impacted.



Williston Basin Interstate Pipeline reported it is planning maintenance for its Williston Compressor Station March 20th and will run until March 22nd. But does not believe any restriction in service will be needed. The company also reported that it will perform testing at its Elk basin Storage field April 10-25th resulting in potential injection or withdrawal allocations.

Questar Pipeline said that while maintenance work at the Greasewood station, technicians discovered an additional mechanical

issue that will need to be resolved. As a result the station capacity will remain at 35 Mdw/d until Cycle 1 March 17th.

NYMEX Nat Gas Options Most Active Strikes for March 16, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	P	6.5	03/27/2007	0.0353	2,350	37.34
LN	12	7	P	7	11/27/2007	0.3971	2,100	47.52
LN	11	7	P	7	10/26/2007	0.5095	2,000	49.19
LN	4	7	C	7	03/27/2007	0.1505	1,930	37.07
LN	5	7	P	6.5	04/25/2007	0.1394	1,900	40.93
LN	1	8	P	7	12/26/2007	0.3799	1,800	47.36
LN	2	8	P	7	01/28/2008	0.4687	1,800	49.67
LN	3	8	P	7	02/26/2008	0.5659	1,800	50.69
LN	6	7	C	8.5	05/25/2007	0.1456	1,600	40.09
LN	10	7	C	8	09/25/2007	0.8839	1,600	41.07
LN	5	7	C	9	04/25/2007	0.0261	1,550	44.18
LN	1	8	C	17	12/26/2007	0.2526	1,500	48.97
LN	1	8	C	20	12/26/2007	0.1396	1,500	50.75
LN	2	8	C	17	01/28/2008	0.3277	1,500	49.61
LN	2	8	C	20	01/28/2008	0.1945	1,500	51.43
LN	3	8	C	17	02/26/2008	0.341	1,500	49.44
LN	3	8	C	20	02/26/2008	0.2089	1,500	51.27
LN	11	7	C	20	10/26/2007	0.0381	1,500	52.10
LN	11	7	C	17	10/26/2007	0.0783	1,500	49.92
LN	12	7	C	17	11/27/2007	0.1418	1,500	47.36
LN	12	7	C	20	11/27/2007	0.0741	1,500	49.62
LN	4	7	P	6.75	03/27/2007	0.1054	1,400	39.18
LN	4	7	C	8	03/27/2007	0.0063	1,325	43.22
ON	5	7	C	9	04/25/2007	0.026	1,203	45.49
LN	10	7	C	9	09/25/2007	0.6029	1,100	43.89
LN	5	7	P	6.75	04/25/2007	0.2251	1,075	41.51
LN	5	7	P	7	04/25/2007	0.3383	875	42.21
LN	5	7	C	8	04/25/2007	0.1057	875	40.76
LN	4	7	C	7.25	03/27/2007	0.0745	837	38.84
LN	1	8	P	8.5	12/26/2007	0.972	750	50.39
LN	2	8	P	8.5	01/28/2008	1.0901	750	52.52
LN	3	8	P	8.5	02/26/2008	1.2462	750	53.98
LN	6	7	C	8	05/25/2007	0.2379	750	38.75
LN	10	7	C	12	09/25/2007	0.2308	750	50.99
LN	11	7	P	8.5	10/26/2007	1.2552	750	52.88
LN	12	7	P	8.5	11/27/2007	1.018	750	50.37
LN	9	7	C	8	08/28/2007	0.6991	650	39.72
LN	4	7	C	7.75	03/27/2007	0.0149	600	41.84
LN	4	7	C	7.05	03/27/2007	0.1317	600	37.45
LN	9	7	C	9	08/28/2007	0.4395	600	42.38

ELECTRIC MARKET NEWS

The FERC said today its staff is looking the proposed TXU sale to two private equity firms, but still is not sure what jurisdiction it will have over the proposed deal until the offer is actually filed at the commission. To this date no filing has been made. FERC commissioners though have said as a matter of overall policy they are not opposed to a large group of investors seeking to invest in the power market. Rather the commission would focus on whether the consortium proposing to purchase TXU is made up of good stewards, not the fact it is a private equity group.

The Illinois attorney general on Thursday filed a complaint with the FERC alleging price manipulation in the state's first power auctions held last year to procure electricity for residential customers of Exelon's ComEd and units of Ameren. The complaint calls on the FERC to review the auction results and to modify the contracts ComEd and Ameren signed with winning bidders "to reduce prices to a more reasonable level."

Exelon Nuclear said late Thursday that it had no immediate plans to build a new nuclear reactor next to its existing Clinton nuclear power station despite being awarded

an Early Site Permit from the NRC Thursday. This was the first Early Site Permit from the NRC. The permit allows Exelon to "bank" the property located adjacent of its existing Clinton nuclear power plant for a potential reactor for up to 20 years.

A consortium of western utilities and transmission companies are studying a possible expansion and closer interconnection of the high voltage regional power grid for Arizona, Colorado, New Mexico and Wyoming. While the four states are already interconnected, the creation of the High Plains Express Transmission Project would greatly improve the interconnection in the region. With five transmission projects under way in the area, the group is looking for this study to identify potential backbone transmission alternatives in the region, which might

be more efficient and cost effective. This study hopes to highlight where new generating sources may be created rather than the other way around, where new generating plants are announced and transmission is looked at as a secondary issue.

Arizona state regulators said today that due to the constrained transmission system at Palo Verde, the full potential of the Palo Verde trading hub could finally be realized in 2009 as interconnecting generation flow can finally move easily through the Hub. The addition of the Hassayayampa-Pinal West –Santa Rosa 500kV and the Palo Verde-TS5 500 kV lines in 2008 and 2009 will be a main contributor to the capacity of the Hub.

MARKET COMMENTARY

The natural gas market basically hibernated today, as it posted one of its smallest trading ranges on GLOBEX since the holiday restricted session of President's Day and the Martin Luther King holiday. Despite wild gyrations in the crude oil market, natural gas remained mired in a 9.5 cent trading range, never breaking above \$7.00 but also not capable of breaching this week's low of \$6.86. Most of the day prices appeared to be pinned between \$6.92-\$6.97. The market settled down on the day off only 3.5 cents despite cash prices falling more substantially from 6 to 95 cents at some major trading points. Volume was light with 44,114 lots booked during open outcry period, with total volume for the trading period reaching over 56,000 contracts.

Tonight's Commitment of Traders Report showed that non-commercials increased their net short futures position by over 13,000 contracts during the week ending March 13th, but their overall combined net futures and options position increased by just 700 lots on the week.

We remain committed to our outlook that this market will grind lower. Despite the last gasp of winter this weekend in the U.S. northeast, the prospects for a return to much warmer temperatures for the nation next week and the week after coupled with the expectations that next week's storage to actually show and increase in inventories should help to erode prices.