



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 17, 2008

NATURAL GAS MARKET NEWS

The CME Group announced today that they had reached agreement to acquire NYMEX Holdings for \$9.5 billion, which is approximately \$1.5 billion less than what the deal was initially set back in late January. The deal will still need approval of the Department of Justice and the CFTC.

Analysts at Raymond James said today that they were sticking with their earlier predictions that growth in domestic natural gas production along with rebounding LNG imports will result in pressure returning to natural gas prices this summer.

The Massachusetts Department of Environmental Protection late last week denied a request by Weaver's Cove Energy to

Generator Problems

MAPP – OPPD's said this morning that it was still investigating the events that led to the shutdown of their 478 Mw Fort Calhoun nuclear power station on Saturday.

PJM – Constellation's 825 Mw Calvert Cliffs #1 was back to full power this morning up 42% from Friday.

SPP – Entergy Nuclear's 858 Mw Arkansas Nuclear One #2 nuclear unit was taken off line and was in scheduled maintenance.

Cal ISO – Calpine shut its 724 Mw Pastoria natural gas fired power station Sunday afternoon for planned maintenance.

Mirant's 682 Mw Pittsburg #7 natural gas fired power plant was taken off line over the weekend for planned repairs.

Reliant's 741 Mw gas fired Ormond Beach #1 power plant returned to service late Friday following completion of a two-week repair outage.

ERCOT – The LCRA planned to restart its 445 Mw coal fired Fayette #3 unit this evening. The unit was taken off line on March 12th due to a boiler tube leak.

Luminant's 1150 Mw Comanche #2 nuclear unit was taken off line Sunday due to a problem with a sensing line. The unit had been scheduled for a maintenance outage later this month.

Texas Municipal Power agency said it shut the 462 Mw Gibbons Creek coal fired power station over the weekend for annual maintenance. No restart date was given.

Luminant's 545 Mw Sandow #4 coal fired unit was expected to have restarted over the weekend following repairs to a boiler tube leak late last week.

SERC – Southern's 876 Mw Hatch #1 nuclear unit was taken off line this morning to repair a small hydraulic leak.

Progress Energy's 938 Mw Brunswick #1 nuclear unit was off line after running at 90% of power on Friday. It is believed the unit has begun its scheduled refueling outage.

Southern's 1215 Mw Vogtle #1 nuclear unit was taken off line for scheduled maintenance.

Canada – OPG's 490 Mw Nanticoke #2 coal fired power plant was taken off line for short-term repairs today.

OPG's 494 Mw Lambton #3 coal fired unit returned to service today after being taken off line last Wednesday for minor repairs.

The NRC reported that 84,052 Mw of nuclear capacity is online, down 3.4%% from Friday, but up 4.03% from a year ago.

dredge the Taunton River to a depth needed to accommodate LNG tankers.

The U.S. Supreme Court today rejected an appeal by the NYMEX that sought to prevent its competitor, the InterContinentalExchange (ICE) from using its settlement prices for oil and natural gas futures.

Some natural gas participants seem to be questioning the price sell off over the past two trading sessions, and that the sell off may be linked to the weakness in financial position by Bear Sterns' Bear Energy. Several natural gas counterparties today were awaiting communication from Bear Energy's

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	999,700	\$9.593	(\$0.249)	\$0.024	\$0.235	(\$0.462)
Chicago City Gate	853,600	\$9.638	(\$0.425)	\$0.070	\$0.026	(\$0.060)
NGPL- TX/OK	1,162,000	\$9.245	(\$0.377)	(\$0.323)	\$0.074	(\$0.493)
SoCal	670,000	\$8.996	\$0.095	(\$0.572)	\$0.546	(\$0.900)
PG&E Citygate	968,700	\$9.673	(\$0.209)	\$0.104	\$0.242	(\$0.204)
Dominion-South	444,900	\$9.954	(\$0.493)	\$0.386	(\$0.042)	\$0.235
Transco Zone 6	166,700	\$10.497	(\$0.187)	\$0.929	\$0.264	\$0.577

Houston office confirming that its new parent company, JP Morgan Chase is replacing the guarantees on previously arranged deals. Bear Energy reportedly has some 7500 Mw of gas-fired tolling capacity, mainly in

California and 1800 Mw of "full requirement power supply contracts" with cooperatives in Georgia and Pennsylvania.

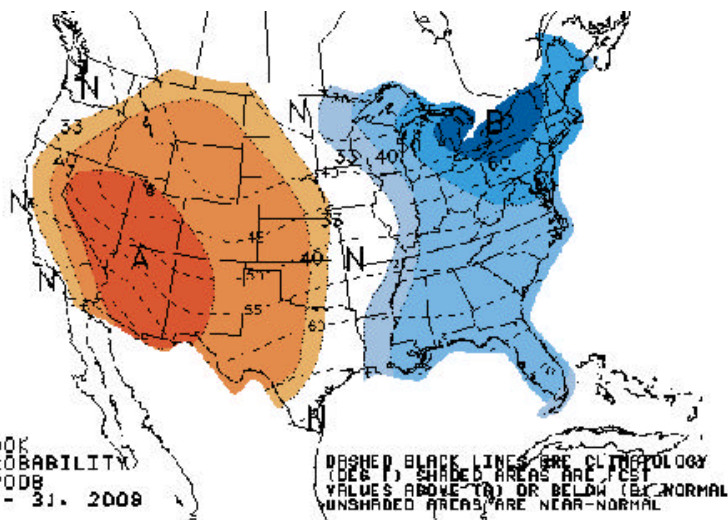
Meanwhile while rumors swirled about the market of potential problems at MF Global, the world's largest clearing broker of exchange traded futures and options contracts, the company as well as the three major exchanges, NYMEX, CME and ICE all came out and said that the company is in good standing and continues to meet all obligations at it's the exchanges.

The National Weather Service this morning estimated that heating demand for natural gas should average 4.3% less than normal for the week ending March 22nd, while last week demand was was some 2% less than normal nationwide.

Taiwan reported that in January the island imported 594,001 mt of LNG, a 12.27% increase on levels a year ago. The bulk of the supplies came from Indonesia, with one spot cargo coming from Algeria.

The Chicago Federal Reserve Bank reported today that its Midwest manufacturing index was slightly lower in January, on a seasonally adjusted basis by 0.1% from an upwardly revised 105.4

index in December. But the Federal Reserve Bank reported that overall U.S. industrial production in February dropped at the sharpest rate in four months, down 0.5%, much larger than market expectations. While much of



the decline was driven by a weather related drop in utility demand, manufacturing sector fell by 0.2% after being flat in January.

PIPELINE MAINTENANCE

FGT said it will be performing maintenance on March 19th at its #6 Compressor Station which requires all three units to be off line. This outage is expected to last until April. During this work FGT will schedule up to 150,000 Mmbtu/d, some 50% of normal capacity. The company also noted it will perform maintenance at Compressor Station #7 on March 19th which will reduce capacity by 30%.

Alliance Pipeline said that starting March 18th it would be conducting inspections and maintenance on its Towner Compressor Station which would take the unit off line for 36 hours and System throughput (AAOS) will be affected. The company also reported maintenance work has been planned for the Manchester Compressor Station and Unit #2 at the Whitecourt Meter/Compressor Station on Tuesday as well.

Northern Natural Gas said that due to work at the NNG/PEPL Mullinville interconnect during Tuesday through Friday receipt/delivery capacity will be limited to 100,000- 120,000 dth/day.

Westcoast Energy said its Fort St. John's Station One Unit #5 will undergo an inspection starting today through March 20th.

ELECTRIC MARKET NEWS

Power generation for the week ending March 13th, appeared to fall 0.1% from the prior week but was some 2.2% higher than the same week a year ago, according to Genscape.

The NYMEX and Evolution Markets today launched The Green Exchange with futures based on trading of emission schemes. Two of the new contracts are based on European emissions and two on U.S. markets, NOX and SO2.

MARKET COMMENTARY

The natural gas market joined the rest of the commodity sector today and plunged lower. While we thought the \$9.80 price level was a key support area Friday evening, we had little expectation that this level would be breached by 8:45 EDT this morning. While the sellers seemed to take a breather from mid-morning into lunch time, they returned in the afternoon and pushed prices below the \$9.50 level and sent prices tumbling again all the way down to \$9.064 before finding an unsteady and feeble level of support this afternoon. The cash markets though appeared to post their lightest trading session since February 28th, according to ICE volume levels, thus making us believe today's price action was driven by hedge funds looking to lighten positions given the current climate of the past few days of credit tightening coming in the banking sector.

We would look for some further selling pressure possibly again tomorrow if we continue to see a broad swath of selling sweeping across the commodity markets. We feel until there is an appearance of some sort of return to normalcy, ie. traders focusing once again on supply demand fundamentals rather than the fiscal health of various players on Wall Street, this market remains too difficult to gauge and value.

We see support for this market at \$9.06 followed by \$8.98-\$8.96. More distant support we see at \$8.88, \$8.65, \$8.566, \$8.422, \$8.363 and \$8.338. Resistance we see at \$9.534 followed by \$9.68, \$9.824 and \$9.912. More distant resistance we see at \$10.10 and \$10.294.