



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 22, 2007

NATURAL GAS MARKET NEWS

RBC Capital Markets Group said today that they expect imports of LNG into the U.S. could reach record levels this summer as new global supplies come online. They look for the potential of 3 bcf/d during the summer before winter demand from Asia will pull these supplies away from the U.S. market. Meanwhile an analyst at Strategic Energy and Economic Research called for a 27% increase in imports or 2.2 bcf/d over the last non-heating season due to higher supplies from Nigeria and Trinidad. Also supplies from Equatorial Guineas LNG could find their way to the U.S. when it starts up at the end of this month. This group also called for 2008 could see imports of LNG into the U.S. reach 3 bcf/d as new supplies from Norway and Nigeria come on line.

The FTC approved the proposed purchase by Encore Acquisition of oil and natural gas properties in the Williston Basin in Montana and North Dakota from Anadarko Petroleum. The properties which will be purchased for \$410 million currently produce 5000 boe/d from 50 fields.

An official at NOAA said today that the United States is developing a system to track atmospheric levels of carbon dioxide. The current system, the CarbonTracker monitors carbon dioxide throughout North America to create an Internet based map. The system would help researchers verify their models as well as facilitate any future trade in carbon credits by monitoring if industries are actually cutting emissions. The tracking system will soon use more data from sources, including monitors in airplanes and countries beyond North America, to broaden the map.

Canadian Enerdata weekly survey of Canadian natural gas storage showed a 4.7 bcf decline on the week.

The CFTC reported today that it has settled a false reporting and attempted manipulation lawsuit brought in 2005 against a natural gas trader at Western Gas Resources. The trader was fined \$60,000 and was permanently barred from trading.

The American Public Gas Association Thursday repeated its call for strengthening natural gas market transparency by increasing the CFTC's oversight authority, especially over OTC gas trading. The group noted

EIA Weekly Report

	03/16/2007	03/09/2007	Net chg	Last Year
Producing Region	584	564	20	635
Consuming East	718	728	-10	936
Consuming West	231	224	7	241
Total US	1533	1516	17	1812

that the lack of transparency in the OTC market for natural gas and the extreme price swings, surrounding the demise of Amaranth have, in their wake left bona fide hedgers reluctant to participate in the markets for fear of locking in prices that may be artificially high. Meanwhile staffers at the Senate

Generator Problems

NPCC - Entergy's 670 Mw Pilgrim nuclear plant was at 57% of capacity this morning as it continues to coast down to its planned April 6 refueling outage. The unit was at 65% power yesterday.

PJM - Exelon's 636 Mw Oyster Creek nuclear plant was operating at 83% of capacity this morning, up 1% from Wednesday. Operators continue to investigate a problem with a pump seal.

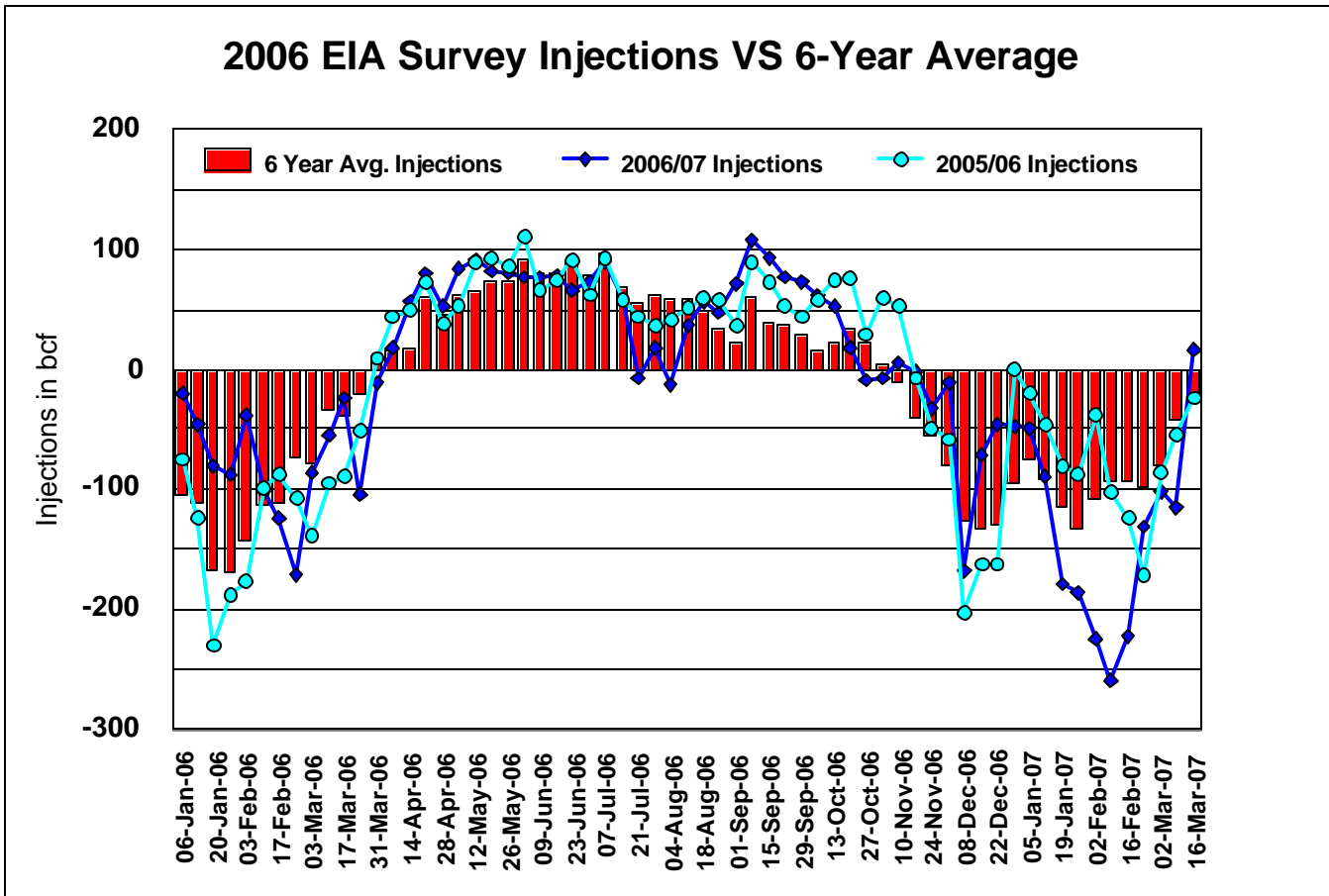
PSEG's 1100 Mw Salem 1 nuclear plant was at 88% as it continues to coast down to its refueling outage. The unit possibly may be offline by March 27th.

MAPP - Operators at the 580 Mw Duane Arnold nuclear plant were expecting to reconnect to the grid today. The plant was at 19% of capacity, had been off line since February 5th.

The NRC reported that 82,996 Mw of nuclear capacity is on line, down .3% from Wednesday, but some 4.9% better than a year ago.

Energy and Natural Resource Committee which is looking into potential increased oversight of the natural gas market, have said they have been flooded by the amount of information submitted unsolicited to the committee from various public sources, such as hedge funds and other financial market participants. The chairman of the committee has said the response he received from the CFTC and the FTC regarding his inquiry into how they monitor the futures market was "inadequate". These agencies responses will not be released to the public at least until the committee has had a chance to review the unsolicited response from the public.

The Wall Street Journal reported today that Brian Hunter the natural gas trader at Amaranth that helped to trigger the collapse of that fund, has formed a new hedge fund, Solengo Capital, based in Calgary, Alberta and Greenwich, CT. The fund is hiring traders and seeking money for "a series of funds across the commodities space". Mr. Hunter, as leader of the effort, is seeking hundreds of millions of dollars from overseas investors. Reportedly investors will be able to invest in Solengo funds that are separate from the portfolio that Mr. Hunter will manage. Mr Hunter reportedly will manage a "commodities volatility" fund that takes positions in options and other instruments based on how prices move. Two energy traders that worked with Mr. Hunter, Shane Lee and Matthew Calhoun are among portfolio managers. It is possible the new fund could be launched by mid summer. The fund reportedly will impose restrictions on the size of individual portfolios and how much money each can have at risk. A trader's violation of maximum capital restrictions would eliminate all capital locks for investors, thus allowing them to withdraw funds without penalties. The fund will charge investors 2% of assets and 20% of the profits. Each manager of the portfolio will keep 100% of their profits and up to half of 1% annual asset fee.



PIPELINE RESTRICTIONS

Questar Pipeline said it did not expect electrical issues at its Clay Basin to be corrected for several more days. Operations yesterday were running below capacity.

PIPELINE MAINTENANCE

Alliance Pipeline said it is currently planning an inspection and maintenance outage at the ANR/Guardian/Vector metering facility. The outage is expected to last for at least 12 hours starting on April 17th. The outage will result in capacity being restrained at both ANR/Guardian and Vector for that day. The amount of restrictions will be announced at a later time.

Gulf South Pipeline said that pigging operations on Index 300 (southeast Louisiana to Mobile) will o[potential impact capacity periodically. At this time though the company does not expect the need for Capacity Allocation Scheduling. The operations which began today, will also be performed on March 27, march 29th, April 17th, April 26 May 1st and May 3rd.

ELECTRIC MARKET NEWS

The EIA reported today that U.S. coal supplies at U.S. power plants stood at 136.45 million tons in January, up 30.5% from the same month a year ago. Supplies were down 2.3% from December.

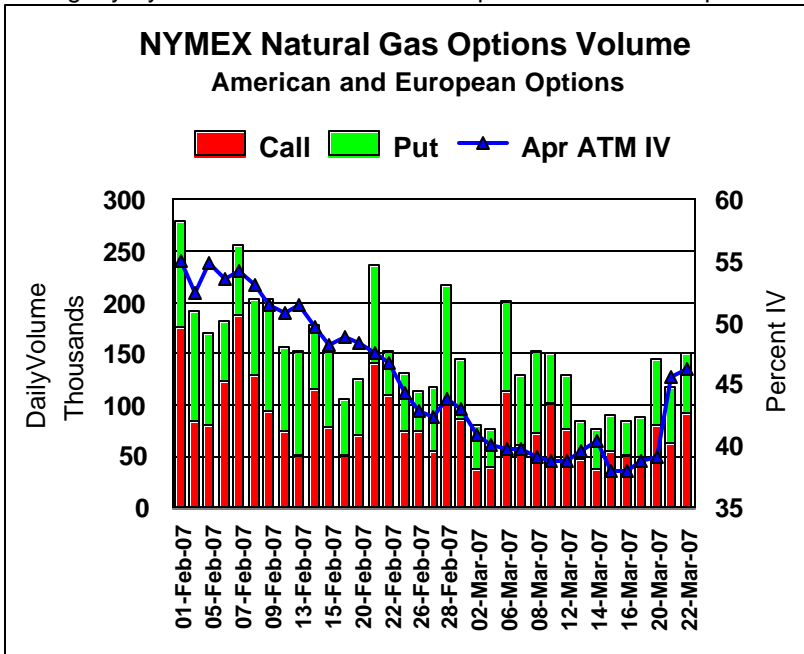
NYMEX Nat Gas Options Most Active Strikes for March 22, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	7	7	C	10	06/26/2007	0.1462	5,050	43.78
LN	6	7	C	10	05/25/2007	0.0534	4,800	43.78
LN	10	7	P	6	09/25/2007	0.265	4,400	52.72
LN	4	7	P	7	03/27/2007	0.0427	4,255	46.18
LN	5	7	C	9	04/25/2007	0.0478	4,200	45.18
LN	5	7	C	10	04/25/2007	0.0123	4,100	48.53
LN	5	7	C	8	04/25/2007	0.1857	3,893	41.39
LN	7	7	C	9	06/26/2007	0.276	3,400	40.66
LN	6	7	C	9	05/25/2007	0.1416	3,300	41.64
LN	10	7	P	5	09/25/2007	0.0894	3,100	52.31
LN	4	7	P	6.75	03/27/2007	0.0097	3,005	45.30
LN	4	7	P	6.5	03/27/2007	0.0013	2,590	44.30
LN	6	7	P	6	05/25/2007	0.048	2,550	43.32
LN	7	7	C	12	06/26/2007	0.046	2,400	48.76
LN	9	7	P	5	08/28/2007	0.0531	2,300	48.60
LN	6	7	C	8	05/25/2007	0.3611	2,050	38.88
LN	4	7	C	7.5	03/27/2007	0.0886	2,000	46.30
LN	8	7	C	10	07/26/2007	0.262	1,850	44.46
LN	9	7	C	10	08/28/2007	0.3923	1,850	45.44
LN	10	7	C	10	09/25/2007	0.5602	1,850	47.45
LN	4	7	P	7.25	03/27/2007	0.1243	1,695	47.14
LN	4	7	C	7.7	03/27/2007	0.0423	1,635	47.37
LN	8	7	P	6	07/26/2007	0.1328	1,625	46.77
LN	5	7	C	7.5	04/25/2007	0.3482	1,550	38.97
LN	6	7	C	12	05/25/2007	0.0094	1,400	48.45
LN	8	7	C	14	07/26/2007	0.0513	1,350	53.47
LN	5	7	P	6	04/25/2007	0.0208	1,250	45.14
LN	7	7	P	6	06/26/2007	0.0864	1,250	44.62
LN	9	7	P	6	08/28/2007	0.1942	1,250	48.91
LN	5	7	C	8.5	04/25/2007	0.0951	1,225	43.39
LN	8	7	C	7.75	07/26/2007	0.8357	1,075	37.29
LN	12	7	C	9.15	11/27/2007	1.3341	1,050	34.10
LN	12	7	P	9.15	11/27/2007	1.2252	1,050	51.32
LN	4	7	P	6.8	03/27/2007	0.0136	1,040	45.45
LN	4	7	C	10	03/27/2007	0.0001	1,025	78.75
LN	4	7	C	7.75	03/27/2007	0.0347	1,025	47.64
LN	4	7	P	6	03/27/2007	0.0001	1,025	54.14
LN	8	7	C	7.7	07/26/2007	0.8585	1,025	37.11

The Illinois Senate's Environmental and Energy Committee approved a bill today that would roll back rates to 1997 levels and freeze them for one year for customers of ComEd. The bill moves onto the full Senate where its outcome is uncertain. Illinois utilities were deregulated under a 1997 state law, but that froze rates for a decade. Once this rate freeze ended in January Ameren and ComEd customers have seen rates skyrocket by 170% and 54% respectively. While Ameren has proposed returning to a regulated power market in Illinois, arguing that competition has failed to serve its small customers, ComEd has opposed reregulation, saying that competitive auctions result in the lowest power prices for customers. The Illinois House passed a bill earlier this month, which seeks to freeze rates for both utilities for three years.

MARKET COMMENTARY

The natural gas market opened a few pennies better this morning but basically in sight of where the market spent much of yesterday afternoon and during overnight trading. While the market sold off modestly

following a slightly bearish inventory report, a counter seasonal 17 bcf increase in stocks, the market quickly overlooked the inventory report and focused on escalating distillate prices and worked higher. Prices received a boost when resistance at the \$7.27-\$7.30 level was breached. Prices topped out at \$7.36-\$7.37 and only backed off slightly by the close. Prices settled up 16 cents in the April contract with summer or hurricane at risk months up 17-18.9 cents.



We still look for this market to give back its recent gains, given the outlook for limited demand for gas over the next few weeks. Our preliminary estimates are for a 33 bcf draw next week to be offset by a similar build the following week, based on the current weather forecasts as a result we would look natural gas inventories to finish this heating season basically at the current levels. Last year the heating season ended with 1695 bcf in storage. In the prior six heating seasons we have only seen two years with ending stocks at 1400 bcf or higher.

We see resistance tomorrow at \$7.39 followed by \$7.525, \$7.683 with more distant resistance at \$7.75-\$7.83. Support we see at \$7.18 followed by \$7.124, \$7.065 and \$7.005. More distant support

we see at \$6.82 and \$6.50

