



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 28, 2007

NATURAL GAS MARKET NEWS

Goldman Sachs Group said that U.S. natural gas prices could decline by an average 9.1% as a surge in LNG imports could help boost inventories. The group estimated that the price for delivery in the three months through June will likely be \$7.00 per Mmbtu. This surge in imports is the result of European poor demand and high stocks re-directing LNG cargoes towards the U.S.

TSX, the owners of the Toronto Stock Exchange and the Intercontinental Exchange announced today that they had formed an alliance for the trading and clearing of natural gas and electricity contracts. Under the deal, which is set to begin in the third quarter of 2007, the ICE platform will carry contracts from ICE as well as ones offered by Natural Gas Exchange, a subsidiary of TSX. The Natural Gas Exchange will clear the trades. Last year some 8.1 tcf of gas traded on the NGX, the bulk of which was physically delivered in Canada. TSX earlier this month said it would partner with the International Securities Exchange to launch a Canadian derivative market to compete with the Montreal Exchange. This new exchange will be launched in March 2009 and will list and trade options, futures and options on futures on a range of Canadian securities.

ONEOK Partners that its joint venture with Williams, the Overland Pass Pipeline LLC, will build a 150 mile lateral to move 100,000 b/d of raw NGL's from Piceance Basin to the Overland Pass Pipeline. The \$120 million pipeline lateral is expected to begin construction in the summer of 2008 with a start up in 2009.

PIPELINE RESTRICTIONS

Williston Basin Interstate Pipeline said that the capacity constraint at Northern Border-Manning has been lifted for deliveries effective with today's evening cycle.

East Tennessee Natural Gas said that certain shippers on the ETNG system have built up significant due shipper imbalances and that ETNG has limited operational flexibility to continue to manage these imbalances. The company therefore requires shippers to take immediate action to reduce their due shipper imbalance positions

PIPELINE MAINTENANCE

Trailblazer Pipeline reported that unexpected maintenance work has been scheduled at Station 601 on the #2 compressor unit. The work will require a reduction of capacity on the pipeline. As a result effective March 30th through April 6th the company will require reduction to capacity on the pipeline for the duration of the work. ITS/AOR and Secondary Firm out of path are at risk of not being fully scheduled. Primary firm and secondary in-path will not be impacted.

Generator Problems

PJM – PSEG Nuclear's 1100 Mw Salem #1 nuclear unit has begun its scheduled refueling outage.

MAIN – Exelon's 1225 Byron #2 nuclear unit was down 1% to 91% of capacity as it ramps slowly down to its refueling outage next week.

WSCC - Energy Northwest has again decreased output at its 1200 Mw Columbia Generating Unit to 85% of capacity again.

The NRC reported that 81,459 Mw of nuclear capacity is on line, down 1.36% from Tuesday, but some 0.37% better than a year ago.

NYMEX Natural Gas Options Most Active Strikes for March 28, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	7	7	C	12	06/26/2007	0.0489	11,050	48.10
LN	8	7	C	12	07/26/2007	0.1144	9,050	48.71
LN	9	7	C	12	08/28/2007	0.2178	9,000	50.53
LN	5	8	C	20	04/25/2008	0.04	6,500	40.05
LN	9	7	C	9	08/28/2007	0.6403	5,525	41.90
LN	6	7	P	6.5	05/25/2007	0.0637	5,100	40.89
LN	7	7	C	15	06/26/2007	0.0117	5,000	54.53
LN	6	7	P	7	05/25/2007	0.1639	4,955	41.76
LN	7	7	C	9	06/26/2007	0.3171	4,600	39.95
LN	8	7	C	9	07/26/2007	0.4778	4,500	40.75
LN	5	7	P	7	04/25/2007	0.0885	4,330	40.86
LN	4	8	C	20	03/26/2008	0.0457	4,000	42.12
LN	1	8	P	9	12/26/2007	1.0209	2,650	51.06
LN	5	7	C	8.5	04/25/2007	0.0989	2,475	40.70
LN	5	7	C	9	04/25/2007	0.0442	2,380	42.57
LN	11	7	P	7.5	10/26/2007	0.5397	2,350	49.80
LN	11	7	P	8.5	10/26/2007	0.9934	2,200	51.91
LN	6	7	P	6	05/25/2007	0.0212	2,050	41.22
LN	5	7	C	8	04/25/2007	0.2118	2,035	38.59
LN	7	7	P	6.5	06/26/2007	0.1274	2,020	44.26
LN	1	8	C	17	12/26/2007	0.3251	1,900	49.31
LN	3	8	P	8	02/26/2008	0.8009	1,900	51.58
ON	6	7	P	6.5	05/25/2007	0.064	1,801	39.11
LN	9	7	P	7	08/28/2007	0.4234	1,755	49.59
LN	10	7	P	7	09/25/2007	0.5059	1,680	52.57
LN	11	7	P	9	10/26/2007	1.2753	1,675	53.20
LN	5	7	C	7.75	04/25/2007	0.3017	1,610	37.31
LN	8	7	P	7	07/26/2007	0.3246	1,580	46.99
LN	2	8	P	9	01/28/2008	1.1354	1,550	52.74
LN	10	7	P	6	09/25/2007	0.2168	1,550	51.67
LN	5	7	P	6	04/25/2007	0.0058	1,500	43.99
LN	1	8	P	8	12/26/2007	0.5863	1,400	48.92
LN	2	8	P	8	01/28/2008	0.6866	1,400	50.76
LN	3	8	P	9	02/26/2008	1.3054	1,400	54.44
LN	6	7	C	10	05/25/2007	0.0588	1,400	42.89
LN	11	7	P	8	10/26/2007	0.7476	1,400	50.78
LN	12	7	P	9	11/27/2007	1.0431	1,400	50.47
LN	12	7	P	8	11/27/2007	0.5961	1,400	48.56

El Paso Natural Gas Company said that Line 1100 from Eunice to Pecos River must be taken out of service March 29th for 10 hours. Eunice A plant will have to be taken offline. The reduction in capacity for Cycles 1,2 and 3 from Eunice to Pecos River is 150 mmcf/d from a normal capacity of 385 mmcf/d.

Tennessee Gas Pipeline said that its Carthage Line lateral will be restricted through 58% of Supply to market Secondary out of Path nominations pathed from meters located on the line.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that for the week ending March 24th the U.S. saw some 70,855 Gwh of power produced, some 0.5% more than the previous week but 2.2% less than the same week a year ago.

The California Department of Water Resources reported today that snow water equivalents in the Northern Sierra was at 52% of normal for this date, 48% of normal in the central Sierra's and 38% of normal along the southern section.

Idaho State regulators have accepted a 20 year growth

plan for Idaho Power Company, which calls 1300 Mw of added generation from wind, geothermal, coal and nuclear resources to meet demands of its growing customer base.

TXU Energy effective today was implementing a 6% price reduction to residential customers in its traditional service territory. The price reduction comes as part of a merger agreement announced last month with two private equity firms.

The Michigan Public Service Commission yesterday approved a power purchase agreement between Consumers Energy and Entergy Nuclear Palisades. The agreement will transfer ownership of the Palisades nuclear unit to Entergy and will provide Consumer ratepayers up to an estimated \$700 million in energy costs over the next 15 years.

The staff of the Public Utility Commission of Texas recommended today that TXU provide \$70 million in refunds, plus interest, to wholesale customers in ERCOT. The staff also recommended that the commission approve a proposed \$140 million in penalties for each instance of alleged market manipulation. The amount represents a fine for each megawatt of capacity that TXU bid in what the PUCT staff found to be an anti-competitive manner.

A chief researcher of Statoil ASA said today that capturing and storing carbon dioxide from power plants and other heavy industries remains too expensive a way to reduce greenhouse gases, raising the cost of power by 50%.

MARKET COMMENTARY

The natural gas market opened higher this morning supported by the continuing strength in the oil markets and further press discussions about a more active hurricane season. The market retested the highs from late yesterday afternoon and in failing to breach them saw long liquidation throughout the afternoon leading into the final 30 minutes of trading and the expiration of the April contract. Final volume on the day was estimated at over 127,000 contracts traded.

We would look for the May contract to begin to return to earth from its recent lofty levels. While an oil buying frenzy may help to push prices higher to retest the past two day's highs we would look for this market to begin to erode in value over the next several days, especially now on a technical basis it is approaching an over bought situation. We would look for resistance at \$7.74 and at today's high of \$7.829. More distant resistance we see at \$7.91 and \$7.99. Support we see at \$7.49-\$7.48, \$7.40-\$7.38 and \$7.28 and \$7.24.

Market expectations for tomorrow's EIA Storage Report appear to be running between a build of 15 bcf to a draw of 35 bcf, with the average estimate running around a 15 bcf decline. For the same week a year ago inventories of working gas fell 92 bcf and the five-year seasonal average is for a 50 bcf drop. Our heating degree model is calling for a 35 bcf decline with the potential of a 50 bcf build possibly in next week's report.