



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 28, 2008

NATURAL GAS MARKET NEWS

Baker Hughes reported that for the week ended March 28 the total rig count in the U.S. rose by 24 to 1,808, 59 more rigs than the 1,749 counted during the same week in 2007.

Sempra Energy is sure that Merrill Lynch will opt out of its contract to bring 500 MMcf/d through the new Sempra Cameron LNG terminal in Louisiana, according to the CEO of Sempra's LNG unit, Darcel Hulse, who spoke at the company's financial analysts meeting Thursday in New York City.

Generator Problems

SERC – Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit ramped production up to 80% capacity today. Yesterday, the unit was operating at 75% capacity. The unit is coming back from a scheduled refueling outage.

The NRC reported that 82,667 Mw of nuclear capacity is online, up .13% from Thursday and up 1.41% from a year ago.

Sempra Energy and Royal Bank of Scotland (RBS) late Thursday said they received final regulatory approval from the U.S. Federal Reserve Bank to complete the formation of their commodities/marketing joint venture, RBS Sempra Commodities.

U.K. gas prices at the National Balancing Point were generally looking fairly firm today despite an overnight recovery in supplies and the system operator selling late Thursday. Withinday was down .35 p to 55.25 p/therm, and day-ahead was off .6 p to 55 p/therm. But the system operator had sold as low as 48.5 p/th overnight, leaving prompt prices looking quite high.

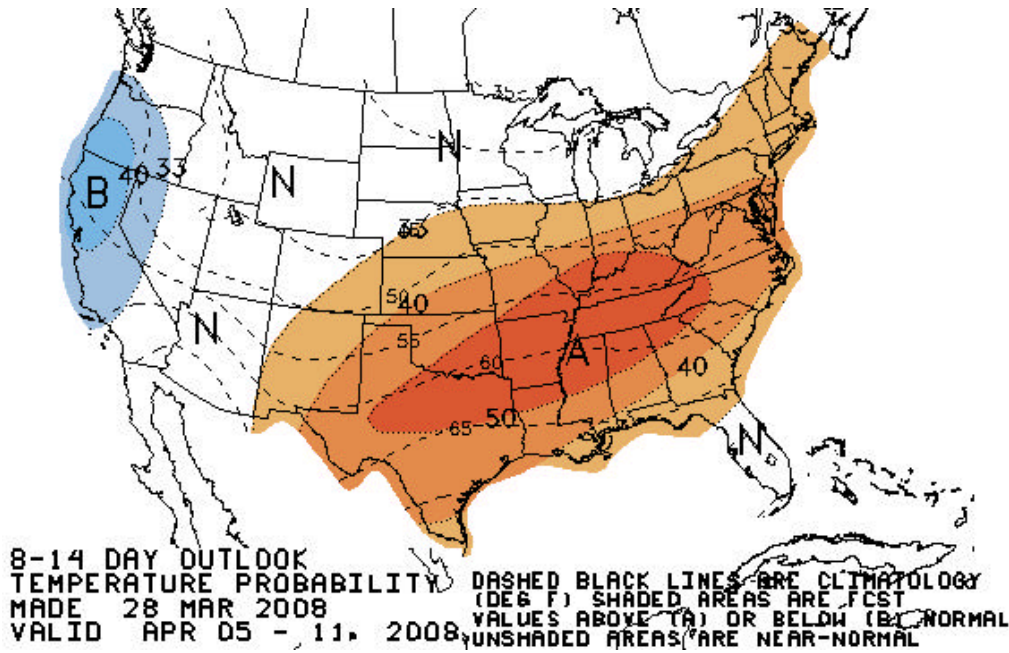
Russia and Ukraine cannot simply drop Swiss-based trader RosUkrEnerg from their gas trade relations. There was a system of long-term contracts with RosUkrEnerg in international legislation and careful work has to be done so these contracts are not breached.

Spot LNG in Asia remained firm at a minimum of \$14/MMBtu despite the end of the peak winter demand season, with support coming from a persistent tightness in supply amid healthy buying interest.

PIPELINE MAINTENANCE

ANR Pipeline Company said that it will begin maintenance at their Havensville Compressor Station located in Kansas in the Southwest Central Fuel Segment (ML-6), which will reduce the total SWML capacity by 100 MMcf/d (leaving 620 MMcf/d available) on March 31. Based on the current nominations through the SWML, it is anticipated that the above reductions will result in the curtailment of IT and Firm Secondary nominations.

Alliance Pipeline said that it has scheduled four maintenance projects for next week. A routine inspection will require Unit #1 at the Whitecourt Lateral Meter/Compressor Station to be unavailable for 10 hours on March 31. Station Capacity will be reduced to 627 e3m3 for this gas day. Inspections and maintenance require the Estlin Compression Station to be offline for 24 hours on April 1. System capacity will be impacted but will be determined closer to the outage date. Inspections and maintenance require the Olivia Compression Station to be offline for 84 hours during the week of March 31- April 6. System capacity will be impacted April 1-4 but will be determined closer to the outage date. Finally, inspections and maintenance requires the Blueberry Hill



Compression Station Unit #2 to be offline for 12 hours on April 2. Capacity at Constraint Point #2 will be lowered to 11,000 e3m3.

Southern Natural Gas Pipeline Co. said that while performing routine pipeline inspections Southern has determined that a section of the 14-inch Chattanooga Branch line in north Georgia must be removed from service for repair beginning today. The duration of the outage is anticipated to last approximately four days. Due to the mild weather

SONAT does anticipate any impact to flowing volumes on the Chattanooga Line however customers could see lower pressure during the outage.

Gulf South Pipeline recently updated its ongoing maintenance projects. At Index 195, SLN 3132 Deep Lake CP#1 and SLN 3298 Bridgeline at Grand Chenier remains shut in during maintenance that began January 9, 2007. Maintenance at the Marksville Compressor Station Unit #4 continues and capacity has been affected by as much as 150 MMcf since February 25 in a project that was originally slated for completion within approximately 30 to 45 days. Also, Carthage #2 Compressor Station Unit #3 will begin maintenance April 7 in a five-day project.

PIPELINE RESTRICTIONS

Southern Natural Gas Pipeline Company has been notified by the Corps of Engineers that necessary maintenance must be performed as soon as possible on the Mississippi Rive levee just downstream of White Castle Compressor Station on Southern's West Leg in South Louisiana. The maintenance will require depressurization of both the 24-inch White Castle-Franklinton Loop Line and the 30-inch White Castle-Franklinton Loop line. This outage constitutes an even of Force Majeure. The lines will be taken out of service at 9:00 Am CT April 1 and will be out of service for four to five days. During this outage there will be no West Leg capacity through White Castle Compressor Station and receipts upstream of White Castle Compressor Station will not be scheduled unless the shipper nominates to a corresponding delivery point that is also upstream of White Castle Compressor Station. Based on long range weather forecasts, Southern does not anticipate having to implement a Type 6 OFO for short imbalances.

MARKET COMMENTARY

The natural gas market chopped around in positive territory today despite weakness in the oil complex and other commodities. The May contract took over as the spot contract today and showed a strong first outing. Trading between 9.663 and 9.85, the May contract vacillated with the crude oil contract, which was down near \$2.00 today. The market maintained its bullish tone as dips were opportunities to buy. The May Contract settled up 11.3 cents at 9.80.

With LNG cargos going for \$14-\$15/MMBtu in Asia, and supplies tight in the U.K. and Spain, more and more market players are beginning to feel that it is becoming a worldwide market. U.S. LNG daily flow in 2007 averaged 2.1 Bcf, which helped push inventories to a record 3.545 Tcf at the start of the winter demand season. Imports of LNG for March are averaging just 800 MMcf/d, about one-third the daily average of a year ago. Stockpiles will end the heating season near 1.2 Tcf, making it difficult for inventories to rebuild to a comfortable

level. LNG played a role in reaching record storage last year, and to attract LNG this year, this market is going to remain bid. We see support at 9.707, 9.60, 9.52, 9.36, 9.00 and 8.66. We see resistance at 9.894, 9.965, 10.00, 10.08, 10.35 and 10.50.