



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 2, 2008

NATURAL GAS MARKET NEWS

Fed chairman Bernanke said today that he saw the U.S. economy contracting in the first half of this year but should then pick up as aggressive interest rate cuts stimulate growth and financial and housing market woes recede. He looks for the growth to proceed at or a little above its sustainable pace in 2009.

Pennsylvania regulators are lifting a five-year moratorium on natural gas drilling in state forests and later this year may auction 75,000 acres that cross into the Marcellus Shale and Trenton-Black River formations. The move is significant because the Marcellus Shale is said to be the home of anywhere from 1.9 Tcf to 168 Tcf, depending on who you ask.

Exxon Mobil and its partners in proposed LNG project in Papua New Guinea will probably imminently decide to start initial design and engineering work on the project. The project has a 90% probability of being approved for development by the end of 2009 given estimated returns and a global LNG supply shortfall.

Tight supplies and cold weather forecasts supported prompt British gas prices, which surged earlier in the week and again this morning, for the weekend and beyond. Prices eased slightly by this afternoon as supplies increased but cold is forecast and that will keep upward pressure on near-term prices. Early in the session spot gas traded up to highs of around 59.75 p/therm, with day-ahead gas hitting its highest levels since early January.

Energy Transfer Partners announced that it has approved a \$485 million 42-inch natural gas pipeline that will serve the rapidly expanding Bossier and Barnett Shale natural gas resource plays of East and North Central Texas. The 160 mile Texas Independence Pipeline will expand Energy Transfer's Texas Intrastate Systems' capacity by an incremental 1.1 Bcf/d.

PIPELINE RESTRICTIONS

Florida Gas Transmission issued a warning to natural gas shippers on its pipeline system due to low linepack and warm weather forecast for the state for the next few days. The company issued an overage alert at 25% tolerance.

PIPELINE MAINTENANCE

Generator Problems

ECAR – AEP's 1,107 Mw Cook #2 nuclear unit reduced power to 85% capacity. Cook #1 continues to operate at full power.

FRCC – Florida Power and Light's 839 Mw St. Lucie #1 nuclear unit returned to full power today. The unit was operating at 87% capacity yesterday. St. Lucie #2 continues to operate at full power.

MAIN – Exelon's 855 Mw Quad Cities #2 nuclear unit ramped up to 78% power as it comes back from a refueling outage. Quad Cities #1 is operating at 96% capacity.

NPCC – Entergy Nuclear's 535 Mw Vermont Yankee nuclear unit remains at a reduced 45% capacity this morning, up marginally on the day.

SERC – Duke Energy's 846 Mw Oconee #2 nuclear unit started to exit and outage and ramped up to 10% capacity. Oconee #1 is at 73% and Oconee #3 is at full capacity.

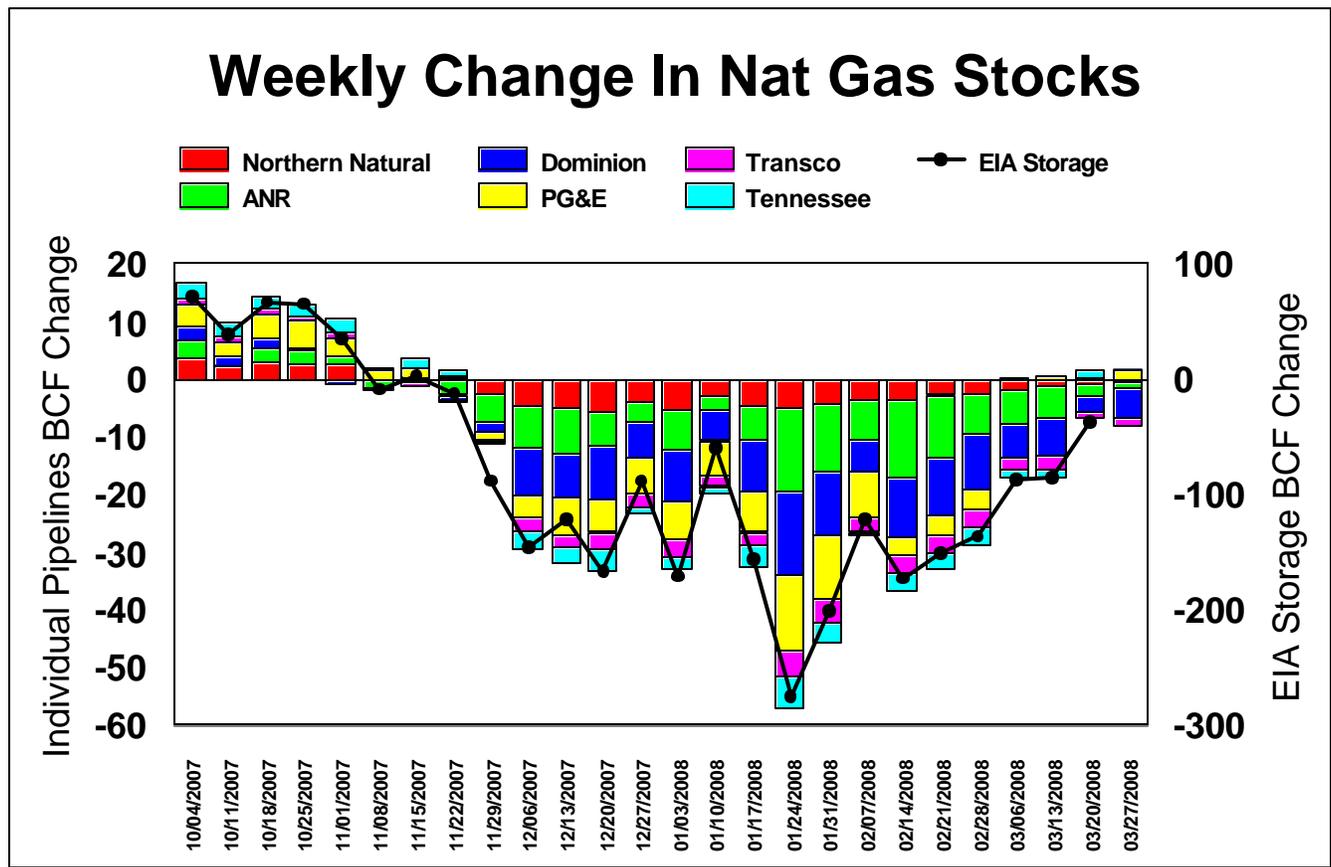
The NRC reported that 76,656 Mw of nuclear capacity is online, up .33% from Tuesday and up .76% from a year ago.

Colorado Interstate Gas Company said that it has scheduled maintenance for each of its four storage fields during April. However, because of the colder-than-normal weather currently in CIG's Front Range market area, the initiation of the maintenance for the Ft. Morgan Field has been postponed until April 4. Therefore, no injection limitations are currently in effect, including the availability of the High Available Daily Injection Quantity.

Northern Natural Gas Company said that it will conduct required pipeline pigging on the Marquette 1A branch line April 7-11. Inlet pressure fluctuations may result due to pigging activities.

Trunkline Gas Company said that the Quicksand Creek Lateral is back in service as pigging maintenance is complete. All meters on the lateral are now available.

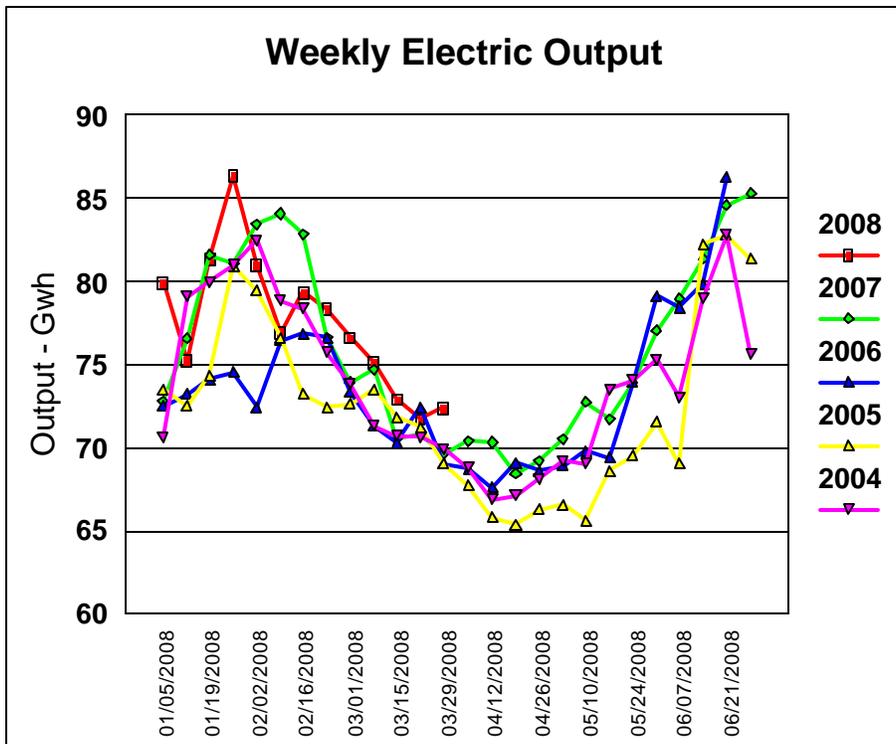
Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Saco Compressor Station April 9-10. Maximum capacity at the Saco Compressor Station will be approximately 19.2 MMcf/d. The maximum receipt from the Bowdoin Whitewater line will be approximately 11.1 MMcf/d.



ELECTRIC MARKET NEWS

The Edison Electric Institute reported that power production in the continental U.S. for the week ended March 29 rose 4% from the same 2007 week to 72,457 GWh. Compared to last week, that is 1.07% higher.

Electricity prices for tomorrow in the eastern and midwestern North America held steady as weaker natural gas prices offset forecasts for slightly stronger demand. Prices held at \$80-90 per megawatt hour in PJM and \$70-75 in Cinergy. The average price for on-peak power in PJM last April was \$71 while the five-year average was \$55. The average price for on-peak power in Cinergy last April was \$63 while the five-year average was \$49.



Electronic trading platform globalCOAL and ICE announced they are to launch two new coal futures contracts this year at ICE Futures Europe. The first will be a financially-settled NEWC coal futures contract, to be launched in the third quarter. This will be based on globalCOAL's NEWC Index, which is based on bids, offers and trades of physical Australian coal, free-on-board Newcastle port. The second will be a physically settled coal futures contract with delivery point in the Antwerp-Rotterdam-Amsterdam region later this year.

The 765-kilovolt Chateaugay-Massena power transmission line between Quebec and New York tripped on Tuesday afternoon. Loss of the line caught many electricity traders by surprise and sent real-time wholesale prices

soaring. The line, which runs between Hydro-Quebec's Chateaugay substation in Quebec and the Power Authority's Massena substation in Upstate New York, can carry about 1,200 to 1,500 Mw of electricity, which could supply up to 1.2 million New York homes.

U.S. coal stocks rose 1.11% last week, and the stockpile cushion over last year rose 0.8%. U.S. power generators had nearly 146.5 million tons of coal as of the week ended March 31. Power stations had coal stockpiles 8.94% greater than during the same week in 2007.

MARKET COMMENTARY

The natural gas market was weaker overnight in follow through trading from yesterday's session. The May contract tested the upward trend support point of 9.45 and traded below it briefly, to a low of 9.386 following the release of the oil inventory report. After choppy trading, the energy complex finally sided with the bulls and lead by RBOB, all energy contracts rallied. The May natural gas contract traded to a high of 9.952 before backing off to settle up 10.8 cents at 9.832.

Expectations for tomorrow's EIA storage report call for a draw of between 30 and 40 Bcf with most looking for a draw of 35 Bcf, cutting total storage down to near 1.24 Tcf. Our model is showing a bit smaller draw possibly 25 bcf decline. The five-year surplus will be eliminated after being in place for natural gas storage for well over 18 months. Also, the year-on-year deficit will push to over 300 Bcf and with yet one more draw expected after tomorrow, the bulls will maintain control. The technical bounce today coupled with low storage will maintain the upside bias of this market. We see support at 9.549, 9.45, 9.36, 9.185, 9.00 and 8.665. We see resistance at 9.95, 10.00, 10.115, 10.317, 10.40 and 10.68.