



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 7, 2008

NATURAL GAS MARKET NEWS

Rising global demand for natural gas and steep decline rates in many fields mean the industry needs to drill more, Schlumberger CEO Andrew Gould told a New Orleans audience Monday. Other challenges facing exploration and production companies include growing resource nationalism by national oil companies and a crippling shortage of skilled workers, particularly engineers, he said.

Four senators whose states have been proposed as sites for controversial liquefied natural gas (LNG) projects introduced legislation Monday to repeal a provision in the Energy Policy Act of 2005 (EPAAct) that gave FERC exclusive authority to site onshore LNG terminals.

FERC has given environmental clearance for Tarpon Whitetail Gas Storage LLC's proposed natural gas storage facility to be sited in Aberdeen, MS.

FERC Friday issued a certificate to Enstor Houston Hub Storage and Transportation LP authorizing the construction and operation of a salt dome natural gas storage facility and associated pipeline facilities in Liberty County, TX.

With natural gas storage at the end of the winter heating season considerably lower than expected, the natural gas bears at Raymond James & Associates Inc. have switched sides and are again running with the bulls through 2008. They raised their 2008 natural gas price forecast from 6.50 to 8.00. Two other energy analysts also raised their gas price forecasts through the rest of the year.

Canadian Natural Resources, Canada's No. 2 oil explorer, will likely increase its spending on natural gas exploration in 2009.

Qatar plans to boost its LNG capacity by around eight million tones to 39 million tones per year from its current level of 31 million tones by the end of this year.

Generator Problems

ERCOT – Luminant's 750 Mw Martin Lake #3 coal-fired power station restarted following repairs to a boiler superheat tube leak.

Luminant's 545 Mw Sandow #4 coal-fired power station shut and restarted twice over the weekend due to electrical issues. The unit is currently operating.

MAIN – FPL's 516 Mw Point Beach #1 nuclear unit shut over the weekend to begin a scheduled refueling outage. The unit was at full power on Friday. Point Beach #2 continues to operate at full power.

NPCC – Dominion Energy's 866 Mw Millstone #2 nuclear unit shut for a refueling outage over the weekend. The unit was operating at 99% on Friday. Millstone #3 continues to operate at full power.

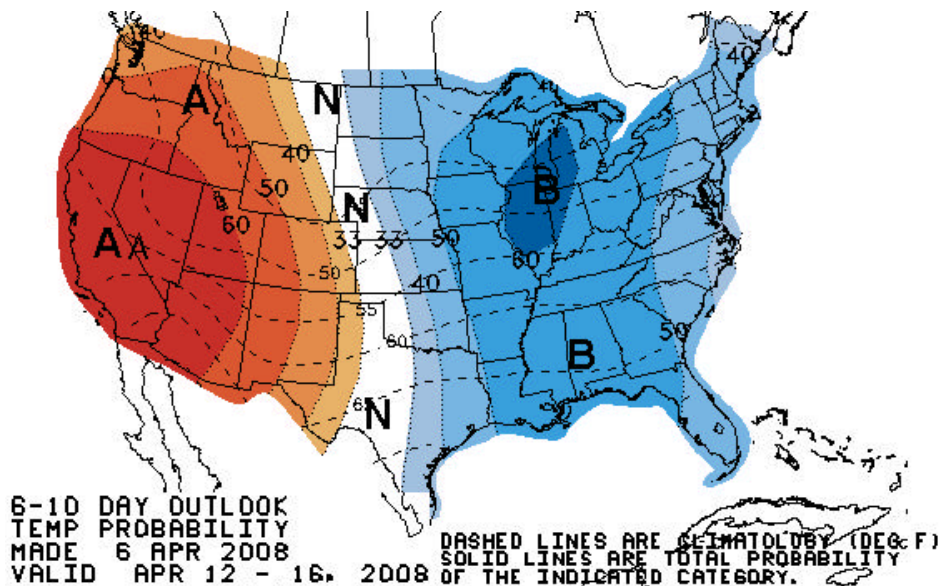
Energys 670 Mw Pilgrim nuclear unit exited an outage and ramped up to 20% capacity. The unit shut over the weekend to fix a safety relief valve. The unit was operating at full power on Friday.

Energys 825 Mw FitzPatrick nuclear unit is operating at 7% power after shutting over the weekend to fix a feedwater pipe.

WSCC – AES Corp.'s 480 Mw Redondo Beach #8 natural gas-fired power station returned to service by Friday afternoon. The unit shut January 6 for planned work.

Canada – Ontario Power Generation's 515 Mw Pickering #7 nuclear unit shut due to a transmission problem.

The NRC reported that 74,358 Mw of nuclear capacity is online, down 3.34% from Friday and up .39% from a year ago.



Spanish gas distribution company Enagas said the largest LNG tanker ever to unload at a European terminal had tied up at one of its regasification plants. The 210,000 cubic meter "Q-Flex" type vessel is the largest of its type in the world as set sail from Qatar.

PIPELINE MAINTENANCE

KM Interstate Gas Transmission said that it will perform maintenance at its Sterling Compressor Station (Segment 770) on gas day April 8. Capacity through this segment will be limited to 100

MMcf/d during this outage. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled. As this maintenance progresses, additional scheduled quantities may become available for the Intraday 2 cycle. KMIGT will post increases if they become available. As well, KMIGT said it would perform maintenance at its Glenrock Station (Segment 50) on gas day April 9.

Southern Natural Gas Pipeline Co. said over the weekend that the return to service of the 24-inch and 30-inch pipelines downstream of White Castle Compressor Station is progressing as expected. The company anticipated that nominations would be accepted on the evening cycle April 6 for volumes up to 740 MMcf/d. One compressor unit at White Castle Compressor Station remains out of service for foundation repairs until further notice. The Force Majeure what was posted for this work also remains in effect. Also, SoNat said that during maintenance at White Castle, it was discovered that one of the units will need foundation repairs and as a result it will be unavailable until further notice. During this outage on Southern's west leg, capacity will be reduced by approximately 30 MMcf/d. This constitutes an event of Force Majeure.

ELECTRIC MARKET NEWS

Genscape reported that continental U.S. power generation in the week ended April 3 fell 12.38% from the week before and was 8.41% less than the same week a year ago. The data suggests the slowdown in the U.S. economy is beginning to reduce power use by businesses and industry.

MARKET COMMENTARY

The natural gas market, supported by a cooler-than-normal outlook in the 6-10 period and a widespread commodity rally, rose strongly today to regain a large chunk of losses from late last week. The May contract traded in one direction today, pausing at light resistance points, 9.627 and 9.708 before trading to a high of 9.835. The cooler temperature forecast against still shrinking storage numbers was the impetus the market needed to move back to the highs of its recent range. The May contract finished the session up 46.9 cents at 9.791.

With this week's EIA report typically representing the first natural gas injection of the year, the unseasonably chilly air for late March and early April suggest one more round of withdrawals this week, which should leave total stocks at 1.23 Tcf to start the injection season. Total storage will be below the five-year average for the first time in well over 18 months. Current estimates for this week's report call for a draw of between 10-20 Bcf, sizing up against a build of 15 Bcf for the five-year average and a build of 33 Bcf for the same week last year. Also lending support to the natural gas is the increasing nuclear outages. After four fresh outages this past weekend, cutting nationwide production down to 75% capacity, traders will look to natural gas-fired supply to help cover electric needs. We see support at 9.69, 9.545, 9.36, 9.198 and 9.053. We see further support at 9.00 and 8.664. We see resistance at 9.81, 9.95, 10.00, 10.182 and 10.529.