



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 31, 2006

NATURAL GAS MARKET NEWS

The EIA released its latest monthly natural gas report today. It showed that domestic production of natural gas in January reached 49.5 bcf/d up some 0.8% from December but off 4.1% from the same month a year ago. The supply shortfall was further exacerbated by net imports of natural gas dropping to only 8.6 bcf/d in January, its lowest level since May 2004. Net import levels in January were down 17.6% from December and off some 15% from year ago levels. Only part of the shortfall could be found in the decline in LPG imports, which in January fell to 1.27 bcf/d, down some 23% from December and off 31.7% from January 2005, as LPG imports were re-directed to European markets. On the consumption side of the equation, the nation consumed some 69.1 bcf/d of natural gas this was some 16.4% behind last year's levels. The residential and power generating sectors showed the largest decline rates versus a year ago, off 20.1% and 19.8% respectively, while the commercial and industrial sectors were off 14.2% and 12.5% as well.

The EIA's monthly report showed that month end storage levels of working gas in January stood at 2.3843 tcf, some 13 bcf higher than the implied storage level reported by the agency's weekly storage report.

The American Gas Association said in a report that U.S. natural gas reserves totaled 197 trillion cubic feet at the end of last year, the highest level since 1984. However, domestic natural gas production will not necessarily increase as many gas wells are maturing and drilling is prohibited on many federal lands and offshore areas. U.S. annual gas production capacity will remain in the 18 to 19 Tcf range for the foreseeable future unless there is a significant change in government policy to give energy companies drilling access to more resources.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack has returned to normal levels over its entire system.

KM Interstate Gas Transmission said that Burlington Resources Lost Cabin has capacity available for receipt volumes. Based on the level of nominations, interruptible flow, authorized overrun and secondary volumes may be scheduled.

Generator Problems

MAAC— Exelon's 619 Mw Oyster Creek nuclear unit returned to full power by early today. The unit was operating at 60% yesterday.

SERC— Southern Nuclear Operating Co.'s 862 Mw Hatch #1 power unit remains offline despite restarting from a refueling outage on Wednesday. The unit is operating at 8% today, down from 18% yesterday. Hatch #2 continues to operate at full power.

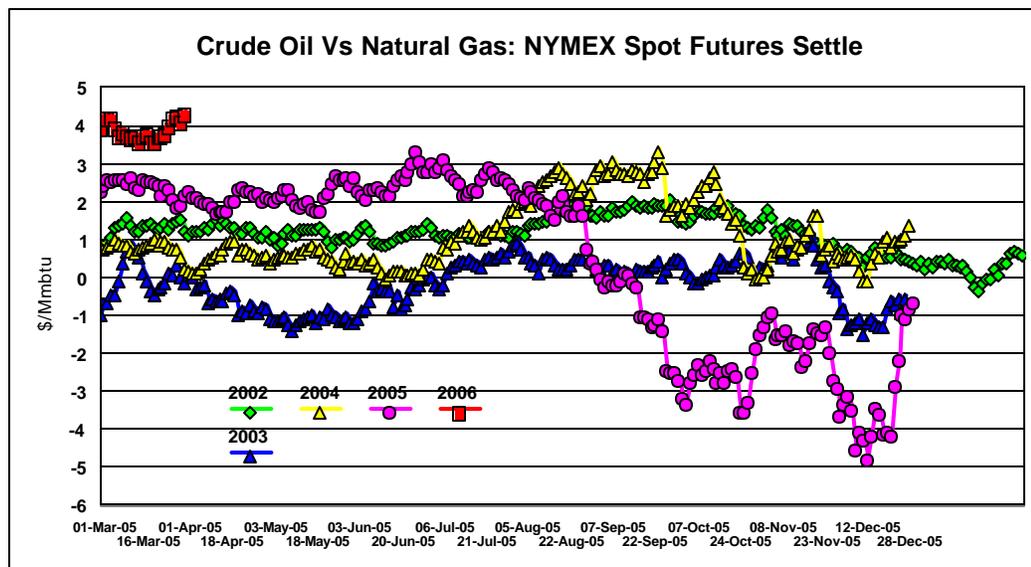
Southern Co.'s 1,215 Mw Vogtle #2 nuclear unit has finished repairs that started on March 20. The unit is expected to return to service shortly. Vogtle #1 continues to operate at full power.

WSCC— Energy Northwest's 1,122 Mw Columbia nuclear unit returned to full power by early today. The unit was operating at 60% power yesterday.

Arizona Public Service is planning to shut its 1,270 Mw Palo Verde #3 tomorrow for a planned refueling and maintenance outage.

The NRC reported that U.S. nuclear generating capacity was at 80,634 Mw up .80% from Thursday and up 6.26% from a year ago.

Texas Eastern Transmission Corp. said it has scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco also said that it cannot accept requests for due pipe imbalance resolution or due shipper creation. Customers need to resolve existing due shipper imbalances. Tetco will force balance TABS-1 pools or restrict the system as required.



PIPELINE

MAINTENANCE

Westcoast Energy said the Gordondale outage, originally scheduled for April 7-15, has been postponed until May 3 and will now be a one-day event. A longer outage will take place sometime later in May or June to complete the

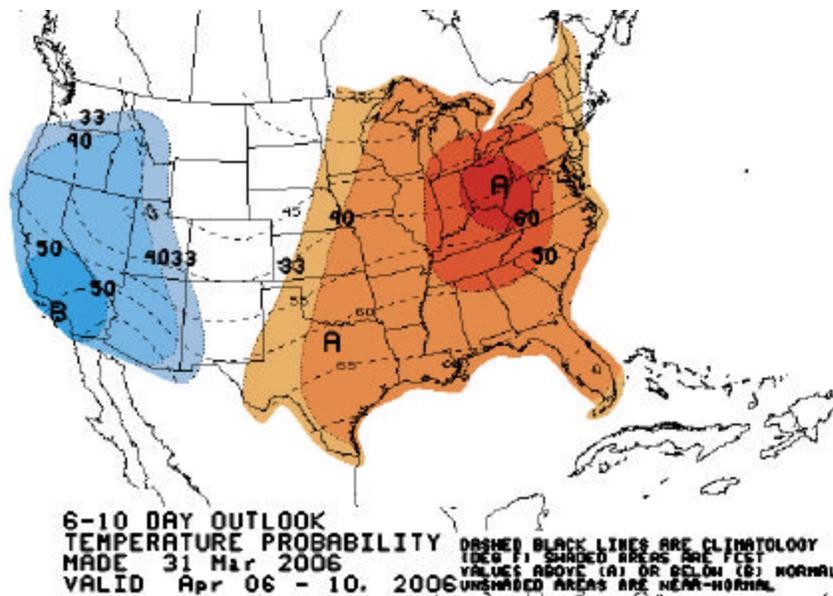
station PSV maintenance, station main gas control and unit control outage and will be announced in the weekly and monthly outage schedules. There could be an impact to firm service when the remainder of the maintenance at Gordondale takes place, depending on flows.

ELECTRIC MARKET NEWS

Progress Energy Florida said it filed plans with state regulators to bring two of its power plants into compliance with recently issued federal clean air standards. The company said it plans to add emissions controls at its Anclote and Crystal River plants that will allow them to meet standards set in the Clean Air Interstate Rule, Clean Air Mercury Rule and Clean Air Visibility Rule. Progress said it expects to invest about \$736 million in capacity costs on the emissions controls through the end of 2009.

Peoples Energy said it struck a deal to sell its 30% interest in the Southeast Chicago Energy Project for \$50 million to a unit of Exelon Corp.. The project is a 350 Mw gas-fired peaker plant.

The Maryland legislature, in an effort to force Constellation Energy Group to hold off on a proposed rate hike, has passed a bill that would let it block the utility's proposed acquisition by rival FPL Group. The bill, passed by the state Senate yesterday, would also prevent the Maryland Public Service Commission from approving the deal before April 2007. The bill also states that FPL must apply part of its savings from the merger with Constellation, the parent of Baltimore Gas and Electric Co., toward delaying or minimizing rate increases in the state.



U.S. financial services firm Northern Trust Corp. said it agreed to pay \$37.5 million to settle a class action case related to bankrupt energy trader Enron Corp. Northern Trust served in administrative capacities for Enron's pension and employee stock ownership plans. Northern Trust said in a statement that it had performed its duties carefully, but it decided to put the matter behind it given the unprecedented nature of litigation in general and the risks associated with Enron-related litigation.

ECONOMIC NEWS

A government report said that new orders at U.S. factories rose a smaller-than-expected 0.2% in February, as robust civilian aircraft and defense capital goods orders outweighed declining demand for primary and fabricated metals, machinery and electrical equipment. The street had been expecting factory orders to rise 1.4%. Orders for durable goods, expensive items meant to last three years, rose 2.7%, reversing an 8.9% tumble in the prior month.

MARKET COMMENTARY

The natural gas market opened 31.7 cents lower, in line with a much softer crude oil market. The May contract slumped as low as 7.12 early in the session, but rebounded slightly, trading to the day's high of 7.23. The market was relatively quiet, taking its lead from the crude oil market, which was 1.50 lower at one point today. The May contract finished the session down 27.7 cents at 7.21 with a mild 66,000 contracts trading hands.

U.S. spot natural gas prices mostly slid today, as mild temperatures over the consuming regions for the next two weeks offer no demand to this market. Gas for weekend delivery at benchmark Henry Hub fell 21 cents on average to \$6.98. Overall, cash was trading at about a 20-cent discount to futures. Looking forward, a sizeable storage surplus and the likelihood of a marginal draw or injection next Thursday continue to weigh on the market. Total stocks are 650 Bcf above the five-year average, and given that total natural gas demand has been flat since 2000, the five-year average price of 5.68 is a relevant downside level. Yet the strength in the oil complex and the pending hurricane season holds natural gas from collapsing. We see support at \$7.12, \$7.00 and \$6.86. We see further support at \$6.66, \$6.45 and \$5.68. We see resistance at \$7.36, \$7.45-\$7.50 and \$7.65. Further resistance we see at \$7.71 and \$7.80.