



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 16, 2006

NATURAL GAS MARKET NEWS

The AccuWeather Hurricane Center released its 2006 hurricane season forecast, which says that an active hurricane season appears imminent. For the 2006 Hurricane Season, AccuWeather are forecasting that six tropical cyclones will make landfall in the U.S. Five of these land falling storms are likely to be hurricanes, with three being major hurricanes of category 3 or greater. Early in the season, June and July, the Texas Gulf Coast faces the highest likelihood of hurricane strike, possibly putting Gulf energy production in the line of fire. As early as July, and through much of the rest of the season, the highest level of risk shifts to the Carolina. From mid-August into early October, the window is open for hurricane strikes to spread northward to the more densely populated Northeast coast. At the very end of the season, southern Florida also faces significant hurricane risk.

Sempra LNA said it has received non-binding expressions of interest in the potential expansion of its Energ a Costa Azul LNG receipt terminal in Baja California, Mexico. The interest totals 2.9 Bcf of gas per day, nearly double the proposed scope of the expansion project. The ultimate size, scope and cost of Energ a Costa Azul's expansion will depend upon the outcome of the negotiations for commercial agreements. Construction on the initial phase of the terminal to develop 1 Bcf of capacity is more than 30% complete. The terminal, which is located 15 miles north of Ensenada in Baja California, is expected to be operational in early 2008.

Canada's Emera said it will invest about C\$350 million for full ownership of a proposed pipeline that will deliver natural gas from a planned LNG terminal near Saint John, New Brunswick, to markets in Canada and the US Northeast. The proposed 90-mile, 30-inch diameter Brunswick Pipeline will run from the Canaport LNG import terminal and through southwestern New Brunswick to connect with the US portion of Maritimes & Northeast Pipeline at the US-Canada border near Baileyville, Maine. Emera is expected to finance the investment with a combination of equity and debt. The investment is forecast to provide a 11% to 14% return on equity.

PIPELINE RESTRICTIONS

Texas Eastern Transmission said it has restricted and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Batesville for delivery outside that area will be accepted.

Generator Problems

ECAR— DTE's 1,139 Mw Fermi #2 nuclear unit ramped up to full power today. Yesterday, the unit was operating at 92%.

CMS Energy's 767 Mw Palisades nuclear unit will remain shut until repairs are made to a control rod.

SERC— Progress Energy's 900 Mw Harris nuclear unit started to exit an outage and is warming up offline at 7%.

Entergy's 966 Mw River Bend nuclear unit reduced output to 77%. Yesterday the unit was operating at 80% as it returned from an outage.

The Tennessee Valley Authority's 1,125 Mw Sequoyah #1 nuclear unit reconnected to the grid and ramped up to 45% capacity. Sequoyah #2 remains at full power.

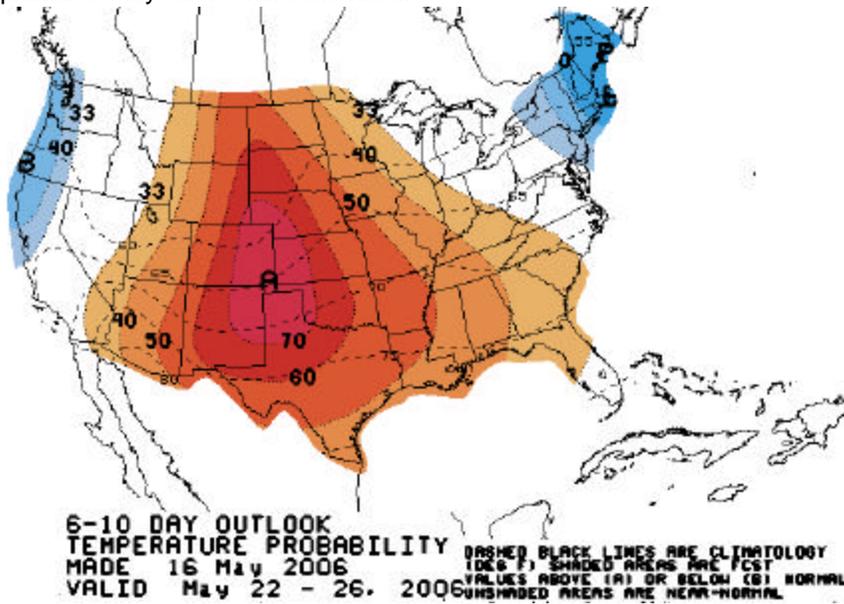
WSCC— APS's 1,270 Mw Palo Verde #3 nuclear unit increased output to 95%. Palo Verde #1 remains offline and Palo Verde #2 is at full power.

LS Power Group's 510 Mw Moss Landing #2 natural gas-fired power unit shut for planned spring maintenance.

AES Corp.'s 480 Mw Redondo #8 natural gas power unit returned to service.

The NRC reported that U.S. nuclear generating capacity was at 85,816 Mw up .67% from Monday and up 2.21% from a year ago.

TransColorado Gas Transmission said that a force majeure event occurred at its Whitewater Compressor Station in Mesa County, Colorado early Saturday, May 13. TransColorado had anticipated the repairs would be completed by Monday, May 15, however, the completion date is now expected to be Wednesday, May 17. Effective until further notice, the capacity through Segment 210 is limited to 325 MMcf/d. In addition, this outage will also reduce the capacity through Segment 240 to 375 MMcf/d. AOR/IT, secondary and/or primary firm quantities may not be full scheduled.



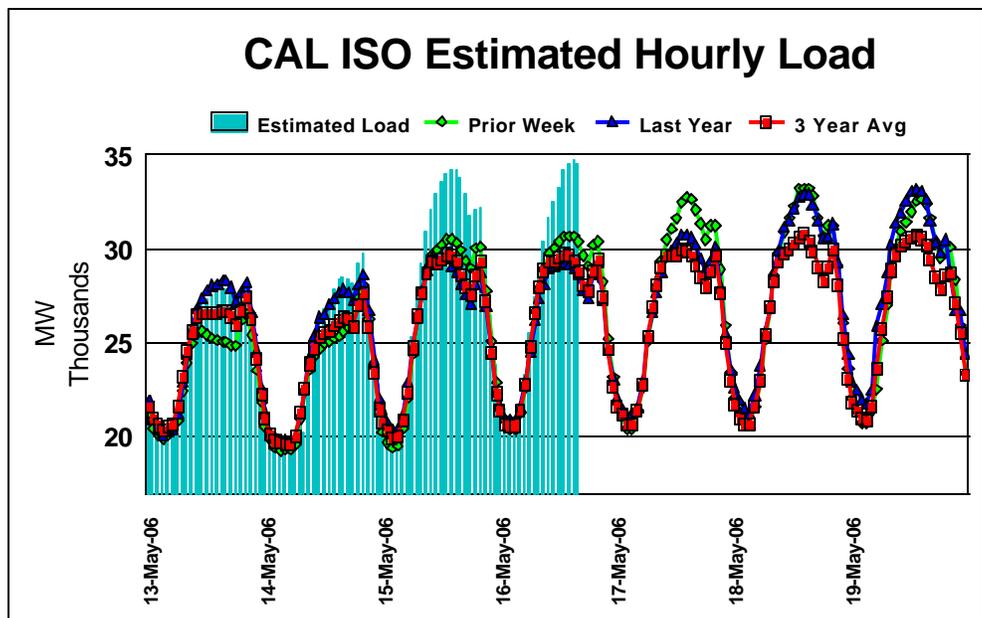
PIPELINE MAINTENANCE

Natural Gas Pipeline Company said that a gas quality problem no longer exists at the receipt from Ozark-White (PIN 6427) in White County, Arkansas (Segment 27 of Natural's Gulf Coast Main Line Receipt Zone).

Northwest Pipeline listed several work activities planned for June that have the potential to impact customer nominations. NWP will be rebuilding the CIG Meter Station at Green River Compressor May 30-June 6. The line/lateral between CIG and NWP will be isolated and blown down, and no flow to or from CIG at the Green River compressor will be possible during the work. From June 1-August

30, a section of the 22-inch M/L between Pocatello and Burley will be shut-in and replaced. On June 5, a short section of the 22-inch M/L between Burley and Buhl will be shut-in and replaced. On June 6-7, NWP will perform anomaly digs on the 22-inch mainline just North of Kemmerer. On June 5-12, NWP will perform exhaust stack foundation repairs at Pegram. The station will be out of service during the foundation work. On June 12-15, NWP will perform an inspection on unit #4 at Pocatello, and on June 12-16, Kemmerer will be out of service to perform an ESD test and replace relief valves on units #1, #2, #3 and #4.

Panhandle Eastern Pipe Line Company said that there will be an outage between Gate Valve 203 to Gate Valve 212 for ILI modifications on the 200 Line beginning July 10. The expected duration is 16 days. Capacity will be limited to 1,330 MMcf/d through Montezuma. This scheduled project is part of an ongoing integrity program conducted by Panhandle. Panhandle also said that there will be an outage at the Montezuma Station for the turbine overhaul of unit #1316 beginning August 7. The expected duration is 19 days. Capacity will be limited to 1,350 MMcf/d through Montezuma.



Questar Pipeline Company said that the maintenance on ML 68 was completed yesterday. As a result, accepted nominations in the Rifle area will return to normal in cycle 2-gas day May 16.

ELECTRIC MARKET NEWS

The Florida Municipal Power Agency said Governor Jeb Bush and his Cabinet – sitting as Florida's Power Plant Siting Board – unanimously approved its plan to build a 300 Mw natural gas fired plant in St. Lucie County, near Fort Pierce. FMPA, which secures power for the state's 15 municipal utilities, said that the so-called Treasure Coast plant will be operated by one of its members, the Fort Pierce Utilities Authority. Construction is scheduled to begin this fall, and the plant will begin operation in the fall of 2008.

MARKET COMMENTARY

The natural gas market opened 10.7 cents stronger, as market players eyed large support below at 6.00 and after three straight losing sessions, some technical buying lifted prices. June natural gas dipped to 6.13 as crude oil was selling off early in the session, but when crude oil found support and traded higher, natural gas followed, trading to a high of 6.32. Despite oil's late sell-off, natural gas remained in positive territory, finishing the session at 6.252, up 12.9 cents.

Warm temperatures creeping into key consuming regions next week could kick up demand and reinforce the support level at 6.00. Cash prices in the west firmed, as warming temperatures boosted electric load demand. Though the bearish storage fundamentals will continue to hinder upside traction. Without the petroleum complex running to new highs, there is little upside momentum in natural gas. Looking ahead to Thursday's inventory report, estimate injections range from 72 Bcf to 90 Bcf, with most in the low 80's. Those estimates are in line with this report historically, as last year saw a build of 85 Bcf and the five-year average injection is 83 Bcf. We see support at \$6.13, \$6.00 and \$5.71-\$5.76. We see resistance at \$6.50, \$7.00 and \$7.12. We see further resistance at \$7.20, \$7.47-\$7.52 and \$8.00.