



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 24, 2006

NATURAL GAS MARKET NEWS

El Paso Corp. said it was limiting injections for some interruptible customers as its storage levels rose significantly above last year's levels. Interruptible customers typically pay lower rates to move gas into storage with the understanding that availability could be curtailed if inventories build too quickly.

The British gas-network company, National Grid said power stations, factories and other U.K. natural-gas users will have to rely on more supplies from Norway next winter as production in the U.K. part of the North Sea dwindles. National Grid expects average daily supply from gas fields on the U.K. continental shelf to fall to 240 million cubic meters from 269 million cubic meters last winter. Gas flows from Norway will rise to 48 million cubic meters a day from 33 million cubic meters.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack is posted as high across its entire system. Shippers are asked not to bank or draft gas from the system.

Natural Gas Pipeline Company said that it is at capacity for gas going southbound through Segment 26 (Compressor Station 303). Therefore, interruptible flow, authorized overrun and secondary out-of-path transports are at risk of not being fully scheduled.

Texas Eastern Transmission said that due to an outage at Joaquin station, receipts between Joaquin and Atlanta have been restricted to capacity. Tetco has scheduled and sealed receipts sourced between Mt. Belvieu and Little Rock. No increases in receipts sourced between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Due to changing pipeline conditions between Tetco and Transco, deliveries to 75668 have been restricted to Tetco capacity.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing unscheduled maintenance on Bistineau Compressor Station Unit #3 beginning immediately and continuing for approximately three days. Capacity on injections to the Bistineau Storage Field could be reduced by 150 MMcf/d due to this maintenance and the continuing maintenance on Unit #2. Capacity on Bistineau Storage Withdrawals will not be affected during this maintenance.

Westcoast Energy said yesterday it has completed the leak repair on its dehydrator tower at the McMahon Gas Plant. Effective immediately, the company said it is removing the raw gas constraint previously in place.

Generator Problems

MAIN— Dominion Resources' 591 Mw Kewaunee nuclear unit reconnected to the grid and ramped up to 29% power by early today.

NPCC— Entergy's 956 Mw Indian Point #2 nuclear unit decreased output to 60%. Yesterday, the unit was operating at 65% capacity. Indian Point #3 continues to operate at full power.

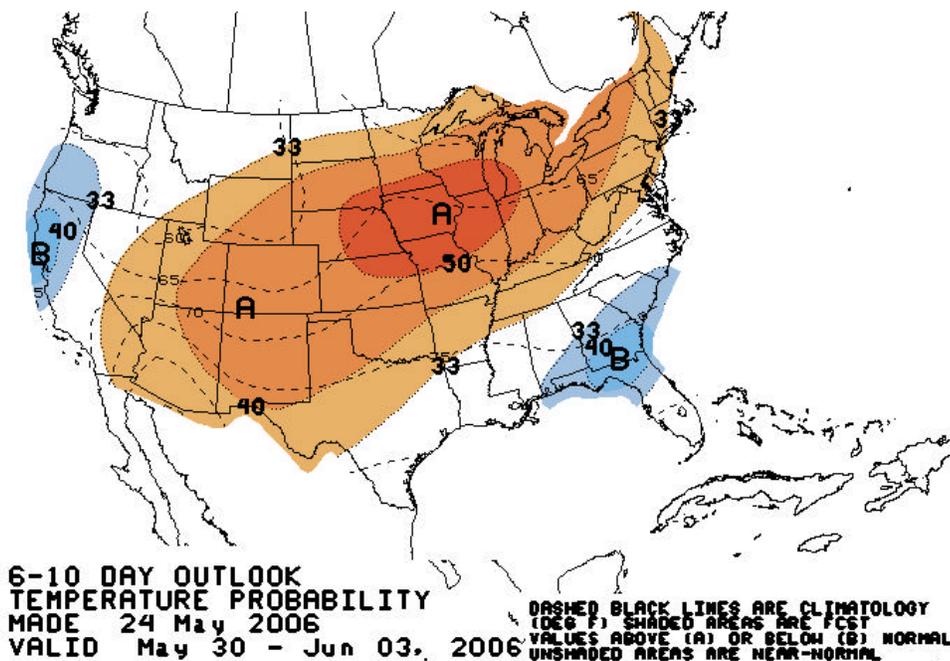
SERC— Southern Nuclear's 888 Farley #1 power unit restarted and is warming up offline at 1% capacity. Farley #2 continues to operate at full power.

WSCC— Portland General Electric Company's coal-fired Boardman Power plant is now operational. The unit shut October 22, 2005 in order to make repairs to its turbine rotor and generator rotor.

The NRC reported that U.S. nuclear generating capacity was at 81,622 Mw up .15% from Tuesday and down 3.57% from a year ago.

ELECTRIC MARKET NEWS

U.S. FERC commissioner Nora Brownell said that difficulties utility mergers have encountered at the state level will cause them to think twice about further consolidation. Brownell said she was troubled by the regulatory problems companies like Exelon and Constellation have had as they try to get approval for mergers from state regulators. She believes that we have a very fragmented utility industry in the country and that's inefficient. State regulators focus too much on what is in it for their state and not on having well capitalized companies that can invest in assets, bringing value to their customers.



Allegheny Energy took the number 7 500/345 kilovolt transformer at the Wylie Ridge substation out of service today to fix an oil leak, PJM Interconnection reported. The unit is expected to return to service on May 27. The Wylie Ridge substation, which straddles the Ohio River between American Electric Power Co.'s Ohio service territory and Allegheny's West Virginia territory, is one of the most important west-to east transmission switchyards in PJM.

ECONOMIC NEWS

The Commerce Department reported that U.S. orders for durable goods fell more than expected last month as demand for aircraft, computers and defense hardware slowed, raising concern companies plan to curb spending. Orders for goods made to last several years dropped 4.8%, the most since January, after rising 6.6% in March and 3.5% in February.

MARKET COMMENTARY

The natural gas market opened 16.8 cents lower pressured by a sinking petroleum market, as expectations for a bearish inventory report weighed on the market. The oil report was actually mixed, showing a large draw in crude stocks, but large builds in the products, causing the complex to trend higher. June natural gas traded sideways in negative territory, reaching a daily high of 6.15. But when the oil complex collapsed late in the session due to positive geopolitical news, natural gas followed, with the June contract breaking back below the 6.00 level, to a low of 5.94. The soon to expire contract settled down 29.4 cents at 5.964.

Estimates for tomorrow's EIA storage report range between an injection of 75 Bcf to an injection of 105 Bcf, with the average expected injection of 89 Bcf. Our pipeline model falls in line with those expectations, with a range of 81-97 Bcf and centering around an 86 Bcf injection. The model showed us that pipelines put less into storage than last week. June options expire tomorrow, and the futures on Friday, so we expect this market to take another look at support levels, but ahead of the long weekend, we feel the market will end a bit higher. Temperatures for key consuming regions are expected to be above normal, boosting utility demand and enforcing the support levels. We see support at \$5.85, \$5.76 and \$5.71. We see resistance at \$6.15, \$6.40, \$6.60, \$7.00 and \$7.12. We see further resistance at \$7.20, \$7.47-\$7.52 and \$8.00.

