



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 5, 2006

NATURAL GAS MARKET NEWS

Management consulting firm R.W. Beck reduced its calendar 2006 forecast for the Henry Hub price of natural gas to \$7.60/MMBtu. The new price is \$1.40 lower than the \$9/MMBtu price R.W. Beck predicted during the first two quarters of 2006.

TransColorado Gas Transmission has filed an application with FERC to build an expansion of its interstate pipeline system that would support flows into the massive Rockies Express project, a 1,350-mile, 2 Bcf/d gas pipeline system that would bring Rocky Mountain natural gas to Ohio and ultimately to markets in the Midwest and Northeast.

The National Hurricane Center reported that a tropical storm could form around Florida over the next day or two. The NHC said showers and thunderstorms were currently located over the Bahamas, central and eastern Cuba and southeastern Florida. Over the next couple of days, the system could drift slowly westward over the Florida Peninsula and into the Gulf of Mexico, though other models contradict that forecast and no serious threat exists at this time.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 25% tolerance.

Focus Energy Trust and its operating company FET Resources reported that at approximately 10:30 AM MT on July 4, an explosion and fire occurred at FET's Sylvan Lake Gas Plant which is located approximately 15 kilometers southwest of the town of Sylvan Lake, Alberta. The Sylvan Lake Gas Plant has been isolated and shut down, the fire has been extinguished and there are no injuries to report.

Westcoast Energy said that forest fires are affecting operations in the McMahon gathering system. On Tuesday the Laprise Compressor station had to be shut-in and the operators evacuated due to extremely heavy smoke and fire in the area. Westcoast is continuing to monitor the area and will return only when it is safe to do so. Beg Jedney Compressor Station and Kobes Compressor Station are currently being monitored for the forest fire hazards and will be evaluated as the fire danger changes in the area. AS of this 10:00 PM PT Tuesday, the two compressor stations were still operating.

Generator Problems

FRCC— Progress Energy's 870 Mw Crystal River #3 nuclear unit remains at a reduced 82% capacity today after cutting output from full power on Monday.

MAIN— Exelon Corp.'s 867 Mw Dresden #2 nuclear unit shut over the long weekend. The unit was operating at 99% capacity on Friday. Dresden #3 continues to operate at full power.

WSCC— Arizona Public Service's 1,270 Mw Palo Verde #3 nuclear unit is back at full capacity today after being manually tripped over the weekend. Palo Verde #1 remains offline while #2 is at full power.

LS Power Group's 739 Mw Moss Landing #7 natural gas-fired power station shut for unplanned reasons.

Sempra Energy's 550 Mw Palomar natural gas-fired power station returned to service yesterday after shutting June 25 for unplanned reasons.

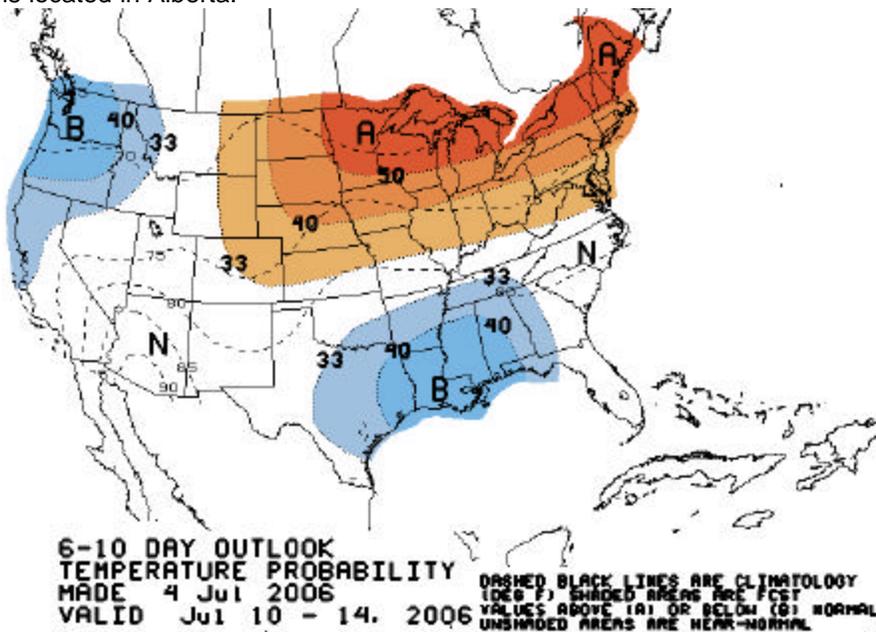
PG&E's 404 Mw Helms Pumped Storage #3 hydropower station returned to service by yesterday afternoon.

Canada— Ontario Power Generation's 515 Mw Pickering #7 nuclear unit shut for short-term maintenance on July 4 to work on the boiler level controller.

The NRC reported that U.S. nuclear generating capacity was at 94,846 Mw down .81% from Friday and up 1.80% from a year ago.

PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance will require Teepee Creek Lateral Meter/Compressor Station to be unavailable for 4 hours today. Station capacity will be reduced to 54.2 MMcf/d. The Teepee Creek Station is located in Alberta.



National Fuel Gas said that it has scheduled maintenance on unit 1 at the Henderson station starting July 10 through July 19. This work will limit the capacity through the Henderson station and may impact high quantity redeliveries through the station or to points offline in Pennsylvania, in particular the HLPWP scheduling point and meter.

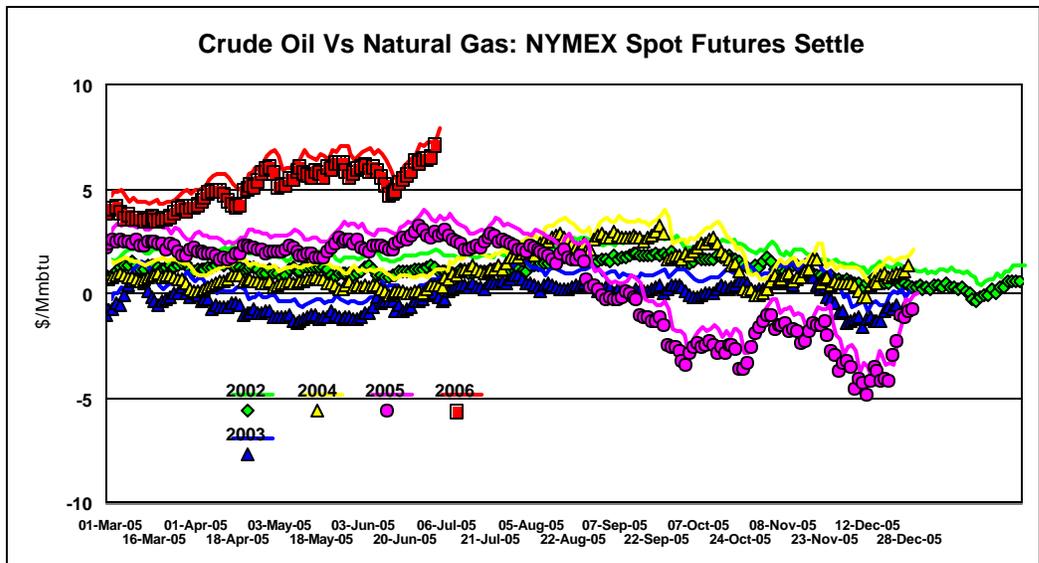
Panhandle Eastern Pipe Line Company said that outage at Cashion to conduct an annual inspection on Unit #2301 has been extended to today. Nominations through the BIS09 segment will be limited to 90 MMcf/d.

Questar Pipeline Company said that repairs have been completed at the Oak Spring compressor station. As a result, ML 104 capacity has been increased to 380 MMcf/d as of July 3.

ELECTRIC MARKET NEWS

Washington Group International has been selected to provide engineering, procurement, and construction services for a major environmental retrofit project at Detroit Edison's Monroe Power Plant in Monroe, Michigan. Washington Group will provide these services for construction of flue gas desulphurization systems – or scrubbers – on the plant's generating Units 3 and 4, each of which generates about 775 Mw. The cost of the project is in excess of \$500 million. The scrubbers will reduce sulfur dioxide emissions from each generating unit by 97%. Scrubber construction already has begun on Unit 4 and is expected to be complete in December 2008; Unit 3 will be completed in 2010.

Ameren Corp. reported a small amount of tritium found along a discharge line at its 1,137 Mw Callaway nuclear unit in Missouri. Ameren said the concentration of radioactive material in water sampled from



manholes on the discharge pipeline ranged from less than 1% to about 20% of regulated limits. Tests of drinking water at the plant and the nearby town of Portland showed no problems and further tests in areas around the discharge line were being conducted.

A consortium led by Australia's Macquarie Bank said it agreed to buy U.S. utility Dusquesne Light Holdings for \$1.59 billion, expanding its utility holdings in the United States. The acquisition would be the latest high profile purchase of a U.S. utility by foreign concerns after National Grid of Britain purchased New York's KeySpan Corp.

The New York Mercantile Exchange announced today that it will list two additional years of all monthly peak and off-peak electricity futures contracts, beginning on July 9 for trade date July 10. Previously, four years, the current year and the next three years, have been listed for trading on the monthly peak and off-peak electricity futures. The months for calendar years 2010 and 2011 will be added next week, and the procedure for adding an additional year when the current year expires will remain the same.

MARKET COMMENTARY

The natural gas market opened 14.4 cents lower as market players shrugged off news of North Korea's missile launches and focused on continued mild weather in key consuming regions. The August contract broke through support at 5.94 and extended its lows initially to 5.77 where support at the 5.75 level provided a modest bounce to 5.87. The natural gas market ignored the rallying oil complex, which saw crude oil trade to a high of 75.40, and continued its decline into the close, extending its low to 5.75. August natural gas finished the day down 33.9 cents at 5.765.

Natural gas' discount to crude oil increased to a record \$7.20 /MMBtu as a lack of near term demand and the overwhelming supply has pressured the market to 17-month lows. Mild temperatures in the south, especially Texas saw cash spot prices sink as the demand is just not there to justify buying. Looking forward to Friday's EIA Storage report, early estimates call for a modest build of between 55 and 75 Bcf. This will compare to a 71 Bcf injection last year and the five-year average build of 93 Bcf. We see support at \$5.75, \$5.70-\$5.71, \$5.60 and \$5.50. We see resistance at \$6.10, \$6.33-\$6.37 and \$6.87. We see further resistance at \$7.12 and \$7.60-\$7.61.