



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR JULY 31, 2006

NATURAL GAS MARKET NEWS

Without innovations that can reduce gas demand from oilsands development in Canada or significant new supply from the Mackenzie Delta region, some analysts are predicting that Canadian gas exports to the United States could tumble by as much as 5.5 Bcf/d (63%) by 2020.

The American Gas Association said it is supporting the National Action Plan for Energy Efficiency, a program backed by more than 80 energy companies and environmental groups. AGA said the plan holds the promise to defer the need to build 40, 500 Mw power plants, avoid greenhouse gas emissions equivalent to about 35 million vehicles, lower the cost of air pollution controls and reduce prices for natural gas. The plan also could result in the savings of hundreds of billion of dollars. The plan's recommendation to align utility incentives with the delivery of cost-effective energy efficiency programs encourages states to modify utility ratemaking practices to promote investments in energy efficiency technologies.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said Tennessee Gas Mahwah has been scheduled to capacity on its system.

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

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

Texas Eastern Transmission Corp. said that it has scheduled and sealed receipts sourced between Little Rock and Batesville for delivery downstream of Batesville. No increases in receipts sourced between Little Rock and Batesville for delivery outside that area

Generator Problems

ECAR— American Electric Power's 1,016 Mw Cook #1 nuclear unit shut yesterday due to the temperature in the containment room reaching 120 F. This exceeded limits due to the hot weather outside the plant, the hot lake temperatures and a partial blockage of the ventilation system. Cook #2 continues to operate at full power.

DTE's 1,111 Mw Fermi nuclear unit automatically shut on July 29 due to the loss of feed water. On Friday, the unit was operating at full power.

ERCOT— TXU Corp.'s 750 Mw Martin Lake #1 coal-fired power reduced output to less than full power due to a problem with a transformer.

MAAP— Xcel's 578 Mw Monticello #1 nuclear unit reduced power to 67% over the weekend. The unit was operating at full power on Friday.

Both of Xcel's 593 Mw Prairie Island nuclear units reduced output to 46% over the weekend. The units were each operating at full power on Friday.

MAIN— Exelon Generation's 912 Mw Dresden #2 nuclear unit reduced power to 93%. The unit was operating at 99% on Friday. Dresden #3 continues to operate at full power.

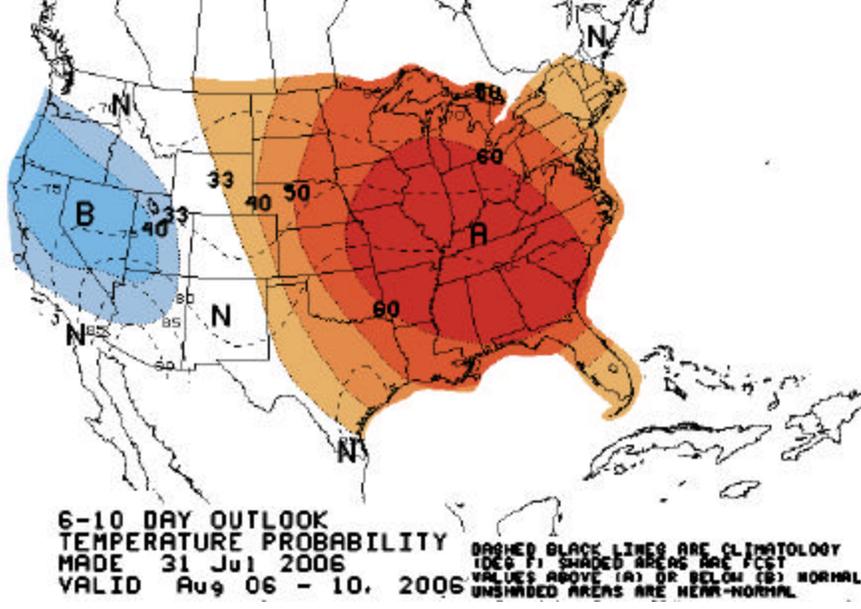
SERC— Southern Nuclear's 862 Mw Hatch #1 power station decreased output to 43% by early today. The unit was operating at full capacity on Friday.

WSCC— Arizona Public Service's 1,314 Mw Palo Verde #2 nuclear unit ramped up to 81% capacity by early today. On Friday, the unit was operating at 12%.

Energy Northwest's 1,200 Mw Columbia nuclear unit is operating at full capacity, up from the 62% level of last week.

The NRC reported that U.S. nuclear generating capacity was at 93,949 Mw down 1.77% from Friday and down 3.18% from a year ago.

will be accepted. Tetco has also scheduled and sealed receipts sourced between St. Francisville and Little Rock for delivery downstream of that area. No increases in receipts sourced between St. Francisville and Little Rock for delivery outside that area will be accepted.



PIPELINE MAINTENANCE

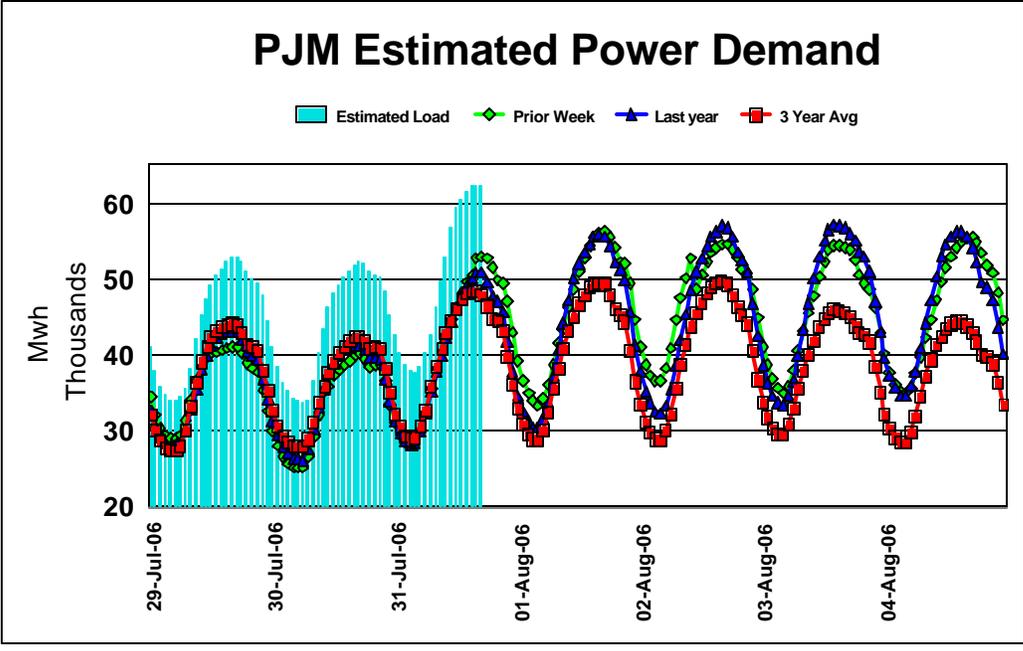
Alliance Pipeline said that the Fairmount Compression Station will be offline for six hours on August 1. This outage is to perform minor maintenance. System capacity may or may not be impacted but will be determined closer to the outage date. The Fairmount Station is located in North Dakota. Alliance also said that the Olivia Compressor Station will be offline for six hours on August 1. This outage is to perform minor maintenance. System capacity may or may not be impacted but will be determined closer to the outage date. The Olivia Station is located in Minnesota. Alliance also

said that the Tampico Compressor Station in Iowa will be offline for four hours on August 1 to perform minor maintenance. Finally Alliance said that the Wimbledon Compressor Station in North Dakota will be offline for four hours on August 1 to perform minor maintenance.

Gulf South Pipeline said it would perform scheduled maintenance on Unit 1 of the Carthage Junction natural gas compressor station near the east Texas border with Louisiana beginning August 7 and lasting for about five days. Capacity through the station could be reduced by as much as 75 MMcf/s during the work.

Northwest Pipeline said that on July 28, it experienced a line failure on its 16-inch Reno Lateral located approximately one mile south of the Mountain Home Compressor Station. The line has been repaired and was put back into service on July 30. The full design capacity of the Reno Lateral is available.

Williston Basin Interstate Pipeline Company said it has found a deleterious substance in the gas south of the Worland Compressor Plant in Line Section 19. The company is currently trying to identify the source of the substance and may have to curtail flowing receipt from TBI-Wind River and KMI-Bridger until the source and substance are identified. The Worland Compressor



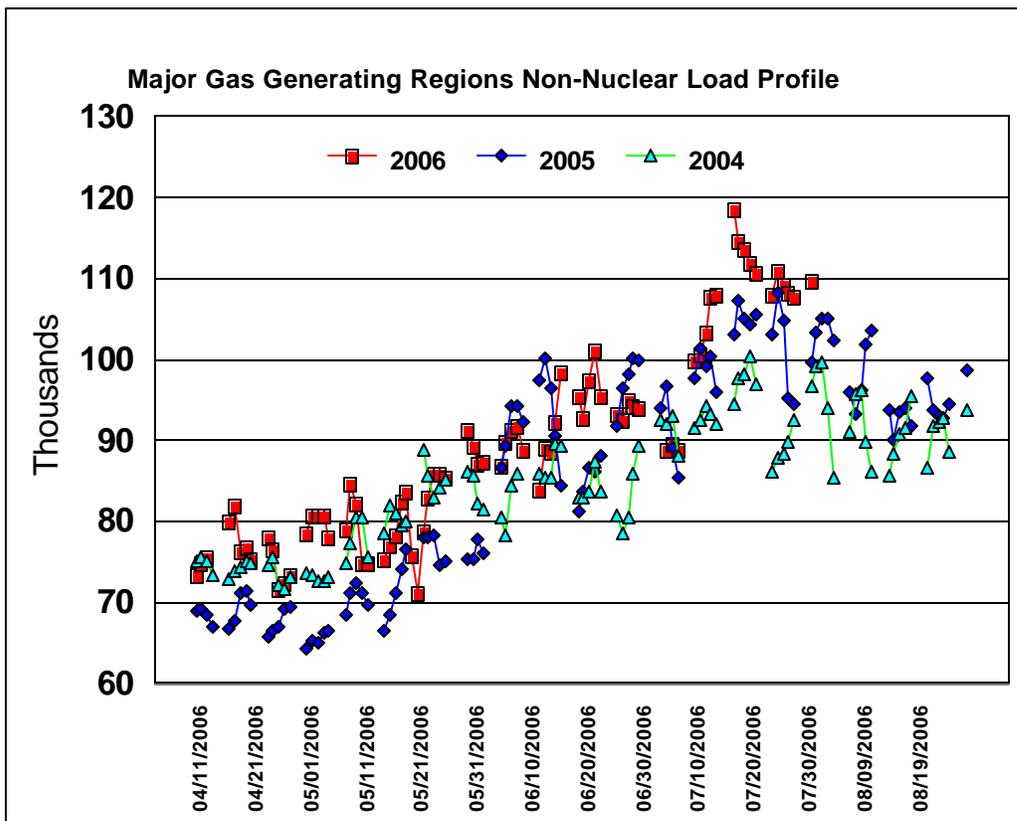
Station will be shutting down its compressors to clean the deleterious substance from the units. The length of the shut down is unknown at this time.

ELECTRIC MARKET NEWS

The California Independent System Operator is still watching wildfires in Northern California, which are burning uncomfortably close to a set of major transmission lines. California officials said they are concerned that fires near the three transmission lines which make up the California-Oregon Intertie might force a decrease in power flows or shut some of the lines altogether.

MARKET COMMENTARY

The natural gas market opened 56.6 cents higher as the same heat wave that baked the West over the last three weeks, begins to cook the eastern half of the country. September natural gas traded to a low of 7.67 very early in the session, but quickly found its direction and trended higher all day, as forecasts for 100 F are called for most of the key consuming regions. Once natural gas broke over 8.00, it found its high at 8.26, just shy of the April 29 high of 8.28. September natural gas finished the day up 1.027 at 8.211.



Though there are no specific threats in the tropics, conditions for storm formation are more favorable, and the market is taking notice. Market psychology given the events of last year clearly indicate that traders do not want to be short at this time of year especially with air conditioning demand at its highest, and such warm waters in the Gulf of Mexico. While storage remains at historic levels for this time period, last week's unprecedented 7 Bcf withdrawal came as a shock and the market is wondering if more normal levels are on the way. Early expectations for Thursday call for a build of 15 to 45 Bcf, as compared to last year's 38 Bcf build and the five-year average injection of 62 Bcf. With supportive inventory reports expected for the next couple weeks, this market will remain elevated off its 2-year lows. We see support at \$7.88, \$7.29, \$7.25, \$7.00 and \$6.75. We see resistance at \$8.28, \$ 8.65, \$8.72 and \$9.00.