



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 9, 2006

NATURAL GAS MARKET NEWS

AccuWeather continues to monitor the area of low pressure over the Northwest Caribbean. Surface pressures are down to at least 1007 millibars northeast of the center with winds of 20-25 mph. Water temperatures are very warm in this area and a developing system could intensify quickly. AccuWeather said all indications are that we could have our first tropical storm of the season by the second half of the weekend. This system will track north or northwest and move into the southern Gulf of Mexico tomorrow night and Sunday morning.

Canada's National Energy Board said a natural gas surplus that has led to a 25% increase in current storage levels compared with last year could push natural gas prices to about the \$5.00 /Mcf level by September. NEB said that following a mild winter, the large amount of gas in storage is the key issue for prices this summer. The agency said Canadian storage levels are roughly 800 Bcf above the five-year average and about 4% above the country's normal summer requirements. The NEB further said that if storage continues to fill at expected rates, the gas industry will have to either find new markets for a significant amount of gas or shut in some production later this summer.

ConocoPhillips confirmed that it had withdrawn its application for a license under the federal Deepwater Port Act for its proposed 1.2 Bcf/d Compass Port LNG project it had planned to build 11 miles off the Alabama coast. ConocoPhillips said it will complete the current work program that it has been supporting since October 2004 with the Dauphin Island Sea Lab and the Mississippi Gulf Coast Research Lab to establish a comprehensive environmental baseline at the project site. The company also said it will continue to pursue LNG supply options and explore other opportunities to site LNG facilities to meet growing needs for clean, abundant natural gas in the U.S..

The U.S. transportation secretary acted within the law when he approved in early 2005 a license for Shell's proposed 1 Bcf/d Gulf Landing LNG terminal in the Gulf of Mexico, the US 5th Circuit Court of Appeals ruled. The court rejected a lawsuit filed by the environmental groups Gulf Restoration Network and the Sierra Club and by the Louisiana Charter Boat Association that argued the secretary violated the National Environmental Policy Act by failing to consider the cumulative effects of five other applications for deepwater LNG import terminals in the Gulf when he approved Shell's project. Shell is proposing to build the terminal in 55 feet of water, about 38 miles south of Cameron, Louisiana.

Baker Hughes reported that for the week ended June 9, the total rig count in the U.S. increased by four to a total of 1,661 rigs, up 322 rigs from the 1,339 counted during the same week in 2005.

PIPELINE RESTRICTIONS

Generator Problems

ERCOT— TXU Corp.'s 575 Mw Big Brown #2 coal-fired power station restarted yesterday after tripping offline June 5 due to an electrical ground on the flame scanners.

MAIN— Exelon's 912 Mw Dresden #2 nuclear unit returned to full power late yesterday. The unit was operating at 73% yesterday to repair a feedwater relief valve. Dresden #3 continues to operate at 99% capacity.

The NRC reported that U.S. nuclear generating capacity was at 92,781 Mw up .25% from Thursday and up 5.39% from a year ago.

Florida Gas Transmission said that due to warm temperatures and low linepack, it is issuing an Overage Alert Day at 5% tolerance.

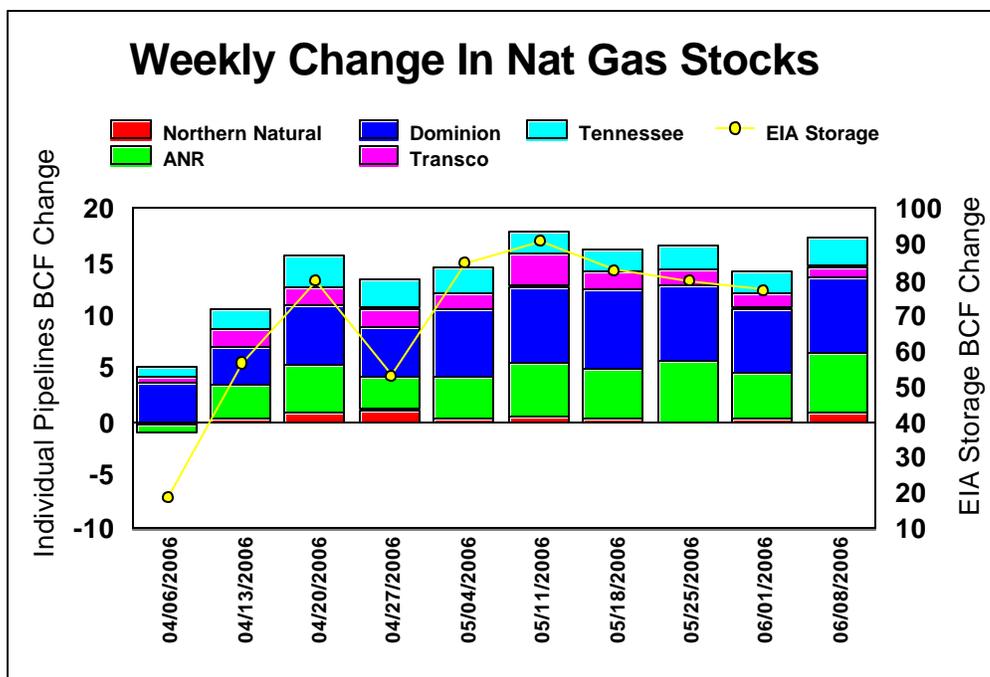
Kern River Pipeline said that line pack is high from Muddy Creek to Elberta. Elberta to the end of facilities meanwhile is posted as normal.

Texas Eastern Transmission said that it has scheduled and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Circleville for delivery outside that area will be accepted. Tetco has also restricted and sealed receipts between Longview and Little Rock in zone ETX. No increases in receipts between Longview and Little Rock for delivery outside that area will be accepted. Tetco has restricted and sealed zone ETX. No increases in receipts between Huntsville and Longview for delivery outside that area will be accepted.

TransColorado Gas Transmission said capacity is available for deliveries through Segment 240 (Redvale Compressor to Dolores Compressor). Also, TransColorado has available capacity for deliveries through Segment 210 (Raccoon Hollow to Whitewater Compressor).

PIPELINE MAINTENANCE

Alliance Pipeline said that routine maintenance requires the Towner Compression Station to be offline for six hours on June 13. This work may impact system throughput but will be determined closer to the outage date. The Manchester Station is located in Iowa. Alliance also said that routine maintenance requires the Towner Compression Station to be offline for four hours on June 15. This work may impact system throughput but will be determined closer to the outage date. The Towner Station is located in North Dakota. Alliance also said that routine maintenance requires the Loreburn Compression Station to be offline for four hours on June 15, potentially impacting throughput. The Loreburn Station is located in Saskatchewan.



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Texas Eastern Transmission said that due to heavy rain in the outage area, the end date for the currently in-progress outage on the discharge of Circleville has slipped. The outage is now estimated to extend until June 24

Williston Basin Interstate Pipeline Company said it has extended the unplanned maintenance at the Vida Plant through today. Based upon current nominations, the company does not anticipate any restrictions to scheduled volumes.

ELECTRIC MARKET NEWS

The U.S. FERC probably will hold a technical conference in the fall as it works on open-access transmission reform. Reform of Order 888, the agency's landmark open-access transmission tariff, is at the top of FERC's agenda because the commission has formally concluded that the existing tariff allows transmission owners to discriminate against competitors, therefore the commission is legally obligated to act.

MARKET COMMENTARY

The natural gas market opened 9.4 cents stronger boosted by the appearance of the season's first tropical disturbance off the Yucatan Peninsula and a strong performance in the petroleum market. July natural gas rallied to a high of 6.40 before midday, but as the session dragged on, buying interest evaporated and the market sunk. The front month sagged to the 6.20 level, where it dwindled out for the weekend, posting a low of 6.16 before finishing the session down 1.9 cents at 6.172.

The market feels content trading between 6.00 and 6.50 as it awaits new fundamental news to break it

out of its range. Market players are afraid to sell it of fear of summer cooling demand and hurricane activity, yet they have no interest to buy it either. With four models showing the potential disturbance forming a tropical storm and moving into the Gulf within the next 12 to 24 hours, this market will at the upper end of its range in the early part of next week. The Commitment of Traders report showed that non-commercial traders reduced their net short futures position by 8,119 contracts to just 4,189 contracts. In the past two weeks, the non-commercial traders have reduced their net short positions by over 80%. In the combined report, non-commercial traders reduced their net short position by 7,293 contracts to 163 contracts. These are the lowest levels the non-commercial traders have had their net short position since August 16, 2005, suggesting a real level on uncertainty as the market moves into the risky summer season. We see support at \$6.00, \$5.90, \$5.86 and \$5.75. We see further support at \$5.70-\$5.71 and \$5.60. We see resistance at \$6.40, \$6.50, \$6.60 and \$6.82. We see further resistance at \$7.00, \$7.12 and \$7.37.

