



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 28, 2006

NATURAL GAS MARKET NEWS

Executives from major U.S. natural gas producing and consuming companies said that Congress should open more federal lands to natural gas drilling and the government needs to clear the current backlog of drilling permits. The call for action comes as the United States suffers from some of the highest natural gas prices in the world, pinching the pocketbooks of consumers and forcing some businesses to move their operations to countries where energy is cheaper. According to

the executives, there is no shortage of natural gas in the U.S. The problem is getting to it. Trillions of cubic feet of U.S. natural gas is off limits due to drilling restrictions on many federal lands in the western U.S. and in the waters off the east and west coasts and in the eastern Gulf of Mexico.

BHP Billiton said Tuesday its proposed Cabrillo Port offshore liquefied natural gas (LNG) import terminal received the endorsement of the Oxnard, CA, Chamber of Commerce's board of directors last week. The LNG port, which would be located 14 miles offshore Ventura County is still awaiting final determination's from the U.S. Coast Guard and Maritime Administration.

Mexico has been in talks with a half dozen companies about building and supplying a liquefied natural gas (LNG) terminal at the port of Manzanillo, according to a Reuters News Service report. The country's Federal Electricity Commission (CFE) is expected to open tenders in the first half of next month.

Encore Acquisition Co. said Tuesday it entered into a joint development agreement with ExxonMobil to further develop seven natural gas fields in West Texas. Encore will have the opportunity to earn 30% of ExxonMobil's working interest in each well drilled. It will operate each well during the drilling and completion phase, after which ExxonMobil will assume operational control of the well.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack is listed as high on the Middle and South portions of the system. While line pack is normal on the North end, it is imperative that shippers and operators stay on rate.

Questar Pipeline Company said that due to unseasonable low withdrawal nominations coupled with the current weather forecast, it has determined that it will not be able to accept injection nominations during the March 27 – April 3 reservoir conditioning (withdrawal only) period.

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

PIPELINE MAINTENANCE

Duke Energy Gas Transmission said that planned maintenance in April on its Egan salt cavern natural gas storage facility in Acadia Parish, Louisiana, could result in restrictions to or from one of its eight interconnecting

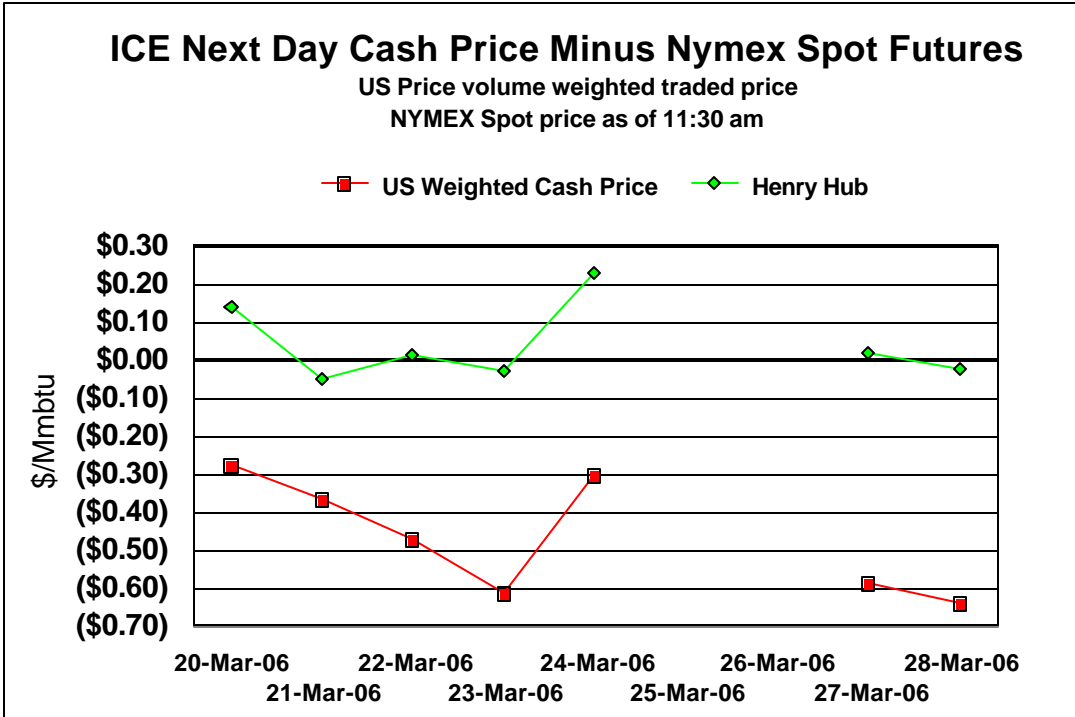
Generator Problems

FRCC— Progress Energy's 870 Mw Crystal River #3 nuclear unit ramped output to 24% capacity and reconnected to the grid. Yesterday, the unit was warming up offline at 9%.

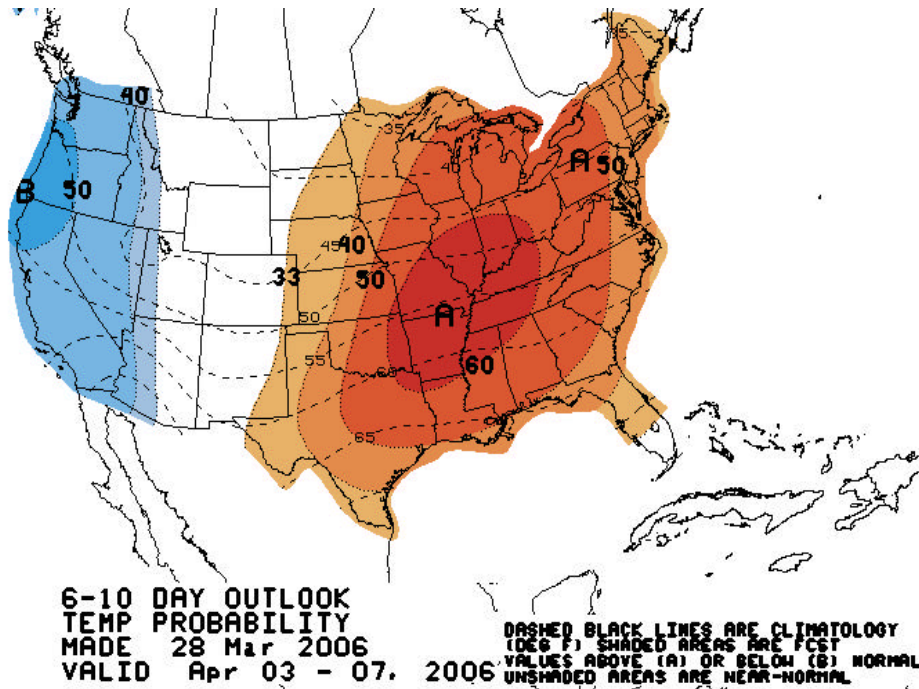
The NRC reported that U.S. nuclear generating capacity was at 80,197 Mw down .099% from Friday and up 4.64% from a year ago.

pipelines. Egan Hub will be conducting maintenance at the Columbia Gulf interconnect beginning April 11 through April 13. Egan Hub advises customers that restrictions on nominations to or from the Columbia Gulf interconnect may be necessary.

Gulf South Pipeline said that it will be performing scheduled maintenance at Montpelier Compressor Station on Unit #6 beginning April 17, continuing for approximately 90 days. Capacity through Montpelier Compressor Station could be reduced by as much as 75 MMcf/d during this maintenance.



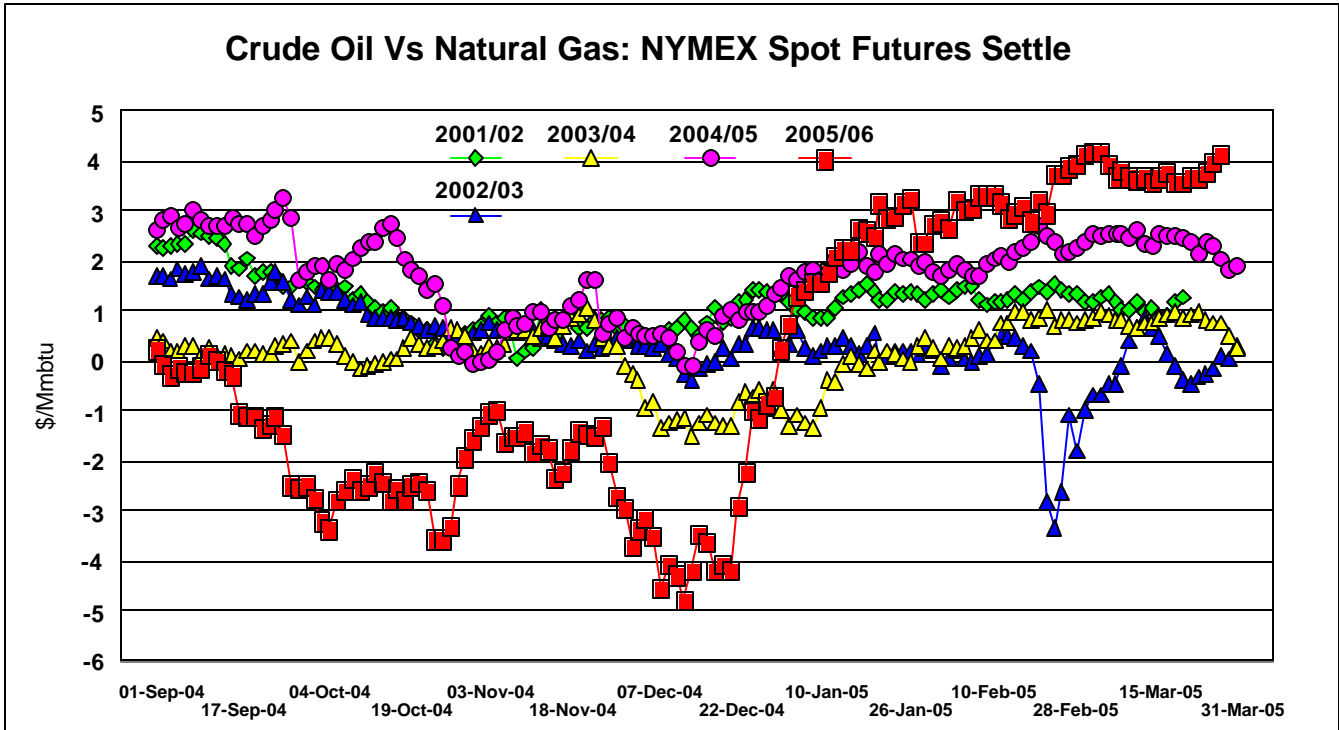
Natural Gas Pipeline Company has rescheduled work at Enbridge-Panola for April 4-6. This outage was originally scheduled for March 29-30. The receipt from Enbridge-Panola #2 in Panola County, Texas will be unavailable for these three days due to a scheduled outage by Enbridge. This point is in Segment 26 of Natural's Texok Zone. The outage is to replace and upgrade the meter station.



ELECTRIC MARKET NEWS

Constellation Energy Group proposed a plan to ease the financial impact of this summer's shift to market-based pricing for electricity while ensuring the continues financial strength of its subsidiary Baltimore Gas and Electric Co. Constellation said it was offering substantial economic incentives to reduce the rate increase to a more affordable amount for residential customers. The plan, in line with electric rate increases seen in Maryland during the last two years, insulates customers from the full impact of skyrocketing fuel prices, and allows for a manageable phase-in to market pricing.

The U.S. EPA auctioned sulfur dioxide allowances for \$144.7 million. The auctions were for 125,000 allowances for 2006 and 125,000 allowances for 2013. Each allowance permits the holder to emit one ton of SO₂. In addition to the usual utility bidders, several hedge funds and investment banks participated in this auction. The winning bidders in the spot auction included Morgan Stanley Capital Group (\$62 million), Edison International's Edison Mission Marketing and Trading (\$13 million), JP Morgan (\$8.8 million), Alpha Energy Partners (\$8.7 million), Evolution Markets (\$8.6 million), Constellation Energy Group's Constellation Energy Commodities Group (\$4.2 million) and Grey K Environmental \$2.6 million). In the spot 2006 auction, the weighted average price was \$883.10 per allowance, with a high bid of \$1,700 and a clearing bid of \$860.07.



The California Department of Water Resources said that snowfall in the Sierras is above normal after it measured snow depth in four key locations. The CDWR conducted its fourth snow survey of the year on Tuesday and found that statewide snow water equivalents were 125% of normal. These measurements of snow-water content are key to determining water supply for California.

MARKET COMMENTARY

The Natural Gas market opened 4.3 cents stronger in sympathy with an oil complex that rallied on continuing geopolitical unrest. The inside trading day saw the outgoing April contract trade to a high of 7.28 as it piggybacked crude oil. Natural gas was not able to move any higher because of the overwhelming bearish fundamental situation that exists. The April contract, which expires tomorrow, gained 14.7 cents to finish at 7.214. The May contract traded between 7.27 and 7.45 before settling up 14.2 cents at 7.384.

Today's bounce has limited leverage since the temperature outlook is now quite clearly bearish, and whittling down the current 724 Bcf storage surplus will be a daunting task. Natural gas cannot go anywhere until it takes care of the storage problem. Early estimates for Thursday's storage report range from 65 to 95 Bcf withdrawal given last week's cold temperatures, with most expectations calling for a high 70's withdrawal. As the market enters the shoulder season, bearish fundamentals will keep the natural gas market from any significant up move. The front month contract will likely remain trapped between 6.50 and 8.00. We see support at \$7.12, \$7.00 and \$6.97. We see further support at \$6.70 and \$6.45-\$6.50. We see resistance at \$7.36, \$7.45-\$7.50, \$7.71 and \$8.00.