



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 25, 2006

NATURAL GAS MARKET NEWS

PFC Energy reported that a proposal to export natural gas from Alaska's North Slope to the West Coast of North America in the form of LNG is less cost-effective than shipping the gas on a pipeline to the Chicago market. The report, commissioned by the Alaska Department of Revenue, found that an LNG terminal proposed by the Alaska Gasline Port Authority at Valdez "offers a significantly lower netback to North Slope gas than the Chicago pipeline project" proposed for construction along the Alaska Highway. PFC estimates a netback to North Slope gas via the Chicago pipeline of \$4.69/MMBtu, as opposed to \$3.17/MMBtu for the AGPA project based on available public-domain asset cost estimates. Moreover, the average price that gas from the AGPA project would receive in West Coast markets would be about 61 cents/MMBtu lower than that realized through the Chicago pipeline largely because of regional gas price differentials and the greater average distance of AGPA sales from major consuming centers relative to the Chicago pipeline project.

PIPELINE RESTRICTIONS

El Paso Natural Gas Company said that the Leupp A&B plant outage scheduled for April 24 has been delayed until today. The capacity of the North Mainline will be increased by 60 MMcf/d to 2,246 MMcf/d

Florida Gas Transmission said that due to warm temperatures and low linepack, it is issuing an Overage Alert Day at 15% tolerance.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of low gas supplies on its system. Tolerance was set at 5%.

Texas Eastern Transmission Corp. said it has scheduled and sealed receipts sourced at Monroe station. No increases in receipts sourced at Monroe will be accepted. Receipt points located at Monroe are Gulf South pipeline, CenterPoint Gas Transmission, and Duke Energy Field Services.

TransColorado Gas Transmission said it is at capacity for deliveries through Segment 200 (Greasewood to Raccoon Hollow), Segment 220 (Whitewater Compressor Station to Olathe Compressor Station), Segment 240 (Red Vale Compressor Station to Dolores Compressor Station) and Segment 300/310 (Colo./N.M. State Line –

Generator Problems

ECAR— FirstEnergy's 1,260 Mw Perry nuclear unit reduced power to 82%. Yesterday, the unit was operating at full capacity.

ERCOT— Harrison County power project unit #2 returned to service today following a short-term maintenance outage.

SERC— Southern Co.'s 1,152 Mw Vogtle #1 nuclear unit exited a refueling outage and ramped up to 68% of capacity by early today. Yesterday, the unit was operating at 14% capacity. Vogtle #2 continues to operate at full power.

Duke Power's 1,129 Mw Catawba #2 nuclear unit increased production to 15%, but remains offline. Catawba #1 continues to operate at full power.

WSCC— Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit increased output to 56% today. The unit was operating at 40% yesterday. Units #1 and #3 remain shut.

The NRC reported that U.S. nuclear generating capacity was at 78,029 Mw up 1.07% from Monday and up 4.52% from a year ago.

La Maquina Lateral-Blanco). Depending on the level of nominations, interruptible flow, authorized overrun and secondary out-of-path volumes are at risk of not being scheduled.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing scheduled maintenance on Index 430-4 in Harrington County, Texas beginning April 27 at 8:00 AM CT and continuing for approximately eight hours. Production at location 21744 and 21823 will be shut-in during the maintenance.

National Fuel Gas said that it has scheduled line work on line U from May 22 through July 21. During this period Nat Fuel may require shippers delivering to markets offline U to bring receipts for those deliveries in at the Empire Grand Island interconnect point.

Natural Gas Pipeline Company said that it is in the process of performing spike pressurization testing on the Gulf Coast #3 Main Line north of Station 303 (Segment 26 of Natural's Texok Zone). Originally, this work targeted for completion on April 24, but this end date is now projected for gas day April 26.

Westcoast Energy said it has resolved the electrical issue at the McMahon Gas Plant and is now bringing units back on at Compressor Station 1. The company was flowing approximately 65% of recent rates as of last night. Customers are not being asked to adjust their business at this time, said the company, which added that upstream customers could continue to experience higher pressures amid recover efforts.

Williston Basin Interstate Pipeline Company said that due to maintenance at the Elk Basin Compressor Station on May 4, Receipt Point ID 03255 South Elk Basin will be zero during the maintenance.

ELECTRIC MARKET NEWS

American Electric Power said its Appalachian Power and Wheeling Power subsidiaries filed a proposal with West Virginia's utility regulator to raise electric rates by 5.5% to cover higher fuel and purchased power costs. The increase consisted of \$56 million for higher fuel and purchased power expenses, \$23 million for the recovery of costs of the Wyoming-Jacksons Ferry 765 kV transmission line and environmental investments, offset by a reduction in base rates of \$18 million and a credit of \$17 million in previously over-recovered fuel costs. If the PSC approves of the rate increase, residential customers using 1,000 kWh a month will see their bills rise from \$55.28 to \$58.98 this year, a \$3.70 increase.

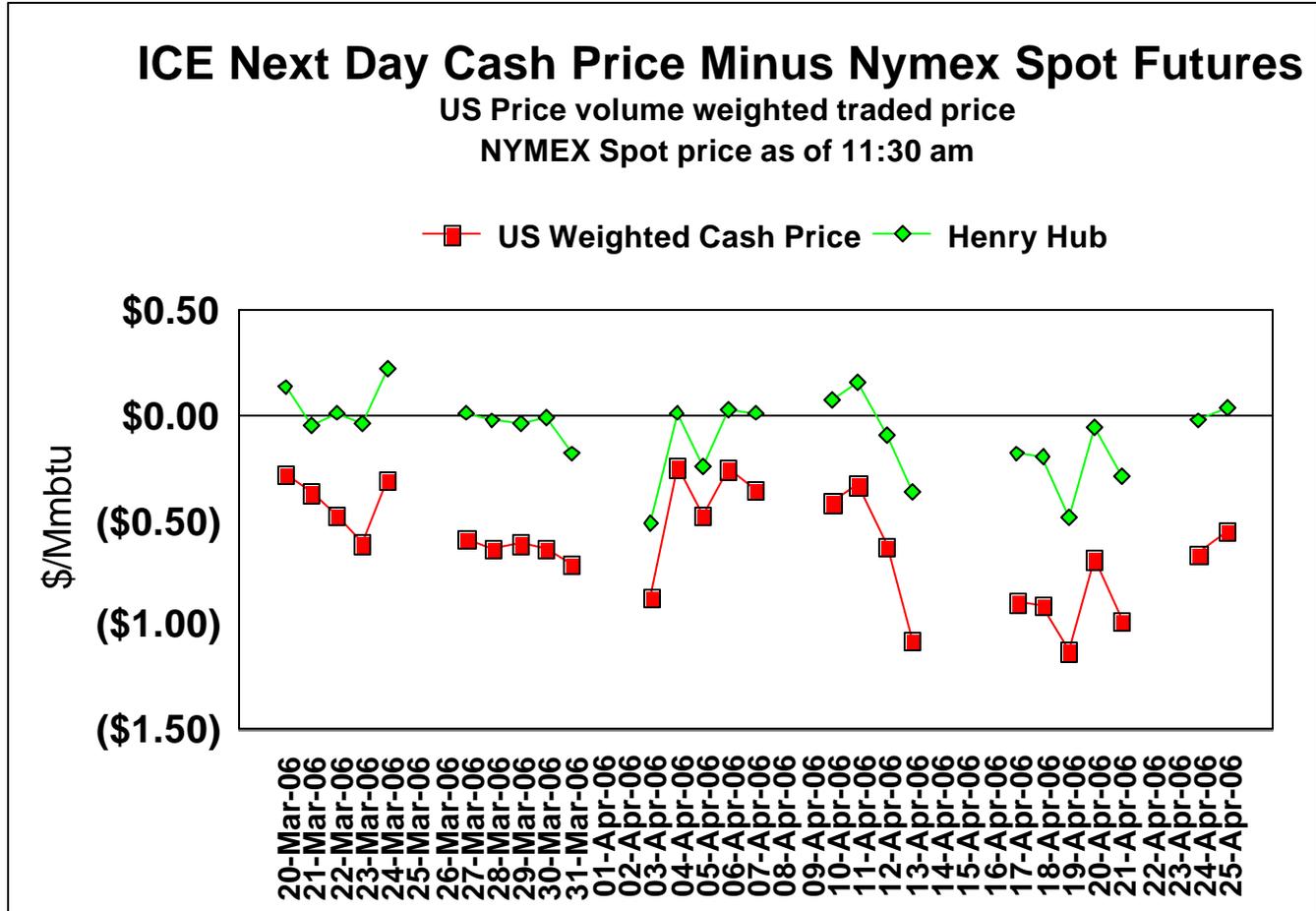
The U.S. Environmental Protection Agency said it reached a partial settlement with Southern Co. utility Alabama Power of allegations the utility violated emission rules. The EPA said the pollution controls and other measures required under the settlement are expected to cost Alabama Power more than \$200 million. The agency had accused Alabama Power of violating the so-called "new source review" provisions of the Clean Air Act, which requires some power plants to install pollution controls if major modifications are made to the plants. The deal will lower SO₂ emissions by nearly 23,000 tons and NO_x emissions by about 5,000 tons per year. It requires the utility to buy scrubbers to reduce SO₂ at two of its units, buy SO₂ allowances, and run selective catalytic reduction pollution control technology to reduce NO_x.

Texas Public Utility Commission Chairman Paul Hudson told a state legislative committee that rolling blackouts ERCOT was forced to invoke on April 17 were the result of "unusual" circumstances that are very unlikely to be repeated. Hudson said steps will be taken to ensure that sufficient generating capacity is available to meet occasional spikes in spring and fall demand, when several thousand megawatts of capacity are typically offline for maintenance.

Centrica's Direct Energy unit is to buy the retail customer accounts of Entergy Solutions in the ERCOT market for \$30 million. Entergy has been trying to sell Entergy Solutions, which sells power mostly to retail customers in Texas, and it said April 19 it would take a charge in the first quarter on losses from the marketing unit. Direct Energy is acquiring more than 100,000 residential and commercial customers in the Houston and Dallas areas, and in South Texas as part of the deal. The acquisition follows the purchase of three power plants in Texas to support Centrica's retail operations there and it boosts Direct Energy's customer count in Texas to more than 1 million.

MARKET COMMENTARY

The natural gas market opened 12.8 cents lower, in line with a softening oil complex, continued mild weather and slumping cash prices. The May contract, on its second last day of trading, slid to a low of 7.15. Natural gas led the energy markets lower, giving back more than 4%. With no supportive weather and expiration tomorrow, the market is seeing continued profit taking from last week's rally. The May contract finished the day down 30.4 cents at 7.254.



With the lack of short-term demand and cash prices sliding on average 10-40 cents today, natural gas is making its way back into its previous range of 6.65-7.65. We expect the 7.00 level to be tested given the lack of fundamental support, however a further move into new lower territory is unlikely given the triple bottom that is in place at 6.65 and the elevated oil prices that persist. Without a clear direction, this market will remain in limbo until cooling demand offers support to this market. We see support at \$7.00, \$6.66 and \$6.45. We see further support at \$6.13, \$6.00 and \$5.68. We see resistance at \$7.85, \$8.00, \$8.28-\$8.31 and \$8.65. We see further resistance at \$9.00 and \$10.50.