



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 8, 2006

NATURAL GAS MARKET NEWS

Canadian and U.S. forecasters are warning that another major hurricane season is brewing in the Atlantic Ocean. The 2006 hurricane season officially opens on June 1, and already scientists are telling people living in eastern North America that numerous storms are predicted, with as many as five major hurricanes packing winds of 115 mph or greater. Scientists with the Colorado State University hurricane forecast team say the same factors that contributed to last year's violent season are still in play this year.

Louisiana Governor Kathleen Babineaux Blanco has rejected an application to build a LNG terminal off the coast of the state, citing continuing concerns about the facility's planned use of an open rack vaporization system. The Main Pass Energy Hub, as proposed, would have been a 1 Bcf/d import facility that would have been located 38 miles offshore Venice, Louisiana.

PIPELINE RESTRICTIONS

Alliance Pipeline said that site inspection will require the Carson Creek Compression Station to be offline for six hours on May 10. Station capacity will be reduced to 17.4 MMcf/d for this gas day. The Carson Creek Compressor is located in Alberta.

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

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

PIPELINE MAINTENANCE

Alliance Pipeline said that regular scheduled maintenance will require the Olivia Compression Station to be offline for six hours starting 6:00 AM CT on May 10. System throughput may be affected and

Generator Problems

ECAR— AEP's 1,077 Mw Cook #2 nuclear unit exited a refueling outage and ramped up to 48% power by early today. The unit shut March 25 for the outage. Cook #1 continues to operate at full power.

DTE Energy's 1,111 Mw Fermi #2 nuclear unit increased power to 65% and reconnected it to the grid. The unit was operating at 20% on Friday.

ERCOT— TXU Corp.'s 750 Mw Monticello #3 coal-fired power unit restarted following repairs to a boiler tube leak. The unit shut on May 4-5.

MAAC— Edison's 650 Mw Homer City #3 coal-fired power station restarted after a three-month outage to replace a transformer.

PSEG's 1,050 Mw Hope Creek nuclear unit increased output to 32%. On Friday, the unit was operating at 20%.

Exelon Corp.'s 619 Mw Oyster Creek nuclear unit shut on Saturday for repairs on an automatic drain on the condenser. The unit was operating at full power on Friday.

PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit exited an outage and ramped up to 90% today. On Friday, the unit was operating at 12%. Susquehanna #1 continues to operate at full power.

MAIN— Exelon Corp.'s 1,178 Mw Braidwood #1 nuclear unit ramped up to 98% capacity by early today. On Friday, the unit was operating at 70%. Braidwood #2 continues to operate at full power.

MAAP— The Omaha Public Power District restarted its 492 Mw Fort Calhoun nuclear unit on Saturday. The unit was operating at 30% early today.

SERC— Southern Nuclear's 862 Mw Hatch #1 power unit increased output to 98% capacity today. The unit was operating at 33% on Friday. Hatch #2 continues to operate at full power.

will be determined closer to the outage date. The Olivia Compressor is located in Minnesota. Alliance also said that regular scheduled maintenance will require the Tampico Compression Station in Illinois to be off-line for 12 hours starting at 6:00 AM CT on May 10. System throughput may be affected and will be determined closer to the outage date. Finally, Alliance said that regular scheduled maintenance will require the Wimbledon Compressor Station in North Dakota to be offline for 36 hours starting at 6:00 AM MT on May 9. System throughput will be affected and will be determined closer to the outage date.

Natural Gas Pipeline Company said that it has identified a leak on the Arkoma Lateral in Segment 16 in the Texok Zone. The affected section of pipe was repaired on April 5. However, as a result of this leak, Natural determined that additional inspection of Segment 16 would be performed on an expedited basis.

Generator Problems

WSCC— Calpine Corp.'s 811 Mw Delta natural gas-fired power unit reduced output by over 600 Mw for planned reasons. The station was fully available for service on Friday.

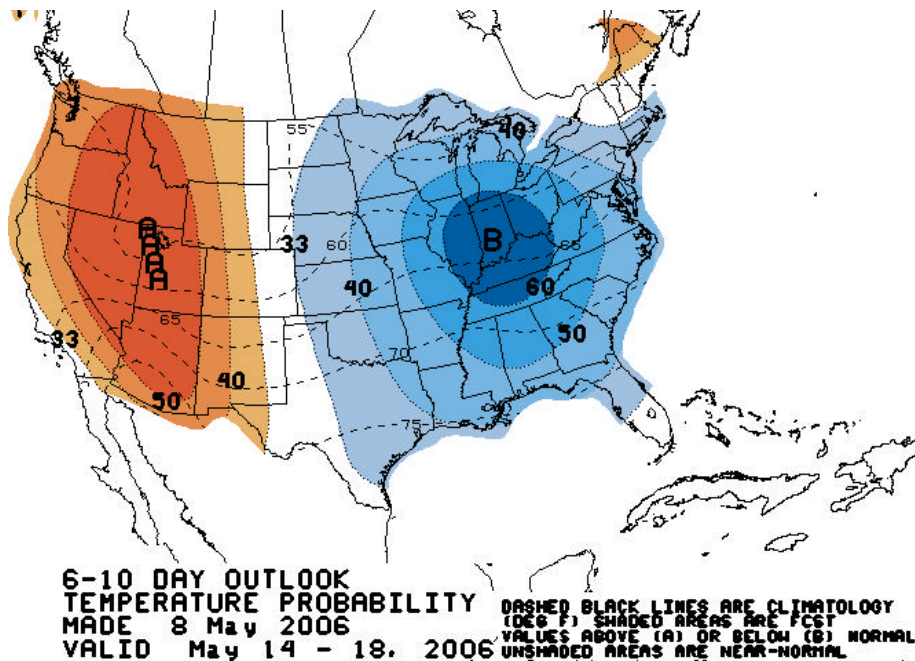
Canada— Ontario Power Generation's 490 Mw Nanticoke coal-fired units #4 and #7 returned to service by early today.

Ontario Power Generation's 515 Mw Pickering B #7 nuclear unit returned to service by early today.

The NRC reported that U.S. nuclear generating capacity was at 79,585 Mw up 2.99% from Friday and up 1.11% from a year ago.

ELECTRIC MARKET NEWS

U.S. utility Southern Co. said it agreed to buy two merchant electric generating plants from Progress Energy for \$405 million. The company said it will buy Progress' 320 mw DeSoto County Energy Complex in Arcadia, Florida, and its 925 Mw Rowan County Energy Complex in Salisbury, North Carolina. Both plants are primarily natural gas-fired.



Great River Energy recently approved the addition of sulfur dioxide control equipment (scrubber) to Unit #1 of Stanton Station, a 188 Mw power plant near Stanton, North Dakota. A significant reduction in total SO2 emissions was previously achieved when the plant switched fuels in November 2004 – to subbituminous coal from Montana. Total SO2 emissions were reduced by about 70% at that time. The proposed emissions control equipment will help bring the plant's total SO2 removal capability up to 90%.

MARKET COMMENTARY

The natural gas market opened 17.5 cents lower in line with a much lower oil complex on news positive news regarding communication with Iran. Lack of supportive weather also contributed to natural gas' continued move to the lower end of the range. The June contract chopped in a 10 cents range between 6.56 and 6.66 for most of the day until a late session short-covering rally in crude oil dragged natural gas higher. June natural gas traded to a high of 6.71 before settling down 7.9 cents at 6.696.

The holding pattern continues, with mild temperatures causing no load in key consuming regions and slumping cash prices. No overflow support from the petroleum market is also keeping bulls at bay. The 6.50 level, which has held for several months continues to buoy the market as market players wait for summer demand to kick in, but if oil keeps its slide a break of that level is possible. We see support at \$6.45-\$6.50, \$6.25, \$6.13 and \$6.00. We see resistance at \$7.12, \$7.47-\$7.52 and \$7.85. We see further resistance at \$8.00.

