



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

POWER MARKET REPORT FOR MAY 15, 2006

NATURAL GAS MARKET NEWS

Major liquefied natural gas (LNG) suppliers have protested a crucial administrative law judge (ALJ) initial decision accepting restrictive interchangeability standards that were proposed by Florida Gas Transmission (FGT), saying it could limit the availability of Atlantic Basin LNG supplies to import terminals along the Gulf Coast.

PIPELINE RESTRICTIONS

Alliance Pipeline said that routine inspections require the Gold Creek compressor to be offline for five hours on May 18. Station Capacity will be lowered to 41.9 MMcf for gas day May 18. The Gold Creek Compressor is located in Alberta.

Natural Gas Pipeline Company said that a gas quality problem has been reported at the receipt from Noark-Lawrence (PIN 3988) in Lawrence County, Arkansas (Segment 27 of Natural's Gulf Coast Main Line Receipt Zone). Continuing until further notice, this point will be unavailable. Natural Gas Pipeline Company also said that a gas quality problem has been reported at the receipt from Ozark-White (PIN 6427) in White County, Arkansas (Segment 27 of Natural's Gulf Coast Main Line Receipt Zone). Continuing until further notice, this point will be unavailable.

PIPELINE MAINTENCE

Alliance Pipeline said that it is unable to perform previously scheduled maintenance at the BC02A Aitken Creek 2 Station on May 17. There will be no need to make the station unavailable and station capacity will not be affected. The Aitken Station is located in British Columbia. Alliance also said that routine maintenance will require the Estlin Compression Station in Saskatchewan to be offline for six hours on May 17. System throughput (AOS) may be impacted but will be determined closer to the outage date.

Generator Problems

ECAR— FirstEnergy's 1,260 Mw Perry nuclear unit returned to full power by early today. On Friday, the unit was operating at 33% capacity. The unit reduced power last week to fix a hydraulic oil leak.

DTE's 1,139 Mw Fermi #2 nuclear unit increased power to 92%. On Friday, the unit was operating at 86% capacity.

ERCOT— Topaz Power Group's 632 Mw Coletto Creek coal-fired power station restarted and ramped up to about half power.

TXU Corp.'s 565 Mw Monticello #1 coal-fired power station restarted on May 13. The unit shut on May 8 for short-term work.

AEP's 675 Mw Pirkey coal-fired power station is planned to restart May 14-17 following a unit trip.

MAAC— Exelon's 619 Mw Oyster Creek nuclear unit returned to full power by early today. On Friday, the unit was operating at 38% after exiting an outage.

MAIN— Ameren Corp.'s 1,137 Mw Callaway nuclear unit exited an outage over the weekend and has ramped up to 90% capacity by early today.

SERC— Tennessee Valley Authority's 1,150 Mw Sequoyah #1 nuclear unit started to exit an outage and ramped up to 14% by early today. Sequoyah #2 continues to operate at full power.

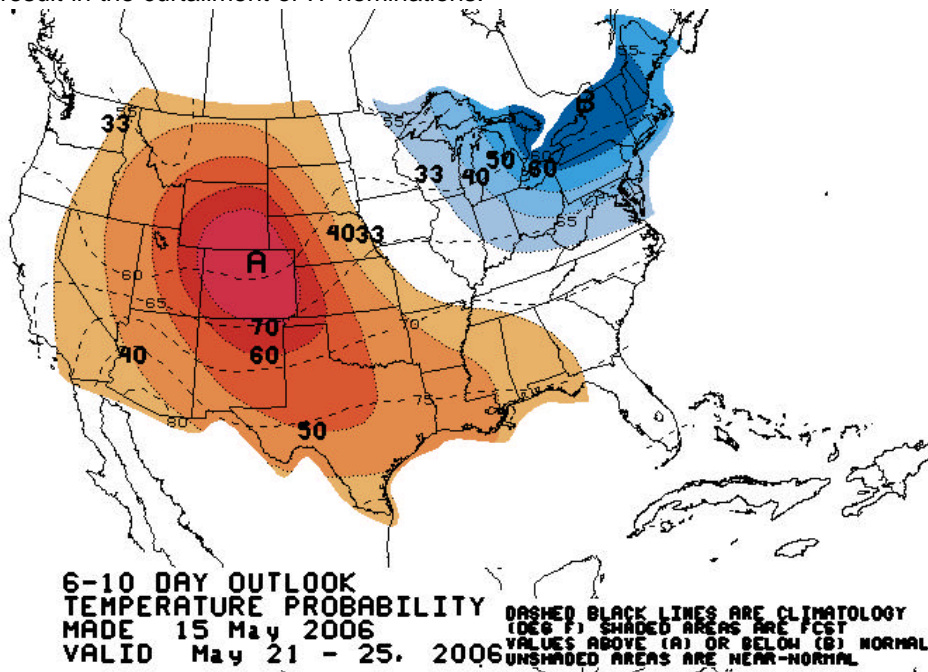
WSCC— APS's 1,247 Mw Palo Verde #3 nuclear unit has exited a refueling outage and ramped up to 69% power by early today. Palo Verde #2 continues to operate at full power.

AES Corp.'s 480 Mw Redondo #8 natural gas-fired power station shut for unplanned reasons.

Canada— Bruce Power's 790 Mw Bruce B #7 nuclear unit shut for a brief, unplanned outage.

The NRC reported that U.S. nuclear generating capacity was at 85,248 Mw up 5.49% from Friday and up 1.89% from a year ago.

ANR Pipeline Company said it has completed the commissioning process on the 24-inch line from Ver. 397 to SMI 108 D. Consequently, ANR is able to begin increasing its Southeast Gathering Area, Patterson to Eunice delivery capacity located in Louisiana in the Southeast Area Fuel. From May 12 through June 30, 725 MMcf/d will be available. Based on current nominations for this segment, it is anticipated that the above reductions may result in the curtailment of IT nominations.

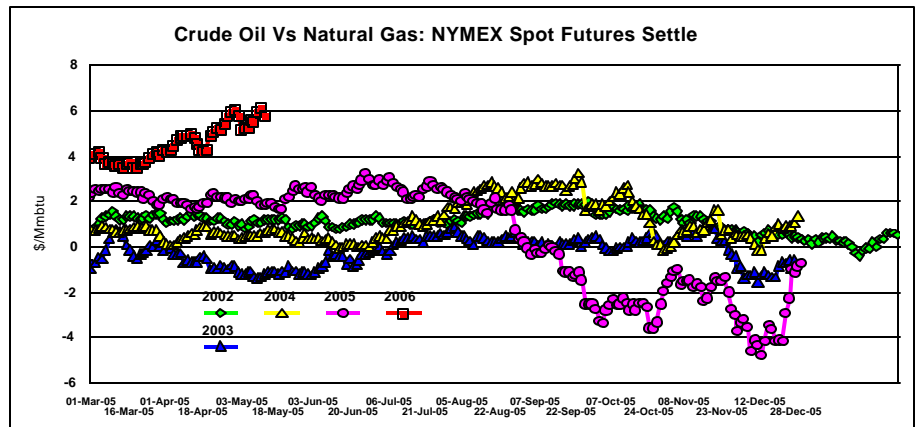


Williston Basin Interstate Pipeline Company said that maintenance at the Billy Creek Compressor Station planned for May 23 may potentially affect delivery point ID 05800 WBI – Aggregate Storage (Inject). At this time, Williston does not anticipate any restrictions to the system. Williston also said that due to maintenance at the Little Beaver Compressor Station on May 31, Point ID 04018 Baker Area Mainline and Point ID 04015 Baker Area Grasslands Mainline will be affected by 2.2 MMcf/d.

ELECTRIC MARKET NEWS

Electricity supplies in the United States will be tighter this summer than last, The North American Electric Reliability Council said, as rising power demand exceeds new generation. The grid group for the U.S., Canada, and parts of Mexico said on its Web site that while generating resources and transmission will be adequate to serve power needs under normal weather conditions, “extreme weather continues to present a significant reliability risk” to areas with lower reserve margins. The NERC noted that Southern California and southwestern Connecticut remain areas of concern. A tighter generation supply picture in Southern California compared with other regions could lead to shortages. Limited transmission lines in the Northeast could hinder power delivery into southwestern Connecticut. The grid group will also monitor coal delivery from the Powder River Basin in Wyoming after damage to key rail lines last year led to reduced fuel deliveries to many utilities.

Pepco Holdings proposed construction of a new 500 kV interstate transmission line that will increase the reliability of the electric grid and keep pace with the rapidly increasing demand for energy in the Mid-Atlantic. The new 230-mile line called the PHI Mid-Atlantic Power Pathway will originate in northern Virginia, cross Maryland and travel up the Delmarva Peninsula to New Jersey. The line is the only south-north line proposed and will significantly increase the reliability of electric supply to the eastern Mid-Atlantic region. If approved, the PHI Mid-Atlantic Power Pathway is preliminarily estimated to cost \$1.2 billion as now proposed, and could be built in stages over eight years, beginning in 2008. In addition, PHI would add significant 230 kV support lines in Maryland and New Jersey to connect with the new 500 kV line.



MARKET COMMENTARY

The natural gas market opened 18 cents lower, as bearish fundamentals offer no upside reason for this market. The weeklong rain and cool weather that has covered the Great Lakes region east through New York and New England has crushed cash prices and delayed summer electrical load demand. In overnight trading, natural gas traded as low as 6.045 as bids were had to come by. In today's open out-cry session, June natural gas traded in a 12 cent range between 6.08 and 6.22, before settling down 15.7 cents at 6.123.

Open interest in natural gas increased by over 29,000 contracts on Friday, as the market broke through key 6.50 support, suggesting that new short money has come into the market. With weakness across the energy markets, we feel the technical and psychological support at 6.00 will be challenged perhaps tomorrow, as bearish fundamentals dominate this market. The supply situation continues to suggest that storage facilities might be filled through the summer, dumping gas on the market and pressuring prices. However, several month technical support in the 5.70-5.76 area combined with general anxiety over what the upcoming summer and storm season might bring, will likely limit the front month's downside risk. We see support at \$6.00, \$5.85 and \$5.70. We see resistance at \$6.50, \$7.00, \$7.12, \$7.20 and \$7.47.