



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 17, 2006

NATURAL GAS MARKET NEWS

The Consumer Energy Council of America (CECA) on Wednesday said it supports increased research and development of technologies and approaches to develop non-conventional sources of natural gas, including methane hydrates, ultra-deep water development, deep gas formations, coalbed methane, shale gas and syngas from coal or biomass. The group also became the first consumer organization to advocate the expansion of nuclear power.

Twenty members of the House Florida delegation have written a letter to House Speaker Dennis Hastert (R-IL) threatening to vote against a fiscal year 2007 Interior Department spending bill if a controversial proposal repealing the congressional ban on natural gas drilling on much of the Outer Continental Shelf (OCS) is not removed from the measure.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack is posted as normal on the far North end of the system. However, line pack from Elberta to the end of the system is low and shippers are asked not to draft gas from the system.

Natural Gas Pipeline Company said that the gas quality problem reported at the receipt from Noark-Lawrence (PIN 3988) has been resolved. Effective today, this point in Lawrence County, Arkansas (Segment 27 of Natural's Gulf Coast Main Line Receipt Zone) will be available for service.

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

TransColorado Gas Transmission said that it is at capacity for deliveries through Segment 300 (Colorado/New Mexico state line to La Maquina). Depending on the level of nominations, interruptible flow, authorized overrun and secondary out-of-path volumes are at risk of not being schedule.

PIPELINE MAINTENCE

Generator Problems

ECAR— Consumers Energy restarted its 798 Mw Palisades nuclear unit and is operating the unit at 23% capacity following repairs to a control rod.

SERC— Entergy's 966 Mw River Bend power unit increased production to 93% capacity. Yesterday, the unit was operating at 77% as it returned from an outage.

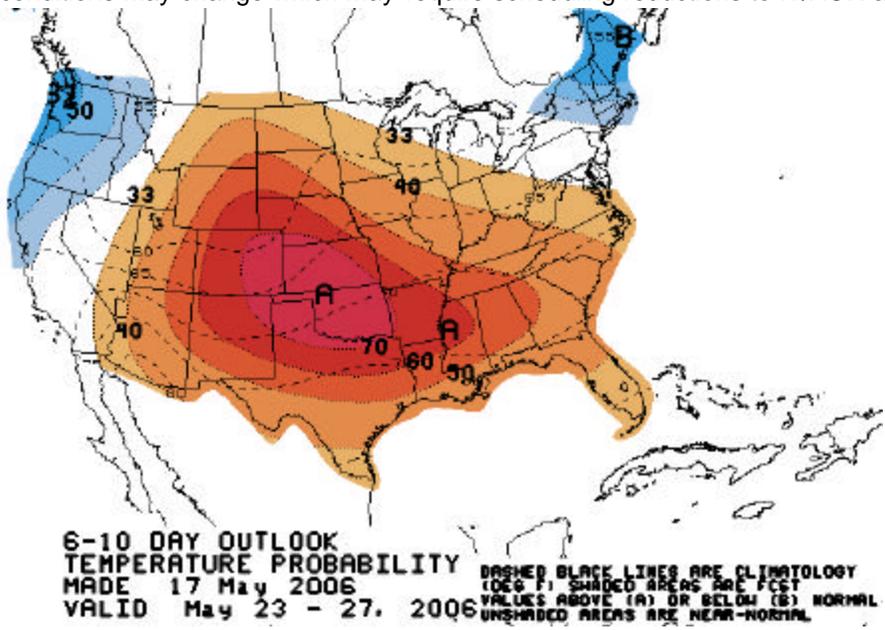
Tennessee Valley Authority's 1,125 Mw Sequoyah #1 nuclear unit increased production to 47% today. Yesterday, the unit was operating at 45% capacity. The unit shut April 8 for a scheduled refueling and maintenance outage. Sequoyah #2 continues to operate at full power.

Progress Energy's 900 Mw Shearon Harris nuclear unit reconnected to the grid and increased production to 30% capacity. The unit was warming up offline at 7% yesterday.

WSCC— Arizona Public Service's 1,270 Mw Palo Verde #3 nuclear unit returned to full power this morning. The unit was operating at 95% capacity yesterday. Palo Verde #1 remains offline and #2 is at full power.

The NRC reported that U.S. nuclear generating capacity was at 86,642 Mw up .96% from Tuesday and up 2.98% from a year ago.

KM Interstate Gas Transmission said that it will be performing maintenance at its Casper Compressor Station (Segments 10, 43 and 720) from June 6 through June 16. The maintenance will reduce capacity to 156 MMcf/d. All primary firm quantities will be scheduled (as presently contracted) and, based on current nominations, KMIGT does not anticipate that it will schedule down IT/AOR and secondary quantities during this outage. However, conditions may change which may require scheduling reductions to IT/AOR and secondary quantities.



Transcontinental Gas Pipe Line said it will reschedule the work associated with the lowering of the North High Island Gathering System lateral to accommodate contractor schedules and modifications to the original project plan. Transco now anticipates the outage necessary for lowering the lateral line to occur from August 1 through August 15, 2006, weather permitting.

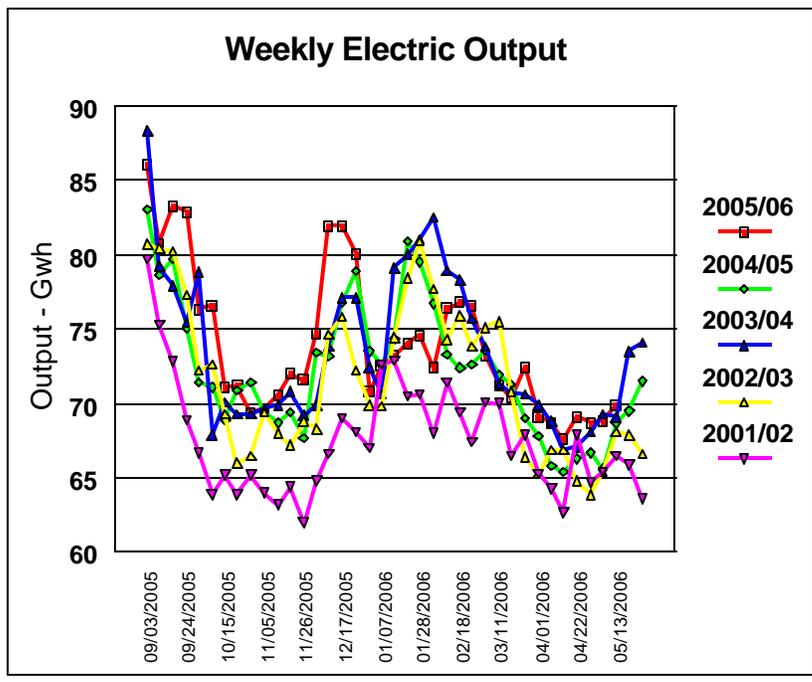
ELECTRIC MARKET NEWS

The Midwest Independent Transmission System Operator announced today the region will have sufficient generation capacity to meet the expected summer peak power demand. The summer

evaluation is an annual review that examines the expected use of power compared to the amount of generation available to meet the needs within the Midwest ISO footprint. The just-completed final evaluation estimates a peak net demand of 113,895 Mw within the footprint of the Midwest Energy Markets, a 1% increase from last summer's peak of 112,197 Mw. Within the larger Midwest ISO reliability footprint, which includes companies that do not participate in the Midwest Energy Market but for which the Midwest ISO serves as reliability coordinator, the net peak demand is forecast to reach 133,391 Mw, an increase of approximately 1% from last summer's peak of 131,434 Mw.

The five-member Florida Public Service Commission has ordered the investor-owned utilities to offer a variety of contract options to purchase electricity from renewable generating facilities, thus giving a boost to renewable generators. Offering renewable generators a menu of contract pricing options will encourage the development of renewable resources as an alternative energy source in Florida.

The Edison Electric Institute reported that the continental U.S. used 69,860 gigawatt-hours of electricity in the week ended May 13, up 1.8% from a year ago and up 1.8% from the previous week.



ECONOMIC NEWS

The Bureau of Labor Statistics reported that the Consumer Price index rose 0.6% during the month of April, higher than the 0.5% that was forecast. The core CPI, less food and energy, rose 0.3%, also higher than the 0.2% that the economists had forecast. The report suggests that further interest rate hikes are expected by the FED.

MARKET COMMENTARY

The natural gas market opened 8.8 cents higher, but the bearish petroleum statistics pressured natural gas all day. June natural gas pulled back in modestly negative territory today though it remained on familiar ground. The front month traded to a low of 6.10 today as a soft oil complex, and continued lack of fundamental support offered no upside reasons. June natural gas finished the day down 12.3 cents at 6.129.

The market continues to bide its time until summer begins and without any serious warm weather, tropical storm, or electrical load, natural gas will remain on the defensive. Market plays continue to eye the 6.00 level, but staunch support there will see buying interest if the market breaks through that level. Expectations for tomorrow's EIA storage report range between 75-90 Bcf injections, with most expectations of a low 80 Bcf injection. Traders will focus on the amount of gas as compared to the five-year average, if the current 714 Bcf cushion can be modestly trimmed, this market find some support in that. We see support at \$6.10, \$6.00 and \$5.85. We see further support at \$5.76 and \$5.71. We see resistance at \$6.30, \$6.50, \$7.00 and \$7.12. Further resistance we see at \$7.20, \$7.47-\$7.52 and \$8.00.