



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 30, 2006

NATURAL GAS MARKET NEWS

Chairman and CEO of Kinder Morgan, Richard D. Kinder, along with other board members and a handful of investment partners late Monday submitted a proposal to acquire the North American energy transportation, storage and distribution company for \$100/share in cash. The offer price represents an 18.5% premium over Kinder Morgan's closing share price on Friday. The total value of the proposed deal works out to \$21.8 billion.

FERC on Tuesday approved Duke Energy Gas Transmission's (DEGT) request to begin the pre-filing process for a proposed pipeline header system that would cross portions of Louisiana, Mississippi and Alabama, linking the onshore natural gas supply basins in East Texas and northern Louisiana with growing markets in the Southeast that are now predominantly served by offshore gas from the Gulf of Mexico.

The U.S. Minerals Management Service said that Mobile offshore drilling rigs in the Gulf of Mexico must show that they are up to 50% stronger than they were a year ago when hurricanes Rita and Katrina toppled over 100 of them. The new rules include, inspections on the type of rope and steel moorings used to anchor rigs to buoys and the sea floor, as well as their strength. Anchor systems will be paid special consideration, and rigs mobile rigs must be jacked up high enough above the water line to withstand the predicted wave crest generated by large storm.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack is posted as high across its entire system. Shippers are asked not to bank or draft gas from the system.

Generator Problems

ECAR— DTE's 1,111 Mw Fermi #2 nuclear unit exited an outage and ramped up to 86% capacity by early today.

ERCOT— AEP's 750 Mw WA Parish #5 coal fired power station is in start-up following an unplanned maintenance outage.

MAAC— Exelon's 1,116 Mw Peach Bottom #2 nuclear unit returned to full power today. On Friday, the unit was operating at 89% capacity. Peach Bottom #3 continues to operate at full power.

MAPP— Nebraska Public Power District's 756 Mw Cooper nuclear unit returned to full power today. On Friday, the unit was operating at 35% after exiting an outage.

NPCC— Entergy's 979 Mw Indian Point #2 nuclear unit ramped to full power by early today. On Friday, the unit was operating at 64% after exiting a refueling outage last week. Indian Point #3 continues to operate at full power.

Entergy Nuclear increased its 535 Mw Vermont Yankee power plant to full power today. On Friday, the unit was operating at 76% capacity.

SERC— TVA's 1,100 Mw Browns Ferry #2 nuclear unit returned to full power over the weekend. The unit was warming up offline prior to the weekend. Browns Ferry #3 continues to operate at full power.

Progress Energy's 900 Mw Brunswick #2 nuclear unit exited an outage and ramped up to 22% power by early today. Brunswick #1 continues to operate at full power.

Duke Energy's 1,129 Mw Catawba #2 nuclear unit exited an outage and ramped up to full power by early today. Catawba #1 remains offline.

Southern Co.'s 851 Mw Farley #1 nuclear unit ramped up to full power by early today. On Friday, the unit was operating at 43% capacity as it returned from an outage. Farley #2 continues to operate at full power.

Entergy's 1,270 Mw Grand Gulf nuclear unit started to exit an outage and ramped up offline to 1% capacity by early today. The unit shut May 22 to investigate a fuel leak.

Southern California Gas Company has declared an operational flow order on Timely Cycle for today. SoCalGas will limit all nominations to the Transportation Services Access Quantity in the fourth operating cycle. When injection capacity falls below 850 MMcf/d, confirmations of firm storage injection nominations will be reduced. Customers must ensure that all deliveries into the SoCalGas system are within 110% of expected usage. SoCalGas will assess Buy-Back charges in accordance with its Rules and Tariffs to those customers who deliver more than 110% of their actual gas usage on the OFO day.

Generator Problems

SERC (cont'd)— Dominion Resources' 810 Mw Surry #1 nuclear unit increased output to full capacity as of early this morning. The unit restarted Friday following a refueling and maintenance outage. Surry #2 continues to operate at full power.

WSCC— Pacific Gas and Electric's 1,100 Mw Diablo Canyon #2 nuclear unit reconnected to the grid and ramped up to 81% power. Diablo Canyon #1 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 88,988.89 Mw up 6.60% from Friday and down 3.94% from a year ago.

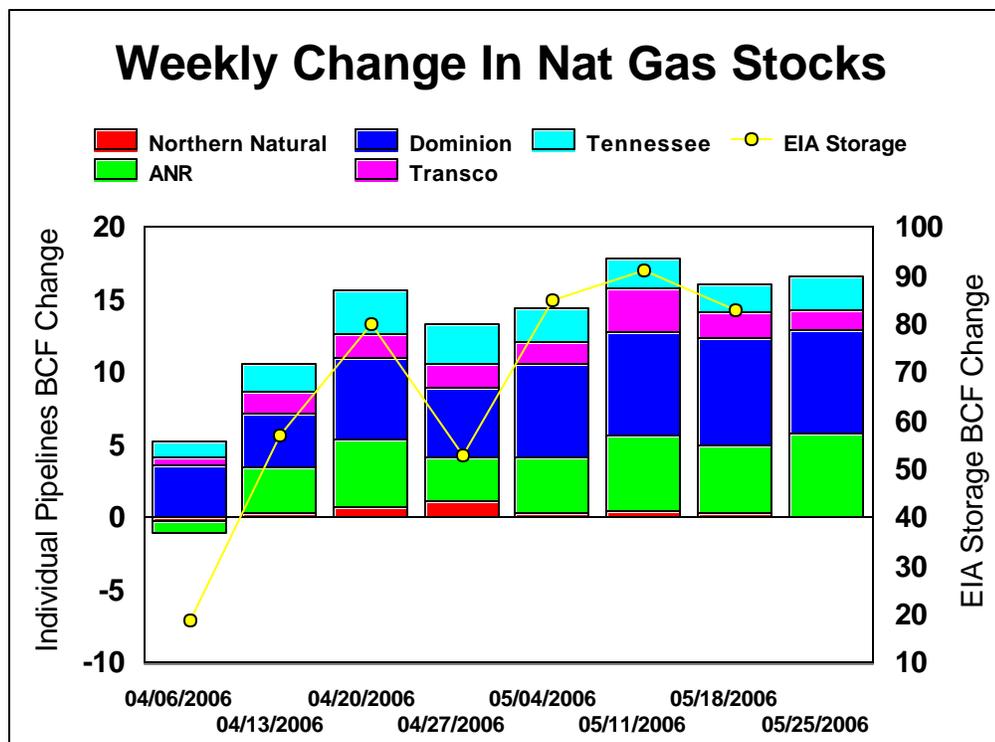
Texas Eastern Transmission said that it has scheduled and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Fagus for delivery outside that area will be accepted.

PIPELINE MAINTENANCE

ANR Pipeline Company said that it will continue the engine maintenance at the Marshfield Compressor Station located in Wisconsin in the Northern Fuel Segment. The work will reduce the total Viking-Marshfield receipt capacity by the following:

90 MMcf/d (leaving 231 MMcf/d available) from May 15 to June 3. Based on current nominations at Viking-Marshfield, it is anticipated that the above reductions will result in the curtailment of firm secondary and IT nominations.

Natural Gas Pipeline Company said that on June 1 it was scheduled to install a new tap valve on the Oklahoma Extension #1 west of Station 184 (Segment 6 of Natural's MidContinent Zone). However, this project has been postponed until June 14. Natural does not anticipate any scheduling



impact for this work.

PG&E California Gas Transmission has scheduled a pipeline replacement on L-300A line for June 22-25. Capacity on the Baja Line will be reduced to: 870 MMcf/d on June 22, roughly 76% of capacity; 800 MMcf/d on June 23-24, 70% of capacity; and 930 MMcf/d on June 25, 82% of capacity.

ELECTRIC MARKET NEWS

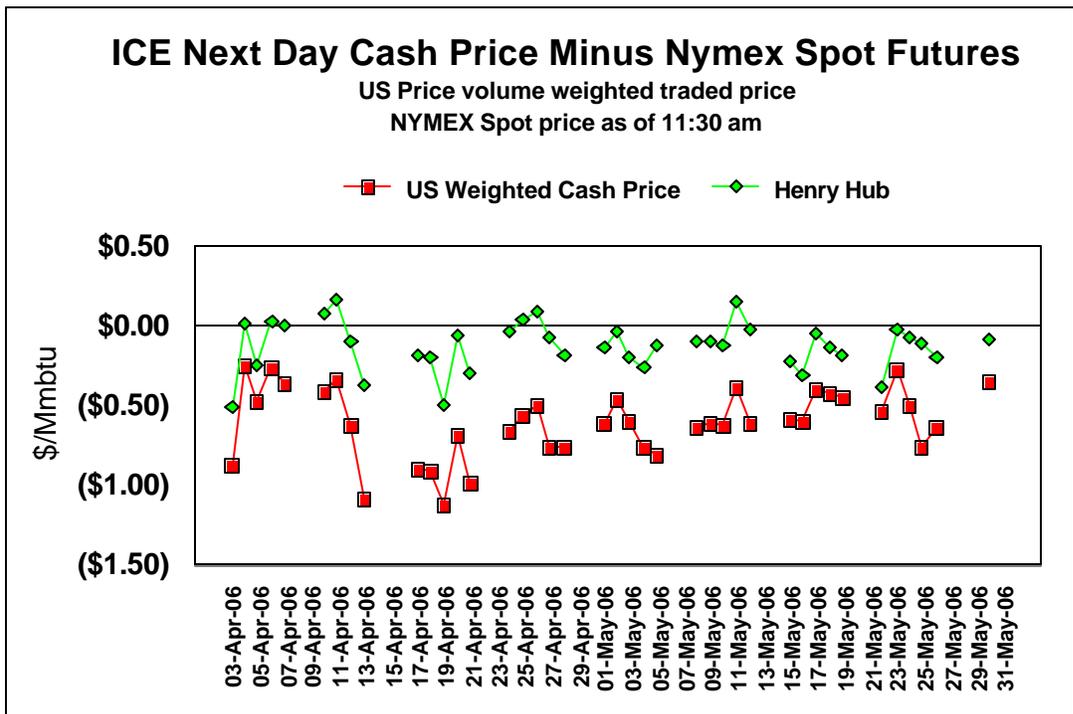
National Grid and KeySpan said they filed a joint application May 25 with the US FERC seeking approval of their proposed \$7.3 billion merger. U.K.-based National Grid in late February announced that it planned to acquire New York-based gas and power utility KeySpan for \$7.3 billion in cash and would assume \$4.5 billion in KeySpan debt. The companies said the application to FERC states that the proposed combination would have no adverse impact on wholesale competition, transmission and regulated wholesale customer rates or on regulation. The merger also will not result in cross-subsidization from regulated operations to unregulated operations.

The U.S. Minerals Management Service said it would prepare an environmental impact statement on Cape Wind Associates' proposed 420 Mw wind farm in federal waters offshore Massachusetts. MMS said it would consider potential alternatives to the proposed plan, including modifying its size, phasing or reconfiguring the development, and considering alternative sites.

MARKET COMMENTARY

The natural gas market opened 15.1 cents stronger to start the July contract's first session as front month contract. The market was higher overnight due to a firming cash market as a result of some late spring heat. A firming oil complex also lent support, and the July contract traded to a high of 6.34 today. The market found intraday support at 6.18, but as the petroleum market weakened at the end of the session, buying dried up and the July contract traded to a low of 6.10, before settling down 3.1 cents at 6.123.

Ninety degree temperatures across key consuming regions this past weekend and into the early part of this week have supported the cash market, though the futures continue to struggle to get upside traction given the large storage supply. Also hindering demand is the fact that 6 nuclear reactor units are due to return from maintenance and refueling outages. July natural gas will meander around



the bottom until sustained increased cooling loads boost demand. Early estimates for Thursday's EIA storage report call for a build of between 78 and 96 Bcf. Our pipeline model calls for an 87-89 Bcf injection, inline with last year's build and the average 5-year build of 90 Bcf. We see support at \$6.11, \$6.05, \$5.86 and \$5.75. We see further support at \$5.70-\$5.71. We see resistance at \$6.37, \$6.63, \$6.70 and \$6.76. We see further support at \$7.00, \$7.12 and \$7.37.