



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 31, 2006

NATURAL GAS MARKET NEWS

The EIA released their latest monthly report on the natural gas market today and it showed that in March, U.S. domestic production of natural gas stood at 49.9 bcf/d up 0.3 bcf/d from February levels but still some 3.5% below year ago levels. Net imports in March were estimated at only 7.4 bcf/d down 9.7% from February levels and some 18.5% less than the same month a year ago. LNG imports on the month stood at only 1.03 bcf/d the lowest level in the past several years, as escalating European prices at the end of the heating season redirected away LNG imports. Consumption in March stood at 66.3 bcf/d down 6.4% from March last year. While residential and commercial demand for natural gas was off 7.4% and 5.8% respectively due to smaller heating demand, electric utility demand was off 8.9% from the same time a year ago. Industrial demand showed the smallest year on year decline, a 4.8% contraction. The EIA monthly inventory report showed a nearly identical storage number for working gas as reported by the agency's weekly report, showing only 3 bcf in storage less than the weekly report.

Doctor William Gray and the Colorado State University forecasting team said the six-month season will produce 17 tropical storms, of which nine will become hurricanes and five will be major hurricanes with sustained winds over 110 miles per hour. They also said there was an 82% chance the U.S. coast would be hit by a big one, far above average but not as busy as last year's record-breaker. The CSU forecast, unchanged from the team's prediction issued on April 4, fell roughly in line with other forecasts for the hurricane season.

The Natural Gas Supply Association said that after four straight summers of dramatically increasing costs, US wholesale natural gas markets are expected to be more stable this summer, although "multiple threats," including hurricanes and volatile world energy markets could upset that forecast. The NGSA said that despite some forecasts calling for a somewhat cooler summer this year than last, projected gas demand will be relatively close to what it was last year. The cooler temperatures will result in lower demand for electricity and, consequently, lower levels of gas-fired generation, leaving room for the return of some industrial demand. As a result, NGSA is forecasting that gas consumption this summer will be only 0.2% below last summer's.

Generator Problems

ECAR— DTE's 1,139 Mw Fermi #2 nuclear unit reduced output to 83% today. The unit was operating at 86% yesterday.

NPCC— Entergy's 844 Mw FitzPatrick nuclear unit reduced output to 75% to work on the condenser. The unit is expected to return to full power within a week.

SERC— Progress Energy's 937 Mw Brunswick #2 nuclear unit increased production to 30% capacity today. The unit was operating at 22% yesterday. Brunswick #1 continues to operate at full power.

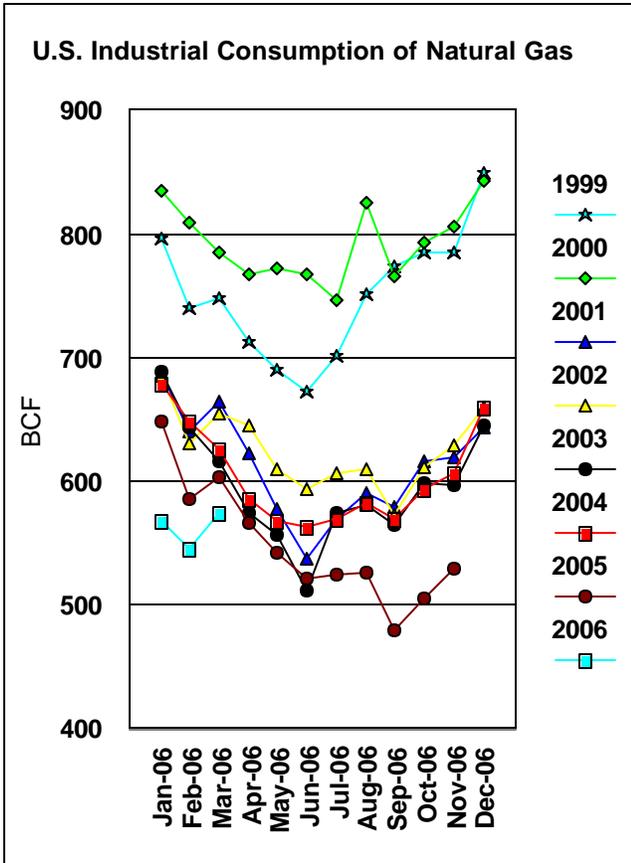
Duke Power's 1,129 Mw Catawba #2 nuclear unit shut from full power. The unit had restarted over the weekend and had just reached full power. Catawba #1 remains offline.

Entergy's 1,270 Mw Grand Gulf nuclear unit exited an outage and ramped up to 29% power by early today. Yesterday, the unit was operating offline at 1%.

WSCC— Pacific Gas and Electric's 1,100 Mw Diablo Canyon #2 nuclear unit increased output to 94% power. The unit was operating at 81% capacity yesterday. Diablo Canyon #1 continues to operate at full power.

LS Power Group's 510 Mw Moss Landing #1 natural gas power unit returned to service yesterday afternoon.

The NRC reported that U.S. nuclear generating capacity was at 88,216 Mw down .87% from Tuesday and up 2.41% from a year ago.



Gulfstream Natural Gas System said it would provide natural gas to Progress Energy's revamped Bartow power plant in Pinellas County, Florida. Gulfstream's Phase IV Expansion will provide 155 MMcf/d of firm natural gas transportation to the plant, while becoming the first project to increase Gulfstream's original mainline capacity. The project includes adding approximately 17.5 miles of 20-inch pipeline that will connect the existing Gulfstream pipeline to the Bartow plant as well as the installation of additional compression in Coden, Alabama, and Manatee County, Florida.

Exelon Corp.'s Peco utility unit said it would pass through a 7% reduction in natural gas rates to customers in southeastern Pennsylvania due to lower wholesale gas costs and lower projected prices for the rest of 2006.

PIPELINE RESTRICTIONS

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

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

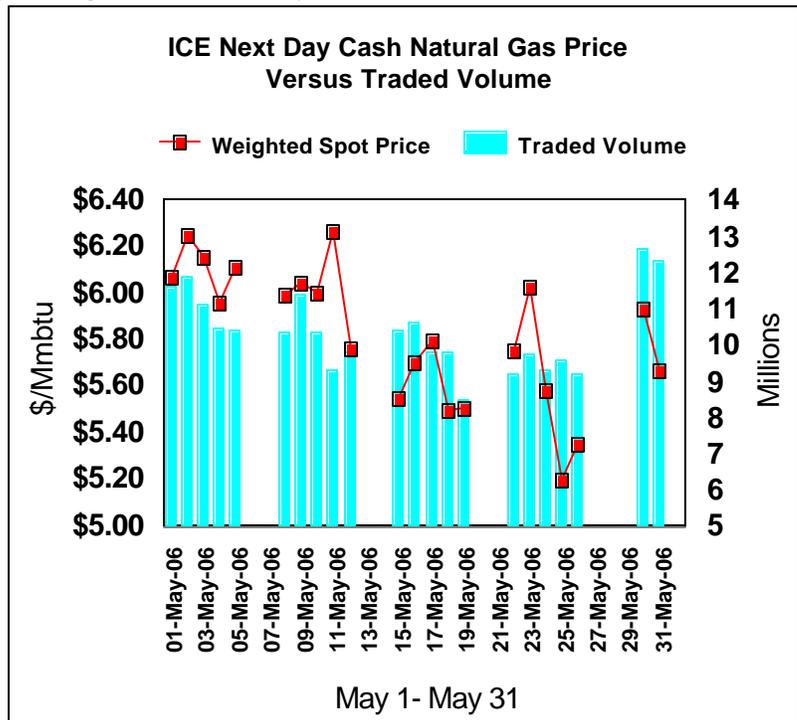
be reduced. Customers must ensure that all deliveries into the SoCalGas system are within 110% of expected usage. SoCalGas will assess Buy-Back charges in accordance with its Rules and Tariffs to those customers who deliver more than 110% of their actual gas usage on the OFO day.

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

PIPELINE MAINTENANCE

Gulf South Pipeline Co. said it completed scheduled maintenance on Unit 1 at its Kiln natural gas compressor station in Mississippi. The maintenance began on April 24 and affected as much as 175 MMcf/d of capacity.

Natural Gas Pipeline Company said that on June 20 it will run an in-line inspection tool from Bridgeport (Wise County, Texas) to Station 801 (Carter County, Oklahoma). This is Segment 1 of Natural's MidContinent Zone. Before Natural runs this in-line inspection tool, it needs to re-run a caliper guage pig in this same section of line. This tool was run in March,



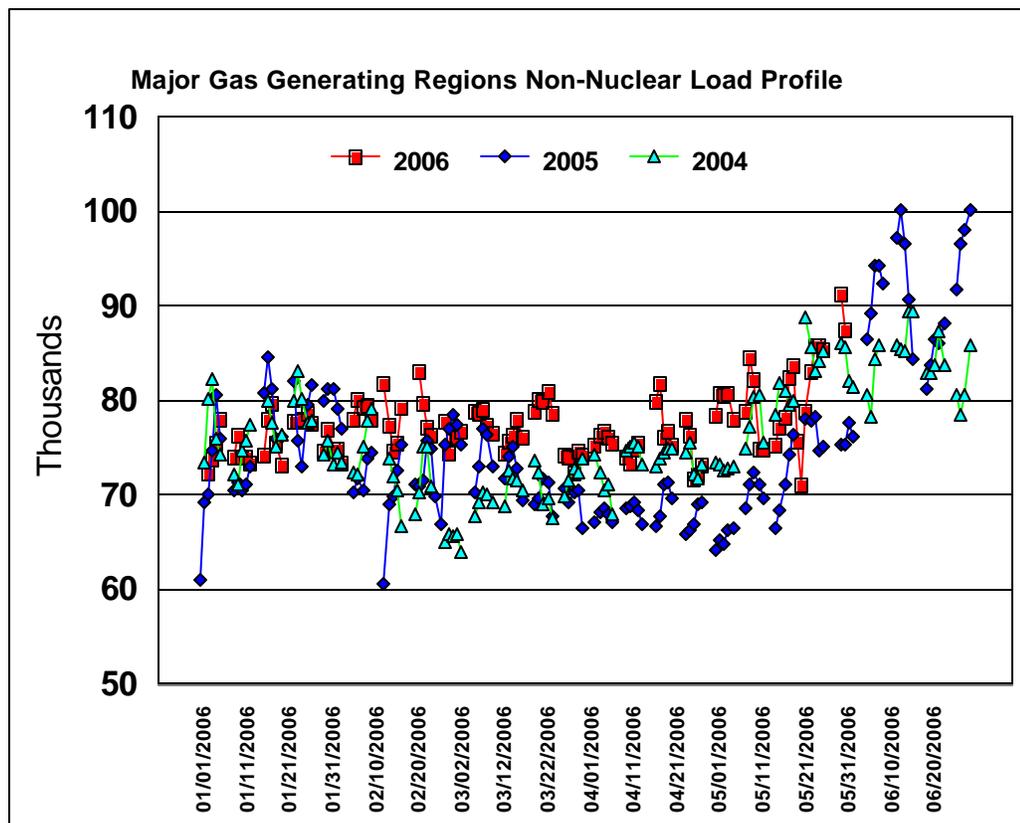
but needs to be run a second time on June 13.

Westcoast Energy said yesterday it anticipated completing the reboiler leak repairs on Train 3 on Tuesday night. Once the plant is back to full capacity, Westcoast said it will attempt to reduce pressures as much as possible until early morning, at which point it will be taking Train 1 down for necessary reboiler leak repairs for 18-24 hours. The company will then have to take down two additional trains, one at a time on Thursday and Friday for reboiler leak repairs. Upstream customers can expect to see higher pressures until today. Westcoast said it will assess the situation this morning to determine if a constraint is needed for the June 1 gas day.

ELECTRIC MARKET NEWS

Electricity prices for Thursday in eastern North America climbed on forecasts for increased cooling demand despite falling cash natural gas prices. Peak prices at the PJM Western Hub gained about \$5 to \$75-\$90 per megawatt hour in active OTC trading, up more than \$30 over this time last year. To date, peak real-time PJM prices averaged \$53 in May, 7% below a year ago. May PJM averaged \$57 last year and \$45 over the prior five years. Meteorologists forecast temperatures on Thursday would remain at above normal levels, with highs in the

low to mid 80s F in Philadelphia and New York, keeping cooling demand higher than usual.



Exelon Corp.'s Commonwealth Edison Co. utility in Illinois told state regulators Wednesday that electric supplies will be adequate to meet record forecast demand this summer. Electric consumption will reach 23,100 megawatts, up 4.7% from its current all-time high of 22,054 Mw, set in August 2003.

Utility American Electric Power said its Southwestern Electric Power Co. unit plans to add \$1.4 billion of new power generation

projects in Arkansas, Louisiana and Texas. AEP said it expects to file for approvals to build and recover costs for the power projects with utility regulators in the three states in June.

Utility Duke Energy Kentucky said it had asked state regulators to approve a 28% electricity rate increase, or \$67 million, to cover higher fuel costs and investments in its delivery system.

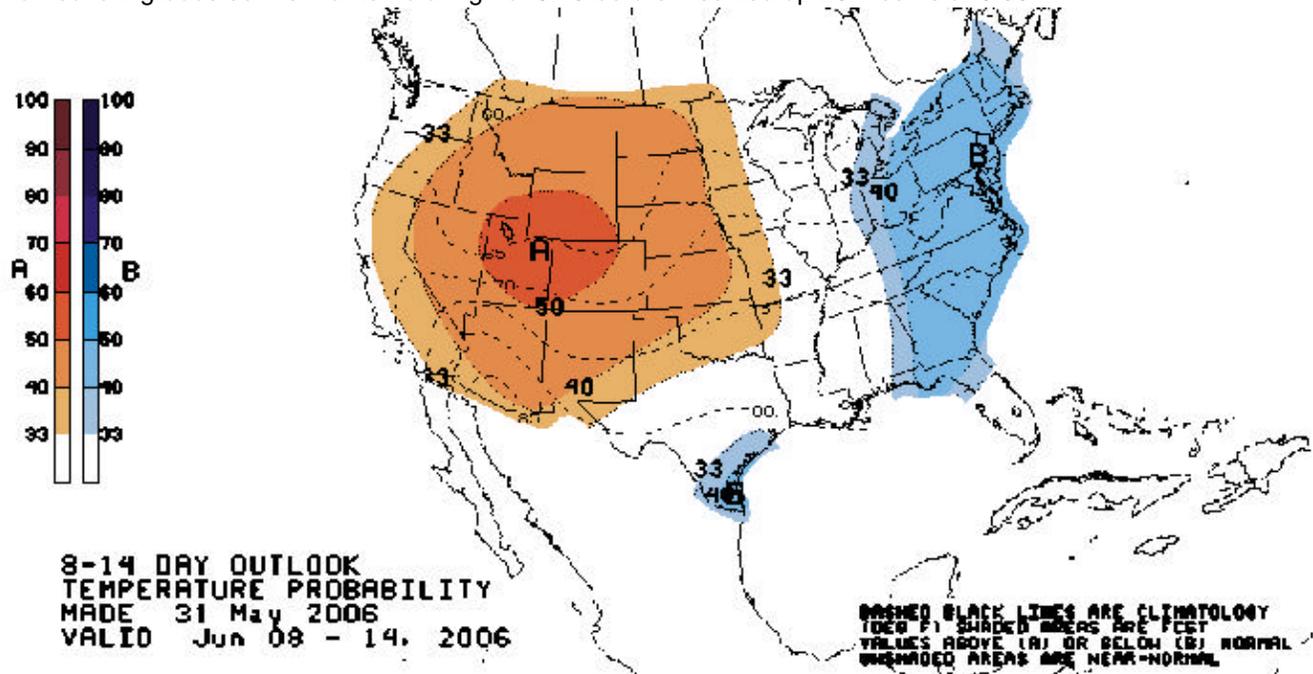
Xcel Energy utility said its Texas Southwestern Public Co. unit filed to raise electricity rates by \$47.1 million a year, or 6%, to offset increased operating costs. The proposed rate increases were filed with 81 Texas municipalities served by Xcel Energy and with the Public Utility Commission of Texas. If approved, new rates could go into effect in July.

ICE plans to launch coal futures trading within a few weeks. The move by Atlanta-based ICE comes amid rapid growth in coal trading. Earlier this month Germany's European Energy Exchange launched coal trading. ICE will

list two cash-settled futures contracts based on key coal-trading hubs – Rotterdam in the Netherlands and Richards Bay in South Africa.

MARKET COMMENTARY

The natural gas market opened down 2.3 cents with a sagging petroleum market on news of the U.S. offering to open talks with Iran concerning their nuclear program. July natural gas traded to a low of 6.065, but with the official start of hurricane season tomorrow and the recent heat, market players are erring on the side of caution. Short covering boosted the market to a high of 6.45 before it settled up 26.1 cents at 6.384.



Forecasts of a weak low forming off the coast of Texas added to the jitters given the time of year, and pressed the market higher. A recovering rally in the crude market late in the session added support to natural gas, allowing it to hang onto its gains. Expectation for tomorrow's EIA Storage report call for an injection of 78 to 96 Bcf, with most forecasts looking for a build in the mid to upper 80s. Our pipeline model calls for an injection of 87-89 Bcf. Last year saw an injection of 87 Bcf for this report and the five-year average for this report is a build of 90 Bcf. Market players will again focus how much more gas there is in storage compared to the five-year average and if the report falls in-line with expectation, the 716 Bcf more of gas in storage this year as compared to the five year average will weigh on prices. We see support at \$6.26, \$6.11 and \$6.05. We see further support at \$5.86, \$5.75 and \$5.70-\$5.71. We see resistance at \$6.45, \$6.63, \$6.70 and \$6.76. We see further resistance at \$7.00, \$7.12 and \$7.37.