



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 5, 2006

NATURAL GAS MARKET NEWS

According to the Cambridge Energy Research Associates, the operational limits of some portions of the North American natural gas storage system may be reached in the fall, producing a real potential for an abrupt decrease in gas prices as some storage fields become unable to accommodate additional injections. Absent a warmer-than-normal summer or significant gas supply disruptions by hurricanes, CERA expects the October 31 North American gas storage inventory level to reach 4,200 Bcf.

The Minerals Management Service reported in its final report on the historic 2005 hurricane production outages that 1.1 Bcf/d of natural gas remained down due to Hurricane Katrina and Rita. In its last report, on May 3, MMS said that 1.3 Bcf/d of natural gas was shut in.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to warm temperatures and low linepack, it is issuing an Overage Alert Day at 25% tolerance.

Northern Natural Gas Company said it has experienced a force majeure situation at its Spearman Compressor Station. The station capacity has been limited as a result of discharge gas cooler issues. Repairs to the gas cooler are anticipated to be complete by mid to late June.

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

Generator Problems

ERCOT— TXU's 750 Mw Martin Lake #3 coal-fired power unit restarted over the weekend following repairs to a boiler tube leak.

TXU's 750 Mw Monticello #3 coal-fired power unit restarted over the weekend after fixing a boiler feed pump.

TXU's 545 Sandow #4 coal-fired power unit shut yesterday for boiler repairs. The unit is expected to return later this week.

AEP's 528 Mw Welsh #3 coal-fired power unit restarted June 3-7. The unit shut June 1 for maintenance.

MAIN— AmerenUE's 1,190 Mw Callaway nuclear unit restarted on June 3 and has since increased output to full capacity. The unit shut May 17 for maintenance.

SERC— Progress Energy's 937 Mw Brunswick #2 nuclear unit increased output to 98% capacity by this morning. On Friday, the unit was operating at 89% capacity.

Entergy Nuclear's 1,207 Mw Grand Gulf power unit returned to full capacity this weekend. On Friday, the unit was operating at 93% capacity.

Duke Power Company's 846 Mw Oconee #3 nuclear unit increased output offline to 19% capacity. Oconee #1 and #2 continue to operate at full power.

WSCC— All three units at the Helms Pumped Storage hydropower station in California were back on line by early today.

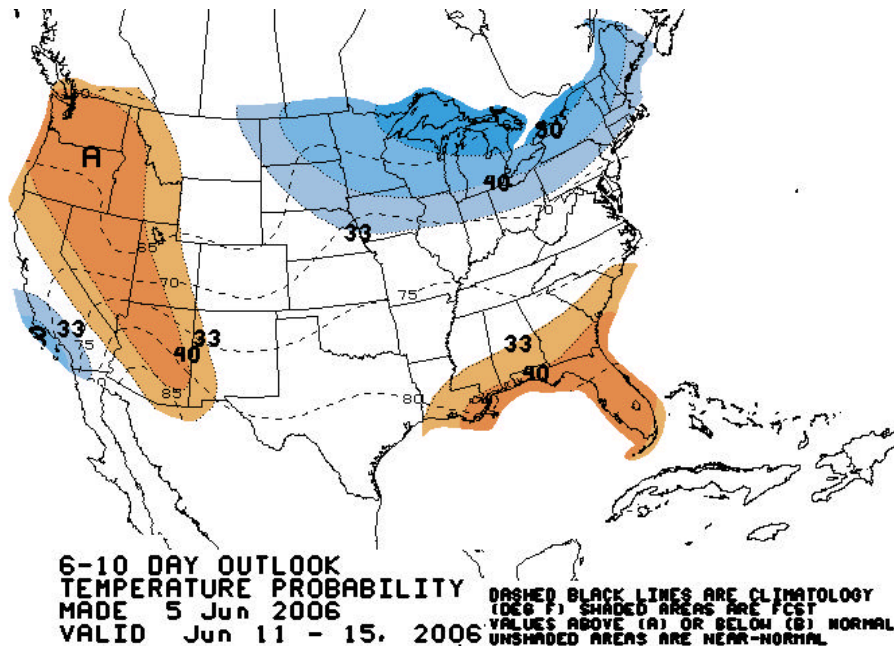
LS Power Group's 739 Mw Moss Landing #7 natural gas fired power unit returned to service by Sunday afternoon. The unit shut June 2 for unplanned work.

AES's 480 Mw Redondo #8 natural gas fired power station returned to service by Sunday afternoon.

Canada— Ontario Power Generation's 535 Mw Lennox #2 oil and natural gas fired power station returned to service by early today.

NB Power plans to restart its 635 Mw Point Lepreau nuclear unit in Mid June following a planned annual maintenance outage.

The NRC reported that U.S. nuclear generating capacity was at 91,619 Mw up 2.05% from Friday and up 3.81% from a year ago.



receipts between Longview and Little Rock for delivery outside that area will be accepted.

Westcoast Energy said that the Fort Nelson Gas Plant is still at 0 throughput but that the plant now has steam and power. Westcoast said it anticipates being able to bring on gas at approximately 7:30 PM PT last night.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said that on June 13, it will perform planned maintenance to pig Line Section 19 from the Madden Area to the Worland Compressor Plant. The pigging project will be conducted during the Worland Compressor nominations in Line Section 19,

shut down to minimize any potential effects. Based upon current receipt Williston Basin does not anticipate any further restrictions to the system.

ELECTRIC MARKET NEWS

The U.S. Ninth Circuit Court of Appeals ruled on Friday, that the Nuclear Regulatory Commission failed to consider the environmental effects of a potential terrorist attack when approving a Pacific Gas and Electric proposal to expand the spent nuclear storage facilities at Diablo Canyon. This is a victory for the communities that live in the shadow of Diablo Canyon, and for the health of California's residents and environment.

ECONOMIC NEWS

Federal Reserve Chairman Ben Bernanke said the U.S. economy was starting to shift to a slower pace of economic growth but the Fed needed to be vigilant to make sure inflation stays under control.

MARKET COMMENTARY

After being boosted to a high of 6.82 by a tightening oil complex on unsettling news out of Iran, July natural gas returned that geopolitical premium by the beginning of the open outcry session, and ended up opening in New York down 4.3 cents. Pressured by mild weather forecasts in the East, natural gas fell quickly, finding support at 6.41. The market trended back up to its earlier high of 6.60, where it again sold off into the close. The July contract settled down 16 cents at 6.463.

A lack of upside fundamental news will keep bulls on the sidelines, as prices slide back to the lows from last month. The cool temperatures in the key consuming Northeast and lack of tropical storm developments in the Gulf Coast offer little reason for an upside move. Natural gas will continue to play its tug of war with a jittery oil complex, while it moves to test supports and await for more cooling demand to kick in. We see support at \$6.41, \$6.36 and \$6.11. We see further support at \$6.05, \$5.86, \$5.75 and \$5.70-\$5.71. We see resistance at \$6.72, \$6.76, \$6.84 and \$7.00. We see further resistance at \$7.12 and \$7.37.