



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 8, 2006

NATURAL GAS MARKET NEWS

AccuWeather reported that a broad area of low pressure that has been under surveillance all week is showing some signs of organization. Ship reports and buoys in this area are showing pressure falls. AccuWeather believes that this feature will move north or northwest during the next 24-48 hours, which could put it either in the Bay of Campeche or on the north or northeast corner of the Yucatan. Once away from the Yucatan, this feature might have some chance for further development. Just about every model now shows some kind of low-pressure area near the Yucatan by the end of this weekend.

Tropical Storm Risk, a London-based group of scientists, said they expected 14 tropical storms for the Atlantic during the season. They expect the Atlantic storm season to be bad, but nowhere as brutal as the 2005 record season. Eight of these will be hurricanes and three will be intense hurricanes. TSR said four tropical storms will make landfall on the U.S. and two of them will be hurricanes.

Alaska Governor Frank Murkowski opened the door to changes in the controversial deal he struck with major oil companies for a \$20 billion natural gas pipeline. Among the provisions that may be renegotiated is a

proposal that would guarantee no changes to petroleum taxes for decades. Under that proposal, oil taxes would be frozen for 30 years and natural gas taxes frozen for 45 years, and no new taxes of any kind would be allowed that would affect the companies' Alaska operations. Murkowski said the companies need some kind of guarantee that oil taxes will not change before they invest in the pipeline project, which is estimated to cost over \$20 billion.

EIA Weekly Report

	06/02/2006	05/26/2006	Net chg	Last Year
Producing Region	786	768	18	664
Consuming East	1213	1169	44	917
Consuming West	321	306	15	287
Total US	2320	2243	77	1868

*storage figures in Bcf

decade, rising power generation will still spur demand considerably. Much of the new power generation growth will be served by rising LNG supply. The IEA said that by 2010, LNG would account for 30% of gas imports to

Generator Problems

ERCOT— TXU Corp.'s 565 Mw Monticello #2 coal-fired power station stopped its startup due to turbine problems. The unit is expected to return to service in a week.

TXU Corp.'s 545 Mw Sandow #4 coal fired power unit started to exit an outage today. The unit shut June 4 for boiler repairs.

MAPP— Xcel Energy's 593 Mw Prairie Island #1 nuclear unit increased output to 96% capacity. Yesterday, the unit was operating at 49% capacity. Prairie Island #2 continues to operate at full power.

MAIN— Exelon's 912 Mw Dresden #2 nuclear unit reduced output to 72% to replace a component on a valve. The unit has since returned to full power. Yesterday, the unit was operating at 99% capacity. Dresden #3 is operating at 96% capacity.

WSCC— Energy Norwest's 1,200 Mw Columbia nuclear unit reduced output to 85% capacity today.

The NRC reported that U.S. nuclear generating capacity was at 92,552 Mw down .13% from Wednesday and up 5.79% from a year ago.

Liquefied natural gas will make up a fifth of the OECD's gas supply needs by 2010, with Europe and North America growing more reliant on imports from poorer countries, the International Energy Agency said. Natural gas currently supplies 21% of global energy needs and although the pace of demand growth will slow in the second half of the

the Organization for Economic Cooperation and Development, with the LNG sourced from poorer, non-OECD countries.

The International Energy Agency questioned the strategy of Russian gas monopoly Gazprom, saying it will struggle to meet existing sales contracts unless it boosts investment in production. The IEA said Gazprom has been distracted from upstream activities by ambitions to break into new markets, and by investment in oil, nuclear and other projects.

Canadian Gas Association

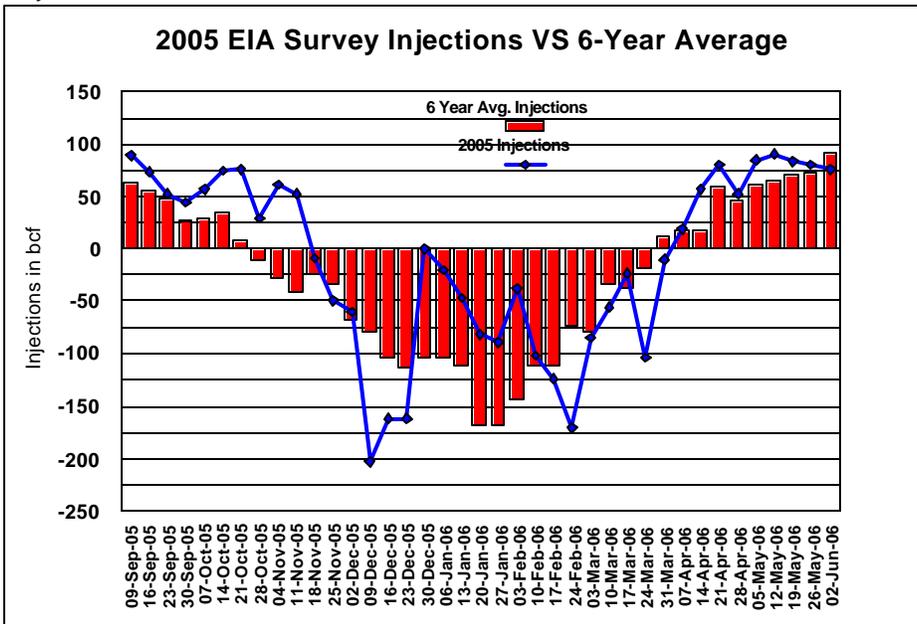
Weekly Storage Report

	02-Jun-06	26-May-06	03-Jun-05
East	139.5	129.1	101.9
West	151.5	145.4	146.5
Total	291.0	274.5	248.4

storage figures are in Bcf

PIPELINE RESTRICTIONS

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



Kern River Pipeline said that line pack is high from Muddy Creek to Elberta. Elberta to the end of facilities is posted as normal

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

accepted. Tetco has restricted and sealed zone ETX. No increases in receipts between Huntsville and Longview for delivery outside that area will be accepted.

PIPELINE MAINTENCE

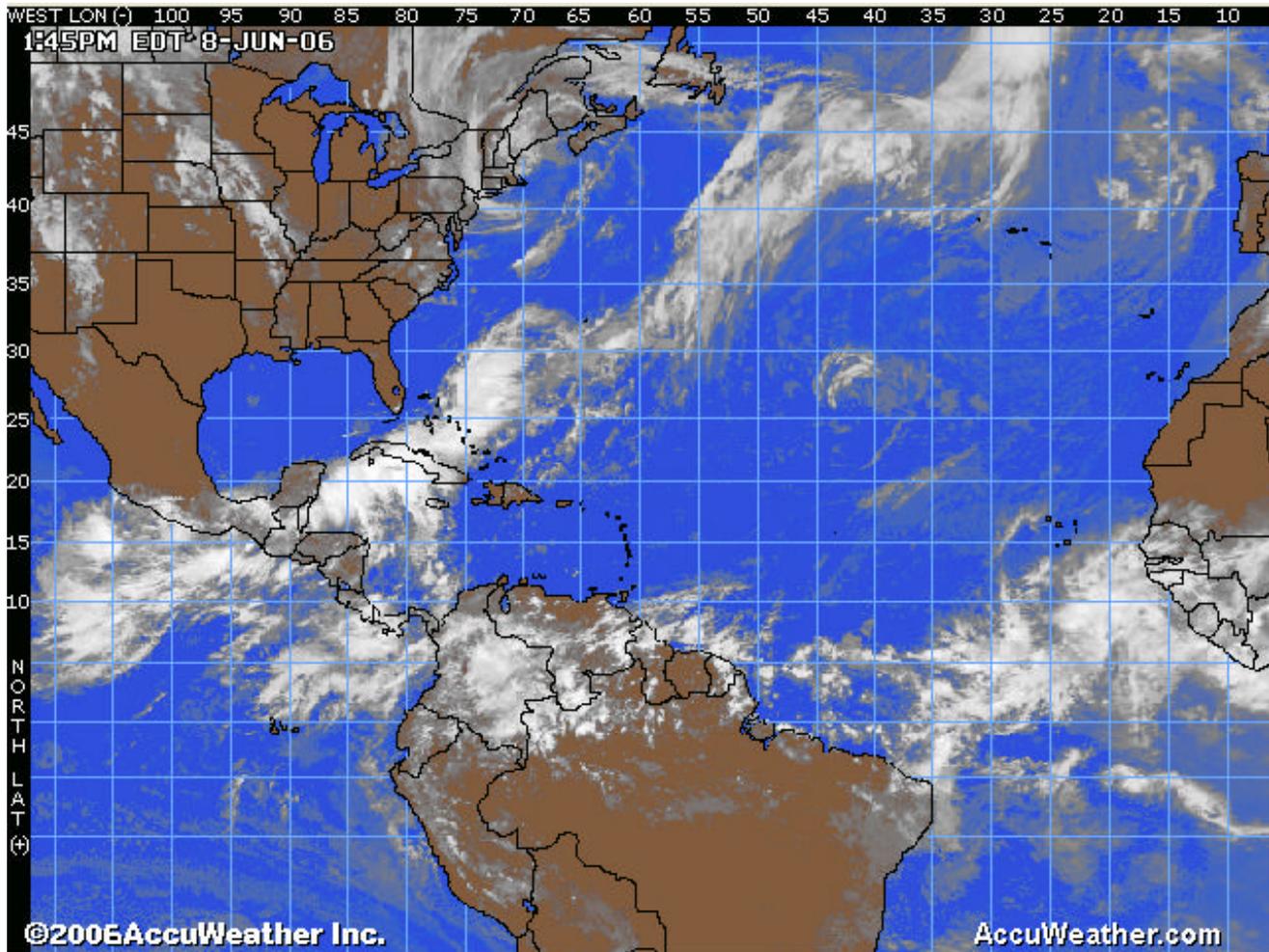
Natural Gas Pipeline Company said that the rehab work scheduled from June 5-23 on the Amarillo Main Line #2 between Station 112 and Station 102 to prepare for pigging (Segment 10 of Natural's MidContinent Zone) is currently ongoing. However, the PINs impacted by this work have been extended.

Southern Natural Gas Pipeline said that it is abandoning the 6-inch Main Pass 296 lateral, which was damaged by Hurricane Ivan. In conjunction with that work, field personnel have identified a need to make an unscheduled repair that will impact the 12-inch Main Pass 144 lateral. SoNat expects that an outage of approximately three days will be required beginning June 22.

Williston Basin Interstate Pipeline Company said that the Vida Plant is down for unplanned maintenance. Also, for unrelated unplanned maintenance, one unit at the Glen Ullin Compressor Station is down as well. Based upon current nominations, Williston Basin does not anticipate any restrictions to scheduled volumes for either work activity.

ELECTRIC MARKET NEWS

China will not face widespread electricity shortages this summer as more generating capacity will be added in the second half of 2006 to balance demand, ending four years of power outages. About eight provinces and regions had brownouts in the first four months, versus 26 a year ago.



The Texas grid operator forecast record electric demand for June today. ERCOT said today's peak power consumption in the state may reach 60,114 Mw in the hour ending at 5 PM CT. The current June consumption record is 58,183 Mw set June 30, 2005.

The U.S. Northwest River Forecast Center kept unchanged its January-to-July water runoff forecast at the key dam at the Dalles in Oregon to 103% of normal, from a forecast given June 1. The Dalles Dam on the Columbia River is a key indicator of the availability of water for hydroelectric plants in the Northwest.

MARKET COMMENTARY

The natural gas market opened 7.6 cents higher ahead of the release of the EIA's storage report. Given last week's heat wave, a smaller than expected 77 Bcf build to stocks was reported. The market initially rallied to 6.15, but could not muster further upside traction given the weakness in the oil complex. July natural gas traded sideways between 6.01 and 6.10, before an afternoon rally in crude oil helped to lift natural gas to a higher daily high of 6.20. The front month finished the day on the highs, settling up 21.7 cents at 6.191.

The nation's total storage now stands at 2,320 Bcf, 452 Bcf over last year at this time and 678 Bcf above the five-year average. With such a glut of gas in storage, and cooler than normal temperatures in key consuming regions, we expect so see range-bound trading until summer temperatures and tropical activity bring bulls back into the game. AccuWeather forecast today that the northeast could see a surge of summer temperatures in 10-15 days, limiting downside pressure to the market. But to see prices make a significant move to the upside, the market will have to see some real sustained cooling demand. We see support at \$6.00, \$5.90, \$5.86 and \$5.75.

We see further support at \$5.70-\$5.71 and \$5.60. We see resistance at \$6.36, \$6.50, \$6.60 and \$6.82. We see further resistance at \$7.00, \$7.12 and \$7.37.