



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 16, 2006

NATURAL GAS MARKET NEWS

El Paso Corp. unit ANR Pipeline set further limits on injections for some customers as its natural gas storage levels remained significantly high. Earlier this week, ANR began limiting injections for some interruptible customers as storage levels rose significantly. The company said all rate schedule DDS (deferred delivery service) and MBS (marketing balancing service) storage customers (limited to interruptible customers) were required to reduce their storage inventory volume by 65% of their June 14 allocated storage balance.

Sempra LNG welcomed the recent FERC authorization to develop a new LNG receiving terminal near Port Arthur, Texas, capable of processing up to 3 Bcf/d of natural gas.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose 11 to 1,672 in the week ending Friday June 16. The number of rigs searching for gas rose seven to 1,383.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said Tennessee Gas Mahwah has been scheduled to capacity on its system.

Duke Energy Gas Transmission unit East Tennessee Natural Gas issued a capacity constraint notice due the shipper imbalances on its natural gas pipeline system.

El Paso Natural Gas Company said that operating conditions on the south mainline have improved since the June 13 warning of a possible Strained Operating Condition. Customer response has been sufficient to raise EPNG linepack to acceptable levels and to discontinue withdrawal from the Washington Ranch storage facility. The threat of Strained Operating Condition, therefore, has been significantly diminished.

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 20% tolerance.

Kern River Pipeline said that line pack is posted as high to Elberta and normal from Elberta to the end of the system.

KM Interstate Gas Transmission said that until further notice, Burlington Resources Hendry (PIN 7738-Segment 30) is available for receipt quantities. Therefore, KMIGT will schedule volumes up to full capacity at Burlington

Generator Problems

ECAR— Detroit Edison's 1,139 Mw Fermi #2 nuclear unit shut from full power late yesterday after a turbine generator trip.

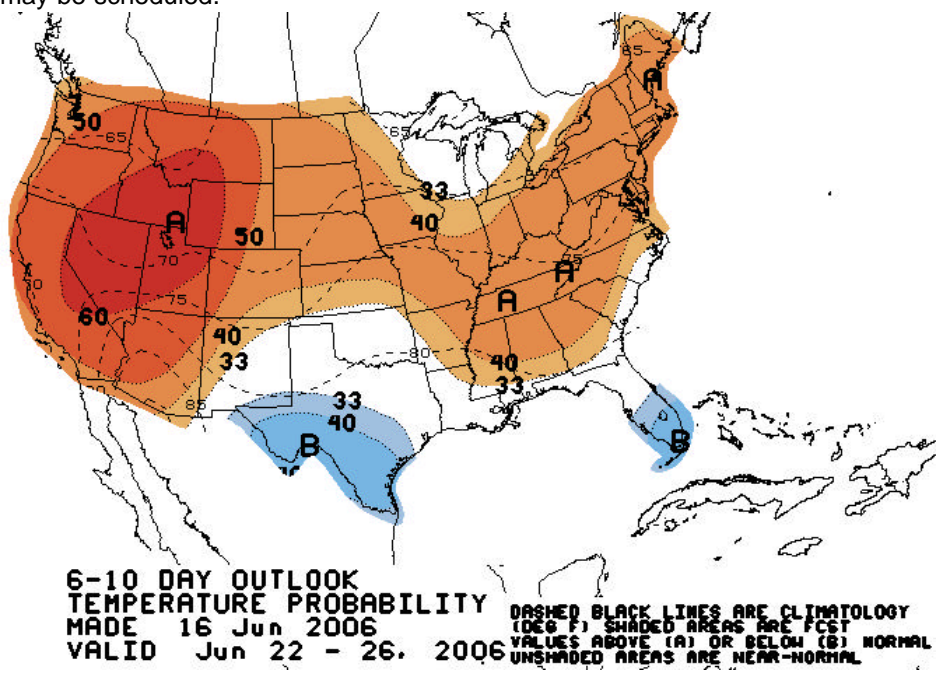
FRCC— FPL's 839 Mw St. Lucie #2 nuclear unit was manually shut late yesterday due to a digital electro-hydraulic leak. The unit was operating at 45% capacity yesterday. St. Lucie #1 continues to operate at full power.

NPCC— Constellation's 565 Mw Nine Mile Point #1 nuclear unit increased to full power today. The unit was operating at 82% capacity yesterday. Nine Mile Point #2 continues to operate at full power.

SERC— Entergy's 966 Mw River Bend nuclear unit reduced output to 22% to allow operators to repair an oil leak in a steam turbine valve. The unit has since been repaired and is ramping up power.

The NRC reported that U.S. nuclear generating capacity was at 90,354 Mw down 2.03% from Thursday and down .44% from a year ago.

Hendry. Depending on the level of nominations, IT/AOR, secondary out-of-path and secondary in-path volumes may be scheduled.



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.

Westcoast Energy said that there will be a capacity constraint for gas going eastbound at Gorgondale to 140,000 GJ's for gas day June

21 from the current capacity of 214,101 GJ's. The constraint is a result on an eight-hour annual outage at Gorgondale beginning at 8:00 AM PT and ending at 4:00 PM PT June 21.

PIPELINE MAINTENANCE

Gulf South Pipeline said that scheduled maintenance is anticipated to continue at the Olla Compressor Station through the month of July. Capacity through the Olla Compressor Station could be reduced as much as 250 MMcf/d, however, with current nominations capacity should not be affected.

Kinder Morgan Interstate Gas Transmission has completed maintenance at the Casper natural gas compressor station in Wyoming one day ahead of schedule. The company said that it would be able to schedule quantities up to the full capacity of deliveries through segments 10, 43 and 720.

Northwest Pipeline Company recently updated its slate of maintenance plans for July, all of which have the potential to impact customer nominations. A section of the 22-inch mainline between Pocatello Compressor Station and the Burley CS will be shut-in and replaced June 1-August 30. A short section of the 22-inch ML between the Soda Springs CS and the Lava CS will be shut-in and replaced June 8-24. July 10-14, NWP will perform an inspection on unit #2 at the Kemmerer CS. The unit will be unavailable for four days. From July 24-August 21, NWP will perform an inspection and compressor upgrade work on unit #5 at the Green River CS. Based on historical operations, customers may be impacted. July 26-August 1 NWP will perform station modifications to increase operational flexibility at the Vernal CS. Based on historic operations, customer impact is anticipated.

Southern Natural Gas Pipeline said that the pig run on the 14-inch Logansport Line in North Louisiana originally planned for June 15 has been postponed. As a result of data received from the caliper pig run on Tuesday, Southern will be required to re-schedule the smart pig run for July 27, starting at 9:00 AM CT.

Williston Basin Interstate Pipeline Company said that the planned maintenance at the Monarch Compressor Station to upgrade the station control system has been extended to June 30. At this time, Williston Basin does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

Pacific Gas and Electric Company received approval from the California Public Utilities Commission to acquire, complete construction of an operate the 530 Mw partially constructed Contra Costa Unit #8 electric generation facility. PG&E plans to complete construction of the facility and have the output available to serve electric customers in 2008. Since the unit is already partially built, the company expects to invest about \$300 million to complete the project.

After more than two years of public input and regulatory review, the Public Service Commission of Wisconsin has given its approval to two power line projects proposed by American Transmission Co. the Gardner Park-Central Wisconsin and Morgan-Werner West transmission lines are needed to bolster electric reliability in north central and northeastern Wisconsin. Gardner Park-Central is needed because of the addition of a 500 Mw generator at the Weston Power Plant near Wausau. The Morgan-Werner West line is needed to alleviate overloaded facilities in the Green Bay and Fox Valley areas.

MARKET COMMENTARY

The natural gas market opened 3.7 cents lower following yesterday's rapid gains, as the market consolidated some the week's 16.4% advance. The market traded in negative territory for most of the session, trading to a low of 7.03. A small rally late in the session to trigger buy stops above 7.20 saw prices trade to a high of 7.25. The July contract finished the session down 2.2 cents at 7.185. On the week, July natural gas rallied \$1.013.

Following two strong days of trading, fueled by cooling demand coming to key consumption areas and a lower than expected build to stocks, the market took a bit of a break today, consolidating itself above the 7.00 level. With hot and humid temperatures moving into the northeast this weekend, the natural gas market may have priced in its effects over the past two days.

Based on current storage balances, the industry will only require an injection pace of 7.32 Bcf/d to get supplies to a very solid comfort level of 3.4 Tcf by November 1, 2006. We view this as bearish when compared with the 9.3 Bcf/d actual injection rate last year and the 10.80 Bcf/d five-year average.

The Commitment of Traders Report, which covers activity through Tuesday June 13, showed that non-commercial traders have reversed their net short futures position of 4,189 contracts, and now have a net long position of 9,159 contracts. In the combined futures and options report, non-commercial traders now have a net long position of 14,363 contracts. Following these past two days of trading, those net long positions must be much larger, but how much more buying interest is there given the glut of supply. We see support at \$7.00, \$6.92, \$6.82, \$6.58 and \$6.40. We see further support at \$6.00, \$5.94, \$5.90 and \$5.70-\$5.71. We see resistance at \$7.37, \$7.50, \$8.00, \$8.28 and \$8.75.

