



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 19, 2006

NATURAL GAS MARKET NEWS

China Gas Holdings, a Hong Kong-listed distributor of piped gas in 51 Chinese cities, said it expects to get government approval to increase gas prices to counter rising costs. China Gas is in talks with some provincial governments to establish a mechanism to pass increases in natural gas prices to customers. China, which controls energy prices to limit inflation, is lifting domestic gas prices to bring them closer to soaring global levels. The Chinese government raised prices by 15% at the end of last year, and said rates should gain about 8% annually.

With a backdrop of unhappy local citizens and a river preservationist group gunning for any liquefied natural gas (LNG) proposed terminals, NorthernStar Natural Gas, Inc., noted late last week that the regulatory clock at FERC now officially is ticking on its proposal to build an LNG receiving terminal at Bradwood Landing, OR, 38 miles up the Columbia River from the Pacific Ocean. Meanwhile, the opposing resolve of the Columbia Riverkeeper, a partner with Astoria, OR-based Columbia RiverVision, has intensified.

PIPELINE RESTRICTIONS

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

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

KM Interstate Gas Transmission said that until further notice, capacity is available for deliveries to Panhandle Pony. Depending on the level of nominations, IT/AOR and secondary quantities may be scheduled.

Northern Natural Gas Company said that the Force Majeure continues concerning the Matagorda Offshore Pipeline System that affects the three remaining platforms located in isolated leak section. Northern is extending the completion date of repairs to July 1. The delay was caused due to the discovery of an additional minor leak in the same isolated area. Additional repair activities are required.

Generator Problems

ECAR— DTE's 1,139 Mw Fermi #2 nuclear unit exited an outage and ramped up to 58% power. The unit shut June 15 due to the failure of a transformer.

ERCOT— TXU's 750 Mw Monticello #2 coal fired power unit shut for boiler repairs.

FRCC— FPL's 839 Mw St. Lucie #2 nuclear unit exited an outage and ramped up to 80% capacity. St Lucie #1 continues to operate at full power.

MAAC— PPL's 1,115 Mw Susquehanna #1 nuclear unit reconnected to the grid and is operating at 37% capacity. Susquehanna #2 continues to operate at full power.

SERC— Progress Energy's 938 Mw Brunswick #1 nuclear unit increased output to 83% capacity as of early this morning. Brunswick #2 continues to operate at full power.

South Carolina Electric and Gas Company's 1,000 Mw Summer nuclear unit reduced output to 80% capacity. The unit was operating at full power on Friday.

Entergy's 968 Mw River Bend nuclear unit ramped up to 98% capacity by early today. The unit was operating at 22% capacity on Friday.

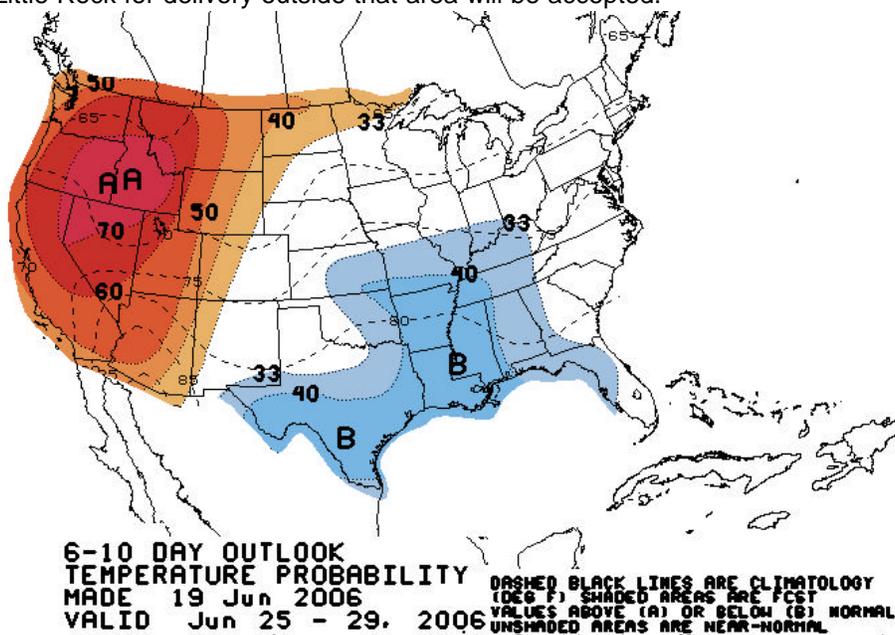
Canada— Ontario Power Generation's 494 Mw Lambton #3 and #4 coal-fired power units exited outages and returned to service.

Ontario Power Generation's 515 Mw Pickering A nuclear unit shut by early today. The unit was available for service on Friday.

Sempra Energy's 600 Mw Termoelectrica de Mexicali natural gas fired power unit shut for planned work.

The NRC reported that U.S. nuclear generating capacity was at 92,350 Mw up 2.21% from Friday and down .21% 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 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.



PIPELINE MAINTENANCE

Alliance Pipeline said that routine maintenance requires the Manchester Compression Station to be offline for four hours on June 20. This work may impact system throughput (AOS) but will be determined closer to the outage date. The Manchester Station is located in Iowa.

ANR Pipeline Company said that it has completed the majority of the maintenance on its storage facilities. As a result, injection capacity is returning. However, due to high storage levels and some individual storage fields already filled, ANR will be required to restrict the injection

capacity into ANRPL Storage Facilities. Until further notice, injection will be restricted by 550 MMcf/d, leaving 950 MMcf/d available. Currently only firm storage services may nominate into storage.

Transcontinental Gas Pipe Line will replace its mainline downstream of Station 35 near Houston, Texas. The replacement work will be in a single line portion of Transco's system and will isolate all points upstream of Compressor Station 35 from points downstream of the station. In conjunction with this work, Transco will be pigging between Station 40 in Sour Lake, Texas and Station 45, near Lake Charles, Louisiana. In order to accommodate the work, Transco will restrict the quantities of gas flowing through this area of its system from receipt points upstream of Station 35 and will not allow receipts along certain portions of its pipeline in the area of the construction. For Gas Day July 18, transportation under Rate Schedule FT will be limited to 400 MMcf/d. For gas Day July 19, transportation under Rate Schedule FT will be limited to 200 MMcf/d. For gas days July 20-24, Transco will not accept any nominations that have receipts upstream of Station 35 for delivery downstream of Station 35 and any backhaul nominations with receipts downstream of Station 35 for delivery upstream of Station 35.

ELECTRIC MARKET NEWS

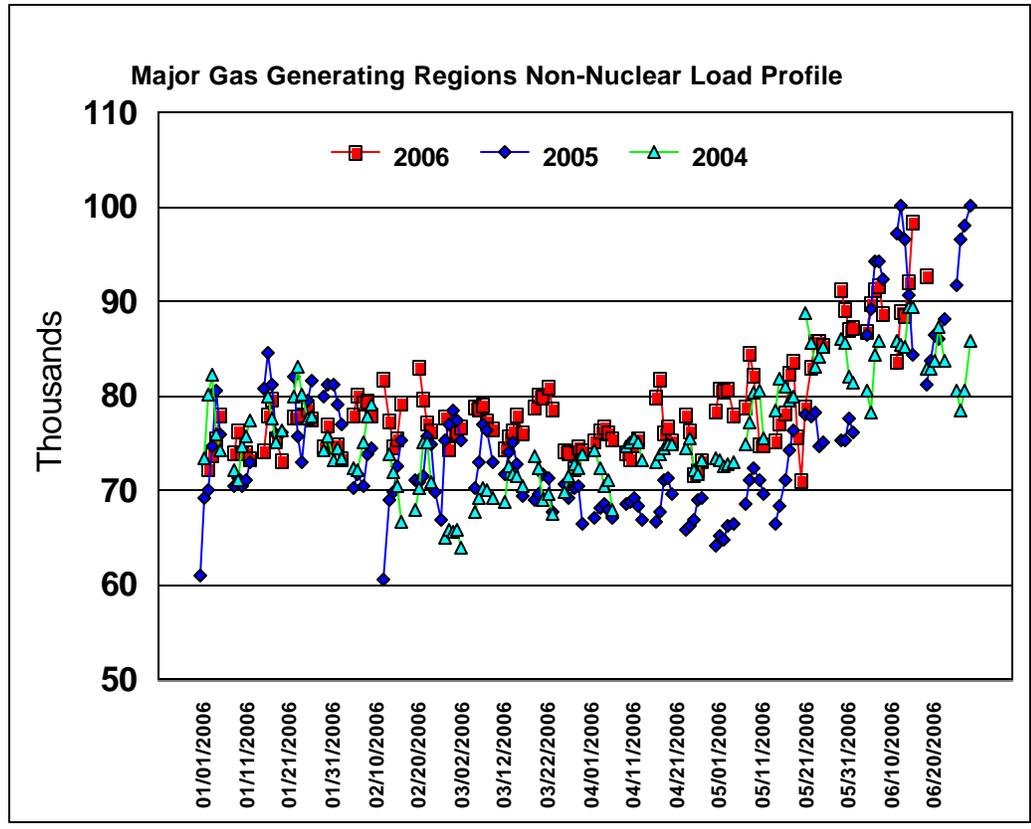
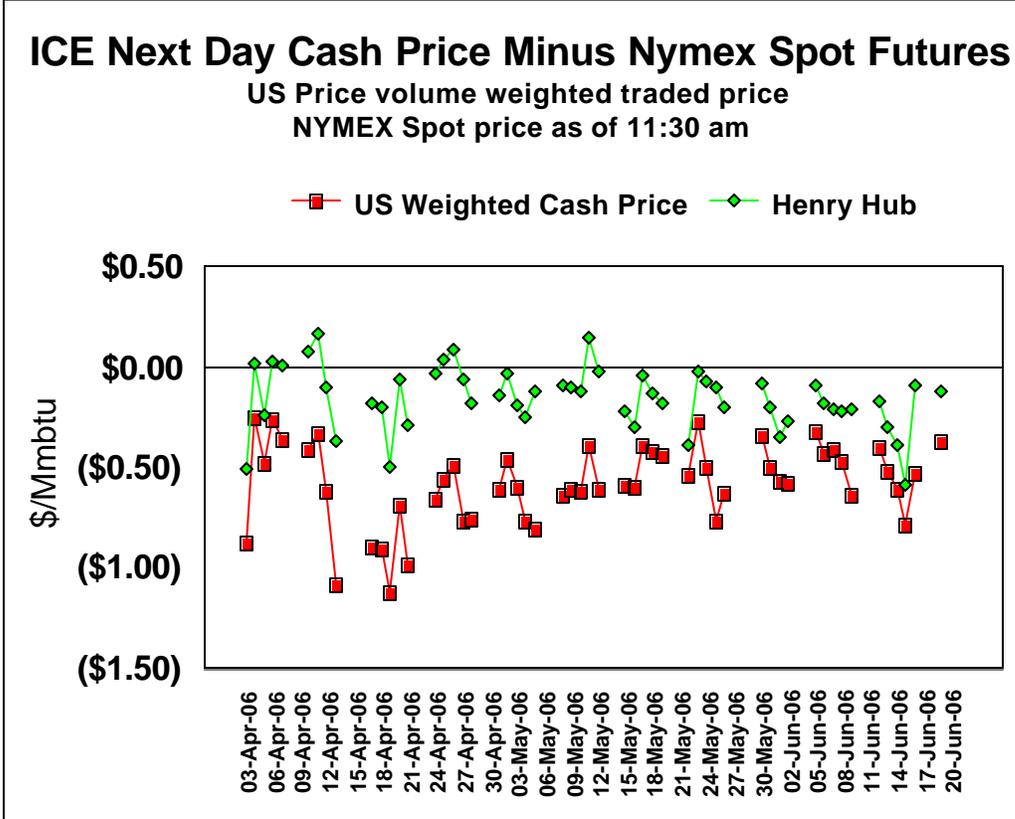
In a fierce bidding war, seven states are aggressively trying to land a billion-dollar power plant prototype that's virtually pollution-free. The competing states are ponying up sales-tax relief and free land, pushing enticements into hundreds of millions of dollars in the hunt for more than 1,000 construction jobs and 150 permanent jobs, along with researchers and side businesses the plant should attract. The FutureGen plant involves technology that converts coal into highly enriched hydrogen gas that burns cleaner than coal would. Plans call for the 275 Mw plant to capture most of its emissions of carbon dioxide and inject it permanently into underground reservoirs.

At a discussion with the FERC, electric utilities and railroads resolved little with regards to the transportation of coal. Railway troubles have reduced utility stockpiles of coal, and the industry is concerned about the reliability of coal supplies.

MARKET COMMENTARY

The natural gas market opened 36.5 cents softer, as moderating forecasts for the end of June deflate last week's heat driven rally. The July contract spent the entire session trolling quietly through negative territory, trading between 6.79 and 6.93. A retreating oil complex also kept upward pressure to a minimum, as bullish news seems hard to find. July natural gas finished the session down 29.2 cents at 6.893.

With forecasts showing normal temperatures for the eastern half of the country, the market has returned much of the cooling demand premium from last week. We expect the market to chop around the mid- to upper-6.00 area as market players await the arrival of more



heat or a storm, but until then the market will maintain a holding pattern. As we move into the official days of summer, we feel that control of the market will move more firmly into the hands of the bulls, as expectation of tropical activity increase. We see support at \$6.82, \$6.58, \$6.40 and \$6.00. We see further support at \$5.94, \$5.90 and \$5.70-\$5.71. We see resistance at \$7.00, \$7.37, \$7.50 and \$8.00. We see further resistance at \$8.28 and \$8.75

