



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 28, 2006

NATURAL GAS MARKET NEWS

The Senate Appropriations Committee on Thursday is expected to mark up a \$26 billion spending bill for fiscal year 2007 that would prohibit Interior's Bureau of Land Management (BLM) and the Agriculture Department's U.S. Forest Service from issuing new oil and natural gas leases on federal land along the Rocky Mountain Front.

Duke Energy plans to create two separate publicly traded companies by spinning off its natural gas businesses to Duke Energy shareholders. The new gas company, which has yet to be named, will consist of Duke Energy Gas Transmission, which includes Union Gas, and Duke Energy's 50% ownership interest in Duke Energy Field Services. The businesses remaining as part of Duke Energy will be its US franchised electric & gas unit, its commercial power unit, its non-US business unit and Crescent Resources. Duke is targeting a January 1, 2007, effective date for the transaction and expects the deal to qualify for tax-free treatment for US federal income tax purposes to both Duke Energy and its shareholders.

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Martin Lake coal fired power station shut to fix a boiler tube leak. The unit is expected to return to service in about three or four days.

The NRC reported that U.S. nuclear generating capacity was at 95,638 Mw up .014% from Tuesday and up 4.02% from a year ago.

PIPELINE RESTRICTIONS

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

KM Interstate Gas Transmission said that it is at capacity for deliveries to Panhandle Pony (PIN 9673). Based on the level of nominations, IT/AOR and secondary quantities are at risk of not being scheduled.

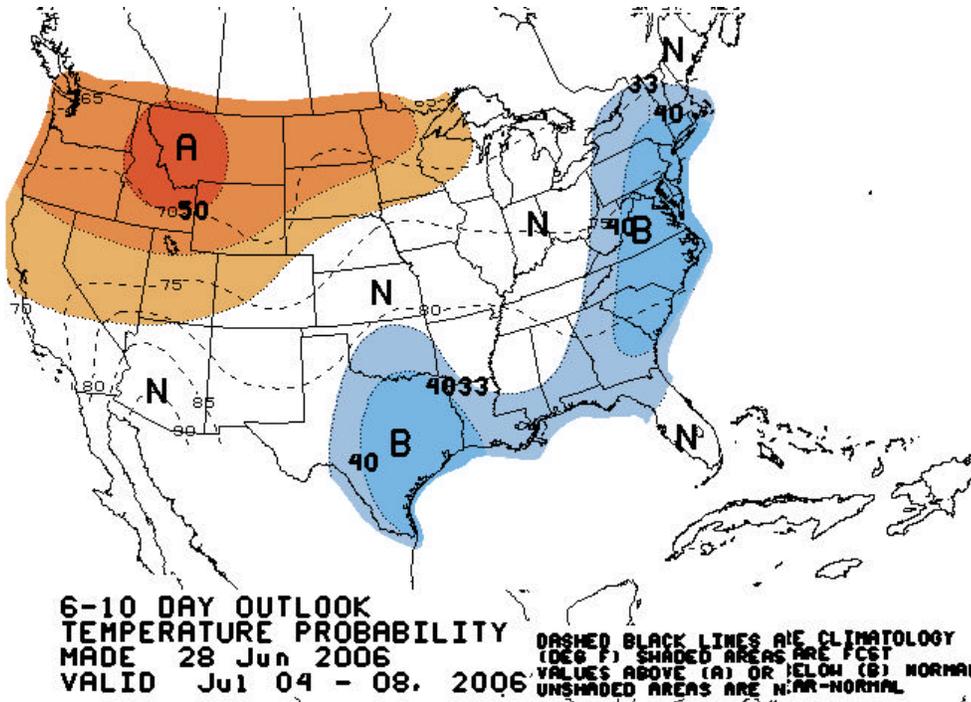
PIPELINE MAINTENCE

Northern Natural Gas Company said that beginning July 8, it will be conducting Compressor Station and pipeline maintenance on Northern's East Leg at the Galena, Illinois Compressor station and on the downstream pipeline. Mainline pressure reductions are required to facilitate the excavation, welding and tie-in activities. During this outage, Northern's operational capacity will be less than the amount of subscribed primary firm capacity at delivery points located east of Galena Compressor Station. Interconnecting pipelines will be assisting Northern to minimize the impact to its customers.

Panhandle Eastern Pipe Line Company said that there will be an outage on the Hansford 200 Line beginning today in order for Duke Energy Field Services to tie in additional gas coolers. During this outage, the capacity through the Hansford 200 Line will be reduced to 35 MMcf/d. The outage is expected to last two days.

PG&E California Gas Transmission has scheduled a water wash and general maintenance on the Burney K-2 line for July 13. Capacity on the Redwood Line will be reduced to 2,030 MMcf/d, roughly 99% of capacity.

Westcoast Energy said it will be extending the outage time line for repairs to the glycol leak on the 4A Condenser in A Sulphur Plant at the Pine River Gas Plant. The timeline for start-up has been adjusted to June 30 at 8:00 AN PT at which time the constraint will be changed from 77.7% of acid gas treatment service availability to 90% and continue until 12:00 PM PT at which time the constraint will be lifted. OPC charges will be in effect. There



will be no interruptible acid gas treatment service available for the duration of this event. The 24-hour rate for June 30, will be roughly 120 MMcf/d, which equates to 98.3% for the day.

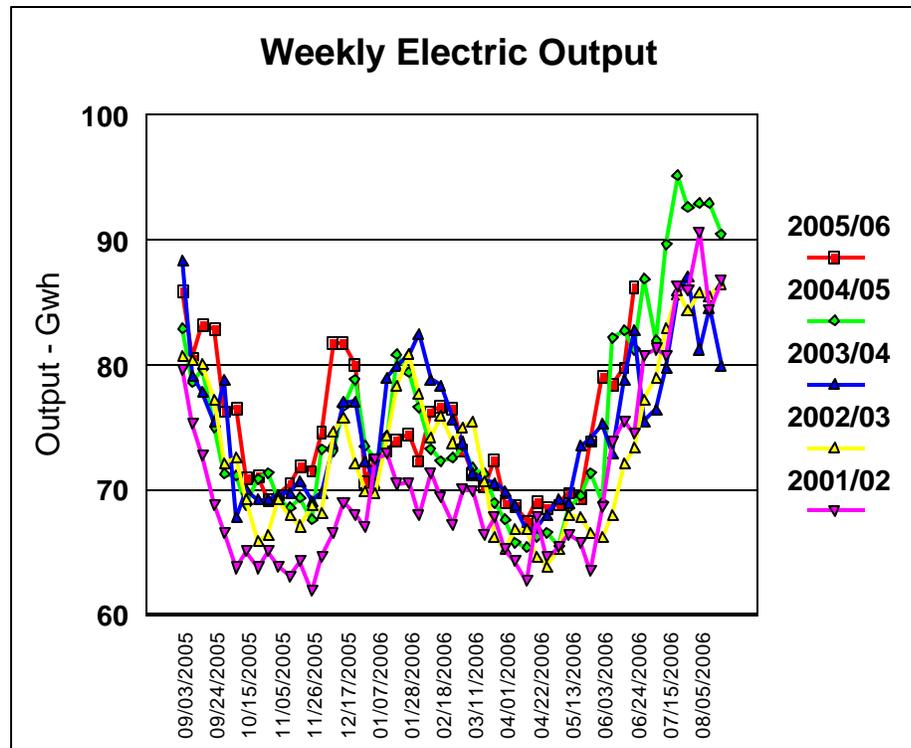
Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed today on Line Section 03 to repair a weld. Also today, unplanned maintenance will be performed on Unit 2 at the Lovell Compressor Station. At this time, restrictions are not anticipated along the Williston Basin Interstate Pipeline system.

ELECTRIC MARKET NEWS

U.S. Energy Secretary Sam Bodman said he could not tell with certainty whether U.S. southern electric utilities were prepared for this year's hurricane season. But he said that he was convinced utilities were more ready than they were last year.

After several days of holding back millions of gallons of water from the recent heavy rainfall, PPL's Lake Wallenpaupack has filled to its capacity and began releasing water to the Lackawaxen River today. PPL has been operating the 44 Mw Wallenpaupack hydroelectric plant at its full generating capacity to help manage the lake level, but water has been entering the lake from its feeding streams faster than it is flowing out to supply the power plant.

The Edison Electric Institute reported that US utilities generated 86,345 GWh of power in the week ending June 24, 6.1% more than the total generated in the same period of 2005.



MARKET COMMENTARY

The July natural gas contract opened relatively unchanged as it started its final day of trading. The market traded through modestly positive territory early in the session, trading to a high of 6.17, but as the session winded down, market bears pressured July back below 6.00 to a low of 6.80 before settling it down 22 cents at 5.887, a

17-month low. The August contract, which takes over as the front month, traded from a high of 6.37 early in the session, to a low of 6.10, before settling down 15.2 cents at 6.16.

Looking ahead to tomorrow, the EIA storage report is expected to show a smaller than average build given last week's swath of warmer than normal conditions. Estimates call for a 45-78 Bcf build with an average expectation of a 63 Bcf injection. Weather forecasts continue to offer little support, but signs of warmer temperatures heading east will keep bears at bay. Market players are continuing to watch forecasts in anticipation of cooling demand and with the long weekend ahead we feel that this market will remain above the 6.00 level. We see support for the August contract at \$6.00, \$5.94 and \$5.90. We see resistance at \$6.33-\$6.36, \$6.89, \$7.12 and \$7.60-\$7.61.