



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 29, 2006

NATURAL GAS MARKET NEWS

The U.S. National Hurricane Center reported that it did not expect a tropical storm to form in the Atlantic through Friday. The center reported that a tropical wave was producing widespread cloudiness and showers over the eastern Caribbean Sea and the Lesser Antilles and adjacent Atlantic waters. The NHC expected upper-level winds to remain unfavorable for any significant development of this system over the next couple of days as it moves west-northwest at 15 to 20 miles per hour.

The Senate Appropriations Committee Thursday unanimously approved a \$26.1 billion spending bill for fiscal year 2007 that would prevent the Bureau of Land Management (BLM) and the U.S. Forest Service from offering new oil and natural gas leases on federal land in a portion of the Rocky Mountains.

PIPELINE RESTRICTIONS

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

EIA Weekly Report

	06/23/2006	06/16/2006	Net chg	Last Year
Producing Region	827	812	15	706
Consuming East	1359	1317	42	1088
Consuming West	356	347	9	325
Total US	2542	2476	66	2119

*storage figures in Bcf

Natural's Louisiana Zone). Natural is working to repair the unit. At this time, this outage is only impacting the deliveries to Natural's interconnect with Florida Gas Transmission Company located in Vermillion Parish, Louisiana. Effective for today and until further notice, Natural expects to schedule point primary firm nominations at this interconnect to a minimum of 80% of MDQ. Point Secondary in-path and secondary out-of-path will only be available to the extent point primary firm services are not fully utilized. Interruptible transportation service and authorized overrun service will not be available. Natural Gas Pipeline Company also said it is at capacity for gas going southbound through Segment 26 (Compressor Station 303). Therefore, ITS/AOR and secondary out-of-path transports are at risk of not being fully scheduled.

Texas Eastern Transmission said that it has scheduled and sealed STX and ETX to capacity. No increases in receipts between Mt. Belvieu and Longview for delivery outside that area will be accepted.

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Martin Lake #3 coal-fired power unit restarted following boiler tube leak repairs. The unit shut on June 27.

SERC— Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit increased output to 98% capacity. Yesterday, the unit was operating at 88% capacity.

WSCC— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit is scheduled to return to the power grid sometime next week. The unit has been shut since March 18 and has not operated at full power since October 7.

Reliant Energy's 741 Mw Ormond Beach #1 natural gas-fired station returned to service late yesterday. Ormond Beach #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 95,743 Mw up .11% from Wednesday and up 3.53% from a year ago.

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 15% tolerance.

Natural Gas Pipeline Company said that an unplanned outage occurred on June 27, on a compressor unit at Natural's Station 346 in Cameron Parish, Louisiana (Segment 24 of

PIPELINE MAINTENCE

ANR Pipeline Company said that due to an unforeseen engine outage, ANR will begin engine maintenance at its Bridgman Compressor Station located in Michigan in the Northern Fuel Segment (ML-7) which will require a reduction to the total Michigan Leg capacity. Capacity will be reduced by the following: MLN-MLN (South End) – 130 MMcf/d from June 28-30. Based on current nominations along the Michigan Legs, it is anticipated that above reductions may result in the curtailment of IT and firm secondary nominations.

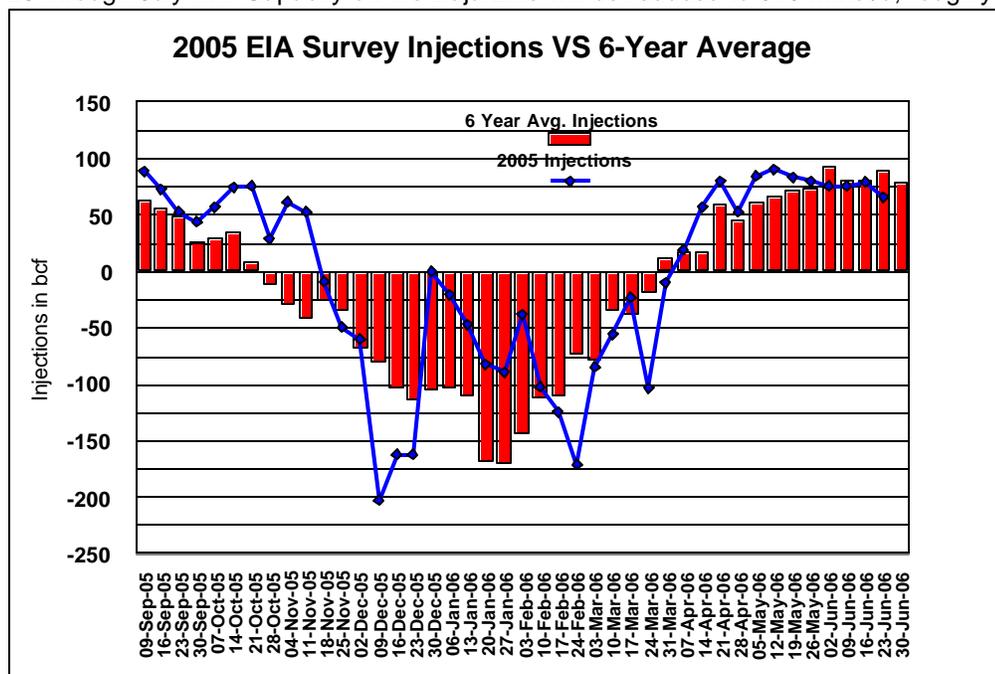
Canadian Gas Association

Weekly Storage Report

	23-Jun-06	16-Jun-06	24-Jun-05
East	165.3	158.7	128.7
West	168.3	163.2	171.6
Total	333.7	322.0	300.3

storage figures are in Bcf

PG&E California Gas Transmission has scheduled a turbine repair on the Kettleman K-2 Compressor from June 28 through July 17. Capacity on the Baja Line will be reduced to 910 MMcf/d, roughly 80% of capacity.



Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Bismarck Compressor station July 6 to replace plant batteries. At this time, the pipeline operator does not anticipate any restrictions to the system. Williston also said that planned maintenance at the Cleveland Compressor Station to install a turbine starter, valve maintenance and the annual ESD test has been extended until 5:00 PM MT this afternoon. At this time, the pipeline

operator does not anticipate any restrictions to the system. Williston said in an update to a previous posting, that the Fort Peck Compressor Station will now only be down tomorrow from 8:00 AM MT to 1:00 PM MT. In addition, maximum capacity for June 30 will be 23.5 MMcf, revised from 24 MMcf in a prior posting. Maximum capacity through Fort Peck is 17.4 MMcf today.

ELECTRIC MARKET NEWS

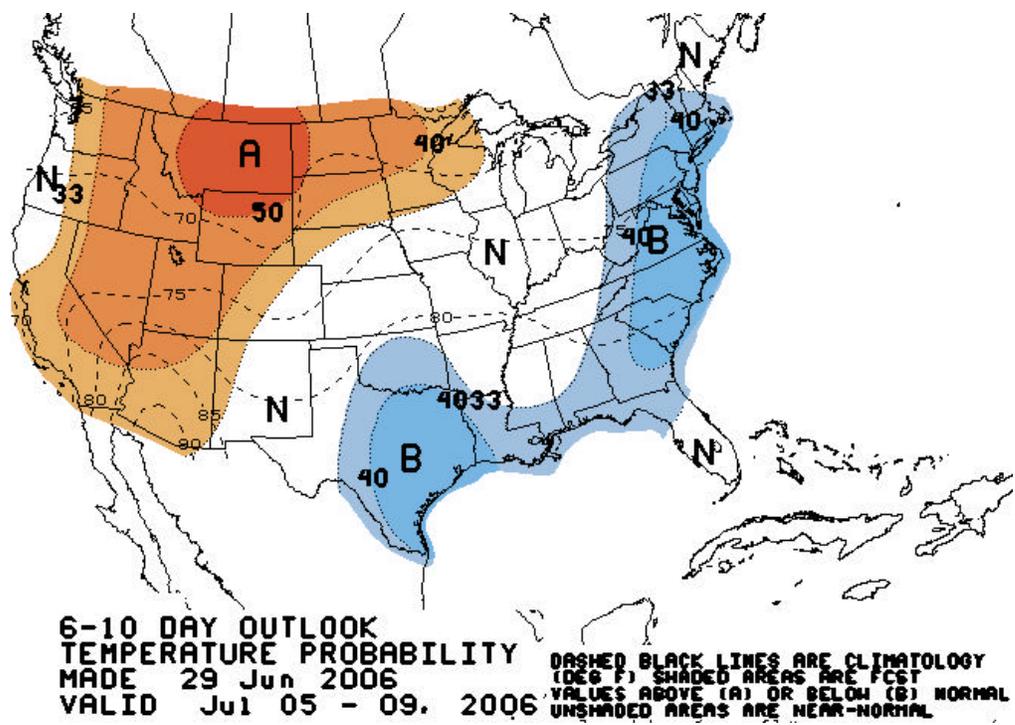
The US FERC approved a settlement between Enron Power Marketing and commission trial staff resolving matters stemming from Enron's activities during the 2000-2001 Western energy crisis. Under the terms of the settlement, Enron agreed to grant a general unsecured \$5 million claim to FERC trial staff as part of the Enron Power Marketing bankruptcy proceeding, \$4 million of which is to be allocated to Santa Clara and \$1 million allocated to Valley Electric.

MARKET COMMENTARY

The natural gas market opened 9 cents stronger in anticipation of a bearish storage report. The market traded to a high of 6.29 ahead of the figure, but the larger than expected 66 Bcf injection pressured the market to a low of 6.04. As the oil complex rallied ahead of the long weekend, natural gas traded rebounded modestly and then traded sideways between 6.10 and 6.15 for the remainder of the session before settling down 2.5 cents at 6.135.

This morning's 66 Bcf injection was markedly lower than last year's 94 Bcf figure and the 98 Bcf average, but just above average expectations of a 59-63 Bcf build. The nation's total storage now stands at 2,542 Bcf, 423 Bcf

over last year at this time and 611 Bcf above the five-year average. Limiting the downside today was psychological support from the rallying crude market and short covering ahead of the long weekend. Despite the slightly bearish storage figure, the August contract is unlikely to weaken further between now and tomorrow's early close due to general caution ahead of the long holiday. The weather forecasts continue to call for cool to seasonal conditions in the major consuming regions through at least the first week of July,



keeping prices on the lows until some cooling demand comes into the picture. With the heart of hurricane season still ahead, there will be reluctance to pressure the market as the upside still holds the most explosive potential. We see support at \$6.04, \$6.00, \$5.95 and \$5.90. We see further support at \$5.75 and \$5.70-\$5.71. We see resistance at \$6.33-\$6.37, \$6.89 and \$7.12. We see further resistance at \$7.60-\$7.61.