



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 30, 2006

NATURAL GAS MARKET NEWS

The U.S. Department of Energy and 14 other federal departments and agencies have signed an agreement to expedite the permitting and construction of the Alaska Natural Gas Pipeline which, when operational, will substantially increase domestic natural gas supply and advance the Administration's energy security policy. The agreement signals the U.S. government's commitment to expedite the federal permitting processes for the Alaska Natural Gas Pipeline and establishes a project management framework for cooperation among participating agencies to reduce bureaucratic delays in construction of the pipeline and delivery of natural gas to consumers. The pipeline is expected to supply about 10% of future U.S. natural gas demand. When the Alaska pipeline is fully operational, it will carry 4 Bcf of natural gas each day.

Generator Problems

ERCOT— TXU Corp.'s 575 Mw Big Brown #1 coal-fired power station shut June 28-29 to fix a boiler tube leak. The unit is expected to restart today.

NPCC— Entergy Nuclear's 670 Mw Pilgrim nuclear unit reduced output to 80% capacity. Yesterday, the unit was operating at full power.

The NRC reported that U.S. nuclear generating capacity was at 95,620 Mw down .13% from Thursday and up 4.20% from a year ago.

The Canaport LNG import project in St. John, New Brunswick, is rapidly moving forward – and on likely better economic terms than its competitors in Eastern Canada and the US Northeast. Expected online in late 2009, Canaport LNG's 1 Bcf/d of natural gas supplies would meet 20% of existing demand in the New England states and in New York State.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell 3 to 1,666 in the week ending June 30. The number of rigs searching for oil in the U.S. rose 8 to 302, while the number of rigs searching for gas fell 12 to 1,359.

PIPELINE RESTRICTIONS

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

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 30% tolerance.

KM Interstate Gas Transmission said that it currently anticipates the Casper Compressor Station will be available for service on July 4. The station has been under force majeure since June 24. Until then, the capacity through Segments 10, 43 and 720 is limited to 150 MMcf/d. AOR/IT, secondary and/or primary firm quantities may not fully 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 6. Final leak repairs are in progress. Also, a return to service plan is being developed at this time. The return to service date is contingent on weather conditions in the area.

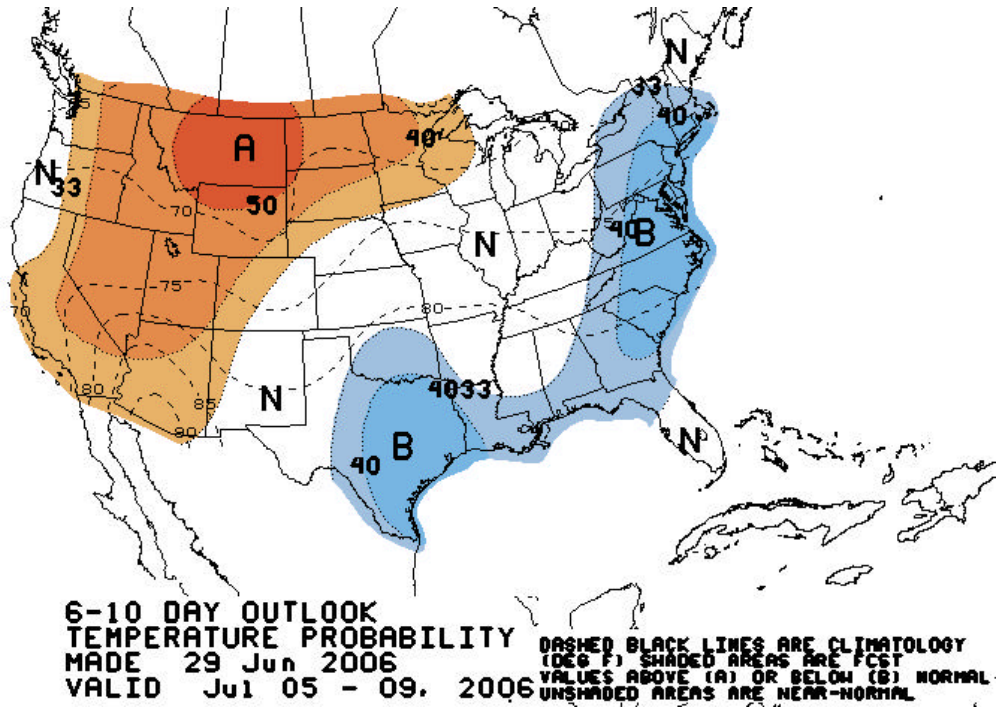
Texas Eastern Transmission said that it has scheduled and sealed receipts sourced at Trunkline Beauregard M&R station 71716. No increases in receipts sourced at Trunkline Beauregard will be accepted. Tetco has also force balanced long TABS pools in zones ELA and WLA.

ELECTRIC MARKET NEWS

The U.S. Department of Energy is seeking expressions of interest from prospective industry teams interested in participating in the development and conceptual design for the Next Generation Nuclear Plant. The unit would be a very high temperature gas cooled nuclear reactor prototype with the capability to produce process heat, electricity and/or hydrogen. The very high temperature reactor is based on research and development activities supported by DOE's Generation IV nuclear energy systems initiative.

MARKET COMMENTARY

The natural gas market opened 1.5 cents lower to start a shortened session ahead of the long holiday weekend. August natural gas chopped around on either side of the 6.10 level, trading as high as 6.15 and as low as 6.07. There was little change to weather forecasts, as most of the key consuming regions remain at normal or slightly below normal temperatures, keeping market bulls at bay, yet bears were unwilling to pressure the front months significantly lower ahead of the long weekend. The August contract settled down 3.1 cents at 6.104.



Market players remain cautious with so much of summer still left, but pressure further out on the curve has been building. The October contract slid 7.1 cents to settle at 6.734 signifying the position that after the threat of hurricanes subsides, the glut of supply that exists will weigh on the market pressuring it to lows not seen in two years. The front month's downside will likely be limited given that summer will arrive in full at some point. Market players remained pretty much on the sidelines today and will await fresh weather reports after the weekend to see where things stand. We see support at \$6.04, \$6.00, \$5.95 and \$5.90. We see further support at \$5.75, \$5.70-\$5.71. We see resistance at \$6.33-\$6.37, \$6.89, \$7.12 and \$7.60-\$7.61.