



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 10, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center said that a tropical wave is located about 1,000 miles east of the southern Windward Islands. The NHC said this system is expected to move toward the west and west-northwest at 15-20 mph and development, if any, will be slow to occur. Stronger than average surface pressures exist making organization in to a tropical storm unlikely.

Anadarko Petroleum Corp. has agreed to sell Bear Head LNG Corp., a wholly owned subsidiary that is developing a LNG receiving terminal at Point Tupper, Nova Scotia. Under the agreement with U.S. Venture Energy, a private equity firm, Anadarko will receive \$125 million, as well as an 18-month option to secure up to 350 MMcf/d of through put capacity at competitive rates.

The Interior Department's Minerals Management Service (MMS) on Friday proposed amending its existing regulations for reporting production and royalties on crude oil, natural gas, coal and geothermal resources produced on federal and Indian leases in order to align the agency's regulations with its current business practices.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack is posted as normal across the entire system.

Westcoast Energy said it is experiencing high linepack conditions. Based on comparisons of current business versus production, the company is forecasting a large gain for today's gas day. Because the pipeline system is in a high line pack condition, this will have an impact on the outlet pressures at Fort Nelson, McMahon and to a lesser extent, Pine River Gas Plants. Shippers are requested to ensure that their authorizations on the pipeline match production levels. Any packed accounts should be corrected promptly.

PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance will require the Alameda Compressor Station to be unavailable for eight hours on July 12 beginning at 9:00 AM MT. AOS throughput will be affected. The Alameda Station is located in Alberta. Alliance also said that scheduled maintenance will require the Morinville Compressor Station to be unavailable for four hours on July 12 beginning at 9:00 AM MT. AOS throughput will be affected. The Morinville Station is located in Alberta.

Generator Problems

ECAR— DTE's 1,139 Mw Fermi #2 nuclear unit shut this weekend to replace a main transformer.. The unit had been operating at 62% capacity.

NPCC— Entergy's 979 Mw Indian Point #3 nuclear unit restarted this weekend and has since increased power to full capacity. Indian Point #2 continues to operate at full power.

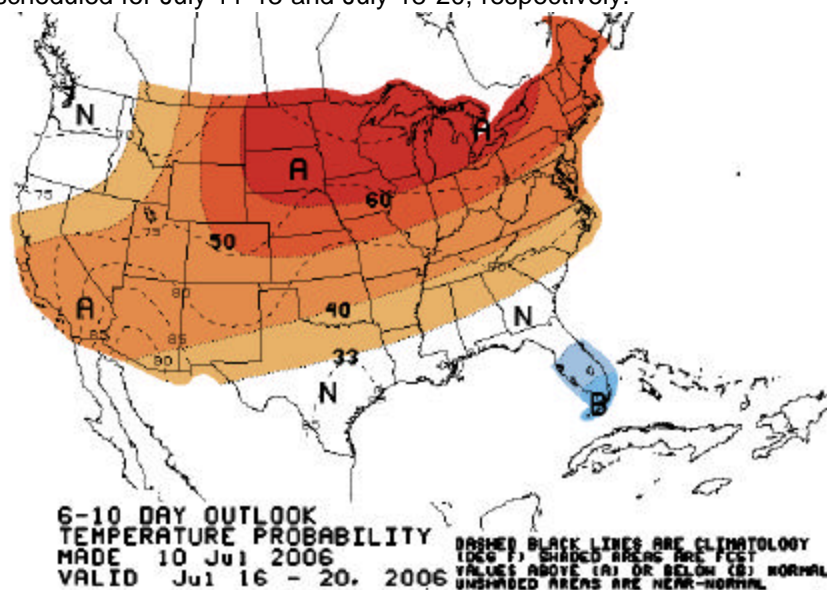
WSCC— Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit restarted this weekend and has since increased output to 70% capacity. Palo Verde #2 and #3 continue to operate at full power.

LS Power Group's 754 Mw Moss Landing #6 natural gas fired power plant shut for an unplanned outage.

APS' Four Corners 770 Mw unit #4 coal fired power unit returned to production over the weekend.

The NRC reported that U.S. nuclear generating capacity was at 96,139 Mw up 1.46% from Friday and up 4.29% from a year ago.

Northwest Pipeline said it will be completing planned maintenance on the La Plata B compressor station. However changes in market conditions over the past week have resulted in a significant increase in deliveries off the south end of its system. If deliveries off the south end continue at current levels Northwest will cut gas during this maintenance. Nominated volumes over the past two weeks indicate Northwest would only have to cut alternate gas and would not cut primary firm gas at the La Plata B compressor station if volumes stay the same. The La Plata Compressor is currently undergoing Unit #1 Inspection and #2 Turbine Exchange, which are scheduled for July 11-13 and July 18-20, respectively.



PG&E California Gas Transmission has scheduled a water wash and general maintenance on the Burney K-2 Compressor on July 13.

ELECTRIC MARKET NEWS

Electricity prices in eastern North America jumped with the usual Monday premium and forecasts for warmer weather and stronger cooling demand. PJM Western Hub prices jumped more than \$20, or 47%, to \$65-70 per megawatt hour. Peak real-time PJM prices have averaged \$47 in July, about 47% below last year.

Electricity prices in the Midwest also jumped due to warmer temperatures that are entering the area. Power at

the Cinergy hub for Monday jumped \$20, or 58%, to the \$50-55 range per megawatt hour.

Britain's National Grid Plc has received U.S. antitrust approval to acquire electric utility and natural gas distributor KeySpan Corp. U.S. antitrust authorities have closed their review of the \$7.3 billion cash deal without taking action to block it.

Sempra Energy said it had completed the sale of its 632 Mw Coletto Creek coal-fired power plant in Texas to Britain's International Power for \$1.14 billion. Sempra also closed the sale of its 50% stake in seven other natural gas- and oil-powered Texas electricity plants in the Topaz Power Group to joint owner Riverstone Holdings, and energy private-equity firm. Sempra said cash proceeds from the sales of the plants would finance LNG terminals, new interstate natural gas pipelines, and gas storage facilities.

Utility company Sierra Pacific Resources said it is exploring the sale of its stake in a natural gas pipeline as it tries to focus on its electric utilities.

MARKET COMMENTARY

The natural gas market opened 8.7 cents higher, boosted by warm temperatures making their way into Texas, the Midwest and the Northeast. Following five consecutive losing sessions that left the market at a 22-month low at the beginning of what is supposed to be one of the hottest months of the year, the market rebounded, trading to a high of 5.71 early in the session. Upside momentum was limited as concerns about record high inventories still weigh on the market. August natural gas traded to a low of 5.56 late in the session before settling up 8.5 cents at 5.608.

Cash prices across the country rose as cooling demand is expected to pick up throughout the week. The benchmark Henry Hub supply point climbed 14 cents to \$5.32, after sinking on Friday to a low of \$5.18. Today's modest correction fueled by short covering did little to change the overall bearish feel of the market. The market remains below the weekly support crossing at 5.71, and a break above 5.98 will signify that the downtrend has been broken. As the market prepares for some cooling demand, we expect to see front to back month spreads

tighten. We see support at \$5.55, \$5.47, \$5.25 and \$5.03. We see resistance at \$5.71, \$5.90 and \$5.98. We see further resistance at \$6.33-\$6.37, \$6.89 and \$7.12.