



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 17, 2006

NATURAL GAS MARKET NEWS

The NOAA said that the average temperature for the continental U.S. from January through June was the warmest first half of any year since records began in 1895. The average January-June temperature for the contiguous U.S. was 51.8 F or 3.5 degrees above the twentieth century average. No state was near or cooler than average.

If the natural gas pipeline deal put together by Alaska Gov. Frank Murkowski and the "Big Three" North Slope producers falls through, TransCanada Corp. still has a "realistic alternative" on the table, the CEO said in a letter to the governor last week. TransCanada claims to hold valid permits and rights of way to construct the project from Alaska into Canada under Canada's Northern Pipeline Act, which was enacted in the 1970s.

Colorado Interstate Gas (CIG) is holding three open seasons to test market interest in existing transportation capacity in Wyoming, capacity from a proposed interconnection with Overthrust Pipeline near Kanda, WY, and a proposed expansion of the CIG mainline from Opal, WY, to the Tomahawk interconnection with Kinder Morgan's Trailblazer pipeline system.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 20% tolerance.

Kern River Pipeline said that line pack is posted as normal on the north end of the system and low from Elberta to the end of facilities.

Natural Gas Pipeline Company said that the force majeure that occurred on Natural's Gulf Coast #3 Main Line in Panola County, Texas (Segment 26) has been lifted. PIN 25525 (Goodrich Petroleum-Britton #1-Panola) is available for transport scheduling.

Southern Natural Gas Pipeline Co. said that it has experienced an unscheduled station shutdown at White Castle Compressor Station on the west leg upstream of Franklinton Compressor Station in South Louisiana. SoNat personnel are working to bring the station back online but at this time the return to service is unknown.

Generator Problems

ERCOT— TXU Corp.'s 565 Mw Monticello #2 coal-fired power station restarted July 16-17 after repairs to a fluid leak on a governor valve were made.

American Electric Power's 528 Mw Welsh #1 coal-fired power station restarted July 16-18 following repairs to a fluid system leak in the control system.

MAAC— Exelon's 619 Mw Oyster Creek nuclear unit reduced power to 70% of capacity today. On Friday, the unit was operating at full power.

WSCC— Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit returned to full power after restarting last weekend. The unit was operating at 90% capacity at the end of last week. Palo Verde #2 and #3 remain at full power.

AES Corp.'s 485 Mw Alamitos #5 natural gas fired power station returned to service late Friday afternoon following an unplanned outage. The unit shut July 13.

Reliant Energy's 741 Mw Ormond Beach #1 natural gas-fired power station shut yesterday for unplanned reasons.

AES Corp.'s 480 Mw Redondo #8 natural-gas fired power station returned to service by yesterday afternoon following an unplanned outage. The unit shut by July 14.

The NRC reported that U.S. nuclear generating capacity was at 96,263 Mw up .13% from Friday and down .12% from a year ago.

Southern cut Franklinton West leg interruptible capacity by an additional 20 MMcf/d effective with the intraday day 1 scheduling cycle for Sunday, July 16.

PIPELINE MAINTENANCE

Alliance Pipeline said that it will perform routine maintenance at the Windfall Compressor Station Unit 2 for six hours on July 20. This station, located in Alberta, is equipped with redundant compression and system throughput should not be impacted.

ANR Pipeline Company said that it has completed the engine maintenance on its Patterson compressor station and the associated capacity restriction has been lifted.

Panhandle Eastern Pipe Line

Company has postponed an outage between Gate Valve 211A to Edgerton Station for ILI modifications on the 200 Line, to August 1. The outage was scheduled to begin June 15, but was then delayed again until July 26. The expected duration is 28 days. Capacity will be limited to 1,350 MMcf/d through Motezuma. This scheduled project is part of an ongoing integrity program conducted by Panhandle.

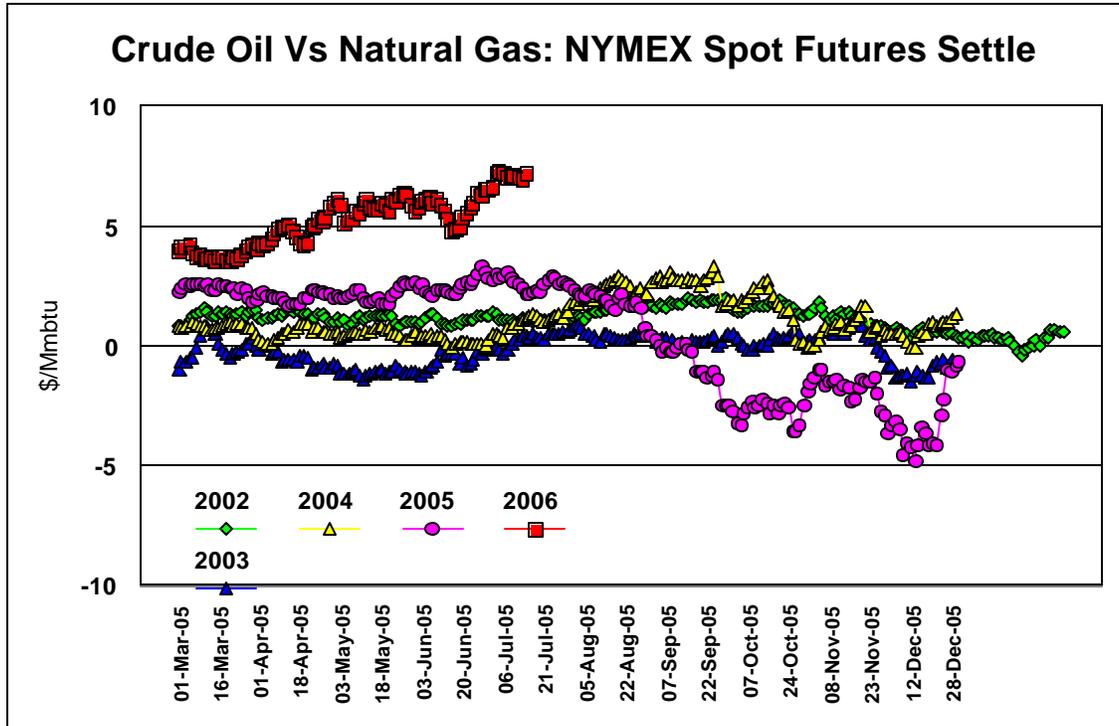
Texas Eastern Transmission said that pipeline maintenance between French Lick and Seymour previously scheduled from August 1 through August 6 has been cancelled. However, as part of the Texas Eastern DOT pipeline integrity program, Tetco will be blocking the 24-inch system between Batesville and Lebanon for a pipeline investigation during the same period. During this outage, receipts sourced between Longview and Batesville will be restricted, possibly to zero for the duration of the work. Additionally, a restriction of receipts sourced between Joaquin and Longview is possible. Tetco also said that due to the pipeline maintenance between Opelousas and New Roads, Tetco has restricted access areas zones ETX, STX and WLA. No increases between Little Rock and Opelousas for delivery outside that area will be accepted.

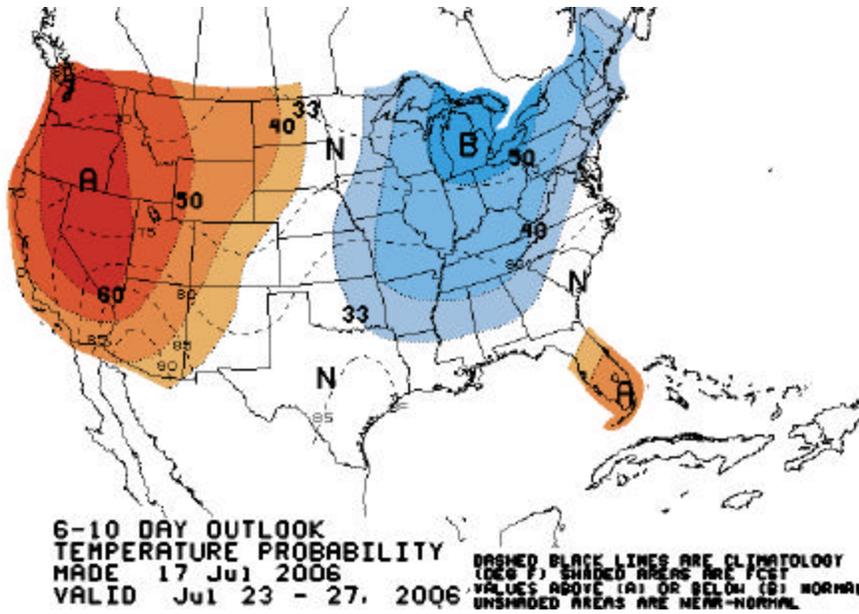
ELECTRIC MARKET NEWS

PJM Interconnection, the electric grid operator for more than 51 million people in 13 states, today requested the public in its eastern states to conserve electricity. PJM expects to reach a new all-time peak record demand today of more than 138,000 Mw. The previous record was 133,763 Mw set on July 26, 2005. PJM expects to have adequate supplies of electricity. It issued the request for conservation as a "prudent precaution."

Officials in California also appealed to consumers to conserve electricity due to the heat wave engulfing the country. Temperatures reached as high as 110 F and electrical demand is called to reach 48,238 Mw today and 47,909 Mw tomorrow, shattering the previous record of 45,431 mw set on July 20, 2005.

MARKET COMMENTARY





The natural gas market opened 18.7 cents lower despite the pressure-cooking heat wave that has engulfed the country. Profit taking following last week's rally and a retreating crude oil market pressured the August contract back below 6.00 in relatively quiet trading. The front month contract broke as low as 5.73 before coming to rest at \$5.783, a full 56.4 cents under last Friday.

Market players seemed unimpressed with the current wave of heat dominating the majority of the country, and with oil 1.73 lower, bulls were reluctant to stand in the way of fund selling. Medium-term forecasts also aided the sell off, as

temperatures are to be more seasonable in the eastern half of the country. Early expectations for the EIA storage report call for a modest build between 45 and 60 Bcf. This figure will compare with a 79 Bcf five-year average and a relatively modest 58 Bcf last year. The five-year average storage surplus will continue to shrink, furthering a more balanced supply picture and continuing an underlying supportive trend. We feel that this market will consolidate some of today's decline and as we get a better feel for the actual air conditioning demand. We see support at \$5.73, \$5.65, \$5.50, \$5.35 and \$5.25. We see resistance at \$6.00, \$6.34, \$6.45, \$6.89 and \$7.12.