



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 18, 2006

NATURAL GAS MARKET NEWS

Environmental groups are targeting Sen. Mel Martinez (R-FL) in a series of print and radio advertisements for his decision to support a GOP-crafted compromise that would establish a 125-mile, no-drill buffer zone around Florida in the eastern Gulf of Mexico.

Rhode Island Gov. Donald L. Carcieri has signed into law a bill that would prevent tankers carrying liquefied natural gas (LNG) from using the state's waters to deliver the chilled fuel to the proposed Weaver's Cove LNG import terminal in Fall River, MA.

Williams' Transcontinental Gas Pipe Line filed a FERC application for a \$73 million expansion project that will provide 165,000 Dth/d of new firm transportation capacity for markets in the greater Washington, DC, and Baltimore, MD, metropolitan areas. The Potomac Expansion, which will involve pipeline looping at several locations in Virginia, is scheduled for service in November 2007.

The National Hurricane Center said that the second tropical depression of the season has formed off the coast of North Carolina. At 11 am the center of the storm was located about 220 miles south-southeast of Cape Hatteras, N.C. The depression is moving north near 5 mph with a slow turn towards the north-northwest or northwest expected to occur later tonight. Maximum sustained winds are 35 mph with higher gusts.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 25% tolerance.

Gulf South Pipeline has requested that all shippers on the East Side of its system (locations east of Bayou Sale) to balance their transportation and storage contracts by conforming receipts into the system with the deliveries being taken from the system.

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 gas quality problem for the receipt from Noark-Lawrence (PIN 3988) has been corrected. This point is in Lawrence County, Arkansas (Segment 27 of Natural's Gulf Coast Main Line Receipt Zone). Effective July 18, for the evening cycle, this point will be available for scheduling.

Texas Eastern Transmission said that it has restricted and sealed receipts sourced between Little Rock and Fagus. No increases in receipts sourced between Little Rock and Fagus for delivery outside that area will be

Generator Problems

MAAC— AmerGen's 636 Mw Oyster Creek nuclear unit returned to full power after being reduced to 70% over the weekend to clean out excessive grass from the plant's intake structure.

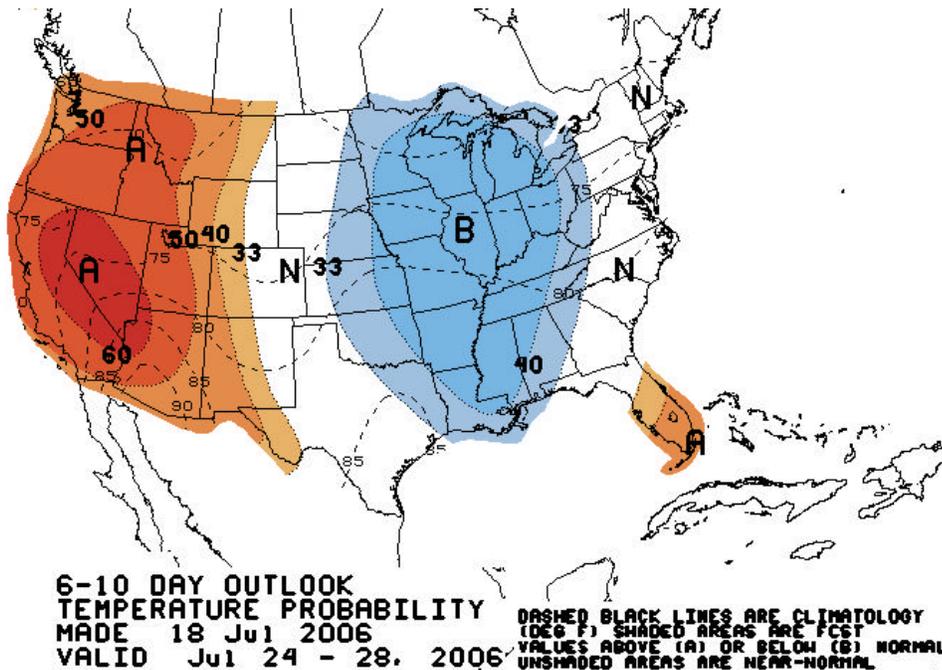
Allegheny Energy's 651 Mw Harrison coal-fired power station is offline for an unplanned outage due to failure of a transformer in a 500 kV transmission facility.

The NRC reported that U.S. nuclear generating capacity was at 96,512 Mw up .26% from Monday and up 1.25% from a year ago.

accepted. Tetco has restricted and sealed receipts sourced at Monroe Station. No increases in receipts sourced at Monroe will be accepted.

PIPELINE MAINTENANCE

Questar Pipeline Company said that it will be performing maintenance at its Prince station which will require the Price dew point plant to be shut-in July 26 through August 5. Questar has coordinated with downstream pipelines to minimize the impact. As a result of these efforts it is anticipated that there will be no additional impact to customers related to hydrocarbon dew point.



Southern Natural Gas Pipeline Company said that the White Castle Compressor Station will need to be down to complete repairs required on engine #9. This required outage, along with other outages underway, will result in a total reduction in interruptible capacity of 175 MMcf/d on the west leg upstream of the Franklinton Compressor Station in South Louisiana. The 175 MMcf/d reduction will be effective starting with the timely cycle on July 18. The capacity reduction will be returned to 70 MMcf/d when the work related to engine #9 is completed.

Williston Basin Interstate Pipeline Company said that due to unplanned maintenance at the Little Beaver Compressor Station today, Point ID 04018 Baker Area Mainline and Point ID 04015 Baker Area Grasslands Mainline will be affected by approximately 200 Dkt. Williston also said that the Fort Peck compressor is back on line after unplanned maintenance was completed due to extreme heat conditions. Issues with the plant first arose on July 15.

ELECTRIC MARKET NEWS

PJM set an unofficial record for peak electricity use of 133,746 Mw on Monday at 5:00 PM ET. PJM's previous record demand was 133,763 Mw set on July 26, 2005. The demand for electricity was met without problems and generation supplies were adequate yesterday. However, power outages were reported at Laguardia Airport and the surrounding areas of Queens New York, as temperatures pushed the 100 F mark.

The Midwest ISO also set a record, successfully meeting a demand of 132,658 Mw yesterday, breaking the record of 131,434 Mw set on August 3, 2005. With continued hot and humid weather, demand is expected to match or surpass Monday's levels.

The Florida Public Service Commission gave unanimous consent for a 750 Mw coal-fired power plant to serve customers of Seminole Electric Cooperative. The plant, which is scheduled to go into operation May 2012, will be built at the utility's existing Palatka site, beside two existing coal plants. The utility conducted analyses to compare the cost of various fuels and found the coal option would yield savings of \$476 million compared with natural gas over the life of the plant.

BP and GE said they plan to jointly develop and deploy hydrogen power projects that would sharply reduce carbon dioxide emissions from electricity generation. Current technology allows a cleaner form of generation by creating hydrogen from fossil fuels while capturing and sequestering the CO2 in deep geological formations. To

help advance the technology, BP and GE said they will collaborate on power, carbon capture and sequestration technologies.

American Electric Power and OGE Energy said they plan to partner in building a 950 Mw coal-fired power plant. Preliminary cost estimates for the new generating unit, which will be built on the site of OGE's existing Sooner plant in North Central Oklahoma, are about \$1.8 billion.

MARKET COMMENTARY

The natural gas market opened 8.7 cents stronger in line with a higher oil complex in overnight trading, as traders contemplated yesterday's dip as a buying opportunity given the extreme electrical generation demand. The market came under pressure early and as the oil complex let go of its early gains, natural gas found itself pennies away from its seasonal low of 5.47. August natural gas fell as low as 5.52 before settling down 22.8 cents at 5.555.

Keeping the bulls at bay with temperatures in the upper 90s, current forecast calling for the heat wave to break to more seasonal conditions in the short term, ample supplies in storage, and a quiet beginning to the hurricane season, which has returned the market to lows. Market bulls will focus on smaller than usual builds to stocks in the next couple reports to provide some degree of support and keep the market in a 5.50-6.00 range. We see support at \$5.50, \$5.47, \$5.35 and \$5.25. We see resistance at \$6.00, \$6.34, \$6.45, \$6.89 and \$7.12.