



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 24, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that a low pressure area centered just east of La Pesca, Mexico could form into the Atlantic hurricane season's third tropical depression in the next day or so. However, the system probably will not become a tropical storm as it is hugging the coastline. Meteorologist, Jim Roullier, said "the system will pose a heavy rain threat for northeastern portions of Mexico (and) north in southeastern Texas over the next few days, but that's it."

Weaver's Cove LNG, the liquefied natural gas (LNG) import project that seemed hardest to kill, may have finally received a death blow. Massachusetts state Sen. Joan Menard (D-Fall River) and state Rep. Robert Correia (D-Fall River) said Monday that legislation they created to restrict LNG tankers passed in both the House and Senate late Thursday night and was enacted on Monday.

Construction of a new LNG plant near the port of Ferrol in northwest Spain is on schedule and it should start operations early next year. Natural gas demand in Spain grew 18% last year and so far this year is up 7%. Spain is already the world's third biggest user of LNG after Japan and South Korea and is building more regasification terminals and a second pipeline from Algeria to cope with expected future demand.

PIPELINE RESTRICTIONS

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

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

Kern River Pipeline said that line pack has returned to normal throughout the system. However, due to the high summer power load, Kern River requests that operators contact their Marketing and Customer Services Representative in advance for all balancing arrangements and be on rate unless balancing arrangements are made.

PIPELINE MAINTENANCE

Alliance Pipeline said that it will perform routine maintenance at the Estlin Compressor Station in Saskatchewan that will take it offline for four hours on July 25 beginning at 9:00 AM MT. Alliance also said that it will perform routine maintenance at the Olivia Compressor Station in Minnesota that will take it offline for four hours on July 25 beginning at 9:00 AM CT. Alliance finally said it will perform routine maintenance at the Windfall Compressor Station Unit #3 for four hours on July 25. This station is equipped with redundant compression and system throughput should not be impacted. The Windfall Station is located in Alberta.

Generator Problems

ECAR— DTE's 1,139 Mw Fermi #2 nuclear unit reconnected to the grid and is back at full power. On Friday, the unit was operating offline at 11% capacity.

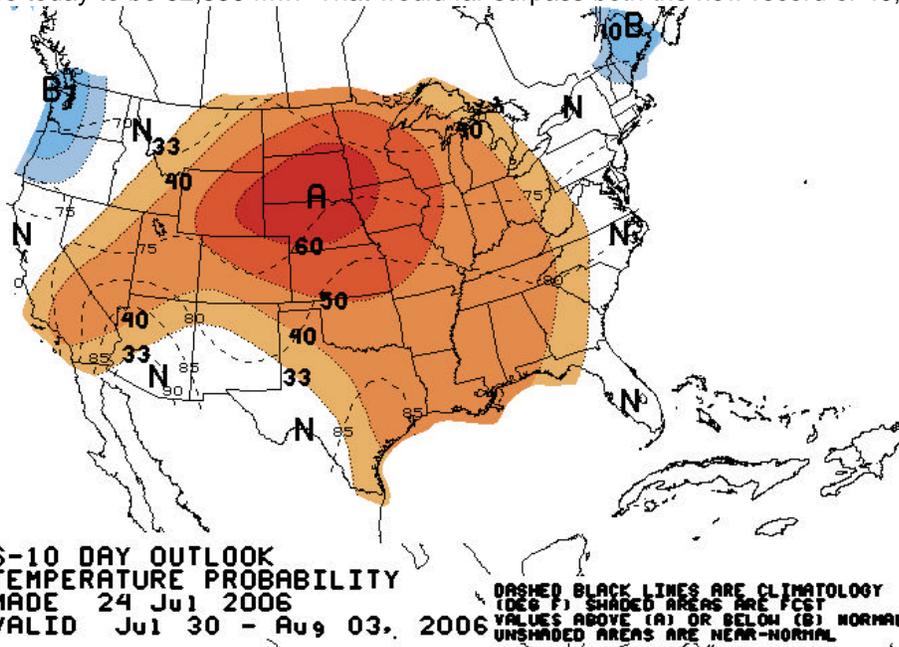
ERCOT— TXU's 750 Mw Martin Lake #1 coal-fired power station will restart following repairs to a boiler tube.

American Electric Power's 528 Mw Welsh #2 coal-fires power station will restart on July 23-27. The unit shut July 21-23 for maintenance on auxiliary equipment.

The NRC reported that U.S. nuclear generating capacity was at 97,213 Mw up .79% from Friday and up .98% from a year ago.

ELECTRIC MARKET NEWS

The California ISO said that if Californians do not step up their conservation efforts considerably today, rotating outages are possible with the demand forecast to reach record levels again. Cal ISO forecast peak electricity use today to be 52,336 Mw. That would far surpass both the new record of 49,036 Mw set Friday.

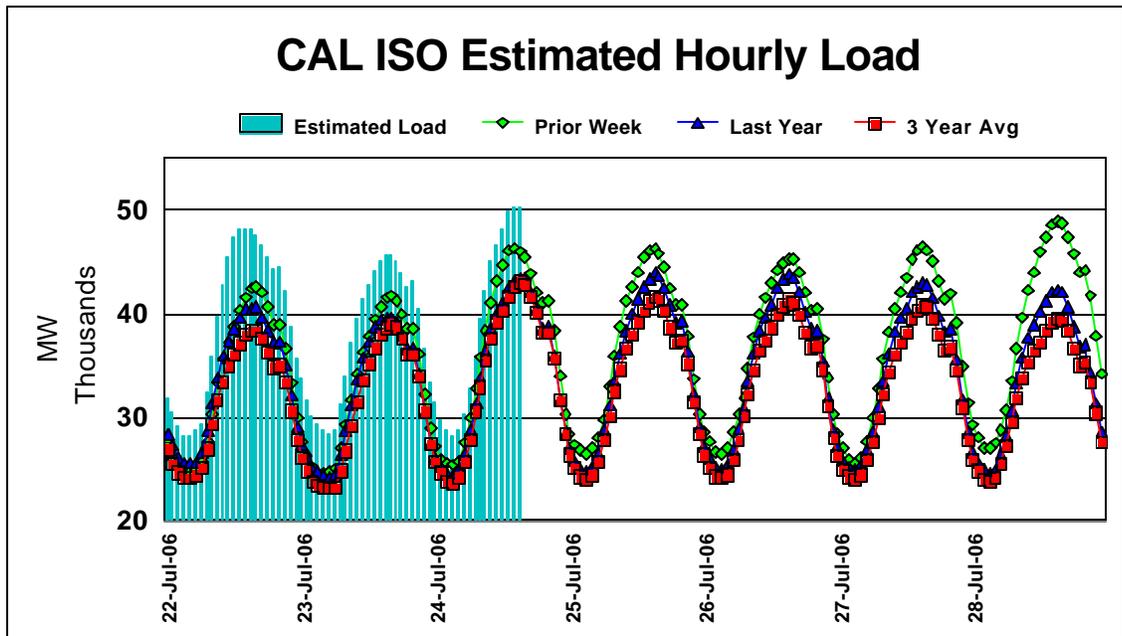


Would-be merger partners National Grid and KeySpan said they have told New York regulators that their proposed \$7.3 billion combination would generate permanent customers savings of more than \$500 million over a 10-year period. The merged companies said they will provide benefits to customers by reducing costs through combining resources and by more comprehensively managing a large natural gas supply portfolio. The companies promised \$173 million in savings for KeySpan customers in New York City, including \$109 million in business operations efficiency and \$64 million in gas supply

management savings. The companies also promised \$218 million in savings to National Grid customers in upstate New York, including more than \$14 million in as supply management savings.

Ameren Corp. expects to restore power to most of the 235,000 customers still in the dark in Illinois and Missouri.

Most of the outages are located in the St. Louis metropolitan area. Over the weekend, the company restored more than half of the more than 570,000 total customers affected by the storms on July 19 and 21.



Northeast Utilities said it agreed to sell its competitive power

generation business to private equity firm Energy Capital Partners for around \$1 billion. Northeast, which is shedding assets to focus on its regulated utility operations, said it sold the 15 power plants in Connecticut and Massachusetts for \$1.34 billion, including the assumption of \$320 million in debt. The plants have a total output of 1,442 Mw.

MARKET COMMENTARY

The natural gas market opened 21.1 cents higher supported by the bullish combination of forecasts for warmer temperatures, thunderstorm activity in the Gulf of Mexico, and expectations for a tiny build to stocks this Thursday. August natural gas pushed out of its prior \$5.50-\$6.50 comfort zone as it surged to a high of 6.63. Amid a mix of short covering and fresh buying, the front month contract closed \$6.605, up a substantial 46.6 cents on the day.

Natural gas got a lift today on summer news suggesting that a short-term bottom has been put into the market. The tropical disturbance has lifted prices, not so much for what it might amount to, but rather as a warning of what might come. This wave probably isn't going to get a name, but it represents activity starting down there.

Further supporting the market is declining storage injections due to the widespread heat. We feel that the market will consolidate at these new levels and with expiration for the August contract this Thursday, we expect to see some added volatility. We see support at \$6.32, \$6.12, \$5.96, \$5.82 and \$5.40. We see resistance at \$6.75, \$7.00 and \$7.12.

