



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 25, 2006

NATURAL GAS MARKET NEWS

Alliance Pipeline, Duke Energy Gas Transmission (DEGT) and NJR Pipeline Co. are teaming up to propose a new 125-170-mile bidirectional pipeline between the Chicago Hub and the Lebanon Hub in Ohio to provide Canadian producers better access to premium gas markets in the Northeast.

Louis Dreyfus Pipeline announced that it has started construction of a 33-mile extension of its natural gas liquids pipeline into the Barnett Shale producing region in Texas and has initiated the permitting process to build a second NGL pipeline from its current Hull, Texas destination to the Mont Belvieu natural gas liquids hub. When completed in the fourth quarter, the eight-inch Barnett Shale lateral pipeline will connect to multiple gas processing facilities in and around Johnson County, and will deliver the NGL into the existing Louis Dreyfus Pipeline system near Walnut Springs, Texas. The pipeline will have a daily NGL capacity in excess of 45,000 barrels.

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station shut late yesterday for short-term work on an electrical system.

MAAC— One of PPL's 750 Mw Montour coal-fired power units shut late yesterday as the station continues to install scrubbers.

WSCC— Energy Northwest's 1,122 Mw Columbia nuclear unit is expected to return to full power soon. The unit reduced power on Sunday due to a sensor that said one of the pumps that moves water around the plant was running too hot.

Canada— Bruce Power's 750 Mw Bruce A nuclear unit returned to service.

The NRC reported that U.S. nuclear generating capacity was at 97,041 Mw down .18% from Monday and up .43% from a year ago.

Bobcat Gas Storage announced today that it has received authorization from the Federal Energy Regulatory Commission to construct and operate its high-deliverability natural gas storage facility in St. Landry Parish, Louisiana. The FERC certificate grants Bobcat authorization to construct and operate the facility. The certificate also approved Bobcat's request for market-based rate treatment. Once completed in 2008, Bobcat is expected to be an extremely important balancing facility supporting the commercial operations of power generators, pipelines, utilities, energy merchants and liquefied natural gas terminals in the Gulf Coast area. Bobcat received FERC approvals to develop two salt caverns with a total working gas capacity of 12 billion cubic feet.

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 20% tolerance.

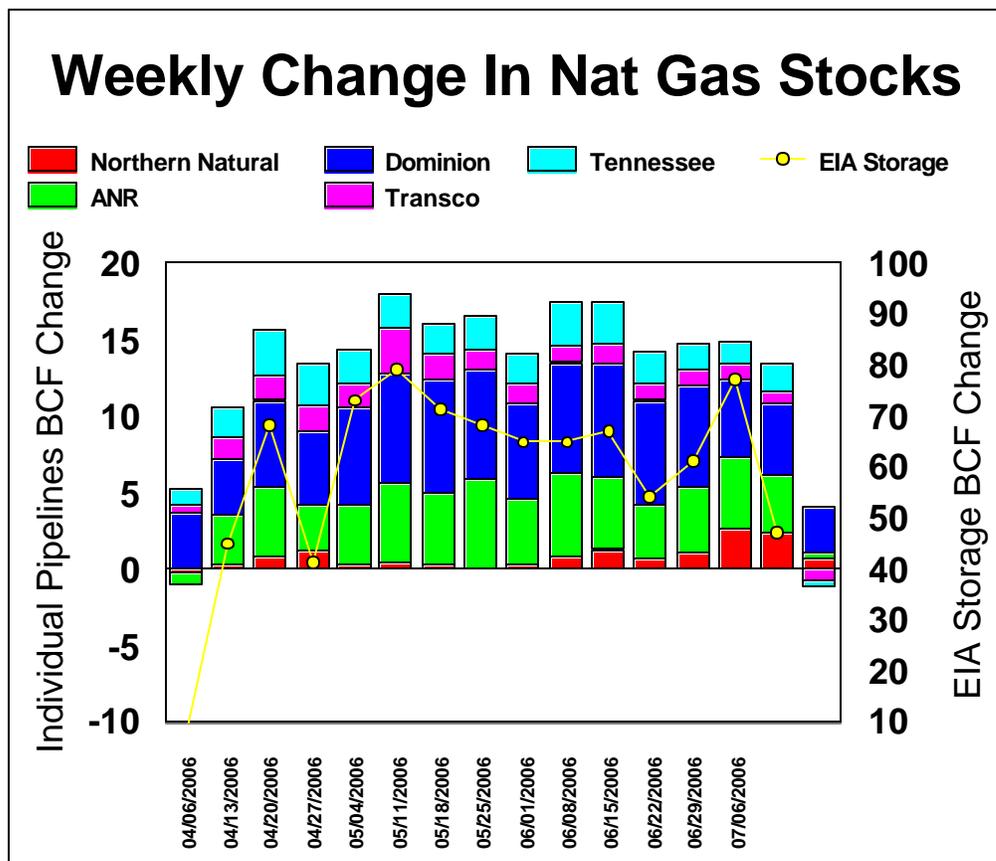
Natural Gas Pipeline Company said that gas quality problems have been reported at the receipts from Ozark-White in White County, Arkansas and Ozark-Lawrence in Lawrence County, Arkansas. Both receipt points are in Segment 27 of Natural's Gulf Coast Main Line Receipt Zone. Effective until further notice, both points are unavailable.

Texas Eastern Transmission said that it has scheduled and sealed receipts sourced between Little Rock and Batesville for deliveries downstream of Batesville. No increases in receipts sourced between Little Rock and Batesville for delivery outside that area will be accepted.

Transcontinental Gas Pipe Line said that due to poor weather conditions Transco has postponed the facility modifications associated with a hot tap installation on the CTGS upstream of Station 24 near Markham, Texas. This work was originally scheduled for Tuesday, July 25.

PIPELINE MAINTENANCE

KM Interstate Gas Transmission said that the maintenance on the Guernsey Compressor Station (Segments 58 and 750) that was posted on July 20 will continue into August. Capacity through Segments 58 and 750 will be limited to 232 MMcf/d. Based on the



current level of nominations, KMIGT does not anticipate any scheduling reductions. However, if the level of nominations increases, IT/AOR and secondary out-of-path quantities may be at risk of not being scheduled. Primary and secondary in-path quantities will be scheduled.

TransColorado Gas Transmission said that it will be performing maintenance at its Greasewood Compressor Station from August 16 through August 18. Based on anticipated operating conditions and nomination levels, TransColorado does not anticipate any scheduling reductions to IT/AOR, secondary or primary quantities.

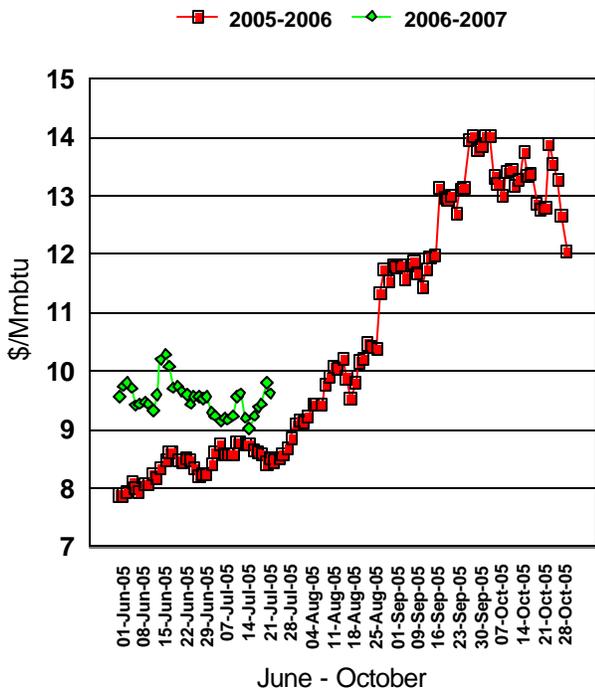
Westcoast Energy said that the hydro testing on 5.5 Km of the 36-inch loop pipeline from Station 8B to Station 9 that was scheduled from July 12 to August 2 is ahead of schedule. As a result the current constraint will be removed starting gas day July 29.

Williston Basin Interstate Pipeline Company said that the unplanned maintenance to be performed at the Fort Peck Compressor Station has been delayed by one day and will begin today at 9:00 AM MT. Based on current operating conditions, maximum capacity will be approximately 22.5 MMcf/d through the Fort Peck Compressor Station.

ELECTRIC MARKET NEWS

The California ISO reported that it avoided rotating blackouts amid record-breaking electricity use yesterday afternoon due to voluntary conservation and the curtailment of power supplies to certain utility customers. Peak demand was 50,269 Mw, a new record. Conditions on the state's electric system were improving amid signs a severe heat wave was easing slightly but it cautioned the situation could worsen quickly if a power plant broke down or transmission failed. Cal ISO did declare a stage-one emergency on the power grid for today in the state's Central Valley region as triple-digit temperatures forced up heavy demand for electricity. In a stage-one

NYMEX Nat Gas Winter Strip November-April



MARKET COMMENTARY

The natural gas market opened 10.5 cents higher on continued buying interest, which saw prices reach 6.84 in overnight trading. August traded to a high of 6.73 today before coming under technical selling pressure given its recent run-up. Prices traded to a daily low of 6.35 and then traded sideways before settling down 19.6 cents at 6.409.

Natural gas' theme of selling rallies continued today, as market players pressured prices along with a slumping oil complex. Also letting some air out of the market was the lack of development in the tropical disturbance currently causing rain and thunderstorms over the Texas coast. Crude oil was down 1.30 today and that gave bulls in natural gas

little impetus to stand in the way of the over supplied natural gas contract. We expect to see a bullish build of just 5-15 Bcf on Thursday and with heat continuing throughout the country we feel that the market will not collapse back into its familiar range just yet, but rather trend in the upper end of the 6.00 range. We see support at \$6.32, \$6.12, \$5.96, \$5.82 and \$5.50. We see resistance at \$6.75, \$7.00, \$7.12 and \$7.23-\$7.25.

situation, the ISO calls for voluntary conservation to ease the strain on the system. The grid operator has forecast peak demand on Tuesday of more than 50,538 Mw, topping Monday's record.

Ameren Corp. expects to restore power by late Wednesday to most of the 156,000 customers still in the dark in Illinois and Missouri. The company added that power should be fully restored by Thursday at the latest.

Electricity prices in eastern North America for Wednesday climbed with higher spot natural gas prices and forecasts for higher demand in the giant PJM grid. Peak prices at the PJM Western Hub gained about \$10, or 14%, to \$85-\$90 per megawatt hour.

NYMEX Natural Gas Options

Open Interest as of the Close July 24, 2006
American & European

