



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR AUGUST 15, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center today noted that the tropical system near the Cape Verde Islands that had blossomed so quickly yesterday, had just as quickly withered today as the system ran into drier air and dust from the Sahara aloft north of the system which seems to limited thunderstorm activity. The Atlantic tropics remain relatively quiet outside of the potential development of a tropical system off of eastern Florida that may move northward toward the Carolinas. Late this afternoon though the Center noted that an area of showers and thunderstorms associated with a surface trough has developed over the north-central Gulf of Mexico. Some slow development of this system is possible over the next day or so. Little motion is expected at this time.

Generator Problems

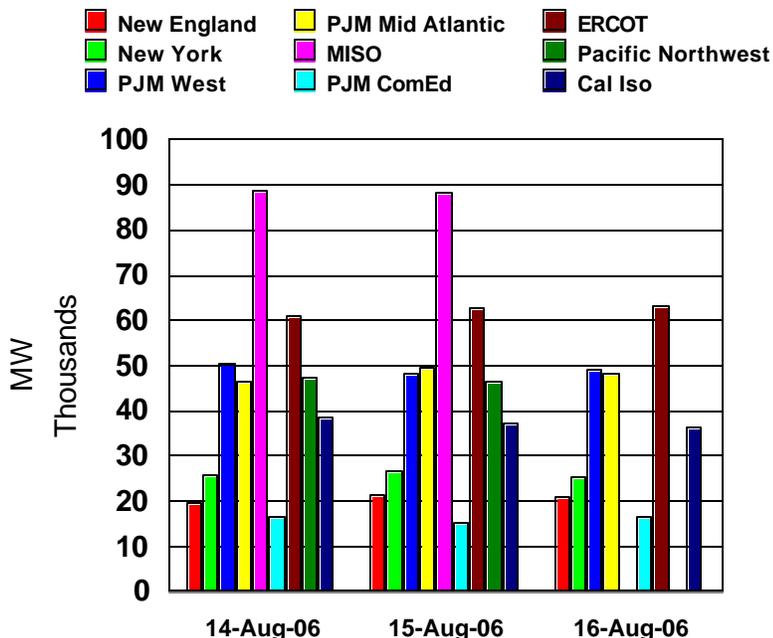
ERCOT – Operators at AEP's Pirkey Power Plant were taking unit #1 offline for maintenance work on precipitator rappers.

WSCC – Energy Northwest's 1122 Mw Columbia Generating nuclear unit was back to full power this morning after seeing operations reduced to only 61% of capacity on Monday due to maintenance work.

The NRC reported this morning that some 96,569 Mw of nuclear generating capacity were on line, a 0.5% improvement over yesterday and a 0.54% improvement over year earlier levels.

Kinder Morgan Monday agreed to sell its retail natural gas operations in Colorado, Nebraska, Wyoming and Hermosillo, Mexico to GE Energy Financial Services, for \$710 million, plus working capital. The sale covers gas distribution networks serving some 260,000 homes and businesses in those areas.

Forecasted Peak Power Demand



PIPELINE RESTRICTIONS

Florida Gas Transmission announced today that due to hot temperatures in its service area it was issuing an overage Alert Day at 25% tolerances.

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

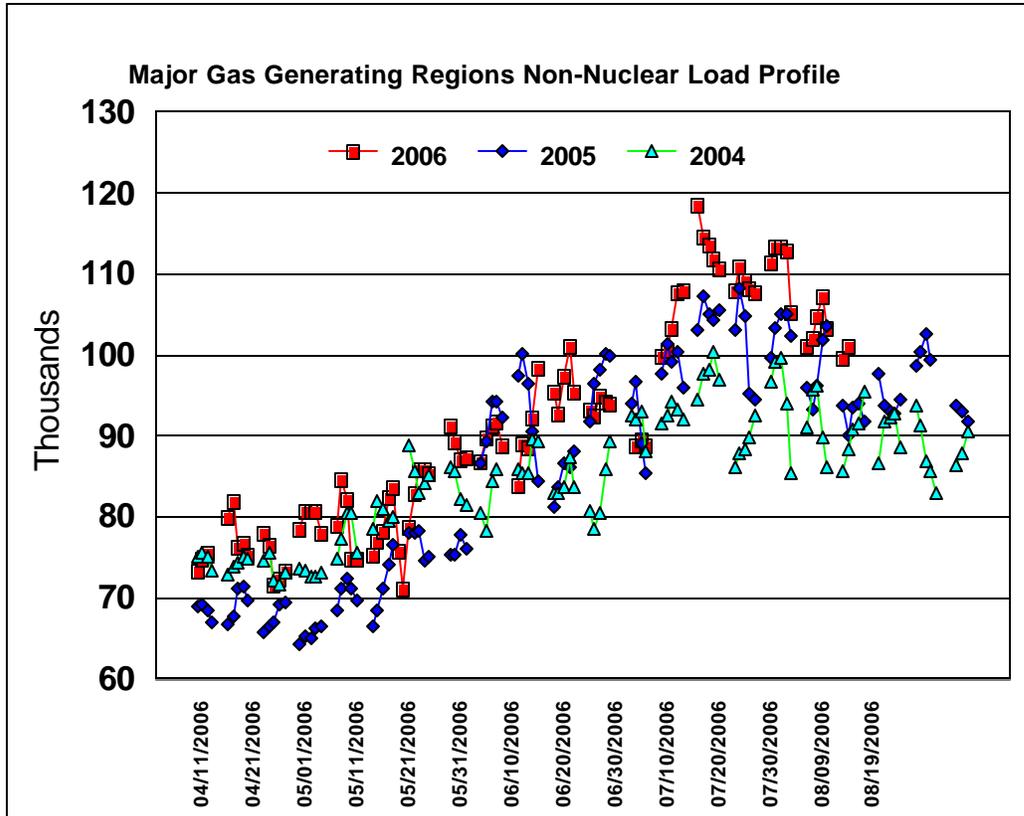
TransColorado Gas Transmission said that it is at capacity for deliveries through Segment 210 (raccoon Hollow to Whitewater Compressor Station). Depending on the level of nominations, IT/AOR and secondary out of path volumes are at risk of not being scheduled.

Kern River Pipeline said that due to banking on the weekend, linepack is

posted as high at the middle and south end facilities.

PIPELINE MAINTENANCE

Gulf South Pipeline reported that maintenance at the Hall Summit Compressor has been extended to continue through until Friday August 18th. Maintenance work had been ongoing at the facility since August 8th and had been expected to be completed this past Saturday. Capacity through the station could be reduced at times up to 100 Mmcf/d.



ELECTRIC MARKET NEWS

ERCOT official warned today that demand in the ERCOT region may set a second all time power consumption record this week, as hot temperatures remain blanketing most of the state. Officials forecasted that power demand may exceed 63,000 Mw on Tuesday, Wednesday and Thursday afternoons., surpassing the peak set on July 17th of 62,396 Mw.

Two more nuclear power plant operators have reported finding small amounts of tritium in water samples at reactors in California and Wisconsin. Southern California Edison yesterday reported that elevated levels of tritium were found in water samples at the San Onofre 1 nuclear unit, which was shut in 1992 and is being decommissioned. Meanwhile Dominion Resources said late last week that a small quantity of tritium was found in water samples taken below the Kewaunee Power Station in Wisconsin.

The six regional electric reliability councils, FRCC, MRO, NPCC, RFC, SERC, and SPP have signed an agreement to form the Eastern Interconnection Reliability Assessment Group, which will seek to create common approaches to compliance and enforcement administration.

Southern California Edison announced it has issued a RFP seeking 1,500 Mw under long-term contracts from independent power producers that it hopes will encourage merchant generators to build power plants in the state.

MARKET COMMENTARY

The natural gas market today opened weaker for the third consecutive trading session as generating demand for natural gas outside of Texas and the Gulf Coast states remained limited. The market found limited trading interest as only 58,000 futures were booked on the day with spreads accounting for over 72% of the days activity. As a result prices posted an inside trading session, the second one in just four trading sessions as it appeared traders will willing to await Thursday's storage report before making any additional commitments to this market.

With hurricane forecasters offering little fresh news to trade off, but with the approach of the peak period of the season coming over the next four weeks, it appears the long side would be a safer bet to play this market from

over the period. As a result we would look for any additional sell offs as an intermediate term buying opportunity. Ideally we would target the \$6.50 area followed by the gap in the daily charts at \$6.43-\$6.26 as key entry points to either buy futures or call options spreads.

The exchange reported at midday that open interest in the natural gas contract on Monday fell 4,709 lots after reaching a new record high on Friday of 949,554.

