



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 16, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center reported the area of low pressure centered about 150 miles southeast of the coasts of North and South Carolina is producing maximum sustained surface winds of about 25 mph in a few isolated thunderstorms. This system has the potential to become a tropical depression at any time during the next day or so. Also worth noting is the low pressure that exists in the gulf and the north-northwest winds that are blowing into it with bands of thunderstorms. This situation will continue to be monitored, but no other serious tropical threat exists.

FERC on Tuesday gave environmental clearance to Gold Pass Pipeline LP's plan to enlarge pipe facilities in Jefferson and Orange counties in East Texas that will support ExxonMobil's proposed Golden Pass liquefied natural gas (LNG) terminal in Louisiana.

According to a new study by a university professor in Florida, global warming is affecting the intensity of Atlantic hurricanes, and he says his research provides the first direct link between climate change and storm strength. James Elsner of Florida State University searched to answer whether the atmosphere is forcing the ocean or the ocean is forcing the atmosphere. He found that average air temperatures during hurricane season between June and November were useful in predicting sea surface temperatures, but not the other way around. It appears that atmospheric warming comes from sea warming, indicating that hurricane damage will be likely to continue increasing because of greenhouse warming.

PIPELINE RESTRICTIONS

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

El Paso Natural Gas Company said that both of the Washington Ranch compressors are currently unavailable for injection. The #2 unit should become available today. The #1 compressor is estimated to remain unavailable until August 23 due to damaged power heads. There will be only one-half capacity (approximately 70 MMcf/d) until mid-week next week.

Kern River Pipeline said that due to banking, line pack is posted as higher at the middle and south end facilities.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing scheduled compressor maintenance at the Clarence Compressor Station on unit 1 beginning September 5 at 7:00 AM CT and continuing for approximately 45 days. Capacity through Clarence Compressor Station could be reduced by as much as 100 MMcf/d during this

Generator Problems

ERCOT – AEP's Pirkey Power Plant unit #1 remains closed to repair precipitator rappers.

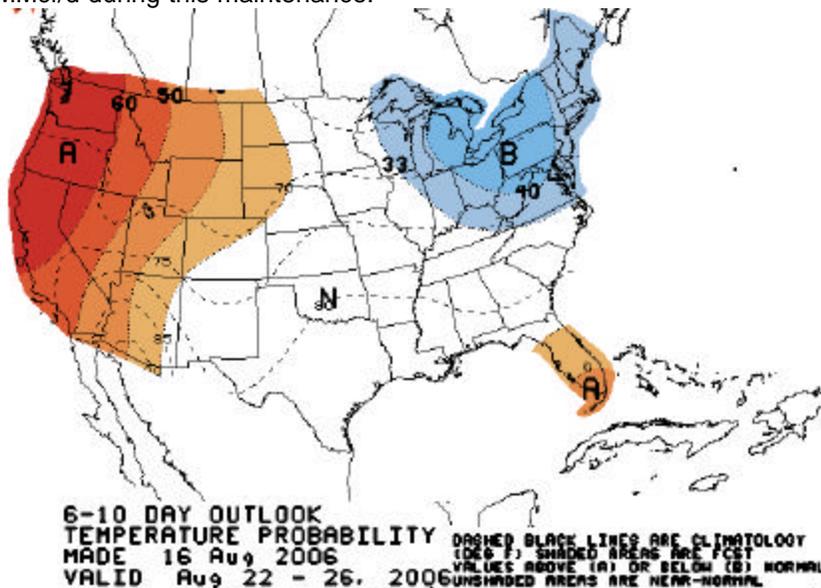
Oklahoma's 550 Mw coal-fired unit #1 shut due to a boiler water wall tube leak. The unit is expected to restart tomorrow.

MAIN – Exelon Generation's 1,022 Mw Clinton nuclear unit reduced output to 65% capacity late yesterday to repair a small leak in a drain pipe. The repair has been made and the unit has since increased output to 91%. Yesterday, the unit was operating at full power.

NPCC – Entergy's 684 Mw Pilgrim nuclear unit reduced power to 81% late yesterday for planned maintenance. The unit has since increased to 88%. Yesterday, the unit was operating at full power.

The NRC reported this morning that some 96,184 Mw of nuclear generating capacity were on line, 0.40% lower than yesterday yet 0.12% over year earlier levels.

maintenance. Gulf South also said that it will be performing scheduled compressor maintenance at the Montpelier Compressor Station on all units with one unit down at a time, beginning August 21 and continuing for approximately 28 days. Capacity through Montpelier Compressor Station could be reduced by as much as 50 MMcf/d during this maintenance.



Northwest Pipeline has released its schedule for critical pipeline maintenance during the second half of August and throughout the month of September. Through August 21, NWP will perform an inspection and compressor upgrade work on unit #5 at the Green River Compressor Station. The work will cut flow down to 384 MMcf/d, down from 441 MMcf/d. On August 23, NWP will perform an ESD test at the Oregon City CS, cutting flow down to 213 MMcf/d from 256 MMcf/d. From August 28 to September 12, NWP will perform several pig runs from the Pleasant View CS to the La Plata B CS. Specific tool parameters will require pressure and flow restrictions during the pig runs, with flow reduced to 250

MMcf/d, down from 355 MMcf/d.

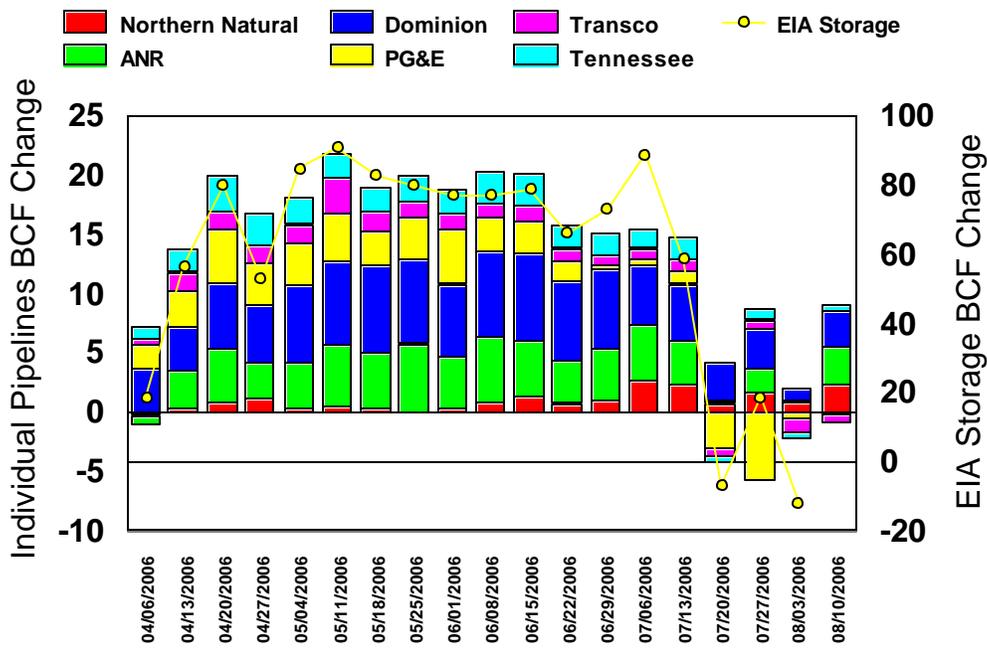
Transcontinental Gas Pipe Line said that work being done associated with the lowering of the North High Island Gathering System has been delayed. Transco anticipates the outage will continue through gas day of August 21 weather permitting. Transco will begin accepting nominations at the NHI lateral locations for gas day August 22.

Williston Basin Interstate Pipeline Company said that the planned maintenance on the Mott-New England Lateral will begin today, one day later than originally scheduled. At this time, Williston Basin does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

The Electric Reliability Council of Texas failed to set a new record yesterday despite temperatures above 100 F across much of ERCOT's footprint. ERCOT projected demand of 62,804 mw on Tuesday, but the peak load was just below 62,000 Mw, nearly 400 Mw short of the July 17 record of 62,396 Mw.

Weekly Change In Nat Gas Stocks



The president of the California Public Utilities Commission, worried about power reliability in another heat storm, has ordered utility Southern California Edison to expand a summer program that turns off air conditioners to ease strains on the grid.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended August 12 fell 0.3% from the same 2005 week to 92,651 GWh, down from the previous week's all-time weekly output record of 98,583 GWh. For the first 32 weeks of the year, power production is up 1.0% from last year.

Seven northeastern U.S. states said they had agreed on a model rule that would create the country's first market for heat-trapping carbon dioxide by curbing emissions at power plants. The agreement of the states, called the Regional Greenhouse Gas Initiative, is relatively weak compared to the European Trading Scheme, the emissions trading program set up by the European Union to meet its obligations under the Kyoto Protocol on global warming. But the states' agreement was an important landmark as the region hopes to force the federal government to take action on reducing greenhouse gases. The RGGI would cap carbon dioxide emissions at about current levels at power plants from 2009 until 2015. Emissions at the plants would then be gradually reduced by 10% by 2019.

MARKET COMMENTARY

The natural gas market opened 14 cents higher boosted by warmer temperatures and short covering following recent sell off. September natural gas climbed as high as 7.10 early in the session, but could not muster further buying interest as crude oil weakened, and slid back below 7.00. The front month dipped as low as 6.59 before settling down 9.5 cents at 6.766, its fifth consecutive losing session.

Expectations call for a modest build under historical norms of between 8 and 45 Bcf, with most calling for an injection in the mid to upper 20 Bcf range. Our model coincides with other forecasts, calling for a 28-29 Bcf injection. This will compare to a build last year of 51 Bcf and the five-year average injection of 62 Bcf. Given the volatility of the past week, this number pretty much priced in and unless there is a huge surprise, the number should be a non-event. The market continues to look at mother nature for its queues and without any support forecasts, the market will step lower as it challenges technical support. We see support at \$6.50, \$6.43, \$6.32 and \$6.10. We see resistance at \$7.03, \$7.19, \$7.30, \$7.90 and \$8.00.

