



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 17, 2006

NATURAL GAS MARKET NEWS

The US FERC has opened the comment period for an environmental assessment regarding changes to the Golden Pass LNG import terminal in Port Arthur, Texas. The proposed changes include replacing two 36-inch pipelines running from the LNG terminal to an American Electric Power Texoma Pipeline interconnect with a single 42-inch pipeline, changing a portion of pipeline route, which would reduce the needed pipeline length for that section from 20.8 miles to 11.9 miles, and relocating interconnections to Kinder Morgan Tejas Pipeline, Kinder Morgan Texas Pipeline, and Centana Gas Pipeline.

Petroleo Brasileiro (Petrobras), Brazil's state-controlled oil company, has become a force to be reckoned with in the Gulf of Mexico (GOM). Over the past two years, the producer has quickly become a major foreign investor in the U.S. offshore, outbidding its rivals to obtain key tracts auctioned by the Minerals Management Services (MMS) in the western GOM.

In what was called the "best" western Gulf of Mexico (GOM) sale in nearly a decade for both the number of bids submitted and the amount of money bid, the Western Gulf of Mexico (GOM) Lease Sale 200 on Wednesday garnered \$340.9 million from 62 companies despite attempts to block the sale by the state of Louisiana and a continuing legal threat to the leases.

EIA Weekly Report

	08/11/2006	08/04/2006	Net chg	Last Year
Producing Region	825	829	-4	736
Consuming East	1591	1554	37	1400
Consuming West	384	380	4	371
Total US	2800	2763	37	2508

*storage figures in Bcf

packing for eight hours each day, August 28 and 29, reducing the capacity through DMOJAVE by 60 MMcf/d.

Gulf South Pipeline said that it will be performing scheduled maintenance at its Bistineau Storage facility beginning August 22 and continuing for approximately five days. During this period physical injections and

Generator Problems

ERCOT – Oklaunion's 550 Mw coal-fired unit #1 power station which shut yesterday due to a boiler water wall tube leak, will remain closed until August 24.

MAIN – Exelon Generation Company's 1,022 Mw Clinton nuclear unit increased output to 95% today. Yesterday, the unit was operating at 71% capacity.

NPCC – Entergy's 670 Mw Pilgrim nuclear unit returned to full power. Yesterday, the unit was operating at 81%.

SERC – Entergy's 1,091 Mw Waterford nuclear unit reduced output to 86% capacity. Yesterday, the unit was operating at full power.

Duke Power's 846 Mw Oconee #3 nuclear unit reduced output by 50% today. The unit was operating at full power yesterday. Oconee #1 and #2 continue to operate at full power.

Canada – Four 490 Mw coal-fired power units at Ontario Power Generation's Nanticoke power station shut this morning. This is half the station's capacity. Three of the units are expected to return within a week and another in just more than a week.

The NRC reported this morning that some 95,982 Mw of nuclear generating capacity were on line, 0.21% lower than yesterday yet 0.03% over year earlier levels.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack is posted as high over its entire system.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that the Mojave 1 compressor will be down to replace compressor

withdrawals at the facility will not be available. Nominations utilizing the Bistineau locations, 10401 and 10402, during this maintenance, will be confirmed and scheduled to the extent that Gulf South is able to utilize its other facilities to balance the system. To the extent firm service is interrupted during this period, Gulf South will be claiming force majeure for as long as service cannot be performed due to the maintenance activity. Gulf South also said that ongoing maintenance at the Hall Summit Compressor Station has been extended to continue through August 19. Capacity through Hall Summit Compressor Station could be reduced by as much as 100 MMcf/d during this maintenance.

Canadian Gas Association

Weekly Storage Report

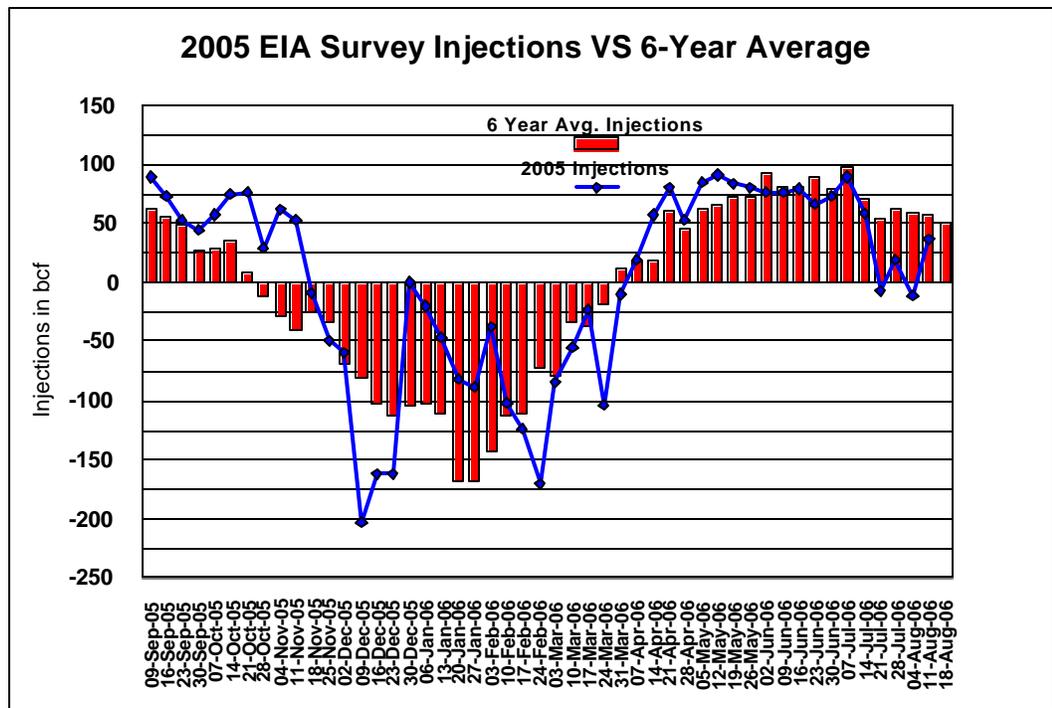
	11-Aug-06	04-Aug-06	12-Aug-05
East	197.8	194.3	176.9
West	190.7	187.3	195.8
Total	388.5	381.6	372.7

storage figures are in Bcf

Southern Natural Gas Pipeline Company said that it has completed repairs at its Woodcliff Compressor Station on the Wrens-Savannah Line in Georgia and has declared that unit available for service after experiencing and unscheduled outage last week. Ongoing unscheduled repairs to the Wrens Compressor Station will result in operational impact of about 30 MMcf/d on the weekend of August 19-20 and on August 26.

ELECTRIC MARKET NEWS

ERCOT said Texas may set an all-time power consumption record for the second time this summer today as triple-digit temperatures expand across the state. ERCOT forecast power demand could surpass 64,000 Mw today as temperatures peak between 4:00 and 5:00 PM CT, surpassing the July 17 peak of 62,396 Mw. Previous projections had not foreseen consumption at such levels until 2007.



Demand-response programs in the PJM Interconnection saved consumers about \$650 million during the early August heat wave. PJM attributed the savings to various programs that pay users to reduce consumption during heavy demand periods—including one that permits companies to bid demand cuts into the grid operator's real-time and day-ahead market. The demand-response bidding program was particularly effective because energy

prices rose as high as \$755/MWh during the heat.

Bruce Power, which runs 6 Ontario nuclear power units and is refurbishing two more at a complex on the shore of Lake Huron, said it is seeking regulatory approval to prepare a site for the potential construction of new reactors at the facility.

MARKET COMMENTARY

The natural gas market opened 11.6 cents lower as it awaited the release of the EIA's storage report. The report came in slightly larger than expectations, with a build of 37 Bcf, sending the market to the day's low of 6.45. That

was all the downside the market could produce, as prices drifted higher back above the 6.60 level. September natural gas finished its sixth straight down session at 6.689, down 7.7 cents.

Total stocks now stand at 2,800 Bcf, 292 Bcf over last year at this time and 349 Bcf above the five-year average. The surplus continues to decline, a factor keeping prices from going much lower, but without significant cooling demand or tropical activity, market bulls have to stay on the sidelines. According to the AccuWeather Hurricane Center, conditions are building toward an increase in tropical activity, as there is a buildup of heat in the tropics,

and the laws of nature dictate that the energy needs to be released. The release of energy happens in the form of tropical storms. Until such release arrives, natural gas will continue in its downtrend, and chop sideways as it awaits bullish news through the end of summer. We see support at \$6.50, \$6.43, \$6.32 and \$6.10. We see resistance at \$6.78, \$7.03, \$7.19, \$7.30 and \$7.90. We see further resistance at \$8.00, \$8.25 and \$8.44.

