



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 18, 2006

NATURAL GAS MARKET NEWS

Senior energy meteorologist Jim Rouiller of Planalytics forecast that very warm waters in the Gulf, low wind shear and a low pressure disturbance coming up from the Yucatan Peninsula could emerge in the South Central Part of the Gulf late Monday and early Tuesday and develop into a hurricane. This report helped to boost prices today after six losing sessions. The National Hurricane Center wouldn't confirm that any storms in the Gulf Coast were developing but several meteorologists agreed that all the conditions are present for a storm to form.

Generator Problems

SERC – Duke Energy's 846 Mw Oconee #3 nuclear unit reduced output to 18% today. Yesterday, the unit was reduced to 50% capacity due to an electrical problem with the control rod power supply,

The NRC reported this morning that some 95,708 Mw of nuclear generating capacity were on line, 0.28% lower than yesterday yet 0.35% over year earlier levels.

U.S. antitrust authorities said that pipeline company TEPPCO Partners had agreed to sell some natural gas storage assets in order to avert an antitrust challenge to a 2005 deal. The Federal Trade Commission said TEPPCO would sell its interest in a natural gas liquids storage facility in Texas and related assets. The agreement settles an FTC antitrust challenge stemming from a deal last year in which privately owned Enterprise GP Holdings LP acquired a TEPPCO Partners LP general partner, Texas Eastern Products Pipeline Co, from Duke Energy Field Services for about \$1.1 billion.

Woodside Natural Gas has submitted permit applications to federal and city agencies for approval to build and operate its proposed OceanWay project designed to safely bring Australian natural gas to California. Applications were submitted to the United States Coast Guard and the Maritime Administration for a deepwater port license and to the City of Los Angeles for a natural gas pipeline franchise. WNG is seeking approval to place two delivery buoys more than 20 miles offshore from Los Angeles International Airport with dual undersea pipelines to deliver the natural gas to shore. The proposal would process an annual average of 0.4 Bcf/d and subsequent phases of the project could increase the annual average capacity of 0.8 Bcf/d and 1.2 Bcf/d.

FERC on Friday gave final environmental clearance to CenterPoint Energy Gas Transmission's (CEGT) proposal to build a 172-mile pipeline from the Carthage Hub in Texas to the Perryville Hub in Louisiana, providing a market outlet for the burgeoning natural gas production in North-Central and East Texas and North Louisiana.

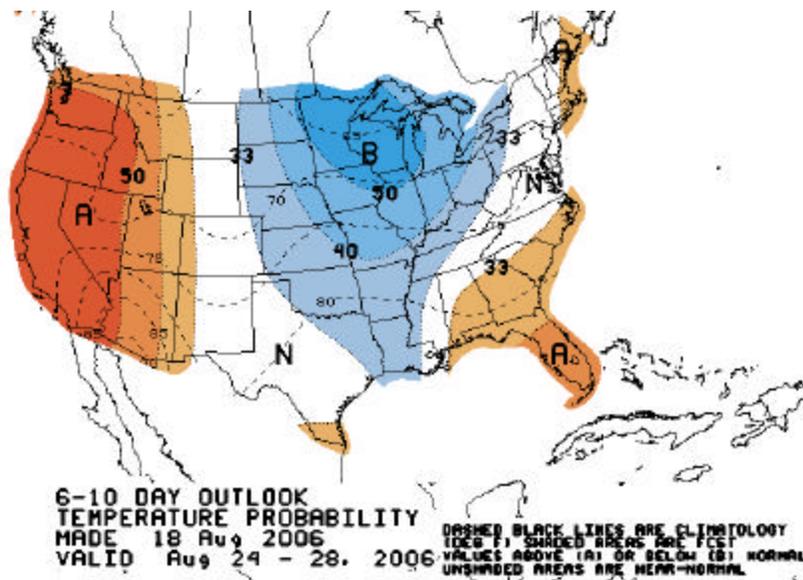
PIPELINE RESTRICTIONS

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

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

Texas Eastern Transmission said that it has limited flexibility to absorb due shipper imbalances or allow for due pipe resolution. Shippers and point operators are required to flow scheduled volumes and not create due shipper imbalances or resolve due pipe imbalances during this period. No nominations to create due shipper imbalances or resolve due pipe imbalances will be accepted until further notice. Shippers and point operators are expected o

take immediate action to adjust activity at their meters to minimize the creation of due shipper imbalances as well as take any action to resolve due shipper imbalances that may exist.



PIPELINE MAINTENANCE

Alliance Pipeline said that inspections and maintenance require the Fairmount Compressor Station to be offline for 60 hours starting on August 22. System capacity will be impacted but will be determined closer to the outage date. The Fairmount Compressor is located in North Dakota. Alliance also said that inspections and maintenance require the Loreburn Compression Station to be offline for 36 hours starting on August 22. System capacity will be impacted but will be determined closer to the outage date. The Loreburn Compressor is located in Saskatchewan.

ELECTRIC MARKET NEWS

The Electric Reliability Council of Texas late yesterday recorded a new all time peak in electricity usage with demand throughout the ERCOT footprint reaching a high of 63,056 Mw for the hour ending 5:00 PM CT Thursday. With high temperatures remaining at or above 100 F in most parts of the state, however, the record could prove to be short-lived. Demand is called to reach a high of 64,173 Mw today, which would mark yet another record high. Although high demand put a strain on the ERCOT grid on Thursday, congestion was minimal and no load shedding occurred, as some 67,000 Mw of available generation capacity was more than adequate to meet the record load.

MARKET COMMENTARY

The natural gas market opened 9 cents lower on lack of supportive weather, but after six losing sessions, short covering ahead of the weekend saw prices quietly drift higher. With conditions ripe for storm development in the Gulf, a private forecaster issued a report calling for a storm to develop in the Gulf in the early part of next week, adding to today's boost, which saw prices climb as high as 7.09, some 40 cents higher than yesterday, but in the last half hour of trading, buying interest dried up and the market succumbed back to yesterday's levels, settling up 4.2 cents at 6.731. Over the course of the week, September natural gas deflated by 53.8 cents or 7.4%.

As the market enters the heart of the storm season, the front month contract will become very sensitive to the development of the storm systems.

Come Monday, if there is no tropical storm activity, the market will drop back down. In order for the market to climb and maintain a position in the 7.00 range, additional supportive news is necessary. The Commitment of Traders Report shows that non-commercial traders increased their net long futures position by 2,172 contracts, to 31,737 lots. The combined futures and options report showed that non-commercial traders increased their net long position by 3,789 lots to 29,967 contracts. We see support at \$6.50, \$6.43, \$6.32 and \$6.10. We see resistance at \$6.94, \$7.03, \$7.10 and \$7.19. We see further resistance at \$7.30, \$ 7.90, \$8.00 and \$8.25.

