



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 30, 2006

NATURAL GAS MARKET NEWS

With his gubernatorial legacy somewhat on the line, Alaska's lame duck Gov. Frank Murkowski attempted to reach out to his opponents on Wednesday in the hopes of securing a natural gas pipeline contract, warning that unless a special session is agreed upon by the Alaska legislature, plans to build the much ballyhooed gas line are at "significant peril."

Six bidders were awarded the right to supply some 60 bcf of natural gas per year to Dominion East Ohio's 460 customers under the results of a utility-run auction approved Wednesday by the Ohio Public Utility Commission. The auction the first of its kind in the United States, enables the utility to replace gas cost recovery mechanism, under which it secured and passed through the cost of gas to its customers, with a standard service offer from October 2006 through September 1, 2008. The result of the auction was a Retail Price Adjustment of \$1.44 per Mcf. The monthly standard service offer price will be calculated as the sum of the monthly NYMEX settlement price plus the RPA. The names of the winning six bidders will not be announced for 60 days or until agreements with pipelines are completed.

Rep. Edward Markey (D-MA), a strong proponent of ending liberal royalty relief for producers, assailed the Bush administration Wednesday after it disclosed that about a dozen oil and gas producers have voluntarily agreed to pay higher royalties on deepwater production in an effort to quell the rage on Capitol Hill over the royalty-free leases that have cost the federal government billions of dollars.

While Tropical Storm Ernesto moved across Florida today on its north-northeastward track, forecasters were watching two small tropical disturbances, which are featuring some organized upper level circulation, but at this time still have not shown any important lower-level development just yet. Forecasters currently feel any development would be slow to occur. One system is a tropical wave located several hundred miles southwest of the Cape Verde Islands and the other is an area of low pressure located about 1000 miles east of the Leeward Islands. Another private weather forecaster this evening is looking for the area of disturbed weather off the African coast currently has the potential to evolve into a well defined storm as it tracks westward next week and could be a threat to the U.S., possibly the east coast next weekend. This same forecaster is looking for the next two weeks to see a spike in Atlantic tropical activity.

Inergy announced today that its Central New York Oil and Gas subsidiary has agreed to buy Tennessee gas Pipeline's 24 mile lateral connecting its Stagecoach natural gas storage facility to TGP's Line 300 and buy a LPG

Generator Problems

FRCC – FPL's Turkey Point nuclear power station reduced both units to about 50% yesterday as Tropical Storm Ernesto came ashore, but as the storm has passed, both units have been returned to full power.

MAAC – FirstEnergy's 821 Mw Beaver Valley #1 nuclear unit restarted and reconnected to the grid. The unit is operating at 80% capacity. Beaver Valley #2 continues to operate at full power.

MAIN – Exelon's 1,043 Mw Clinton nuclear unit exited an outage and ramped up to 20% by early today.

SERC – TVA's 1,114 Mw Browns Ferry #3 nuclear unit shut late yesterday to fix an oil leak. Browns Ferry #2 continues to operate at full power.

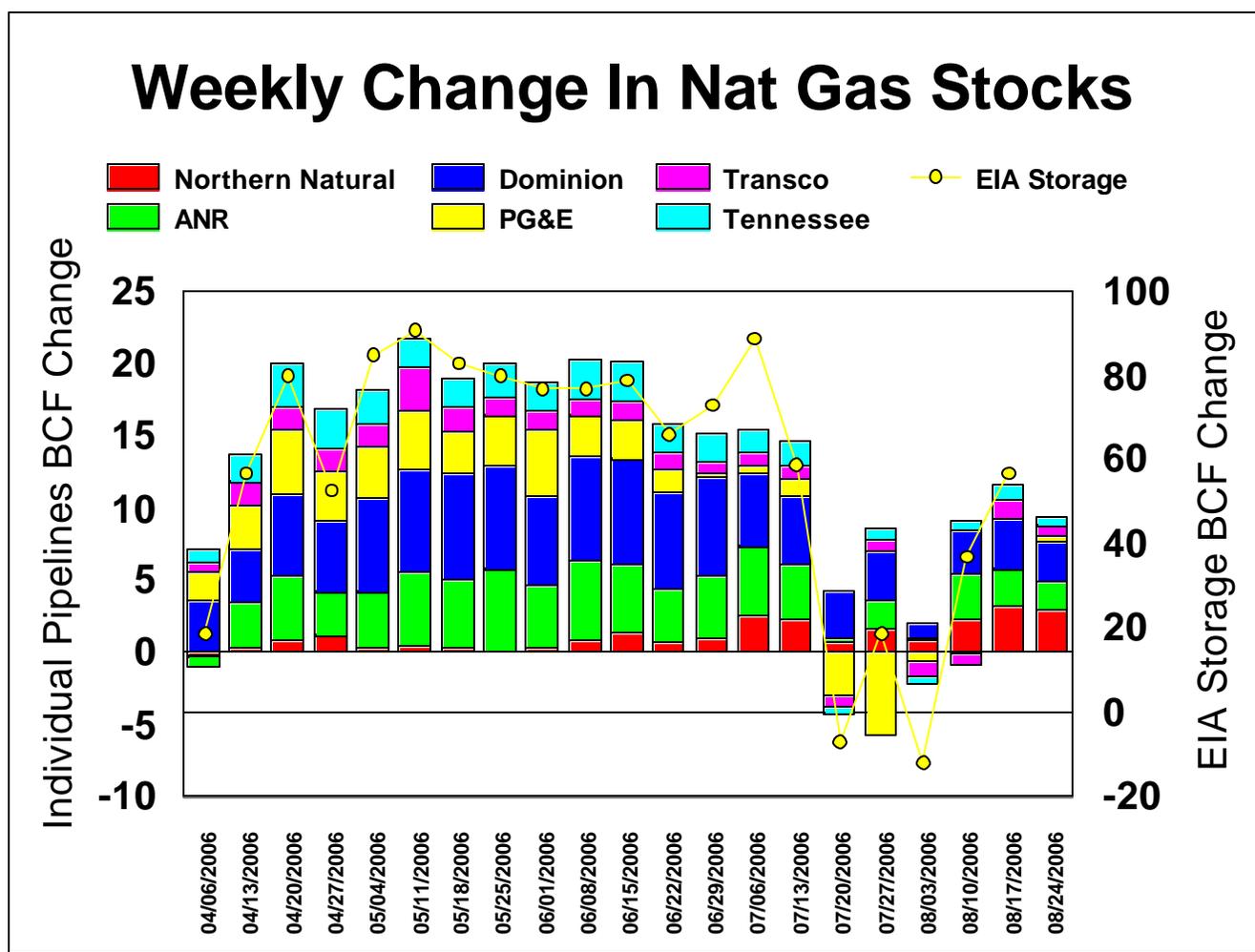
WSCC – AES Corp.'s 480 Mw Redondo #8 natural gas-fired power station returned to service by late yesterday after an unplanned outage.

The NRC reported this morning that 93,488 Mw of nuclear generating capacity were on line, .41% lower than Tuesday, and .23% lower than last year levels.

gas storage facility from Bath Petroleum Storage for a combined price of \$66 million. The lateral has a certified capacity of 500,000 Mcf/d and is currently contracted at 80% capacity.

EEA in a forecast released today said it was unlikely that natural gas prices will rise to 2005 levels barring significant hurricane activity being recorded in the Gulf of Mexico. The group is forecasting 2006 Henry Hub prices average prices to stand at \$6.90 or \$1.90 lower than the 2005 average of \$8.80. But it was looking for a "significant" rise in price for 2007 and 2008.

For what it worth, *The Farmers' Almanac* reported this week that it looked for this upcoming winter to be "shivery" winter followed by another "sizzling" summer in 2007.



PIPELINE RESTRICTIONS

Gulfstream Natural Gas System said it plans to complete the final tie-ins at the Destin interconnect from 9:00 AM CT October 5 through 9:00 AM CT October 9. During that time, the Destin receipt point will not be available for receipts into the Gulfstream system. Gulfstream also said that it anticipates that the new receipt-only interconnection between Gulfstream and Transcontinental Gas Pipe Line Corporation will be completed and available for service at 9:00 AM ET on October 2. The Transco receipt point in Coden, Alabama will have a capacity of 400 MMcf/d.

Northwest Pipeline has given notice of a Declared Deficiency Period at the La Plata B compressor beginning Gas Day August 30. This Deficiency Period is expected to last 24 hours. Northwest will perform a pig run between the Pleasant View and La Plata B compressor stations on August 30. During the pig run, Northwest's operational

capacity through the La Plata B compressor station will be 250 MMcf down from a design capacity at the station of 349 MMcf and resulting in a daily deficiency volume of 99 MMcf.

Trailblazer Pipeline said that it continues to be at capacity through Compressor Station 602. Effective for August 30, and until further notice, ITS/AOR and secondary out-of-path transports are at risk of not being fully scheduled.

Transcontinental Gas Pipe Line said it will be performing tie-in procedures for an interconnection with the Gulfstream Natural Gas system on its Mobile Bay lateral from September 16-17. This work will result in a complete shutdown of the lateral between the discharge of Compressor Station 82 and the Florida Gas Transmission interconnect at Citronelle.

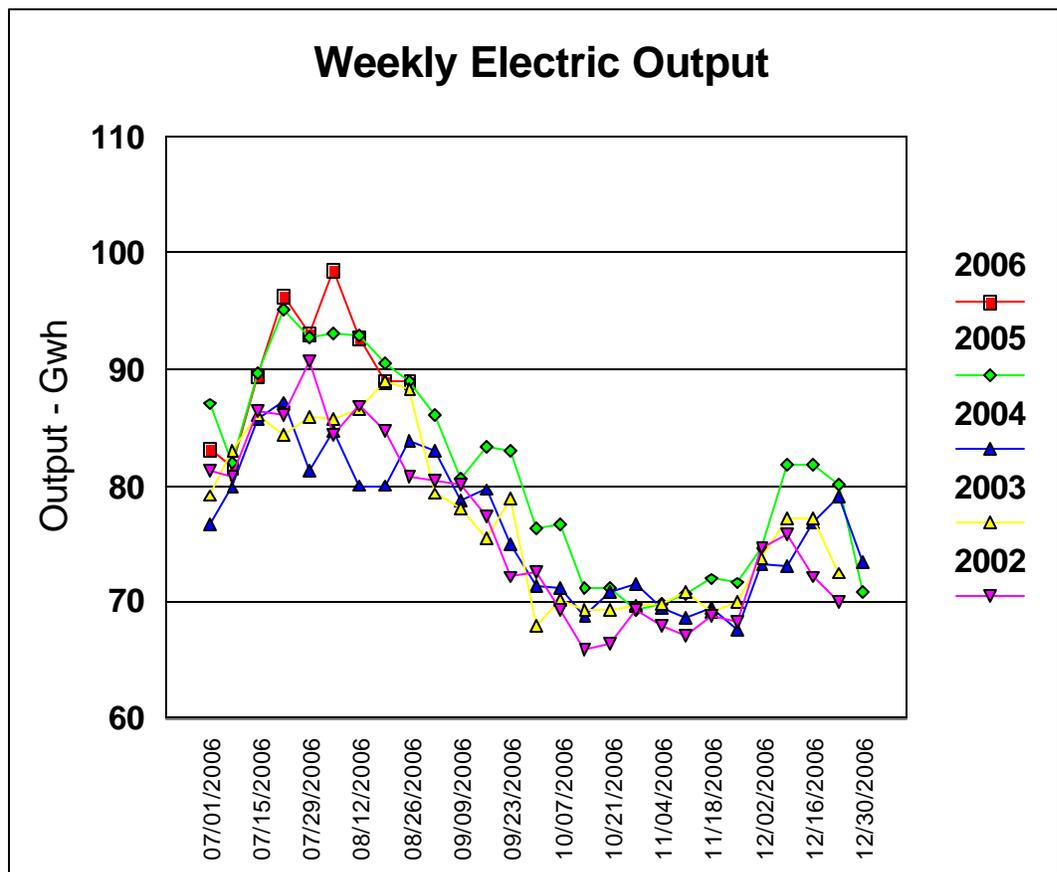
PIPELINE MAINTENANCE

Trailblazer Pipeline said that on September 6-7 it will add a new tap connection downstream of Station 601. In addition, to coordinate and minimize impact to scheduling and point operators, Trailblazer will also be performing maintenance to the fuel system at Station 601. These projects will result in an overall reduction of capacity through Station 601. On these gas days ITS/AOR and Secondary out-of-path transports will not be available on Trailblazer.

Williston Basin Interstate Pipeline Company has updated its plans for maintenance on Line Section 15. The company said that during the testing period of September 6-16, maximum capacity will be approximately 39.3 MMcf/d from Belle Fourche to Rapid City. During the testing period of September 18-29, maximum capacity will be approximately 43.7 MMcf/d from Belle Fourche to Rapid City.

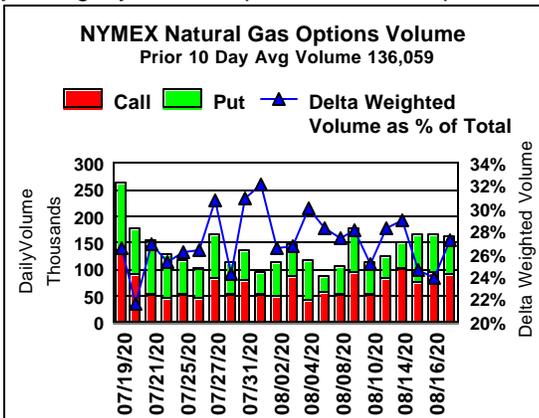
ELECTRIC MARKET NEWS

Exelon Corp. said delays in winning regulatory approval in New Jersey may scuttle its \$18.7 billion acquisition of Public Service Enterprise Group. Exelon is



negotiating terms for acquisition with the staff of the New Jersey Board of Public Utilities, which has demanded concessions. Exelon's biggest obstacle to acquiring Public Service had been overcoming concern that the combined company would drive up power prices. All outcomes, closing the deal, calling it off or renegotiating its terms are still possibilities.

Edison Electric reported that for the week ending August 26th total U.S. electrical output reached 89,030 Gwh, up just slightly from the previous week, up 0.1% but basically unchanged from the same week a year ago.



More than 20 bidders have qualified to participate in an auction to procure electricity to serve Illinois homes and businesses beginning next year. The auction will begin September 5 despite a continued legal challenge. The Illinois Commerce Commission ordered the auction, which is designed to introduce market-based rates in Illinois, following a nine-year transition period during which electric rates have been frozen.

MARKET COMMENTARY

The natural gas market opened 30 cents lower following yesterday's expiration short covering rally. The new front month, October, trended lower all session, dropping to a low of 6.25 at the close, despite the late jump in crude prices by more

than \$1.00 per barrel. The lack of supportive fundamentals has the market retreating to its lows. The October contract settled down 58.6 cents at 6.29. Final volume was estimated at 73,000 contracts of which spreads accounted for 60% of the day's total volume.

The market appears to be looking for a build of 45-60 bcf basis tomorrow's storage report, but basis our model based on pipeline storage activities we feel that this storage rate could be a bit lower possibly at the 36-39 bcf level. This in our mind would lend support to this market. Today's price action saw yet another challenge to the bottom end of the channel that the October contract has been in for the past month. Tomorrow this support level would be found at \$6.166. Additional support we see at \$6.08-\$6.06 and \$5.95. Resistance we see initially at \$6.50 followed by \$6.66, \$6.81, \$6.96-\$6.98, \$7.15 and \$7.30.

NYMEX Natural Gas Options Most Active Strikes Traded on August 30, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	4	7	C	20	03/27/2007	0.0468	0.0638	9,400	56.04
LN	10	6	P	6	09/26/2006	0.3848	0.2503	5,982	80.15
LN	10	6	P	5.5	09/26/2006	0.1866	0.1233	4,410	77.46
LN	10	6	P	5	09/26/2006	0.0739	0.05	4,200	77.63
ON	10	6	P	6	09/26/2006	0.385	0.25	3,669	78.08
ON	10	6	C	10	09/26/2006	0.048	0.132	3,225	104.51
LN	11	6	C	10	10/26/2006	0.5186	0.7502	2,910	81.04
LN	10	6	C	7.5	09/26/2006	0.2448	0.4715	2,850	90.71
LN	10	6	C	10	09/26/2006	0.0484	0.1318	2,550	103.55
ON	10	6	C	7	09/26/2006	0.338	0.621	2,367	88.04
ON	4	7	C	20	03/27/2007	0.048	0.065	2,200	59.06
LN	10	6	C	12	09/26/2006	0.0144	0.0478	2,100	109.51
LN	10	6	C	8	09/26/2006	0.1825	0.3644	2,050	95.50
ON	11	6	P	6	10/26/2006	0.127	0.097	2,038	71.69
ON	10	6	P	7	09/26/2006	1.045	0.745	1,932	88.23
ON	11	6	P	7	10/26/2006	0.378	0.291	1,906	72.89
LN	11	6	P	5	10/26/2006	0.0283	0.0218	1,900	73.56
LN	10	6	P	6.5	09/26/2006	0.6849	0.4622	1,850	86.24
LN	4	7	C	10	03/27/2007	0.656	0.8113	1,800	44.80