



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 13, 2005

NATURAL GAS MARKET NEWS

Senior Bush Administration officials touring the area devastated by Katrina expressed concern about possible natural gas shortages. U.S. Interior Secretary Gale Norton said Hurricane Katrina did less damage than last year's Hurricane Ivan to underwater pipelines that transport natural gas from offshore Gulf of Mexico platforms, but did more damage to onshore facilities. Norton said about 90% of offshore Gulf of Mexico oil and gas platforms should be capable of producing by the end of September, but some will be constrained by lack of onshore processing capacity. Energy Secretary Samuel Bodman said there is less known about the damage to the natural gas supply system than about the effect on crude oil production.

The schedule for a C\$7 billion (\$5.9 billion) gas pipeline in Canada's Arctic faces slippage again unless oil companies, native groups and governments can quickly make major progress resolving thorny land-access and regulatory issues. An official with one of the proponents, Shell Canada, said he believed it unlikely the huge project could be in service before 2011, especially if public hearings face more delays as appears likely.

The Minerals Management Service reported that natural gas production from the Gulf of Mexico improved slightly today. Today's shut-in gas production is 3.720 Bcf/d, or 37.20% of the daily gas production. Yesterday, 37.84% was shut-in.

The Commodity Futures Trading Commission (CFTC) on Tuesday warned the public to beware of claims that damage caused by Hurricane Katrina will bolster the profitability of trading in crude oil, unleaded gasoline, heating oil, natural gas or other commodity futures or options.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to hot temperatures and reductions from Hurricane Katrina shut-ins, it is issuing an Overage Alert Day at 10% tolerance.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions from East Texas –

Generator Problems

MAAC— Exelon Corp.'s 1,112 Mw Peach Bottom #2 nuclear unit exited an outage and ramped up online to 43% capacity by early today. Yesterday, the unit was warming up offline at 1%. Peach Bottom #3 continues to operate at 88%.

SERC— Progress Energy issued a hurricane warning at the 1,838 Mw Brunswick nuclear power station as Ophelia targets the North Carolina coast. Both units at the plant are still operating at full power. The unit must be in hot shutdown within two hours of winds reaching 73 mph.

Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit increased production to full power this morning.

WSCC— PG&E Corp.'s 1,087 Mw Diablo Canyon #2 nuclear unit reduced power to about 50% of capacity for scheduled maintenance. The unit was operating at full power on Monday. Diablo Canyon #1 continues to operate at full power.

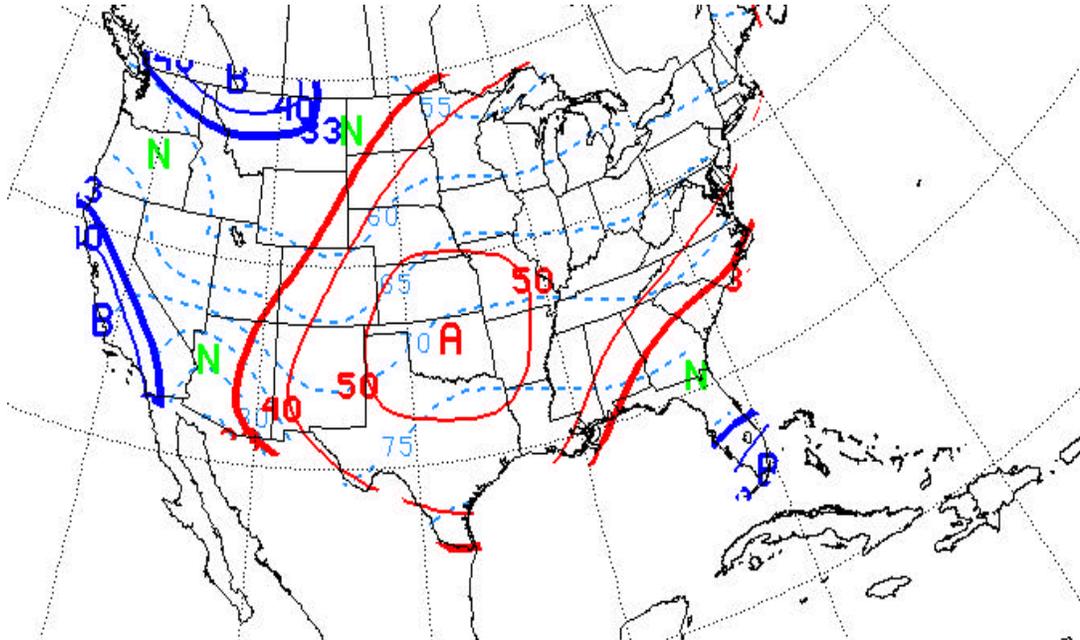
The NRC reported that U.S. nuclear generating capacity was at 93,151 Mw up .14% from Monday and up 1.78% from a year ago.

Koran Area; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko; Kiln to Mobil; East Texas; and Bayou Sale to Napoleonville.

In connection with recent operations on the Gulfstream Natural Gas System that have resulted in actual deliveries out of the system exceeding actual receipts into the system, Gulfstream is currently experiencing low line pack levels. The company requests that shippers closely coordinate with their suppliers to ensure scheduled services match actual service requirements and to ensure that receipts into the system match deliveries out of the system.

KM Interstate Gas Transmission said it is capacity for deliveries to Northern Natural Milligan. Based on the level of nominations, limited IT/AOR and secondary volumes are at risk of not being scheduled.

Northwest Pipeline Corp. said the operator of the Jackson Prairie Storage facility will be conducting the annual bottom hole pressure test



**6-10 DAY OUTLOOK
TEMP PROBABILITY
MADE 13 SEP 2005
VALID SEP 19 - 23, 2005**
**DASHED BLUE LINES
ARE CLIMATOLOGY (DEG F)
SOLID LINES ARE TOTAL PROBABILITY
OF THE INDICATED CATEGORY. HEAVY
SOLID LINES ARE 33.3% PROBABILITY**

pressure hole test October 3-7, during which, the storage facility will be shut in. Northwest will not accept injection or withdrawal nominations during the pressure test. Nominations will be accepted starting October 8. If operationally feasible, the bottom hole test may be started before October 3. Normally, the Jackson Prairie Storage facility has an injection capacity of 477 MMcf and a withdrawal capacity of 1 bcf.

PG&E California Gas Transmission scheduled an uprate of Line 300 B for September 16-17. Capacity on the Baja Line will be reduced to 860 MMcf/d, 75% of capacity, on September 16, and to 990 MMcf/d, 87% of capacity, on September 17.

Southern Natural Gas Pipeline said that the force majeure for receipt points upstream of Toca continues while Southern personnel verify the integrity of its facilities following Hurricane Katrina. The affected receipt points were flowing about 550 MMcf/d into Southern prior to the hurricane. Further, Tennessee Gas Pipeline has indicated that it might have to restrict volumes transported by holders of firm capacity on its 500 line.

Texas Eastern Transmission said that gas sourced in STX, ETX for delivery outside of these zones have been restricted to capacity. M1 24-inch has been sealed to capacity. Increases in physical receipts between Mont Belvieu and Fagus will not be accepted. Deliveries to the Transco-Ragley interconnect have been restricted to zero due to changing operational conditions that limits the ability to deliver gas at this meter.

PIPELINE MAINTENANCE

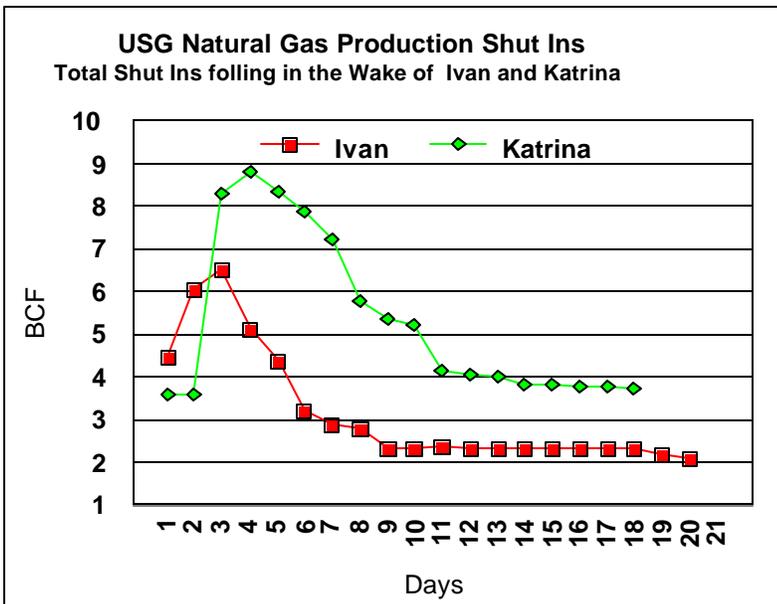
Williston Basin Interstate Pipeline Company said that due to unplanned maintenance, the Baker South Compressor Station Unit #2 will be down periodically on September 12-13. Point ID 04018 Baker Area Mainline will be affected by approximately 4.5 MMcf for gas day September 13.

ELECTRIC MARKET NEWS

The U.S. Senate narrowly defeated an attempt by Democrats to repeal an Environmental Protection Agency regulation giving utilities until 2018 to reduce mercury emissions and replace it with tougher limits. The rule, adopted last March, aims to reduce U.S. utility mercury emissions to 15 tons a year by 2018 and allows coal-fired power plants to trade emissions credits. The EPA regulation was criticized by Democrats, moderate Republicans, and public health groups who said it did not go far enough to protect children and pregnant women from mercury, which has been linked to birth defects and mental retardation.

ECONOMIC NEWS

U.S. producer prices rose less than forecast in August, suggesting limited signs of accelerating inflation before Hurricane Katrina sent crude oil to a record high and pushed up costs of other raw materials. The 0.6% increase in prices paid to factories, farmers and other producers followed a 1% jump in July. The core measure, which excludes fuel and food, was unchanged in August, reflecting cheaper cars and computers. It rose 0.4% a month earlier.



A European financial markets regulator said there is no real need to further regulate hedge funds as their impact on the market is less than generally realized. The chairman of the Committee of European Securities Regulators, Arthur Docters van Leeuwen, told the European Parliament's economic affairs committee, "there is still not a strong case for regulating hedge funds per se." However, hedge funds have been blamed by some market participants for creating volatility and van Leeuwen continued to say that "you have to keep an eye on them, the prudential impact of hedge funds is not very big and also the effect they have on markets is limited."

MARKET COMMENTARY

The bears are still in control for the four out of the last five trading sessions. Natural

gas opened 15 cents lower today due to weakness in the physical market. The market traded sideways between \$10.80 and \$11.00 for the first half of the session, and then at midday broke down below the \$10.80 level and made a new post-Katrina low of \$10.69. Bulls stepped in at that point and bid the market back up over \$10.70, to where it finally settled, at \$10.763, down almost 27 cents on the day.

The \$10.65 level is being defended by bulls, and they are betting on this weeks inventory figures to back up their belief that Katrina hit inventories hard. Tomorrow's oil complex figures will be decisive for the market, giving it structure and direction. Selling a put just below the market at a \$10.00 or \$10.50 strike would be a way to take advantage of an up move following the figures. Shut-in production is slowly coming back, but with damage assessment that still needs to be done, it could keep that production shut into next year. Also lending support to the bulls is forecasted high temperatures through the Midwest and Northeast. We continue to see support at \$10.65 followed by a gap down to \$10.01. We see resistance initially at \$11.00 and \$11.38. Further resistance we see at \$11.80 and \$12.25.