



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 26, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center said a tropical depression could form in the Atlantic in the next day or so. The disturbance is located about 925 miles east-northeast of the northern Leeward Islands and that atmospheric conditions are expected to become a little more favorable for development.

The Bush administration unveiled a new program to help oil and natural gas companies reduce their emissions of methane. The initiative, dubbed, the Natural Gas Star International Program, will be run by the EPA and builds on existing EPA programs that encourage other companies to reduce methane emissions. The new initiative, like the existing programs, gives oil and gas companies free access to EPA experts who can help them devise ways to cut their emissions.

The NYMEX announced that effective at the close of business on Thursday, margins will change for natural gas. Margins for the first month will remain unchanged. Margins for the second month will decrease to \$10,800 from \$12,150. Margins for the third to fifth months will decrease to \$12,150 from \$13,500 and margins for the sixth month will decrease to \$8,100 from \$14,175.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. Tolerance was set at 5%.

Texas Eastern Transmission said that the restriction prohibiting the acceptance of due pipe resolution nominations is still in effect. All parties with a due shipper imbalance are requested to resolve them as soon as practicable. TETCO requires that shippers and TABS parties schedule their contracts balanced except for the scheduling of Due Shipper payback, and point operators to perform according to nominated volumes. The pipeline operator will force balance TABS-

Generator Problems

ECAR – CMS Energy Corp.'s 820 Mw J.H. Campbell #3 coal-fired power unit shut by early today for tube leak repairs. The unit is expected to return in about 4 days.

ERCOT – South Texas' 1,250 Mw South Texas #1 nuclear unit reduced power to 86% capacity as it coasts down for a refueling and maintenance outage. South Texas #2 continues to operate at full power.

MAAC – PSEG's 1,100 Mw Salem #2 nuclear unit is operating at 94% as it continues to coast down for a refueling outage.

MAPP – Nebraska Public Power District's 800 Mw Cooper nuclear unit reduced output to 85% capacity as it approaches a refueling outage. Yesterday, the unit was operating at 94% capacity.

FPL's 580 Mw Duane Arnold nuclear unit increased output to 96% capacity. Yesterday, the unit was operating at 26% capacity.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit increased output to 90% capacity. Yesterday, the unit was operating at 61% capacity. Brunswick #1 continues to operate at full power.

Entergy Nuclear's 1,207 Mw Grand Gulf #1 nuclear unit returned to full power by early today. Yesterday, the unit was operating at 80% capacity.

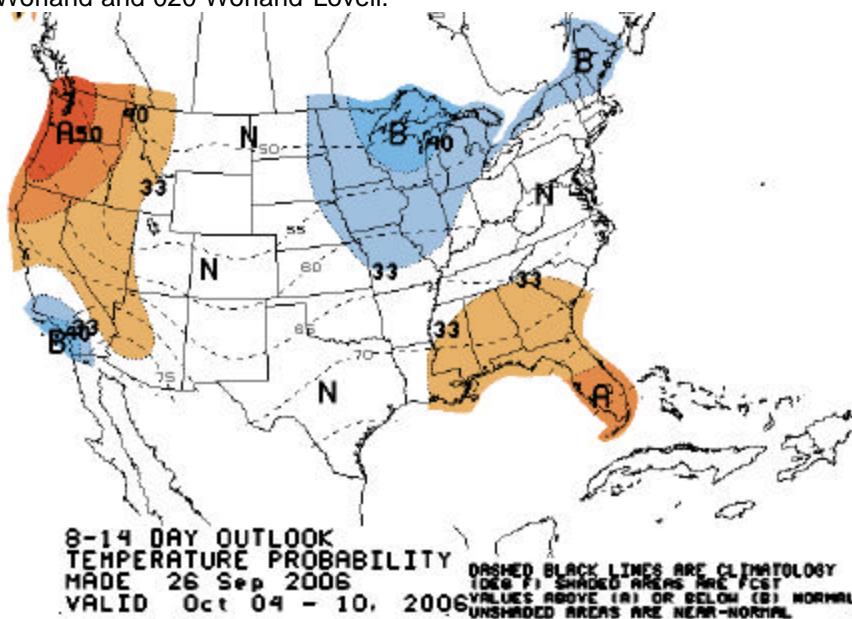
Southern Nuclear's 862 Mw Hatch #1 nuclear unit decreased output to 61% by early this morning. Hatch #2 continues to operate at full power.

Duke Power Company's 846 Mw Oconee #1 nuclear unit continued to coast down, operating at 95% as it prepares for a refueling outage. Oconee #2 and #3 continue to operate at full power.

The NRC reported this morning that 86,424 Mw of nuclear generating capacity were on line, .52% higher than Monday but 1.83% lower than a year ago.

1 pools or restrict the system as required. TETCO has also scheduled and sealed receipts sourced between Longview and Batesville. No increases in receipts sourced between Longview and Batesville for delivery outside that area will be accepted.

Williston Basin Interstate Pipeline said that several points and line sections are in pipeline capacity constraint and that penalties will be imposed. Line sections in constraint for receipts in the timely cycle include 019 Madden-Worland and 020 Worland-Lovell.



approximately three weeks. Capacity through Montpelier Compressor Station could be reduced by as much as 50 MMcf/d during this maintenance.

Natural Gas Pipeline Company said that during gas days October 35 and 10-12, it will be making piping modifications in two phases to connect new compression to Columbus Junction Storage Facility (Station 204) in Louisa County, Iowa. During this time, Columbus Junction Storage will be unavailable and Natural's ability to inject gas on its Amarillo system will be impacted. As a result, firm injection capability for Amarillo-sourced injections under all of Natural's firm storage services will be reduced during this period. Firm storage injections under Natural's DSS, FSS and NSS Rate Schedules which are sourced from the Amarillo System will therefore be at risk of not getting fully scheduled up to a Shipper's applicable Maximum Daily Injection Quantity, depending on the overall level of firm Amarillo storage injection nominations and no-notice service.

Transcontinental Gas Pipe Line has postponed the maintenance at Station 14 (the North Padre Island Plant) near Falfurrias, Texas due to weather conditions. The work was scheduled to begin September 24 but has been rescheduled for September 27 through October 1.

ELECTRIC MARKET NEWS

The U.S. FERC has told the Louisiana Energy and Power Authority that it cannot convert or roll over its existing contracts for point-to-point transmission service in exchange for network integration service under Entergy Service's tariff. FERC directed Entergy to continue to provide the Louisiana agency with transmission service using the existing terms and conditions of the Entergy and Cleco Power tariffs.

MARKET COMMENTARY

The natural gas market opened unchanged after making its way down to a low of 4.30 in overnight trading. With 70,000 plus in open interest at the 4.50 put, those short that strike were busy defending their level as the market tried to chop lower given the solidly bearish fundamentals that exist. In October's penultimate session, prices dipped to a low of 4.38 in the last hour of trading, but could not hold as market players pushed it back over 4.50 to settle up 5.1 at 4.526. The November contract had managed to trade about 16 cents higher on the day, but settled at about its daily midpoint, up 7.2 at 5.805.

Pipeline Maintenance

Alliance Pipeline said that maintenance at the Windfall Compressor in Alberta has been postponed until further notice. Repairs were originally scheduled to begin on September 26.

Gulf South Pipeline said that scheduled pipeline maintenance on Index 301 Jackson 18-inch North Pipeline has been postponed. Maintenance was scheduled to begin on September 23. Gulf South also said that it is performing scheduled Compressor Maintenance at the Montpelier Compressor Station on all units, with 1 unit down at a time. The maintenance has been extended for

Tomorrow's expiration should be quite the phenomena, as bearish pressures will continue to pressure the market, but as traders get out of their last October positions, prices will be up and down the charts. We expect to see a surge up at the start of the closing range as market players cover their last short October contracts. The November contract will take over the same bearish fundamental picture and continue to slide. A mild start to winter is currently on the forecast, and with no storm to speak of, little reason exists to buy. We see support at \$4.30, \$4.17 and \$4.00. We see resistance at \$4.92, \$5.00, \$5.32, \$5.42-\$5.43 and \$5.62. We see further resistance at \$5.86 and \$6.00.