



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 3, 2006

NATURAL GAS MARKET NEWS

Questar Corp. said its Questar Exploration and Production Co. unit had shut in production on a portion of its unhedged natural gas output from the Rocky Mountain region due to low natural gas prices. Effective October 1, the natural gas company shut in about 32 MMcf/d of net natural gas production. The company, however, raised its unit's total production outlook for 2006 to 127-129 Bcf from 126-128 Bcf.

The Colorado State University forecast team released an updated Atlantic Hurricane season forecast, further decreasing the number of storms. William Grey's team predicts that the season will produce a total of 11 tropical storms, of which six will be hurricanes. To date, nine storms have formed and five have reached hurricane strength.

The top El Nino expert of the Climate Prediction Center at the National Oceanic and Atmospheric Administration, Vernon Kousky, said that the current El Nino is weak but may develop to a moderate event over the next few months. The current event is not expected to strengthen to the level of the 1997-1998 event, which killed hundreds and wreaked havoc in the Asia-Pacific region.

Prompt gas prices at the National Balancing Point in the U.K. went negative today as the Langeded natural gas pipeline from Norway came online. The within-day contract was trading as low as -5 pence per therm, with curve contracts out to winter 07 feeling the effects of the low prompt prices.

Jonathan Stern of the Oxford Institute for Energy Studies, said energy disputes between Russia and countries which convey its gas to Europe will not be resolved in the near term, leaving the continent exposed to potential disruptions to supplies from its biggest provider. Tension with the Ukraine persists, and last week, Belarus threatened to sever all relations with Russia if Moscow forced through sharp increases in gas prices. Stern also noted that in the longer term, the key uncertainty for Russia gas exports to Europe is Russia's domestic demand for the fuel. He said projections of Russian gas demand are likely to become crucial to future export availability in the 2010s.

With producers drilling at a frantic pace in the Rocky Mountain region, natural gas production capacity there will nearly double between now and 2015, according to a study by energy consultant PIRA Energy Group and Lippman Consulting Inc.

Belgian Bank Fortis, who closed on the previously announced purchase of Duke Energy's 200-person power and natural gas trading operation, will make Houston the headquarters for its energy-trading business when it moves its financial trading staff there from New York.

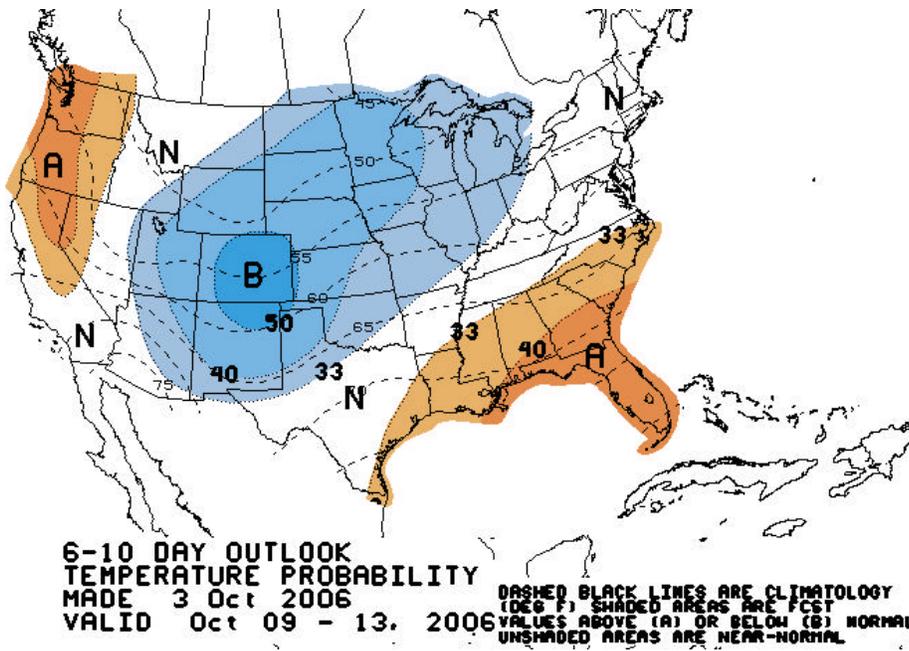
CenterPoint Energy Gas Transmission received a certificate from the FERC to build and operate a natural gas pipeline from Carthage, Texas to the company's Perryville Hub in northeast Louisiana. This pipeline, expected to

Generator Problems

NPCC – Dominion Energy's 866 Mw Millstone #2 nuclear unit reduced power from full capacity to 97%. The unit is coasting down for a refueling and maintenance outage, which is expected to start on October 7. Millstone #3 continues to operate at full power.

The NRC reported this morning that 81,076 Mw of nuclear generating capacity were on line, .01% lower than Monday and 2.16% lower than a year ago.

be in service in the first quarter of 2007, will provide market access for growing production from east Texas and north Louisiana through interconnects with interstate and intrastate pipelines serving the East Coast, Midwest and Southeast U.S. markets. The \$425 million, fully subscribed 172-mile, 42-inch pipeline will be built in two phases and have the capacity to transport approximately 1.2 Bcf/d.



PIPELINE RESTRICTIONS

Florida Gas Transmission said that warm weather is forecast in Florida for today. Therefore, FGT is notifying customers in FGT's Market Area that it is issuing an Overage Alert Day at 25% tolerance.

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%.

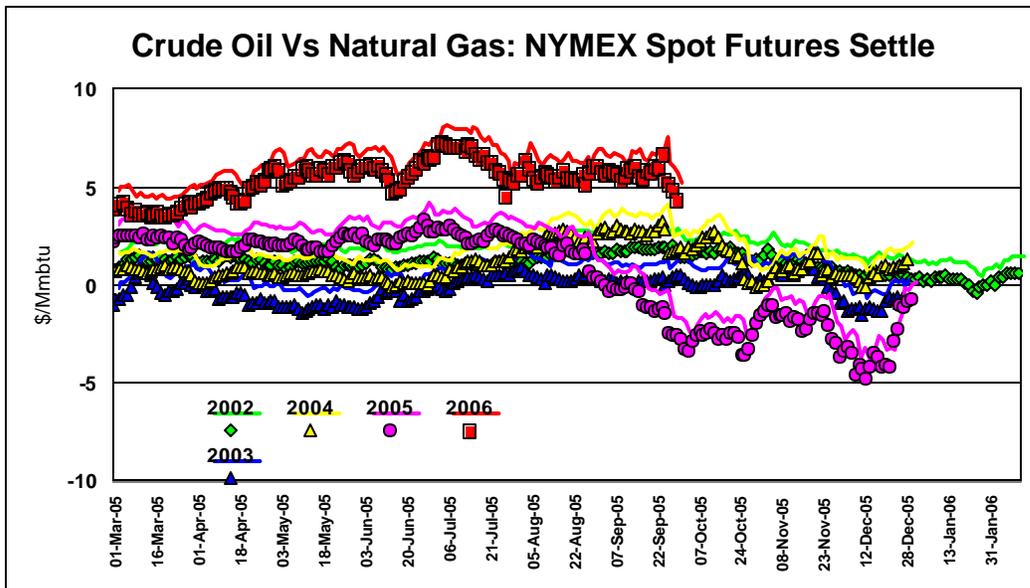
Texas Eastern Transmission said that the restriction

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-1 pools or restrict the system as required.

TransColorado Gas Transmission said it is at capacity for deliveries at PIN 42223 (WIC Yellow Jacket Pass) due to operational conditions. Depending on the level of nominations, AOR/IT and secondary volumes are at risk of not being scheduled.

PIPELINE MAINTENANCE

Alliance Pipeline said that the Loreburn Compressor Station will undergo minor corrective maintenance on October 4. This will require the unit to be offline for four hours. System throughput (AOS) will be impacted but will be determined closer to the outage date. The Loreburn Compressor is located in Saskatchewan.



Gulf South Pipeline said that it will be performing scheduled pigging maintenance on the Burns Offshore Pipeline System beginning October 3, and continuing for approximately two weeks. The pigging will include the main and various field lines. Due to the nature of pigging operations production shut-in could occur periodically during the maintenance.

NYMEX Petroleum Options Most Active Strike for October 3, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	11	6	C	10	10/26/2006	0.0096	0.0097	10,925	99.67
LN	3	7	P	5	02/23/2007	0.1352	0.1568	6,814	63.77
ON	11	6	P	5	10/26/2006	0.182	0.222	6,117	87.13
LN	11	6	C	6	10/26/2006	0.3996	0.3654	5,725	84.96
LN	11	6	P	5	10/26/2006	0.1821	0.2221	5,555	88.65
ON	11	6	P	5.5	10/26/2006	0.367	0.428	5,453	86.65
LN	3	7	P	6	02/23/2007	0.3722	0.4141	5,250	65.43
LN	4	7	C	7.75	03/27/2007	0.8106	0.8671	5,100	44.13
LN	4	7	C	11	03/27/2007	0.2313	0.2693	5,100	51.21
LN	3	7	C	8.75	02/23/2007	0.9724	1.0221	5,000	62.75
ON	3	7	C	15	02/23/2007	0.204	0.233	4,200	77.01
ON	3	7	C	12	02/23/2007	0.426	0.468	4,200	74.81
LN	4	7	P	5	03/27/2007	0.1425	0.159	4,014	53.41
LN	2	7	P	5	01/26/2007	0.0889	0.1047	2,814	64.39
LN	1	7	P	5	12/26/2006	0.0444	0.0537	2,814	62.48
LN	2	7	C	10	01/26/2007	0.6039	0.6489	2,800	66.33
LN	1	7	P	6	12/26/2006	0.1994	0.2221	2,750	65.35
LN	3	7	C	16	02/23/2007	0.1551	0.1798	2,525	73.94
LN	3	7	C	12	02/23/2007	0.4238	0.4649	2,500	70.72
LN	11	6	C	7	10/26/2006	0.1567	0.1451	2,225	89.44
LN	2	7	P	6	01/26/2007	0.2631	0.3029	2,150	64.15
ON	1	7	C	12	12/26/2006	0.187	0.21	2,100	72.87
LN	11	6	P	4	10/26/2006	0.0218	0.0309	2,100	89.06
LN	4	7	P	4.5	03/27/2007	0.073	0.0842	2,000	53.18
LN	3	7	P	4.5	02/23/2007	0.0689	0.0832	2,000	63.02
ON	11	6	P	4	10/26/2006	0.022	0.031	1,713	88.29
LN	11	6	C	8	10/26/2006	0.0603	0.057	1,700	93.32
ON	11	6	C	6	10/26/2006	0.4	0.366	1,680	87.40
LN	1	7	C	8	12/26/2006	0.9142	0.9487	1,675	59.34
LN	2	7	C	8	01/26/2007	1.1256	1.1723	1,655	58.97
LN	11	6	C	7.5	10/26/2006	0.0973	0.091	1,650	91.50
ON	1	7	P	8	12/26/2006	1.017	1.057	1,602	64.97
LN	11	6	C	9	10/26/2006	0.0235	0.0228	1,475	96.59
LN	3	7	C	8	02/23/2007	1.1998	1.2482	1,475	59.90
LN	11	6	P	4.5	10/26/2006	0.073	0.0948	1,475	88.79
LN	1	7	C	12	12/26/2006	0.1866	0.2091	1,450	70.34
ON	2	7	C	13	01/26/2007	0.243	0.274	1,400	74.35

Williston Basin Interstate Pipeline Company 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. The company also said that it has once again extended unplanned maintenance at the Bismarck Compressor Station, now projecting the work to last through October 6. Williston also said that planned maintenance will be performed at the Cleveland Compressor Station on October 45. At this time, the company does not anticipate any restriction to the system. Williston also said that planned

maintenance will be performed at the Marmarth Bowman Lateral on October 24. At this time, restrictions to the system are not anticipated.

ELECTRIC MARKET NEWS

Public Service Co. of Oklahoma said that it plans to file in mid-November an application with the Oklahoma Corporation Commission for the utility's first base-rate increase since 1993. PSO has not yet determined the magnitude of the rate-hike request, which the utility needs to begin recouping the cost of \$1 billion in ongoing and planned generation projects. PSO did say it plan to propose a "formula" approach, under which the utility's base rates would rise gradually over the next few years as it builds its largest planned project, a 950 Mw coal-fired plant.

Power Company TXU Corp. said it will take a fourth-quarter charge of \$165 - \$170 million to fund a one-time payout of \$100 per household to its north Texas customers, an incentive to retain them as the state moves to full electric competition next year. TXU Energy, the largest Texas power retailer, and Reliant, the second-largest, launched a round of new price offers designed to lock in customers at rates slightly below the current "price-to-beat", which expires at the end of this year.

The U.S. Nuclear Regulatory Commission will begin a special inspection of the recent failure at the Palo Verde nuclear unit power station in Arizona of backup generators designed to provide backup power to safety systems during an emergency. In mandatory monthly checks, the emergency diesel generator failed during July 25 and September 22 tests at Unit 3 of the three-unit power station. This is the latest setback for APS, operator of Palo Verde station and its lead owner. Palo Verde for most of the last year has had at least one of its three nuclear reactors out of service for unplanned maintenance. Those setbacks has cost APS between \$40-\$45 million in power it needed to purchase to replace power that Palo Verde was expected to generate.

MARKET COMMENTARY

The natural gas market opened 18.3 cents lower on lack of any sort of supportive news. However, market players were unable to take it any lower and the November contract cautiously traded between 5.50 and 5.60 through most of the session. Late in the session, news of a production facility in the Rocky Mountains shutting in production due to low prices spurred some light short covering and on thin volume, the market traded through resistance at 5.75 to a high of 5.83, before setting up 11.6 cents at 5.759. The December contract remained in negative territory, settling down 6.4.

Despite three positive session in a row, the shoulder season dynamics of mild demand and high storage, will limit any upward momentum of this market. Early expectations for Thursday's EIA storage report call for an injection of 70-90 Bcf, which will compare bearishly to last year's build of 46 Bcf and the five-year average injection of 67 Bcf. We feel there is still more down side for the front month and expect prices to challenge support at \$5.45. We see initial support at \$5.55, followed by \$5.45, \$5.41, \$5.35 and \$5.32. We see further support at \$5.00 and \$4.80. We see resistance at \$5.87, \$6.00, \$6.40, \$6.95-\$7.00 and \$7.40.