



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 16, 2006

NATURAL GAS MARKET NEWS

Private weather forecaster EarthSat Energy Weather said winter this year in the U.S. should be colder than last year but still warmer than the 30-year norm. EarthSat said it expected December through February to be 5% colder than last year on a national natural gas weighted basis but still 5% warmer than the 30-year norm. The Mid-continent region, which includes the Midwest, Plains, and Texas, was expected to be the warmest versus normal, while the East Coast was forecast to average close to normal.

The National Hurricane Center reported that showers and thunderstorms continue over portions of the North-Central Gulf of Mexico and adjacent coastal areas. Though tropical cyclone development is not expected gusty winds and heavy rains will continue to affect portions of the northern Gulf Coast during the next day or so.

The U.S. FERC issued a final supplemental environmental impact statement for a bundle of five pipeline projects linked to modifications of the oft-delayed Millennium Pipeline Project in the Northeast. Collectively known as the Northeast-07 Project, construction and operation of the modifications "would result in impacts in the project areas that may be locally significant," particularly during the construction period. FERC staff found that compared with the impacts originally evaluated for Millennium in 2001, the magnitude and severity of potential impacts to certain specific issues would be reduced or avoided due to the exclusion of certain geographic areas from the proposed NE-07 Project.

Duke Energy unit Texas Eastern Transmission said in a Web posting that storage on its natural gas system was at "unprecedented levels" with a month remaining in the injection season. Texas eastern is concerned about its ability to preserve flexibility and manage day-to-day pipeline operations as storage continues to fill.

Following a 74% plunge in natural gas prices over the past 10 months, hedge funds have amassed a \$3 billion wager on rising prices. Citadel Investment Group added to its bet in September by taking over trades from Amaranth Advisors. T. Boone Pickens, manager of a \$12 billion hedge fund and the Merchant Commodity fund

Generator Problems

MAAC – Exelon's 619 Mw Oyster Creek nuclear unit shut over the weekend for a planned refueling outage.

MAIN – Exelon's 1,164 Mw Byron #1 nuclear unit started to exit a refueling outage and ramped up to 10% of capacity over the weekend. Byron #2 continues to operate at full power.

Exelon's 1,120 Mw Braidwood #2 nuclear unit shut for its refueling outage. Braidwood #1 continues to operate at full power.

MAPP – WE Energies' 516 Mw Point Beach #2 nuclear unit shut for its scheduled refueling outage. Point Beach #1 remained at full power.

SERC – SCANA's 966 Mw Summer nuclear unit shut over the weekend for a planned six-week refueling outage.

WSCC – Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit started to exit an outage and ramped up to 12% of capacity.

California Department of Water Resources's 850 Mw Hyatt-Thermalito pumped storage hydropower station shut yesterday.

Canada – Ontario Power Generation's 494 Mw Lambton #4 coal-fired power station in Ontario returned to service over the weekend

Ontario Power Generation's 515 Mw Pickering A #1 nuclear unit shut over the weekend for short-term work.

The NRC reported that 71,196 Mw of nuclear capacity is on line, down 3.67% from Friday, and 7.12% lower than a year ago.

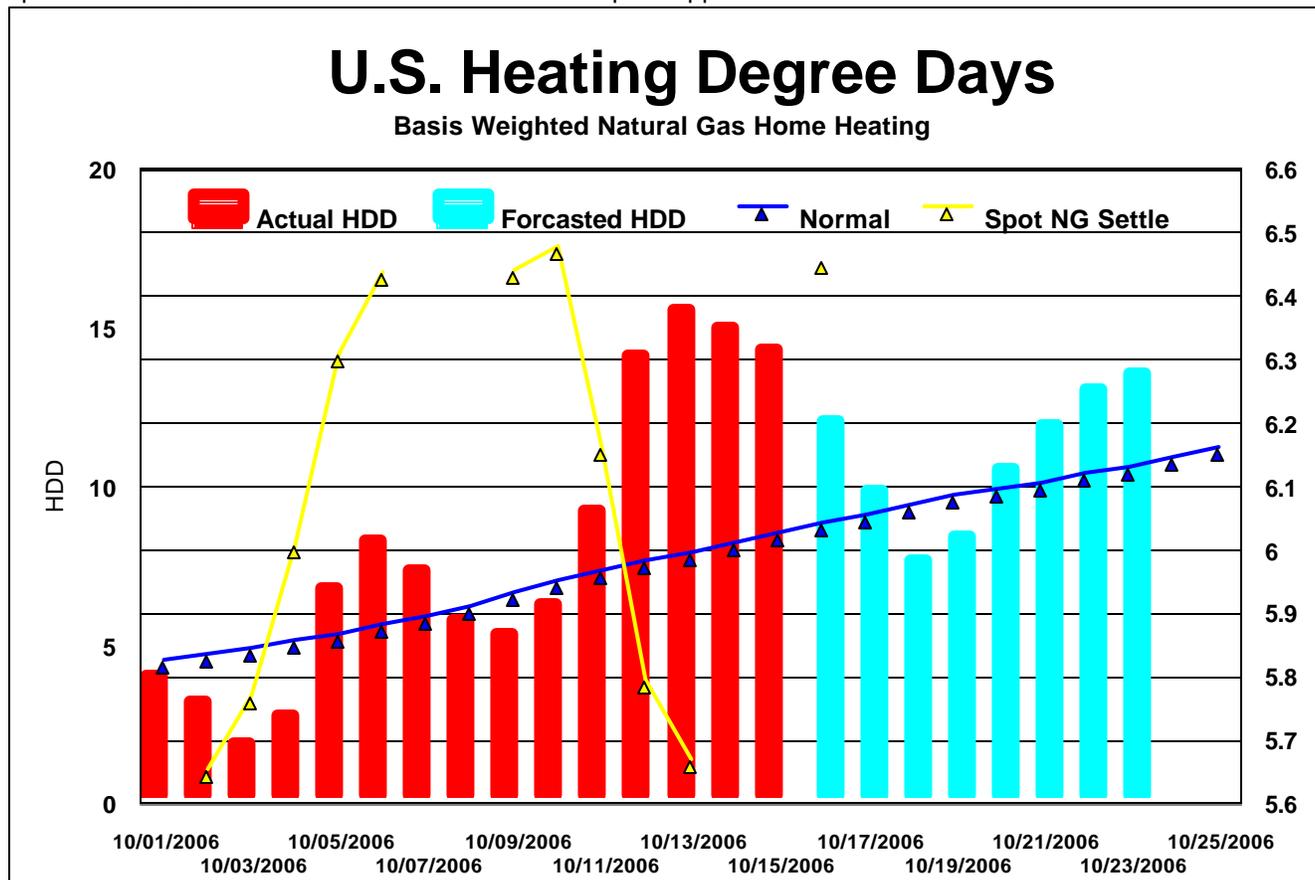
also expect natural gas to rebound. Pickens said gas may reach \$10 this winter if cold weather depletes inventories. The funds also pointed to declining supply growth as another factor to boost prices.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that it has limited operational flexibility to absorb due shipper imbalances. All shippers and point operators must carefully review their need for gas and must tender and receive gas consistent with their confirmed nominations. On a daily basis, AGT requires shippers and point operators to take action to balance receipts with scheduled deliveries.

East Tennessee Natural Gas said that it has limited operational flexibility to absorb due shipper imbalances. Meter operators, shippers, LMSMA and LMSPA parties should be balanced

Kern River Pipeline said that linepack has reached normal levels through all pipeline segments. Shippers and operators are reminded not to bank or draft without prior approval.

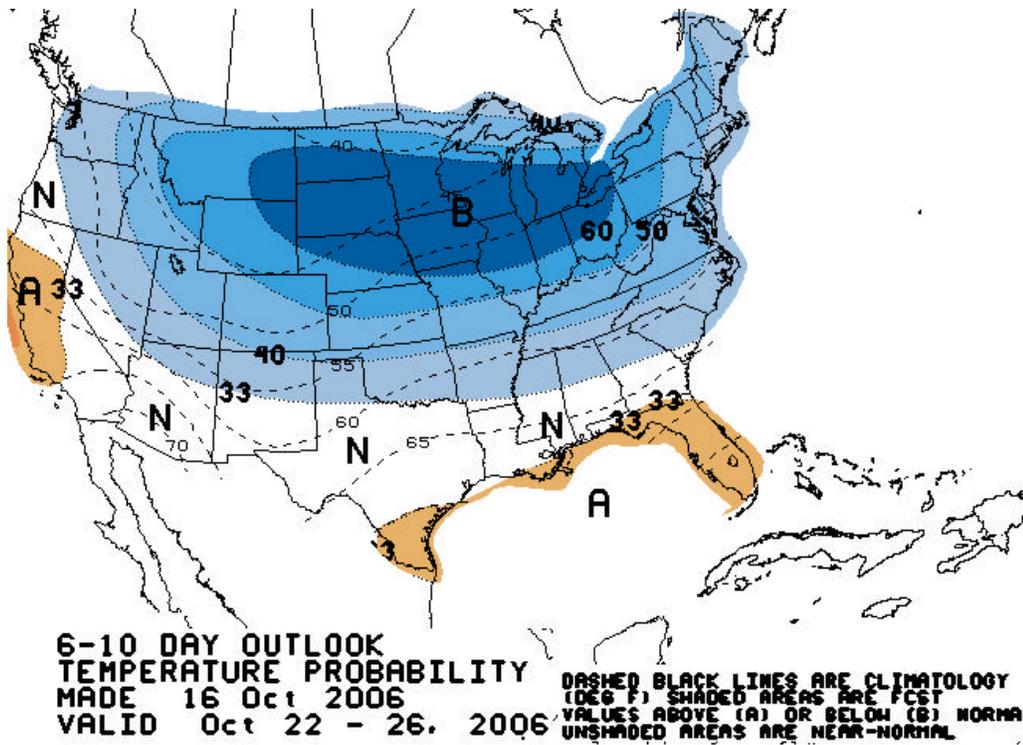


Rocky Mountain Natural Gas, a subsidiary of Kinder Morgan said a unit at its natural gas compressor station in Collbran, Colorado, would be out of service for about a week due to a damaged piston rod. Effective Saturday, the maximum scheduled quantity through the Collbran station would be limited to 15,000 MMBtu/d.

Williston Basin Interstate Pipeline Company said that several line inspections are in pipeline capacity constraint and that penalties will be imposed. Line sections in constraint for receipts in the timely cycle include 016 Cabin Creek-Hathaway; 017 Hathaway-Hardin; 018 Hardin-Lovell; 019 Madden-Worland; 020 Worland-Lovell; 021 Lovell-Elk Basin; and 022 Elk Basin-Basin-Billings.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that the repair of anomalies on the Havasu Crossover will extend through October 17. Further pressure reduction is necessary to complete the repairs; therefore, the south capacity will be lowered from the current 620 MMcf/d to 600 MMcf/d.



Gulf South Pipeline said that it will perform scheduled maintenance on Index 206 South Jennings 6-inch beginning at 8:00 AM CT, Wednesday, October 25, continuing for approximately eight hours. Gulf South also said that it will perform scheduled maintenance on Index 206 South Jennings 6-inch beginning at 8:00 AM CT, October 19, continuing for approximately eight hours.

PG&E California Gas Transmission has scheduled general maintenance at the Burney Compressor K-

2 and Tionesta compressor K-1 on October 24-25. Capacity on the Redwood Line will be reduced to 2,070-2,085 MMcf/d, roughly 99% of capacity.

ELECTRIC MARKET NEWS

The North American Electric Reliability Council said in its annual report that the amount of power that could be generated or transmitted would drop below the target levels meant to ensure reliability on peak days in Texas, New England, the Mid-Atlantic area and the Midwest during the next two to three years. Companies are not building enough power plants and power lines fast enough to meet growing demand.

California Governor Arnold Schwarzenegger and New York Governor George Pataki have agreed to explore ways to link California's future greenhouse gas emission credit market with the Northeastern and Mid-Atlantic states' Regional Greenhouse Gas Initiative upcoming market.

MARKET COMMENTARY

The natural gas market opened 28.6 cents higher fueled by an early taste of winter this past weekend and forecasts for cool conditions throughout the rest of the month. Strong cash prices boosted the market and local buyers began pushing the front month higher with the expectation of increased demand. The buying continued all session, and November natural gas peaked at 6.45 before settling up 78.5 cents at 6.444.

The continued below normal temperatures forecast for the rest of the month has put a bottom in for the November contract, and with the cool temperatures bringing heating demand, storage injections may be kept below normal through the end of the month. But the issue remains of the already high level of storage. The market is far from entering a tight situation with the early cool temperatures so far this month and the return to rallying prices will be confined, as forecasts for HDD over the next week are lower than the actual HDD the past four days. We see support at \$6.00, \$5.75, \$5.60, \$5.50 and \$5.35. We see resistance at \$6.70, \$6.80, \$6.95-\$7.00 and \$7.08.