



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 21, 2005

NATURAL GAS MARKET NEWS

Hurricane Wilma forced an increase in Gulf of Mexico gas production shut-ins on Friday, the Minerals Management Service (MMS) reported. Shut-ins rose to 5.337 Bcf/d from 5.196 Bcf/d a day earlier. That is equivalent to 53.37% of the daily natural gas production in the Gulf of Mexico. Although there was little chance that the hurricane would make a turn into the Central Gulf, that didn't stop some Gulf producers and drilling companies from evacuating personnel and shutting down restoration efforts on offshore facilities.

The National Hurricane Center, though closely monitoring the progress of "extremely dangerous" category 4 Hurricane Wilma located about 50 miles southeast of Cozumel, Mexico, is also keeping a close eye on another system in the eastern Caribbean Sea. The NHC said that a westward moving tropical wave that has entered the Eastern Caribbean Sea this morning is producing showers and gusty winds over portions of the Lesser Antilles. There are some indications from satellite imagery that surface circulation could be forming and shower activity remains fairly concentrated near the developing circulation center.

In the first of a two-part update to the U.S. Winter Outlook, NOAA meteorologists predict this winter to be warmer than the 30-year norm, yet cooler than last year. NOAA's heating degree-day forecast for December, January and February projects a 0.7% warmer winter than the 30-year normal, but 6.5% cooler than last year.

Baker Hughes reported that the number of rigs searching for oil and gas in the United States fell by 8 to 1,474 in the week ended October 21. During the same week last year, there were 1,250.

Generator Problems

FRCC— FPL's 760 Mw Turkey Point #3 increased output to 60% today. The unit was operating at 56% yesterday. Turkey Point #4 remains at full power.

MAAC— Exelon's 1,116 Mw Peach Bottom #3 nuclear unit increased output to 88% today. The unit was operating at 71% yesterday. Peach Bottom #2 continues to operate at full power.

MAIN— Exelon's 1,162 Mw Byron #2 nuclear unit ramped up to 75% capacity and reconnected to the grid. Yesterday, the unit was warming up offline at 12%. Byron #1 continues to operate at full power.

MAPP— The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit ramped up output to 85% power today. Yesterday, the unit was running at 77%.

SERC— Entergy's 1,207 Mw Grand Gulf #1 nuclear unit returned to full power today. Yesterday, the unit was operating at 25% capacity after exiting a refueling outage

Duke Power Company's 1,100 Mw McGuire #1 nuclear unit ramped output to 71% capacity this morning as it continues to exit a refueling and maintenance outage. The unit was operating at 45% yesterday. McGuire #2 continues to operate at full power.

Southern Nuclear Operating Company's 1,215 Mw Vogtle #1 nuclear unit increased output to full power this morning. Yesterday the unit was operating at 88%. Vogtle #2 continues to operate at full power.

WSCC— Arizona Public Service's Palo Verde nuclear station restarted its 1,335 Mw unit #2 offline at 17% and its 1,247 Mw unit #3 offline at 12%. Unit #1 remains shut for a planned refueling outage.

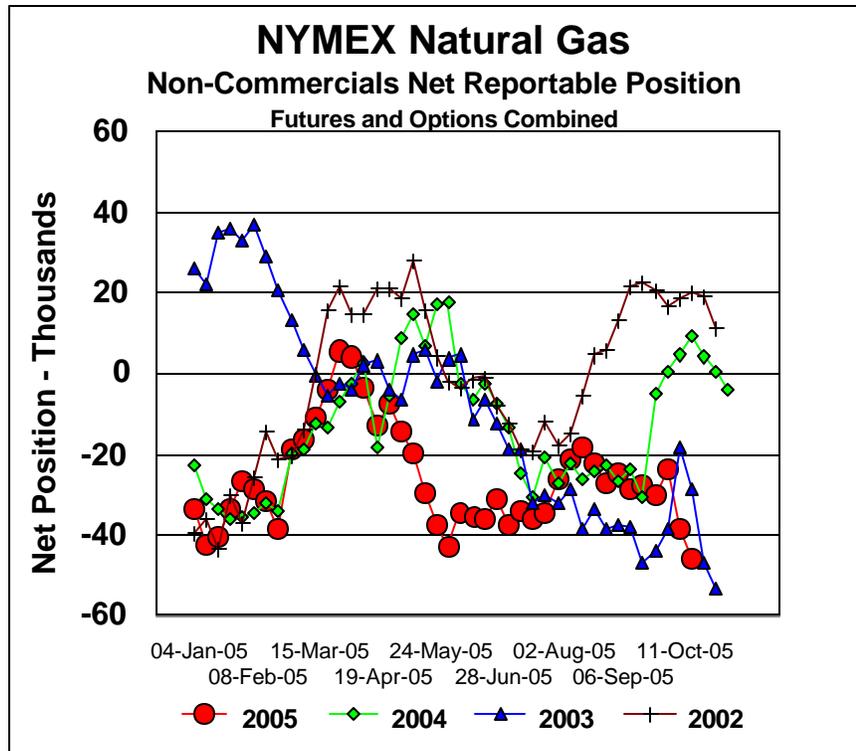
The NRC reported that U.S. nuclear generating capacity was at 80,709 Mw up 3.46% from Thursday and up .75% from a year ago.

The number of rigs searching for gas in the U.S. fell 9 to 1,253.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to warm temperatures and low linepack it is issuing an Overage Alert Day at 20% 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 Hall Summit, East Texas – 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 Mobile; East Texas; and Bayou Sale to Napoleonville.



Kern River Pipeline said that linepack levels are currently high across its entire system.

Texas Eastern Transmission Corp. said that Zones STX and ETX have been restricted to capacity. No increases in receipts between Mont Belvieu and Little Rock for delivery outside of that area will be accepted. Zones M1 24-inch and M2 24-inch have been sealed to capacity through the Batesville compressor station. No increases in receipts between Little Rock and Batesville for delivery outside of that area will be accepted. Also, Tetco said that due to the typical storage inventory levels at this time of year, along with mild temperatures forecasted for this weekend, it has limited ability to absorb makeup imbalance gas into the system. Tetco requires shippers to schedule receipts commensurate with scheduled deliveries. Receipt meter operators need to avoid over

delivery into the system and delivery meter operators need to avoid under takes. Additionally, TABS-1 parties are required to schedule their pools balanced. Tetco will take steps to ensure balanced TABS-1 pools by force balancing pool length.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that the Guadalupe turbine has developed a leak on the regenerator that must be repaired. The station will be down October 23 and 24, reducing the capacity of the South Mainline by 160 MMcf/d.

TransColorado Gas Transmission said that maintenance at its Dolores Compressor Station (Segment 240) has been completed ahead of schedule and the segment is back to full capacity. Depending on the level of nominations, authorized overrun, and interruptible flow, secondary out-of-path nominations may be scheduled.

MARKET COMMENTARY

The natural gas market opened 26 cents lower today, continuing the selling from yesterday's storage number release. The market slipped early to 12.68, a three-week low and key support area, but was not able to maintain that level and muster any more selling. Natural gas then drifted back up to the 12.80 level and eventually reached a high for the day at 12.99, before sliding to settle down 10.5 cents at 12.872, its second settlement below 13.00 in the past 10 days.

Despite the bearish inventory number from yesterday, this market is being held up firstly by Wilma, a hurricane that is expected to be pushed east by a front, but if Wilma stalls over the Yucatan for a couple days, that front could move by and allow Wilma to drift north again. Second, there is another tropical wave entering Caribbean that will continue to be monitored. Finally, a cold snap could initiate heating demand and move the market off the lows of the range.

The Commitments of Traders Report showed that non-commercial traders increased their net short futures positions by 6,607 contracts this past week and in the combined futures and options report, the non-commercials increased their net short positions by 7,336 contracts. We continue to see support at \$12.70 followed by \$12.20 and \$12.00. We see resistance at \$13.25 and \$13.62, followed by \$14.00 and \$14.25. Further resistance we see at \$14.75.