



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR SEPTEMBER 1, 2006

NATURAL GAS MARKET NEWS

While the National Hurricane Center saw no threatening tropical systems currently in the Atlantic Basin, they continued to watch the slow but steady drift westward of two minor tropical systems. One was located 900 miles west-southwest of the Cape Verde Islands. Some slow development is still seen as possible over the next day or two. The other system is a small area of low pressure located 500 miles east of the Leeward Islands. Any associated shower activity with this system remains limited and potential for development if any is expected to be very slow to occur.

Dr. Gray and his research team at Colorado State University today reduced their forecast for the number of named storms this Atlantic hurricane season. This was the second time this year the group reduced their forecast. They are now looking for 13 named storms of which 5 would become hurricanes. One factor leading to the revisions are indications the El Nino weather phenomenon may take shape in the Pacific this autumn, thus suppressing hurricane activity in the Atlantic. Another factor is the high level of West African dust over the Atlantic. As a result they now look for the current season to be slightly below average for storms. Back in June the group had predicted 17 named storms and that 9 would become hurricanes.

Excelerate Energy said Friday that it may deliver up to four cargoes of LNG to a new terminal at Teesside in northern England, which is due to be completed in December.

The Institute of Supply Management reported today that U.S. factory activity expanded at a slower pace in August, and new growth slowed as well. Meanwhile the University of Michigan reported that consumer sentiment in the U.S. slipped in August to 82.0 versus 84.7 in July.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that due to low forecasted demand conditions, it is reminding shippers and point operators that ETNG has limited ability to absorb due shipper imbalances. Additionally, no due-pip nominations will be accepted on the entire ETNG system beginning September 1-4th.

Algonquin Gas Transmission said that due to forecasted low demand conditions it is reminding shippers and point operators it has limited ability to absorb shippers and point operators shipper imbalances for September 1-4th.

Williston Basin Interstate Pipeline said that both the Madden-Worland and Worland-Lovell line sections are in pipeline capacity constraint for today's timely cycle and that penalties would be imposed.

Generator Problems

NPCC – FPL reported that its 1159 Mw Seabrook nuclear unit was taken offline due to inoperable backup diesel generators

SERC – TVA restarted its 1100 Mw Browns Ferry #3 nuclear unit yesterday and it was at 92% of capacity this morning.

ERCOT – TXU Corp's 565 Mw coal fired Unit #2 at the Monticello power station returned to service yesterday following a brief outage that began on Thursday.

WSCC – PG&E Corp's 1087 Mw Diablo Canyon #2 nuclear unit returned to full power after fixing a leak on Thursday.

Canada – OPG announced that it had shut its 535 Mw Unit #3 at the Lennox oil/gas fired power plant. The company also reported that its 494 Mw coal fired Unit #1 at the Lambton power station was taken off line for short term maintenance work.

The NRC reported this morning that 94,413 Mw of nuclear generating capacity were on line, down 0.6% from yesterday and some 2.47% higher than a year ago.

PIPELINE MAINTENANCE

PG&E California Gas Transmission has scheduled a general maintenance at the Tionesta Compressor K-1 on September 26th. Capacity on the Redwood Line will be reduced to 2,050 Mmcf/d or roughly 99% of capacity.

NGPL said that starting September 13th through September 15th, it will perform pipeline maintenance and additional compression will be installed at Sayre Storage Facility (Compressor Station 184) in Beckham County, OK. As a result Sayre Storage will be unavailable during this time. The company also announced it will perform pipeline maintenance at its Lansing Storage Facility on September 19-21st.

FGT said that it will be performing unscheduled maintenance on one of three units at Station 7 starting September 2nd, with work not completed until sometime in October. During this work the company will schedule up to 385 Mmcf/d through Station 7, some 83% of normal capacity.

ELECTRIC MARKET NEWS

Tropical Storm Ernesto as it moved across the Carolinas and Virginia had knocked power out to 263,000 customers, with the Dominion Virginia Power service area being the hardest hit with 190,000 customers without service.

Southern Company announced it has closed on the purchase of the Rowan County Energy Complex from Progress Energy. The facility consists of three simple cycle natural gas field generating units and a combined cycle unit totaling 925 Mw of generating capacity,

MARKET COMMENTARY

The natural gas market gapped lower and opened 20 cents lower this morning as longs appeared to continue to flee this market, some being pushed to the exit by still no tropical threat to the USG production areas and on the news prior to the opening, that Dr. Gary and his forecasting team at Colorado State University, had yet again revised downward their outlook for storms this hurricane season to a level that was now below normal. The market though quickly set its lows for the day and then worked at back filling the gap in the daily charts from this morning despite falling oil prices. But the rebound stalled at midday and slowly drifted off as oil prices tumbled significantly going into the close on the pre-holiday shortened trading session. While the back months settled higher (those for the 2Q07 and beyond) for the second day in a row, the front months, even this winter were off again today. As a result the March April spread fell for the fifth consecutive session and as a result has contracted nearly 45 cents alone this trading week, falling to its lowest level since July 28th. Final volume on the day was very light with just 32,000 futures trading of which nearly two thirds were booked via spreads.

Tropical weather forecasts remain the key to this market. If traders return from the long holiday weekend and find the tropics remain quiet, then the bears will remain in control and may make an early run to the support at \$5.52-\$5.47. We continue to see \$6.00 as a near term resistance point for this market. Additional targets would be \$6.25, \$6.54, \$6.765 and \$7.00. More distant resistance would be at the upper end of the gap left in the daily charts from last Friday at \$7.30.