



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 5, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that Tropical Depression 6 has strengthened into Tropical Storm Florence with maximum sustained winds of 40 mph. The system is located about 960 miles east of northern Leeward Islands and is moving west at about 12 mph. Current models show the system steering north of Puerto and the Bahamas and staying away from the energy producing regions of the Gulf of Mexico. The NHC is also following a tropical wave located several hundred miles west of the Cape Verde Islands. Environmental conditions appear somewhat favorable for a tropical depression to develop during the next couple of days as the system moves westward at about 10 mph.

With the launch of side-by-side physical trading on CME GLOBEX today the following amendments have been adopted to the NYMEX settlement rules. The amendments are designed to so that electronic trades are incorporated into the weighted average settlement price in contract months that would qualify for such handling. The use of TAS transactions will be removed (where applicable) in qualifying a contract month for weighted average price treatment, and otherwise make clear that the spot month will always be settled on a weighted average in CL, NG, HO, HU, RB and PN. Back months will rely upon spread values determined on the trading floor for all other months, but if relevant, the Settlement Price Committee may, in its discretion, utilize electronic trade information for such months. Additionally, the Settlement Committee, by way of procedure, will exercise discretion in potentially including or excluding the pricing data between the venues if they believe it to be erroneous or not generally indicative of value.

Talisman Energy Inc. is touting its Alberta Outer Foothills conventional gas development as a "major new natural gas play" that could yield 200 MMcf/d of production by the end of the decade. The company

Generator Problems

ECAR – AEP's 1,020 Mw Cook #1 nuclear unit slipped to 75% by early today. Late last week, the unit was operating at 79%. The unit is expected to enter a refueling and maintenance outage later this month.

MAIN – Exelon Generation's 1,252 Mw Byron #1 nuclear unit decreased output to 96% as it power downs for a refueling outage. Byron #2 continues to operate at full power.

Dominion Resources' 591 Mw Kewaunee nuclear unit shut to begin a planned refueling and maintenance outage. The unit was at full power on Friday.

NPCC – FPL's 1,159 Mw Seabrook nuclear unit exited an outage and ramped up to full power by early today. The unit shut September 1 due to a problem with the emergency backup diesel generators.

SERC – TVA's 1,100 Mw Browns Ferry #3 nuclear unit has returned to full power. The unit restarted late last week and was at 92% prior to the long weekend. Browns Ferry #2 continues to operate at full power.

Duke Power's 846 Mw Oconee #2 nuclear unit was taken offline to fix a turbine oil cooler over the weekend. The unit is currently operating offline at 18%. On Friday, the unit was operating at full power. Oconee #1 and #3 continue to operate at full power.

Southern Co.'s 1,149 Mw Vogtle #2 nuclear unit exited an outage and ramped up to full power by early today. The unit tripped offline on August 27 due to the trip of a reactor coolant pump. Vogle #1 continues to operate at full power.

WSCC – PG&E's 1,100 Diablo Canyon #2 nuclear unit returned to full power. Diablo Canyon #1 continues to operate at full power.

Canada – Ontario Power Generation's 490 Mw Nanticoke #2 coal-fired power station shut for planned maintenance.

The NRC reported this morning that 95,599 Mw of nuclear generating capacity were on line, up 1.26% from Friday and some 1.99% higher than a year ago.

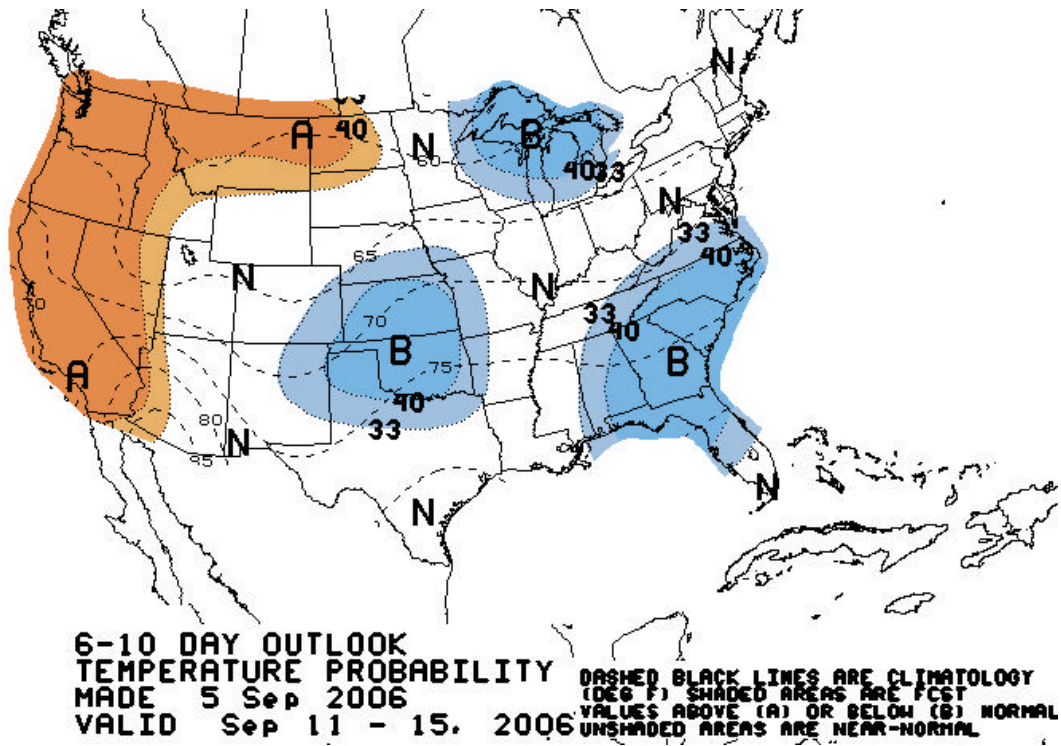
currently is drilling four wells with the expectation that each will produce 6-10 MMcf/d with 6-10 Bcf of recoverable reserves per well.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company said that ANR South Joliet #2 is at capacity for deliveries. ITS/AOR and secondary firm transports are at risk of not getting fully scheduled. ANR South Joliet #2 is located in Will County, Illinois (Segment 33) in Natural's Iowa Illinois Receipt Zone.

Questar Pipeline Company said that due to a mechanical failure, Clay Basin Injection Capacity will be lowered to 300 MMcf/d through the end of September 8.

Texas Eastern Transmission said that due to an outage on line 1-A downstream of Chester Junction, the following delivery points are unavailable for nominations: M&R 72649 Sun R&M Point Breeze; M&R 70030 PGW Point Breeze; M&R 73318 Liberty Electric; M&R 72930 PECO Eddystone; M&R 73127 Mobil Oil; M&R 71682 PGW Penrose; and M&R73060 PGW Harkness.



PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said unplanned maintenance will be performed at the Bismark Compressor Station on September 6. At this time, Williston Basin does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

Two Florida power companies filed with state utility regulators to change rates – Florida Power & Light expected to reduce rates, while Progress Energy Florida sought a rate increase – both related to fuel costs. Progress Energy Florida asked state regulators for a 3.4% increase next year to reflect the rising cost of fuel used to generate electricity. FPL meanwhile said customers could see a 2% decrease in rates if fuel costs do not rise beyond forecasts. Progress is seeking a total increase of \$161.4 million, which would boost residential bills starting in January 2007 by \$3.72 per 1,000 kilowatt-hours to \$113.28. FPL expects residential rates in 2007 to slide from \$108.61 to \$106.68 for customers using 1,000 kWh a month due in part to increased fuel efficiency at FPL's power plants, lower than expected 2006 fuel costs and a reduction of the storm restoration charges.

MARKET COMMENTARY

The natural gas market opened 2.3 cents higher and rebounded back above the 6.00 level on a technical low volume session. October natural gas traded as low as 5.85, but minor short covering saw prices reach as high as 6.08. However, there's nothing fundamental to justify a sizeable move higher, and further weakness given the overall bearishness of the market is expected. The October contract settled up 16.2 cents at 6.039.

Though Tropical Storm Florence has formed, it currently poses no direct threat to the energy complex. This week's storage figure is expected to be more robust than the last few weeks due to cooler conditions and diminished demand. Early expectations call for a 50 to 68 Bcf build, which compares favorably to an injection of 40 Bcf last year and the five-year average build of 69 Bcf. We see support at \$5.78, \$5.71, \$5.55, \$5.52 and \$5.47. We see resistance at \$6.08, \$6.24, \$6.35, \$6.53, \$6.64 and \$7.08.

NYMEX Natural Gas Options Most Actively Traded for September 5, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	10	6	C	7.5	09/26/2006	0.1299	0.1318	6,585	91.38
LN	10	6	P	5	09/26/2006	0.0664	0.1085	5,725	73.46
LN	11	6	C	10	10/26/2006	0.4279	0.4255	4,000	83.10
LN	4	7	C	10	03/27/2007	0.7148	0.6912	3,250	44.43
ON	5	7	P	6.25	04/25/2007	0.328	0.344	3,000	47.08
ON	11	6	P	7	10/26/2006	0.416	0.423	2,200	76.34
LN	10	6	C	6.5	09/26/2006	0.3017	0.2819	2,035	81.58
LN	10	6	C	7	09/26/2006	0.1953	0.1898	2,020	86.54
LN	10	6	C	8	09/26/2006	0.0894	0.0927	2,000	96.13
ON	5	7	C	10	04/25/2007	0.704	0.679	2,000	49.50
LN	10	6	P	4.5	09/26/2006	0.017	0.0329	1,900	73.60
LN	10	6	C	9	09/26/2006	0.0373	0.04	1,750	100.32
LN	10	6	C	8.1	09/26/2006	0.0825	0.0851	1,700	96.82
ON	10	6	P	5	09/26/2006	0.066	0.109	1,610	72.14
ON	10	6	C	6	09/26/2006	0.473	0.428	1,434	79.18
ON	10	6	P	5.5	09/26/2006	0.2	0.281	1,331	75.52
LN	12	7	C	10.7	11/27/2007	1.9925	1.9471	1,275	32.01
LN	9	7	C	8.65	08/28/2007	1.5971	1.5543	1,275	37.22
LN	11	7	C	9.75	10/26/2007	1.8472	1.8001	1,275	33.77
LN	8	7	C	8.55	07/26/2007	1.469	1.4269	1,275	36.27
LN	9	7	P	8.65	08/28/2007	1.5554	1.5903	1,275	57.98
LN	8	7	P	8.55	07/26/2007	1.4223	1.4583	1,275	55.96
LN	11	7	P	9.75	10/26/2007	1.7823	1.817	1,275	56.36
LN	12	7	P	10.7	11/27/2007	1.9888	2.0247	1,275	55.43
LN	4	8	C	12	03/26/2008	0.4616	0.4441	1,200	30.53
LN	11	6	P	7	10/26/2006	0.4155	0.4224	1,200	78.66
ON	10	6	C	8	09/26/2006	0.089	0.093	1,192	97.21
LN	10	6	P	6	09/26/2006	0.4335	0.5504	1,150	81.23
LN	4	8	C	8	03/26/2008	1.2231	1.1822	1,090	17.67
ON	11	6	C	9	10/26/2006	0.65	0.644	1,007	83.22
ON	5	7	C	8	04/25/2007	1.332	1.288	1,000	48.02
LN	10	6	P	4.75	09/26/2006	0.036	0.0616	1,000	73.83
ON	5	7	P	8	04/25/2007	1.025	1.061	1,000	47.67
LN	10	6	P	5.5	09/26/2006	0.1996	0.2811	1,000	77.00