



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 9, 2005

NATURAL GAS MARKET NEWS

Ophelia has returned to tropical storm status and is pretty much stationary 115 miles off Daytona Beach, Florida. The storm is expected to intensify to hurricane status later today or Saturday. Ophelia could strengthen to a category 2 storm over the weekend. All models now predict that the storm will not enter the Gulf of Mexico. The direction is slow moving north-northeast ward, and the National Hurricane Center predicts late this afternoon should make landfall in 3-4 days, possibly on the South Carolina coast. Meanwhile forecasters continue to watch an area of disturbed weather in the Bay of Campeche for further development.

El Paso Corp. denied talk in the natural gas market that a portion of its Tennessee Gas Pipeline system in Louisiana would be out of service through the winter. A company spokesman said the effects of Katrina continue to shut in about 700 MMcf/d of gas throughput on its Tennessee system and 550 MMcf/d on its Southern Natural Gas system. "There's no new information," a spokesman said. He did not comment on how long the pipelines would be at reduced rates.

El Paso also said that it is too early to give full damage assessments of its extensive pipelines in the Gulf of Mexico. The company has not had the chance to fully assess the effect of mudslides in all areas. Aside from the condition of the pipelines, flooding and damage to crucial gas treatment plants onshore may prove to be a bottleneck that keeps flows of gas curtailed for weeks or months.

The U.S. Energy Department reported that operations at eight natural gas processing plants along the U.S. Gulf Coast remain interrupted due to Hurricane Katrina, and two of the facilities may be out of service for up to 6 months. The plants have a total processing capacity of about 6.8 Bcf/d. The interrupted plants are: Duke Energy, Mobile, Alabama; BP, Pascagoula, Mississippi; Dynegy, Venice, Louisiana; Dynegy, Yscloskey, Louisiana; Enterprise Produccion, Toca, Louisiana; ExxonMobile, Garden City, Louisiana; ExxonMobile, Grand Isle, Louisiana; Marathon, Burns Point, Louisiana.

Generator Problems

MAAC— Exelon Corp.'s 1,112 Mw Peach Bottom #2 nuclear unit shut late last night to begin a planned maintenance outage. The unit was operating at full power yesterday. Peach Bottom #3 continues to operate at 89% as it coasts down for a refueling outage expected to start mid September.

SERC— Entergy Corp.'s 1,000 Mw Arkansas #2 nuclear unit dipped to 66% of capacity yesterday afternoon when a control rod was inadvertently put into the reactor core. Yesterday the unit was operating at full power. Arkansas #1 continues to operate at full power.

Duke Power Company ramped output to 99% at its 846 Mw Oconee #3 nuclear unit. Oconee #1 and #2 remained at full power.

Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit dipped to 72% of capacity by early today for maintenance on the non-nuclear side of the plant. The unit was operating at full power yesterday.

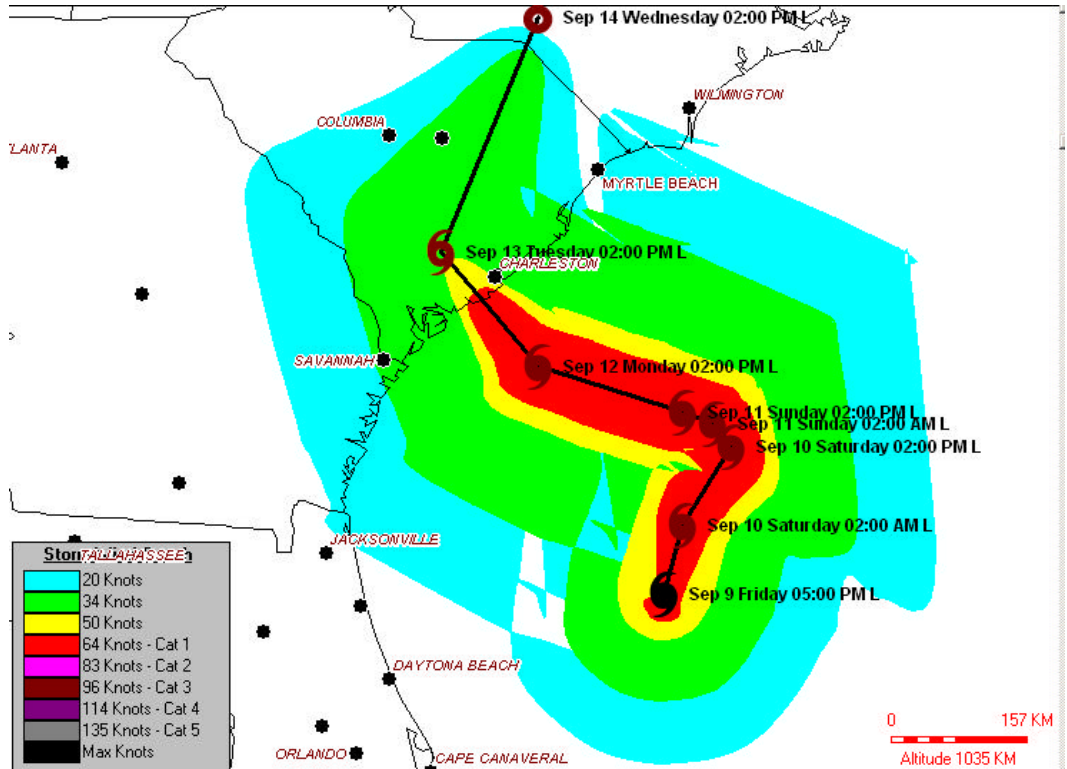
WSCC— Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired unit shut late yesterday for both planned and unplanned reasons. The unit was available for service earlier on Thursday.

Canada— Ontario Power Generation's Bruce #3 nuclear unit is expected to come back online today.

The NRC reported that U.S. nuclear generating capacity was at 93,644 Mw down 1.72% from Thursday and up 1.60% from a year ago.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell by six to 1,441 in the week ended September 9. During the same week last year, there were 1,240 rigs. The number of rigs exploring in Canada was up 37 at 558, compared to 261 last year. The number of rigs searching for natural gas in the United States rose two to 1,221.

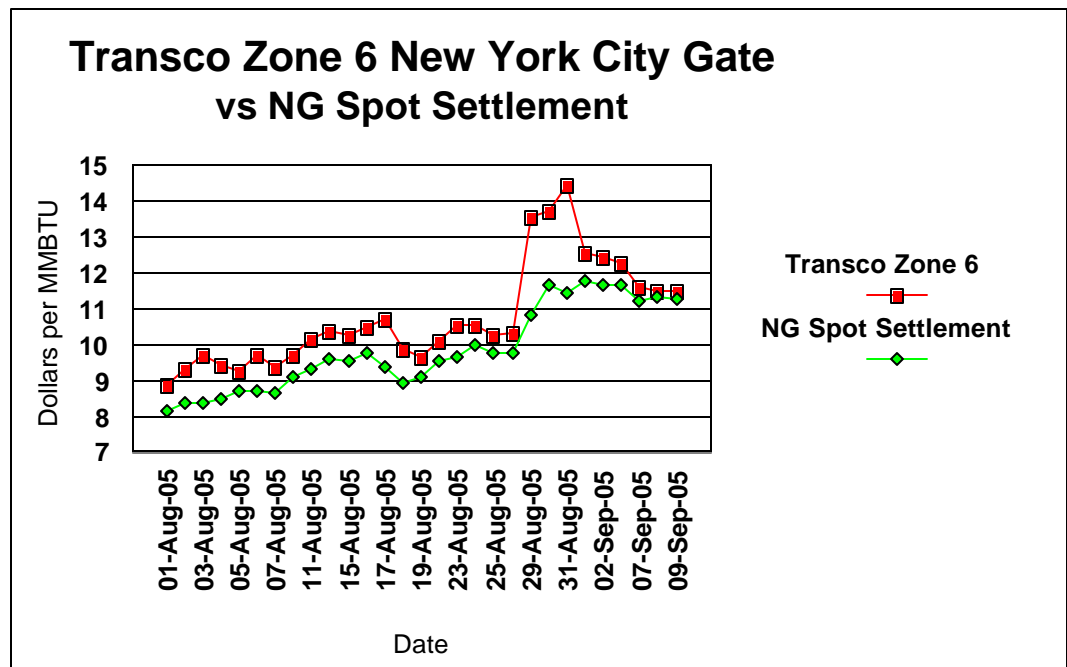
The Minerals Management Service reported that 3.828 Bcf/d of natural gas is still shut in, representing about 38.29% of the daily gas production in the Gulf of Mexico.



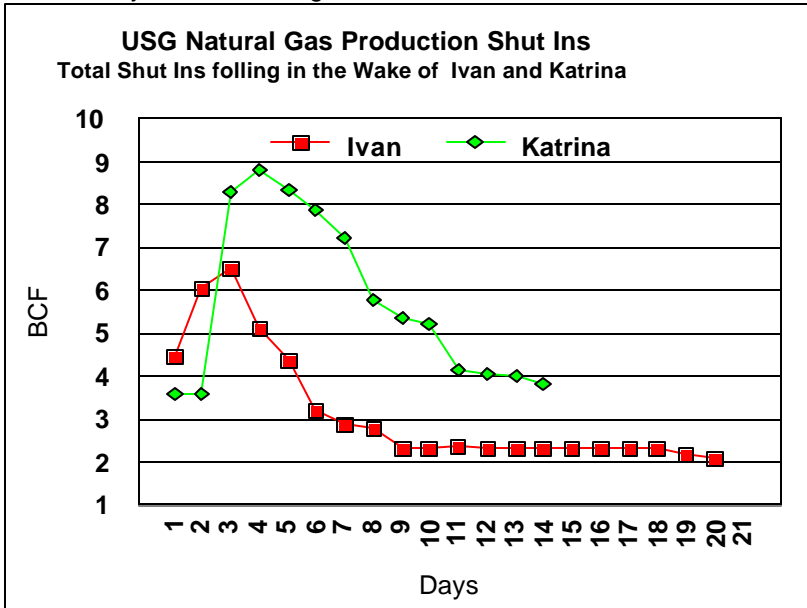
New natural gas-fired power generation capacity in eastern Canada and the U.S. Northeast will strain an already tight gas market over the next several years. The Ontario Government's June 2004 call to reduce the province's reliance on coal-fired electricity has resulted in about 25,000 Mw of gas-fired replacement capacity being proposed. Those plants potential gas consumption is about 7 Bcf annually. If all those plants become operational they would boost Ontario's yearly gas consumption by about 8.5%.

PIPELINE RESTRICTIONS

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 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 Mobil; East Texas; and Bayou Sale to



Napoleonville. Gulf South Pipeline also said it has experienced a force majeure event on its Venice Junction to Chalmette pipeline, Index 293, and will be performing unscheduled maintenance on this line beginning immediately and continuing until further notice.



Texas Eastern Transmission said it has restricted receipts from production that remains shut-in due to Hurricane Katrina. Tetco will continue to take action to ensure physical receipts are commensurate with physical deliveries. Shippers are reminded to closely monitor their supply in the event of interruption due to the storm. STX and ETX have been restricted to capacity. Receipts between Mont Belvieu and Little Rock for delivery outside of this area will not be accepted. M1 24-inch has been sealed to capacity. Receipts between Little Rock and Fagus will not be accepted.

TransColorado Gas Transmission said it has capacity available for deliveries through Segments 300/310. Depending on the level of nominations, IT/AOR and

secondary out-of-path volumes are at risk of not being scheduled.

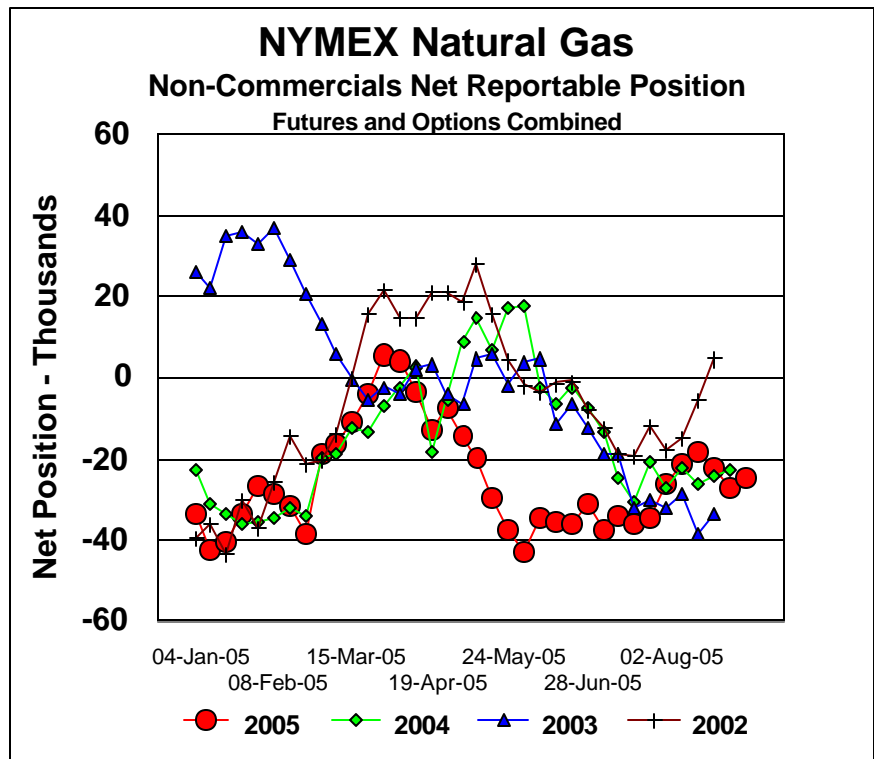
PIPELINE MAINTENANCE

ANR Pipeline Company said it has completed the engine maintenance at its Sandwich Compressor Station and the associated capacity restriction has been lifted.

PG&E California Gas Transmission scheduled general maintenance at the Delevan Compressor Station for September 23. Capacity on the Redwood Line will be reduced to 2,030 MMcf/d, 98% of capacity.

Questar Pipeline Company said it will be performing an Oak Spring compressor restage on September 20-24, which is part of the southern system expansion project. Compressor #3 will be unavailable during this time. As a result, the ML 104 scheduling point will be reduced to 175 MMcf/d in all cycles for gas days September 20-24.

Transcontinental Gas Pipeline Corp. said it will continue to limit the flow through the Station 50 area to 1.5 Bcf through September 16. Transco initially posted in August a notice



concerning integrity testing on its facilities downstream of Compressor Station 50 near Eunice, Louisiana, which was to be completed approximately September 10. However, the days associated with the effects of Hurricane Katrina have moved the expected completion date to September 16.

Williston Basin Interstate Pipeline Company said that maintenance will be performed at the West Short Pine Hills Compressor Station. Volumes from receipt point 04435 will be zero for gas day September 12-13 and reduced to approximately 570 Mcf for gas day September 14. Maintenance also will be performed at the Worland Compressor Station Unit #7 through September 15. Receipts in Line Sections 19 and 20 may potentially be affected depending on quantities nominated. Additionally, due to maintenance in Line Section 19, receipts may be affected on gas day September 21. At this time, Williston does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

Eleven days after Hurricane Katrina pummeled the Gulf Coast, some 689,000 electricity customers still lacked power in Louisiana and Mississippi, according to area utilities and the U.S. Department of Energy. Less than half the customers in Louisiana, or 459,000 homes and businesses, remained without power, while Mississippi had about 223,000 customers with no service. Entergy Corp., which had about 352,000 customers out in Louisiana and 6,000 out in Mississippi, said restoration was progressing well, except in flooded areas. Entergy said it expects to restore service to most customers in Mississippi by September 11, though restoring power to the hardest hit parts of Louisiana could take weeks. Southern Co.'s Mississippi Power subsidiary had about 52,000 customers still without service. Southern expects to restore service to all customers who can receive power by September 11.

Entergy said it has 17 generating units in the New Orleans area fueled by natural gas and/or oil. The company has returned nine of those units to service, with another expected to return later this week. Despite the outages, the utility said generation capacity is sufficient to meet load demand and their fuel supplies are adequate.

The U.S. Bonneville Power Administration will reduce its fiscal year 2006 wholesale power rates by 1.6% beginning October 1 despite the ongoing effects of below average precipitation in the Columbia River Basin and additional spill for salmon migration. In a release, the federal power agency said the rate decrease is due to better-than-expected revenues from surplus power sales and agency cost cutting. Even though BPA is reducing the rates it charges local utilities, homeowners will not necessarily see lower power bills unless their local utility passes on those savings.

Florida Power and Light said it expects it will need to recover about \$6.2 billion for fuel costs in 2006 due to high global oil and gas prices. The company said that if it collects the full \$6.2 billion in 2006, the recovery would be more than \$2 billion over what it recovered in 2005.

MARKET COMMENTARY

The natural gas market opened relatively unchanged today and again pushed higher to test the resistance level at 11.38. The market was able to pierce that level and post the day's high at 11.41 before falling back, as the oil complex came under pressure. Natural gas found support at the day's low of 11.23 and failed to erode any further as the oil complex did. The January and February 2006 contracts for natural gas posted over 6 cent gains, suggesting the traders' sense that the winter months will see strong demand with less gas in storage when that time comes. The front month, October, settled down 8.4 cents at 11.263, with just 50,000 contracts booked on the day.

The Commitment of Traders report showed that through September 6, non-commercial traders reduced their net short position by almost 600 contracts to 8,604 contracts. In the combined futures and options report, non-commercial traders reduced their net short position to 24,698 contracts, 2,158 contracts less than last week. Traders added 1,569 short option positions, perhaps are taking advantage of these high prices to position themselves with puts below the market feeling that a return to pre-Katrina levels is possible before winter.

With mild temperatures across the Midwest and Northeast easing cooling generation demand, physical prices have come down since the Katrina spike. The Transco Zone 6 New York City-Gate basis the spot Henry Hub future price has come in from a high of near \$3 to around 25 cents. We see support at today's low of \$11.23

followed by \$11.00 and \$10.90. Further support we see at \$10.65 and \$10.05. We see resistance to continue at the \$11.38-\$11.46 gap. Further resistance we see at \$11.80 and \$11.90. Further resistance we see at \$12.25.