



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 11, 2006

NATURAL GAS MARKET NEWS

Despite the strengthening of Tropical Storm Florence into a Hurricane and the development of Tropical Storm Gordon over the weekend, no tropical storms are expected to threaten the U.S. Gulf Coast through at least next week, according to private forecaster Planalytics. The National Hurricane Center upgraded Tropical Storm Gordon this afternoon as winds increased to over 45 mph. Gordon is located a few hundred miles east of the Bahamas and the projected path takes it north, east of Bermuda and out into the Northern Atlantic. The National Hurricane Center is also following a strong tropical wave that is coming off the coast of Africa and is moving west. This system has the potential to develop very quickly.

Gulf South Pipeline Co. LP has filed an application at FERC to build 242 miles of high-pressure pipeline that would connect its existing system in DeSoto Parish in northern Louisiana to its 30-inch diameter pipeline in Simpson County, MS.

The Government Accountability Office (GAO) issued two related reports Friday that gave natural gas pipelines high marks for the progress they've made in improving the safety of their systems, and it recommended that Congress and the Department of Transportation (DOT) make changes to their laws and regulations to aid pipelines in their efforts.

FERC on Friday rejected Northern Natural Gas Co.'s request to sell 419

Generator Problems

ECAR – FirstEnergy's 935 Mw Davis-Besse nuclear unit returned to full capacity.

FirstEnergy's 1,260 Mw Perry #1 nuclear unit reduced power to 80% by early today. The unit was operating at full capacity on Friday.

ERCOT – South Texas Project Nuclear Operating Company's 1,250 Mw South Texas #1 reduced capacity by 18% to operate at 80%. South Texas #2 continues to operate at full power.

TXU's 750 Mw Martin Lake #2 coal-fired power station restarted following a short repair outage.

AEP's 675 Mw Pirkey coal-fired power station is in start up from September 9-13. The unit shut September 6 for maintenance.

AEP's 690 Mw Okalunion coal-fired power station shut September 8 to fix a tube leak.

MAIN – Exelon's 1,164 Mw Byron #1 nuclear unit shut for planned refueling late Sunday. Byron #2 continues to operate at full power.

MAPP – Omaha Public Power District's 476 Mw Fort Calhoun nuclear unit shut for a refueling and maintenance outage on Saturday.

SERC – TVA's 1,121 Mw Watts Bar nuclear unit shut for a planned refueling and maintenance outage.

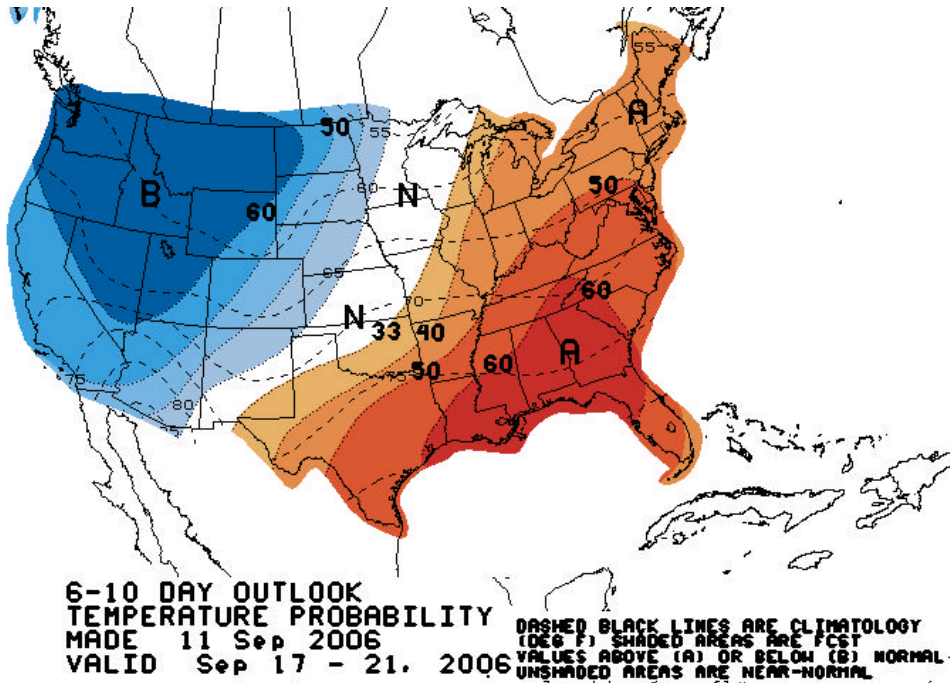
Duke Energy's 846 Mw Oconee #2 nuclear unit ramped up to full power following repairs to the lubricating system. Oconee #1 and #3 continue to operate at full power.

WSCC – Arizona Public Service Co.'s 1,335 Mw Palo Verde #2 nuclear unit shut over the weekend, presumably for a refueling and maintenance outage.

Canada – Bruce Power's 790 Mw Bruce B #8 shut a planned maintenance and refueling outage.

OPG's 494 Mw Lambton #3 and #4 coal-fired power stations shut for short-term outage. OPG's 490 Mw Nanticoke #3 coal-fired power unit returned to service. OPG's 515 Pickering A #4 nuclear unit shut for short-term work on the non-nuclear side of the plant.

The NRC reported this morning that 94,361 Mw of nuclear generating capacity were on line, slightly higher by .12% from Friday and some 1.44% higher than a year ago.



miles of natural gas pipelines and associated compression facilities in Texas, Kansas and Oklahoma to Duke Energy Field Services LP. FERC took this action after denying Duke Energy's plea for the facilities to be declared nonjurisdictional gathering.

PIPELINE RESTRICTIONS

Questar Pipeline Company said that it has not received the parts necessary to complete the repairs at Clay Basin. As a result, the injection capacity will remain at 300 MMcf/d through the end of gas day September 12.

Texas Eastern Transmission

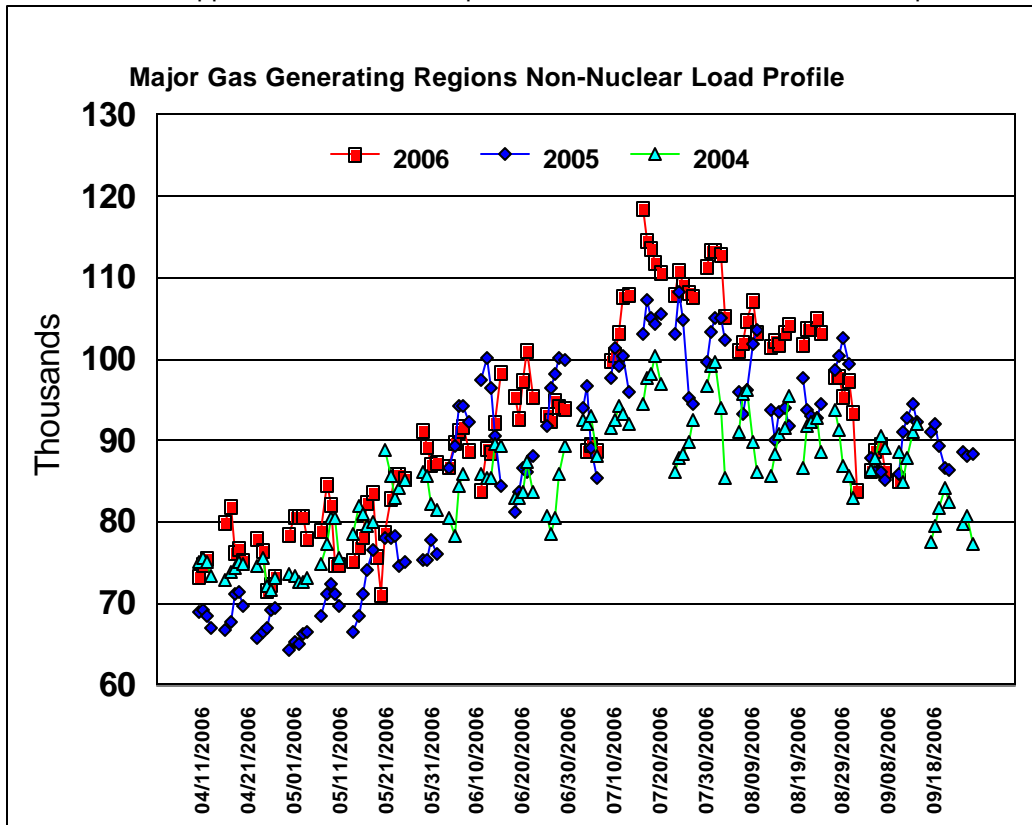
said that for gas day September 11, the restriction prohibiting the acceptance of due pipe resolution nominations is still in effect. All party's with a due shipper imbalance are requested to resolve them as soon as is practicable.

Tetco requires that shippers and TABS parties schedule their contracts balanced except for the scheduling of Due Shipper payback, and point operators to perform according to nominated volumes. Tetco will force balance TABS-1 pools or restrict the system as required.

Williston Basin Interstate Pipeline Company said that for the timely cycle for today's gas flow, both 019 Madden-Worland and 020 Worland-Lovell are in capacity constraint.

PIPELINE MAINTENANCE

Alliance Pipeline said that Blueberry Hill Compression Station Unit #1 will be required to be offline for four hours for maintenance starting at 9:00 on September 13. Unit #2 will be down for four hours starting the next day, September 14. Capacity at the constraint point on unit #2 will be lowered to 11,852 MMcf/d while this task is performed. Alliance



also said that maintenance work requires the Irma Compression Station in Saskatchewan to be offline for 24 hours on September 12. This work will impact system throughput (AOS), but that will be determined closer to the outage date. Alliance also said that maintenance work requires the Towner Compression Station in North Dakota to be offline for 80 hours on September 12. This work will impact system throughput, and (AOS) will be determined closer to the outage date. Alliance finally said that the Windfall Compression Station Unit #2 will undergo maintenance and be unavailable for 324 hours starting today. This station is equipped with redundant compression and system throughput (AOS) should not be impacted.

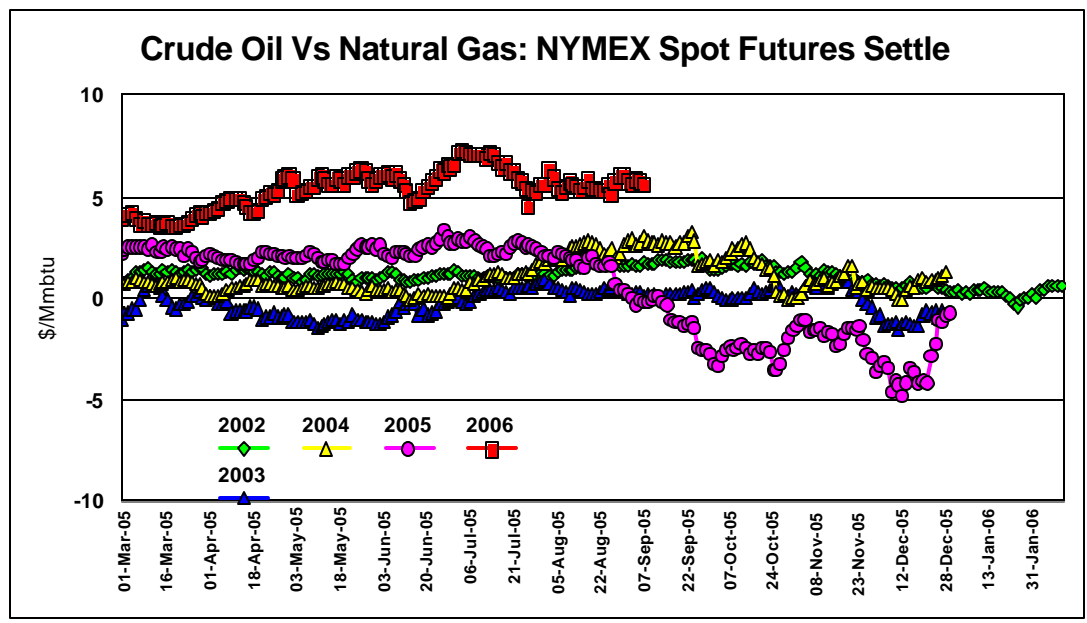
MARKET COMMENTARY

The natural gas market opened 10 cents lower following a low of 5.319 on the overnight session. The lack of bullish news saw the October contract trade to a low of 5.44 today, but as crude oil traded below 65.00 and a subsequent short covering rally returned prices to positive territory, though briefly, natural gas followed suite, recovering back above the 5.50 level.

NYMEX Natural Gas Options Most Active Strikes for September 11, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
ON	10	6	P	4.5	09/26/2006	0.011	0.019	5,584	65.52
LN	11	6	P	6.5	10/26/2006	0.356	0.2855	4,800	72.17
LN	11	6	P	6	10/26/2006	0.1821	0.1451	4,450	68.98
LN	10	6	P	4.5	09/26/2006	0.0112	0.0187	4,150	66.45
LN	11	6	P	5	10/26/2006	0.0318	0.0265	3,850	67.45
LN	4	7	C	9	03/27/2007	0.7166	0.8275	3,500	42.94
LN	12	6	C	11.5	11/27/2006	0.5287	0.6802	3,500	72.95
LN	11	6	C	8	10/26/2006	0.485	0.6695	3,200	72.96
LN	2	7	P	9	01/26/2007	1.1681	1.065	2,800	74.49
LN	3	7	P	9	02/23/2007	1.4319	1.3428	2,800	78.04
LN	1	7	P	9	12/26/2006	0.9658	0.8588	2,800	71.59
LN	1	7	C	12.5	12/26/2006	0.7435	0.8895	2,530	71.35
ON	12	6	P	9	11/27/2006	1.088	0.927	2,502	70.26
LN	1	7	C	20	12/26/2006	0.1374	0.1848	2,500	79.90
LN	1	7	P	6	12/26/2006	0.0897	0.0799	2,400	66.45
LN	2	7	P	6	01/26/2007	0.1591	0.1434	2,400	68.92
LN	10	6	P	5	09/26/2006	0.0695	0.1003	2,400	68.25
LN	3	7	P	6	02/23/2007	0.2462	0.2326	2,400	70.73
LN	1	8	P	10	12/26/2007	1.5747	1.519	2,100	52.84
LN	11	6	P	5.5	10/26/2006	0.081	0.068	2,000	67.39
LN	4	8	P	7	03/26/2008	0.8593	0.8256	2,000	43.16

October natural gas did see positive territory with a high of 5.695 at the close, but ended up settling down .005 at 5.67.



Though the October contract was just down half a penny, the back months were off more, with November down 35 cents, December down 41 cents and January down 36 cents. The strength in the October contract can be attributed to the active weather in the tropics, even though no direct threat to the Gulf exists yet, the

season is not over. Also keeping the front month supported is its parity to the crude oil market, with market players keeping a \$5.50-\$6.00 /MMbtu relationship. The \$5.50 support level has held, but with mild weather and no threat to production in the Gulf, this week's expected build to inventory of 75-100 Bcf may be the weight necessary to break through the 5.50 level. We see support at \$5.50, \$5.39, \$5.25 and \$5.00. Further support we see at \$4.51. We see resistance at \$5.90, \$6.08, \$6.24 and \$6.35. We see further resistance at \$6.53, \$6.64 and \$7.08.