



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 14, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center continues to watch Hurricane Gordon, which is 560 miles east-southeast of Bermuda. The NHC elevated Tropical Depression 8 to Tropical Storm Helene, which is about 835 miles west of the southern most Cape Verde Islands. Meanwhile a westward moving tropical wave was producing cloudiness and showers over the northeastern Caribbean Sea, Puerto Rico and the Virgin Islands. But surface pressures are high across the region and there are currently no signs of organization.

Despite five-year-old promises of significantly increased liquefied natural gas (LNG) imports in the United States, the reality is that not much has been done to transform LNG from a niche business to a mainstream operation, according to James W. Duncan, director of Structured Products for ConocoPhillips Gas & Power.

Canadian Natural Resources, the nation's second-largest natural gas producer, agreed to buy Anadarko Petroleum Corp.'s Western Canada subsidiary for \$4.08 billion, increasing its fuel reserves by 45%. The deal will lift Canadian Natural's daily output by about 358 MMcf of gas and 9,300 barrels of crude oil and gas liquids. Proved gas reserves will rise to 5.05 Tcf.

PIPELINE RESTRICTIONS

Gulf South Pipeline is performing pigging maintenance on Index 296 Lirette Harvey 20-inch through today. Due to this pigging maintenance, capacity at SLN 21805 DISCOVERY will be limited to a maximum 40 MMcf/d for the duration of the maintenance. To the extent firm service is interrupted, Gulf South will be claiming force majeure for as long as service cannot be performed due to the maintenance activity.

EIA Weekly Report

	09/08/2006	09/01/2006	Net chg	Last Year
Producing Region	886	853	33	764
Consuming East	1781	1716	65	1593
Consuming West	417	407	10	389
Total US	3084	2976	108	2745

*storage figures in Bcf

Generator Problems

ECAR – AEP's 1,020 Mw Cook #1 nuclear unit reduced output an additional 6% to 52% capacity by early today as the unit continues to coast down for a refueling outage. Cook #2 continues to operate at full power.

ERCOT – The 1,280 Mw South Texas #1 nuclear unit was operating at 94% capacity as it coasts down for a refueling and maintenance outage. South Texas #2 continues to operate at full power.

AEP's 675 Mw Pirkey #1 coal-fired power station will extend its work until September 15. Previously the unit was expected to return on September 13.

AEP's 528 Mw Welsh #1 coal-fired power station is planned to shut September 14-18.

SERC – South Carolina Electric & Gas Co.'s 966 Mw Summer nuclear unit reduced output to 95% capacity. Yesterday, the unit was operating at full power.

The NRC reported this morning that 93,248 Mw of nuclear generating capacity were on line, .06% higher than Tuesday and .09% higher than a year ago.

KM Interstate Gas Transmission said that effective for gas day today, and until further notice, Panhandle Pony (PIN 9673) has capacity available for delivered volumes. Based on the level of nominations, IT/AOR and secondary volumes may be scheduled.

Natural Gas Pipeline Company said effective today and until further notice, Natural has limited capacity available for gas going eastbound through the end of Segment 17. Limited ITS/ AOR and Secondary out-of-path transports are available.

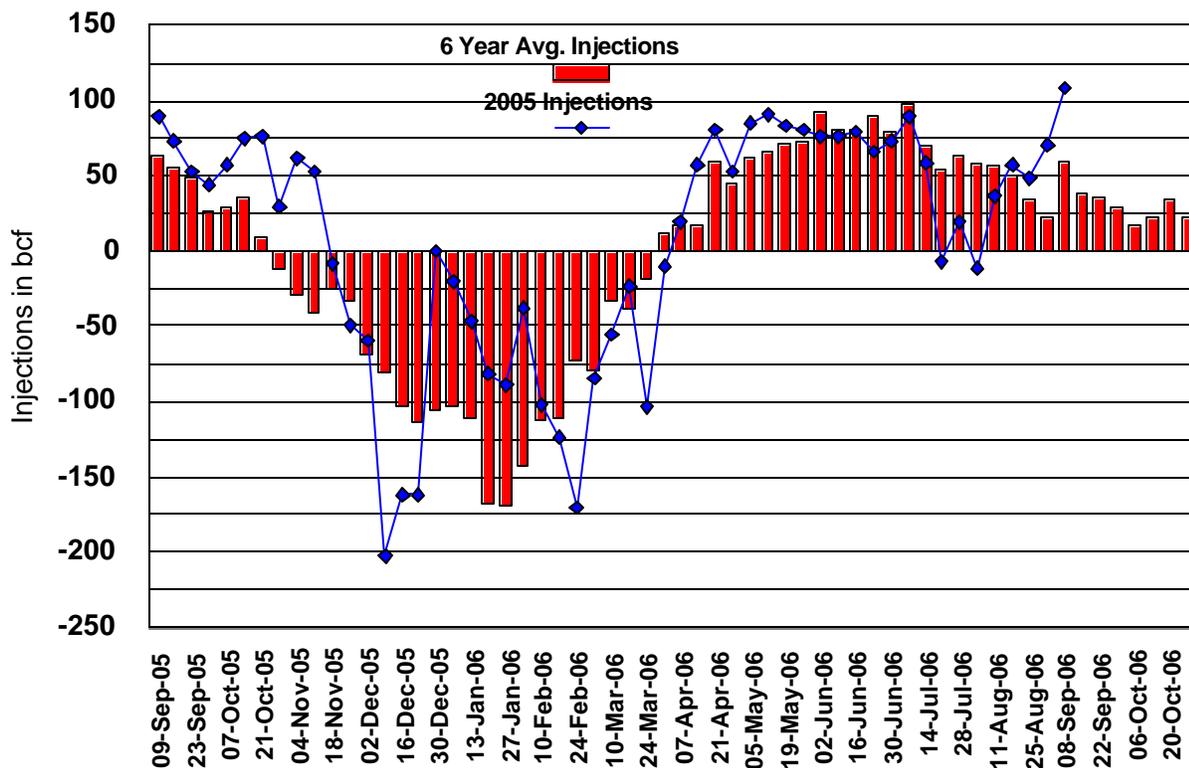
Southern Natural Gas Pipeline said it is required to perform maintenance on a section of its South Main Loop Line downstream of Wrens Compressor Station located in Georgia due to a DOT class location change. During this maintenance the line will have to be taken out of service for around two weeks. Based on the best information available at this time, the outage will start on October 2 and last through October 15. This work constitutes an even of Force Majeure under Section 8.3 of the General Terms and Conditions of Southern's Tariff. Southern's capacity in Group 07 East of Wrens will be reduced by about 175 MMcf/d during this work. However, based on historical demand, the work has been scheduled for this period of time in hopes of minimizing the impact on service east of Wrens.

**Canadian Gas Association
Weekly Storage Report**

	08-Sep-06	01-Sep-06	09-Sep-05
East	218.8	209.9	211.0
West	204.4	200.7	234.5
Total	423.2	410.6	445.5

storage figures are in Bcf

2006 EIA Survey Injections VS 6-Year Average



Texas Eastern Transmission said that the restriction prohibiting the acceptance of due pipe resolution nominations is still in effect. All parties with a due shipper imbalance are requested to resolve them as soon as 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. The pipeline operator will force balance TABS-1 pools or restrict the system as required.

TransColorado Gas Transmission said that effective today and until further notice, TransColorado is at capacity for deliveries at PIN 42223 (WIC Yellow Jacket Pass) due to operational conditions. Depending on the level of nominations, AOR/IT & secondary volumes are at risk of not being scheduled.

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

PIPELINE MAINTENANCE

ANR Pipeline Company said that it will continue engine maintenance at its St. John Compressor Station in Indiana in the Northern Fuel Segment (ML-7). The work will reduce the total of St. John W-E capacity by 115 MMcf/d (leaving 1,190 MMcf/d available) September 11-16. Based on current nominations along the Michigan Leg, it is anticipated that the above reductions may result in the curtailment of Firm Secondary and IT nominations.

Questar Pipeline Company said it has completed the repairs at Clay Basin. As a result, the injection capacity has returned to 350 MMcf/d.

Williston Basin Interstate Pipeline Company said that planned maintenance will be performed at the Dickinson Compressor Station between September 19 and September 21. At this time, the company does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

Connecticut's aging grid infrastructure did not cause widespread outages during the August heat wave, as originally feared. Instead, the state's Department of Public Utility Control blamed a variety of other factors including equipment overloads from the prolonged heat, excessive demand, and the need for better line maintenance. The commission investigated the outages at the request of Governor Jodi Rell after Connecticut Light & Power was forced to cut power for 5,000 customers in downtown Stamford during the heat wave. The report found that aging infrastructure only causes reliability problems 5% of the time. More significant problems were trees, animals, and equipment that broke down for reasons other than aging.

MARKET COMMENTARY

The natural gas market opened 13.4 cents lower in anticipation of a large build to stocks. The EIA reported that 108 Bcf was injected into the ground, well above expectations, and as a result the market traded to levels not seen in over two years. Following the number, the market initially found support at the 5.00 level, but a wave of afternoon selling bested that level and the market succumbed to a low of 4.80. October settled below 5.00 at 4.892, down 55.7 cents. Today's is the first settlement under 5.00 since September 16, 2004.

The 108 Bcf build is the first triple-digit injection for the whole rebuilding season to date. The nation's total storage now stands at 3,084 Bcf, 339 Bcf over last year's levels for the same week and 341 Bcf over the five-year average of 2,743 Bcf. The supportive trend of a decreasing surplus has been broken as the surplus over the five-year average stood at 322 Bcf last week and is now at 341 Bcf. For this market to see any upside traction, a tropical storm aimed directly at the Gulf or a very early winter are needed. Stocks are on pace to be a record 3.5 Tcf by the end of injection of season given the mild temperatures and lack of storm activity in the Gulf. Winter contracts continue their sharp decline as ample stocks are available for the winter season. We see support initially at \$4.80, but technically little is in the way until the low from two years ago at \$4.51, and beneath that is a gap down to \$4.00. Resistance we see initially at \$5.00 followed by old support at \$5.20, \$5.44 and \$5.90.