



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 15, 2006

NATURAL GAS MARKET NEWS

The Federal Reserve today released their latest estimates on U.S. industrial production for August 2006. It showed its overall industrial production number was off 0.1% from July, but for those industrial sectors that typically are the largest consumers of natural gas, a 0.7% improvement from July was recorded. These industries were posted a 3.7% expansion from August 2005. The sectors showing the greatest improvement on a year on year basis were the Primary Metals sector (up 10.6%), Glass/Stone (up 4.3%), Food (up 4%) and the Chemical sector (up 2%, while Ag

Generator Problems

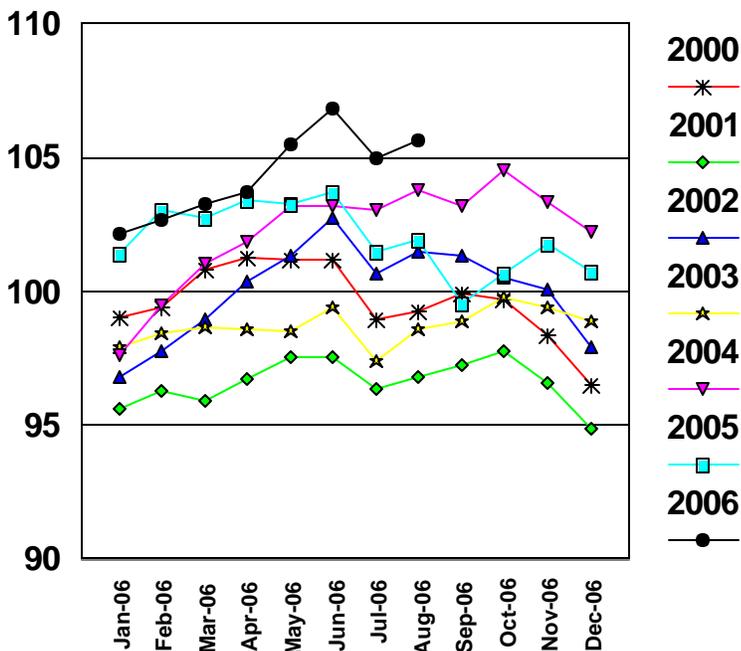
ECAR – FirstEnergy's 935 Mw Davis-Besse nuclear unit reduced output to 92% after returning to full power earlier in the week.

SERC – South Carolina Electric & Gas Co.'s 966 Mw Summer nuclear unit returned to full power. The unit is expected to shut for a refueling outage in early October.

The NRC reported this morning that 93,052 Mw of nuclear generating capacity were on line, .074% lower than Thursday and .07% lower than a year ago.

Chemicals or fertilizer sub sector was up 8%).

**US Industrial Production Index
Major Nat Gas Consuming Sectors
Basis Federal Reserve & DOE/EIA Stats**

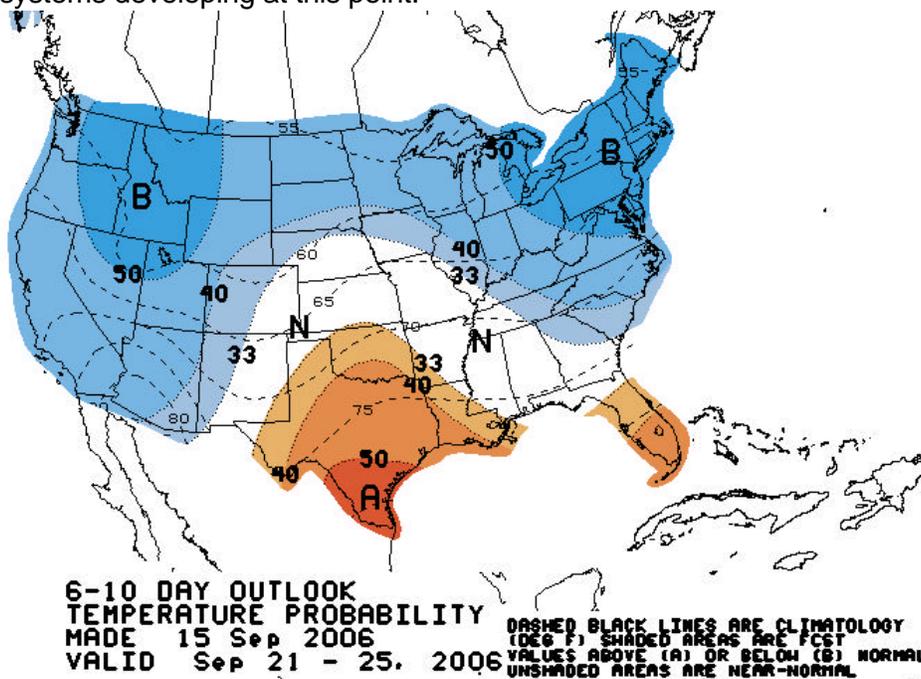


Dallas-based Energy Transfer Partners said it will buy Transwestern Pipeline, a 2,500-mile interstate natural gas delivery system, from GE Energy Financial Services and Southern Union for \$1.465 billion. Transwestern connects supply areas in the San Juan Basin in southern Colorado and Northern New Mexico, the Andarko Basin in the mid-continent and the Permian Basin in west Texas, with markets in the Midwest, Texas, Arizona, New Mexico and California. ETP also said the pipeline interconnects with its existing intrastate pipelines in west Texas.

The NOAA National Climatic Data Center in Asheville, N.C. said the summer of 2006 was the second warmest June-to-August period in the continental U.S. since records began in 1895. Additionally, the 2006 January-to-August period was the warmest on

record for the continental U.S. The average June-August temperature was 74.5, slightly lower than the record 74.7 set in 1936.

The National Hurricane Center reported that Hurricane Gordon and Tropical Storm Helene are steering away to the north, but they are tracking three small waves north of South America in the central Caribbean. All these waves will continue to track to the west, though no computer model shows these systems developing at this point.



PIPELINE RESTRICTIONS

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.

Wyoming Interstate Company is holding a supplemental Open Season for capacity from Opal or Kanda to the Cheyenne Hub. WIC has previously conducted a number of Open Seasons for capacity expansions on its mainline facilities between Kanda and the Cheyenne Hub, and as a result has acquired off-system capacity on the Overthrust Pipeline from Opal in Lincoln County, Wyoming, and has executed binding precedent agreements with shippers. In preparation for the submission of an application for a Certificate of Public Convenience and Necessity to construct the additional mainline capacity required by those shippers WIC is soliciting any further requests for capacity and renews its solicitation of offers to turn back existing capacity from Kanda to the Cheyenne Hub.

PIPELINE MAINTENANCE

Alliance Pipeline has released a slate of work plans for next week. The company said minor maintenance requires the Alameda Compression Station to be offline for six hours on September 19. Minor maintenance also requires the Estlin Compression Station to be offline for four hours on September 20. In addition, minor maintenance requires the Olivia Compression Station to be offline for six hours on September 21. For all these activities, system throughput (AOS) may be impacted but will be determined closer to the outage date. Finally, routine inspections require the Gold Creek compressor to be offline for five hours starting at 9:00 AM MT on September 21. Station capacity will be lowered to 950 MMcf for gas day September 21.

Gulf South Pipeline said it will be performing scheduled pigging maintenance on Index 296 (Lirette to Harvey 20-inch) on September 18. 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. Additionally, as much as 30 MMcf of production on the New Orleans Low Pressure System could be shut in during this maintenance. To the extent firm service is interrupted, Gulf South said it will be claiming force majeure for as long as service cannot be performed due to the maintenance activity.

Southern Natural Gas Pipeline said it will be performing integrity work on the 14-inch Logansport Line between its Bienville Compressor Station and Perryville, both of which are located in North Louisiana. Based on the best information available at this time, the work will start on September 25, and will continue until around the end of October. During this work, capacity west of Perryville will be reduced from about 316 MMcf/d to about 236 MMcf/d.

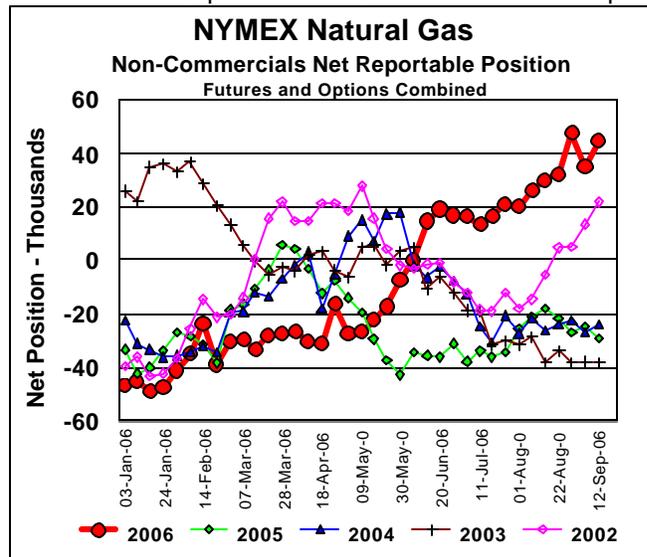
ELECTRIC MARKET NEWS

PSEG and Exelon announced that they have decided not to continue with their plans for a merger and have withdrawn their application for merger approval, which has been pending before the New Jersey Board of Public Utilities for more than 19 months. These actions will result in utilities that own both regulated and unregulated power generation assets to consider splitting those businesses apart before attempting mergers in some states.

Dynegy Inc. agreed to buy LS Power Group’s generating plants for \$2.3 billion, creating the third-largest independent electricity producer in the U.S. Closely held LS Power of East Brunswick, New Jersey, will get 40% of Dynegy’s stock and \$375 million in cash and notes in return for its 12 plants. The LS transaction will expand Dynegy’s holdings to 15 U.S. states from nine and will give it 20,000 Mw of generating capacity, enough electricity for 16 million average U.S. homes. The companies will create a joint venture to build new plants, nine of which are already in the works.

MARKET COMMENTARY

The natural gas market opened 8.2 cents lower to start a session that saw the front month chop violently between 4.81 and 5.07. Amid an oversold condition, a combination of short covering, spread trading and light industrial buying supported the front month, which poked its head above 5.00, but could not maintain that level. Though the front month finished in positive territory, up 9.0 cents a 4.982, bearish fundamentals persist and that continued to pressure the winter months, as November was down 10.3, December down 27.3, and January, February and March were down over 20 cents each.



For this market to find any support, we either need a hurricane, weather that causes some demand and or the crude oil market to recover. Without such supportive news, the market will chop ultimately lower, targeting the two-year old 4.51 level. The Commitment of Traders Report, effective through Tuesday September 12, showed that the non-commercial traders increased their net long futures position by 8,124 lots to 40,058 contracts and that they increased their net long combined futures and options position by 9,033 lots to 44,153 contracts. We see support initially at today’s low of \$4.81, followed by the overnight low of \$4.65, then \$4.51. After the two-year low of \$4.51 we see a gap down to \$4.00. We see resistance at \$5.10, \$5.44 and \$5.90.