



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 16, 2005

NATURAL GAS MARKET NEWS

The American Chemistry Council called on the Bush administration and lawmakers to act quickly to head off a natural gas crisis this winter. In a statement, the council, which represents some of the biggest industrial users of natural gas in the world, said Congress should enact emergency legislation to offset the impact of Hurricane Katrina. It said that more than 5% of the country's natural gas production will remain off the market through the winter heating season because of storm damage. The council is looking to Congress and the Bush administration to lead a national effort to curb natural gas consumption, free up new supplies and invest in new energy sources. The council went on to ask Congress to temporarily suspend the federal anti-pollution programs for acid rain and nitrogen oxides so electric utilities can switch from costly natural gas to cheaper coal as fuel for their plants. Also, the council reiterated its call to Congress to remove barriers to further domestic gas production by opening more offshore exploration areas.

The onshore damage to three processing plants is holding up about 4.2 Bcf/d, or more than one third of the Gulf's total natural gas output. The two Dynegy operated natural gas processing plants in Venice and Yscloskey, La., were hit hard, and the road to the Venice plant is closed indefinitely, supplies have to be flown in. Enterprise's plant in Toca was also damaged.

The Louisiana Department of Natural Resources reported that more than one-third of Louisiana's onshore and shallow-water natural gas and crude oil wells remain unaccounted for nearly two weeks after Hurricane Katrina. The DNR said 568 wells in an eight-parish regions around New Orleans have returned to service, producing 14.5% of regions's 2.38 Bcf/d onshore gas output. Of the region's 2,641 wells, 1,176 wells (44%) remain shut in, 568 (22%) have returned to production and the remaining 897 (34%) have not reported status. Wells that have not reported a status are responsible for more than 1.7 Bcf/d (71%) of the region's gas production.

Generator Problems

ERCOT— TXU Corp. expects to restart the 750 Mw Martin Lake #1 coal-fired unit today after repairing a boiler tube leak.

MAAC— Exelon Corp.'s 1,112 Mw Peach bottom #2 nuclear unit dipped to 70% of capacity early today. The unit was operating at full power yesterday after exiting outage earlier in the week. Peach Bottom #3 continues to operate at 87%

MAIN— Exelon Corp.'s 850 Mw Dresden #2 nuclear unit ramped up to 85% of capacity by early today. Yesterday, the unit was operating at 34% capacity. Dresden #3 continues to operate at full power.

NPCC— Entergy Corp.'s 825 Mw FitzPatrick nuclear unit started to exit an outage and ramped up offline to 1% of capacity by early today.

WSCC— Intermountain Power Agency's 820 Mw Intermountain #1 coal-fired unit shut Sept. 14 due to a bushing problem in the main transformer.

PG&E's 1,100 Mw Diablo Canyon #1 nuclear unit was operating at 33% capacity today down from full power yesterday. Diablo Canyon #2 is operating at 25%, down from 50% yesterday. Both units are expected back to full power over the weekend.

The NRC reported that U.S. nuclear generating capacity was at 93,115 Mw down .96% from Thursday and up 3.59% from a year ago.

The Minerals Management Service reported that 3.384 Bcf/d of natural gas is still shut-in, equivalent to 33.84% of the daily gas production in the Gulf of Mexico.

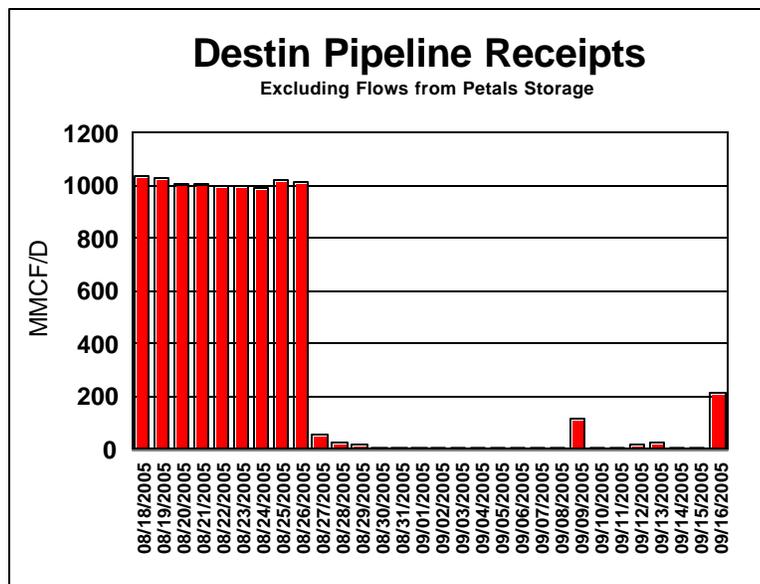
Spot LNG prices have surged to record highs as Hurricane Katrina hit U.S. natural gas output while LNG projects in Nigeria, Australia and Egypt suffer production problems. An LNG cargo to be delivered into the U.S was reported sold last week at a record high of \$9.50 /mmBtu. The LNG plant problems mean between 22 and 24 cargoes have been lost in the August-September period, equivalent to nearly 1.6 million tonnes of LNG. Japanese utilities are reported to be willing to pay \$12-\$13 mmBtu, about double the price they paid for cargoes in July as they took to replace cargoes from Australia.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell by five to 1,436 in the week ended September 16. The number of rigs searching for gas in the U.S. rose nine to 1,230. The number of rigs in the U.S. Gulf of Mexico fell by one to 85, compared with 87 last year.

The National Hurricane Center reported that there has been little change with the tropical wave located about 550 miles east-southeast of the southern Windward Islands. However, this system still has the potential to become a tropical depression over the next day or so as it moves west northwestward at around 15 mph. The other system located near the Dominican Republic just north of Leeward Islands shows signs of concentration. Slow development of this system is possible over the next day or two as it moves westward.

PIPELINE RESTRICTIONS

Centerpoint Gas Transmission said it is requiring customers system-wide, particularly those whose swings can cause operational difficulties for CEGT’s system or discrete segments thereof, to take deliveries as close to ratably as possible throughout today. CEGT will not allow Shippers’ takes to exceed hourly ratable entitlements by more than 50% in any hour, except for the North Louisiana and East Texas Core and Secondary system where the hourly tolerance will be 20% in any hour. The operating tolerances at CEGT’s mid-La. interconnection will remain at 5% during this period.



Florida Gas Transmission said that due to hot temperatures and reductions from Hurricane Katrina shut-ins, it is issuing an Overage Alert Day at 25% tolerance.

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 Hall Summit, 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 Mobile; East Texas; and Bayou Sale to Napoleonville.

KM Interstate Gas Transmission said it is at capacity for deliveries from Burlington Resources Lost Cabin. Based on the level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

Natural Gas Pipeline Company of America said that a gas quality problem has been reported at the receipt from Lone Star-Panola in Panola County, Texas. Effective today and continuing until further notice Natural will not schedule transports at this point.

Northwest Pipeline Corp. said that due to lower ambient temperatures, it is currently able to physically flow more gas north through the Vernal compressor station than previously estimated. Therefore, effective for the evening

cycle for gas day September 16, Northwest will increase its north-flow operational capacity through Vernal to 370 MMcf/d.

Questar Pipeline Company said it is issuing an operational flow order for an inventory test at its Clay Basin Gas Storage Reservoir for gas days October 3-18. Service is expected to return to normal for gas day October 19.

Texas Eastern Transmission Corp. said that Gas Sourced in STX and ETX for delivery outside of these zones has been restricted to capacity. M1 24-inch and M2 24-inch have been sealed to capacity. Increases in physical receipts between Mont Belvieu and Batesville for delivery outside that area will not be accepted.

TransColorado Gas Transmission said it has capacity available for deliveries through Segment 220 and Segment 300/310. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes may be scheduled.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said Units 1 and 2 at the Baker South Compressor Station are having maintenance performed through today at 5:00 PM PT. This maintenance will affect Receipt Point ID 04018 Baker Area Mainline by approximately 7.2 MMcf for gas day September 16.

ELECTRIC MARKET NEWS

As of 9:00AM ET this morning, total outages due to Hurricane/Tropical Storm Ophelia are now below 9,700. At the peak, 70,000 electricity customers were without power.

Some 340,000 electricity customers still lacked power 18 days after Hurricane Katrina avaged the U.S. Gulf Coast. About 283,000 of the homes and businesses in Louisiana, or 28%, remained without power, while Mississippi had about 58,000 customers still with no service.

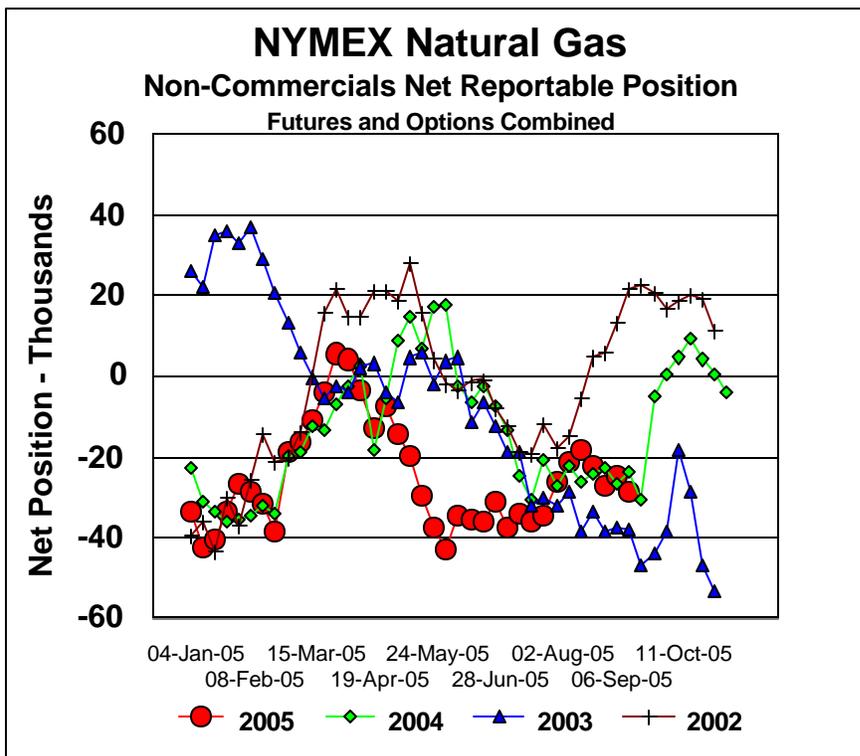
Independent sources indicate that a number of nuclear reactors across the country are expected to shut for refueling and maintenance this weekend.

FERC approved a proposal for a 22-mile transmission line in the Pacific Northwest linking the power grids in Washington State and British Columbia. FERC said Sea Breeze Pacific Juan de Fuca Cable LP plans to hold an open season in the fall of 2005 to accept bids for transmission rights for a planned 540 Mw high-voltage, direct-current transmission line beneath the Strait of Juan de Fuca.

The EIA reported that U.S. coal production for the week ended September 10 totaled 21.652 million short tons, up 3.79% from the prior week's production.

ECONOMIC NEWS

The University of Michigan's preliminary index of consumer sentiment for August fell to 76.9 from 89.1. This consumer confidence is the lowest since 1992. The street was looking for a reading of 85. Hurricane Katrina is sighted as the impetus behind the fall in consumer sentiment.



MARKET COMMENTARY

The natural gas market opened a couple pennies lower today to start a choppy day. The market sold down to an intraday low of 11.24 and then rallied to the day's high of 11.44, but failed to reach yesterday's high. Tropical storm developments helped lend support to this market, but as the oil complex came under significant pressure, natural gas finally gave way. The market came back down to the 11.25 level and in the final hour of trading mirroring the oil complex, natural gas broke down to a day's low of 11.11 before settling at 11.144, down 19.2 cents.

With processing facilities down in the Gulf region expected to last into the new year and skepticism on whether there will be enough working gas in storage to meet the winter demand, traders were buying the back months and selling the front. The October and November contracts were both down on the day, but the December and November contracts posted 1.6 and 6.6 cent gains respectively, settling well over 12.00.

The Commitment of Traders Report showed that non-commercial traders increased their net short positions by about 2000 contracts to 10,781. In the combined futures and options report, non-commercial traders increased their net short position by over 4,000 contracts. We see resistance at initially at \$11.47 followed by \$11.70 and \$11.80. Further resistance we see at \$12.25. We see support initially at \$11.10 and \$11.00. More distant support we see at \$10.65 and \$10.01.