



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 19, 2005

NATURAL GAS MARKET NEWS

As Tropical Storm Rita enters the Gulf of Mexico, natural gas platforms still recovering from Hurricane Katrina damage began to evacuate workers ahead of the storm. BP said non-essential workers were being evacuated from the eastern and central U.S. Gulf of Mexico on Monday. Offshore driller Transocean Inc. was evacuating workers from drilling rigs in the eastern and central Gulf today. Transocean has removed 165 nonessential and essential workers as of Monday from six rigs. Evacuations from another two rigs are expected to bring the numbers of workers evacuated to 300 by Tuesday. Chevron Corp. has started to evacuate Gulf offshore personnel and will continue to produce oil and natural gas while it can ahead of the storm.

Discovery Gas Transmission will reverse its pipeline flow and offer natural gas processing services to producers with natural gas stranded by Katrina. Discovery Gas, operated by Williams Co., has a gas processing plant at Larose, Louisiana, with a capacity of up to 800 MMcf/d.

Air Products and Chemicals said portions of its New Orleans industrial gas complex, which suffered extensive damage from Katrina, should begin operations soon, with substantial operations expected to start by year-end. The company said most of the water has been pumped out of the complex and road access has been restored. Air Products also said it has secured alternate feedgas sources and has restarted partial operations at its Sarnia, Ontario, production facility.

The Minerals Management Service reported that 3.375 Bcf/d, or 33.75% of Gulf of Mexico natural gas production is still shut-in from Hurricane Katrina, a small improvement from Friday, when 33.84% was shut-in.

Generator Problems

ERCOT— American Electric Power expects to shut the 690 Mw Olaunion coal-fired power station for boiler cleaning, inspection and repairs on September 29 – October 3.

American Electric Power expects to work on the 528 Mw Welsh #1 coal-fired unit October 1 through October 29.

Topaz Power Group shut the 632 Mw Coletto Creek coal-fired power station on September 19-20 to repair a boiler tube leak. The unit is expected to restart on September 22.

MAAC— Exelon Corp.'s 1,112 Mw Peach Bottom #2 nuclear unit returned to full power by early today. Peach Bottom #3 continues to operate at 87% as it coasts down for a refueling.

Exelon Corp.'s 1,143 Mw Limerick #2 nuclear unit reduced power to 77% today. Limerick #1 continues to operate at full power.

MAIN— Exelon Corp.'s 1,185 Mw Braidwood #1 nuclear unit exited an outage and ramped up to 99% by early today. The unit shut September 11 to repair a seal on a reactor coolant ramp. Braidwood #2 continues to operate at full power.

Ameren Corp.'s 1,137 Mw Callaway nuclear unit shut by early today for a planned refueling outage. The unit was operating at full power on Friday.

NPCC— Entergy Corp.'s 825 Mw FitzPatrick nuclear unit exited an outage and returned to full power by early today. On Friday, the unit was operating at 1% capacity.

SERC— TVA's 1,114 Mw Browns Ferry #3 nuclear unit dipped to 23% of capacity by early today. On Friday the unit was operating at full power. Browns Ferry #2 continues to run at full power.

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 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 has capacity for deliveries from Burlington Resources Lost Cabin. Based on the level of nominations, IT/AOR and secondary volumes are available.

Texas Eastern Transmission Corp. said that it has restricted ETX, the M1 24-inch and M2 24-inch through Batesville compressor station due to the scheduled cleaning of line 11 between the Lufkin and Joaquin compressor stations. Nomination increases between Huntsville and Batesville will not be accepted.

PIPELINE MAINTENANCE

Alliance Pipeline said that routine inspections and maintenance require the Albert Lea compression station in Minnesota to be offline for 36 hours starting at 9:00AM CT on September 20. AOS will be impacted, but specifics will be determined closer to the outage date. Also, routine inspections and maintenance require the Alameda Compression Station in Saskatchewan to be offline on September 20-21. AOS will be impacted, but specifics will be determined close to the outage date.

ANR Pipeline Company said that due to unforeseen engine maintenance, ANR will begin station maintenance at

Generator Problems

SERC (cont'd)

Entergy Corp.'s 1,263 Mw Grand Gulf nuclear unit shut by early today for a planned refueling.

Duke Energy Corp.'s 1,100 Mw McGuire #1 nuclear unit shut from full capacity by early today for a planned refueling. McGuire #2 continues to operate at full power.

Progress Energy's 710 Mw Robinson #2 nuclear unit shut from full capacity by early today for a planned refueling outage.

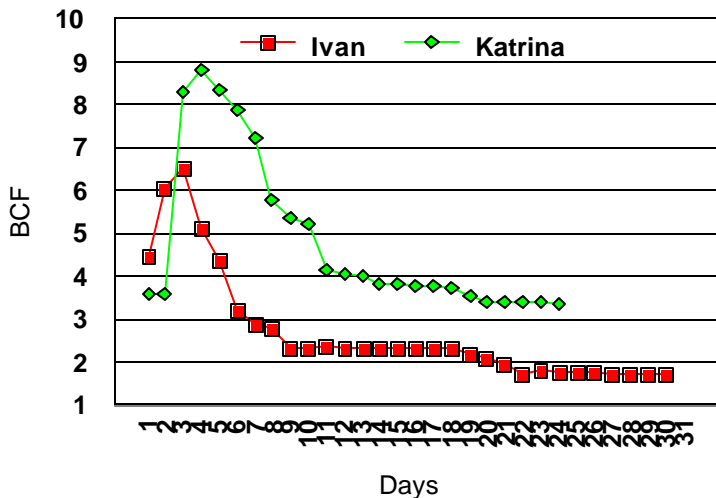
Southern Co.'s 1,149 Mw Vogtle #2 nuclear unit shut from full power by early today for a planned refueling. Vogtle #1 continues to operate at full power.

WSCC— Both 1,087 Mw units at PG&E's Diablo Canyon nuclear unit returned to full power by early today.

Canada— Bruce Power's 750 Mw Bruce A #3 nuclear unit returned to service yesterday following a brief outage to repair the reactor regulating system. The unit shut on September 7.

The NRC reported that U.S. nuclear generating capacity was at 90,087 Mw down 3.25% from Friday and up .53% from a year ago.

USG Natural Gas Production Shut Ins
Total Shut Ins folling in the Wake of Ivan and Katrina



its Patterson Compressor Station located in Louisiana in the Southeast Area Fuel Segment. This will reduce the total delivery capacity between Patterson and Eunice to 625 MMcf/d from September 19-20. Based on current nominations for this segment, it is anticipated that the above reductions will result in the curtailments of IT nominations.

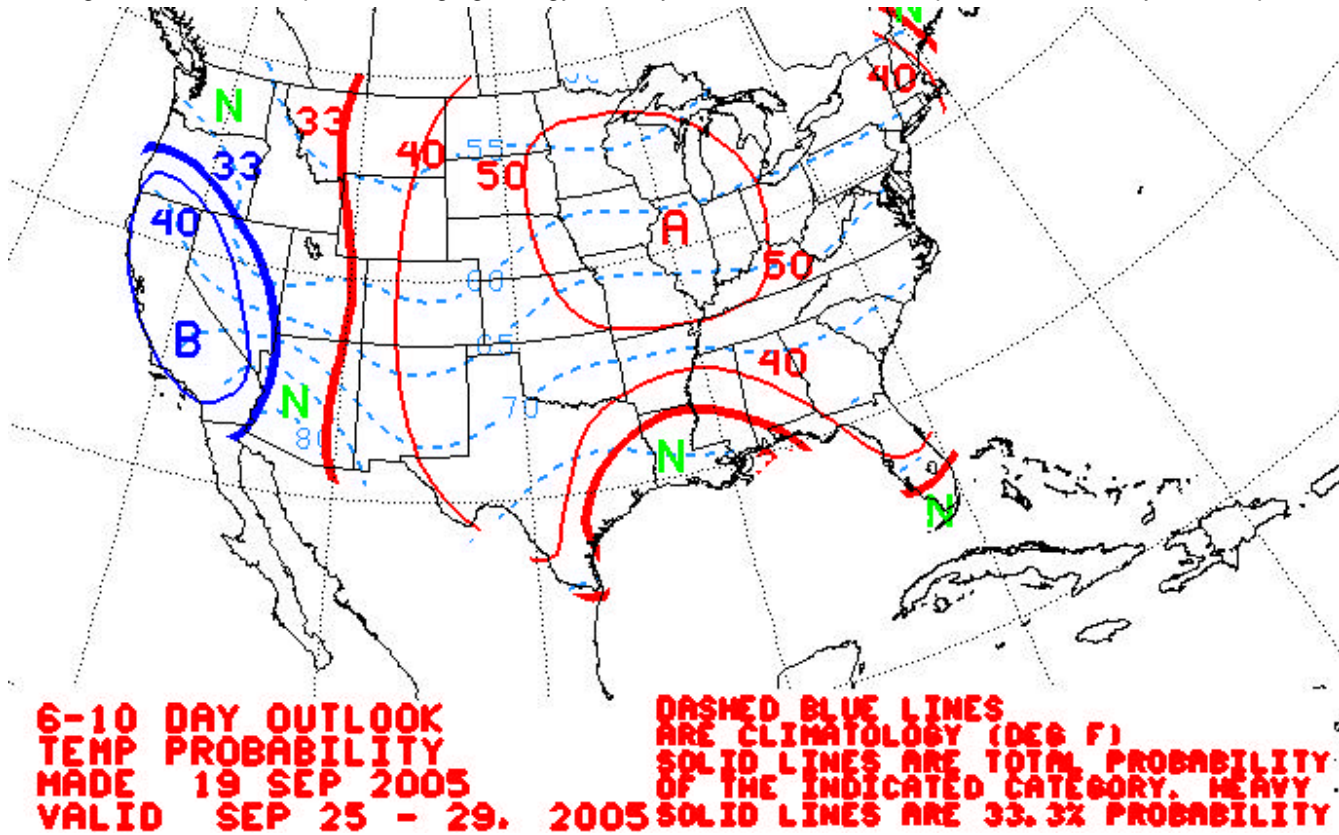
Natural Gas Pipeline Company of America said that on October 4 and 5, Natural will be performing scheduled maintenance at Station 302 in Montgomery County, Texas. This compressor station is at the intersection of Natural's South Texas Zone and Texok Zone. The scheduled work will impact eastbound capacity through Station 302 into Segment 25 of Natural's Texok Zone. Receipts of gas from the South Texas Zone, or transports southbound through Segment 26 for delivery into Segment 25 and the Louisiana Zone, will

be impacted. Nominations from receipt points in Segments 25, 23 or 24 will not be impacted. For October 4 and 5, this scheduled maintenance will result in a reduction of available capacity through the affected area.

ELECTRIC MARKET NEWS

Fewer than 300,000 electricity customers still lack power today in the Gulf Coast. About 272,000 homes and businesses in Louisiana, or 25% remained without power, while Mississippi still has about 35,000 customers with no service.

The California Energy Commission believes the state's electricity system faces critical issues requiring swift and decisive action. A report by the regulatory body paints a bleak picture given the state's rapidly growing population and business sector; spiraling energy prices of \$20/MWh in 2001, \$50/MWh in 2005; potential supply shortages; and an inadequate and aging energy delivery infrastructure. The report said electricity consumption is



expected to grow between 1.2% and 1.6% annually, and the state's energy infrastructure is increasingly unable to meet the state's energy delivery needs, according to the report.

MARKET COMMENTARY

The natural gas market opened up 81 cents today as traders are tracking Tropical Storm Rita, which could become a major hurricane heading towards Houston. The market moved with ease above the previous high from Katrina of 12.25, and initially set an intraday all-time high of 12.58. The market traded sideways just under 12.50 for most of the afternoon, and then as has been typical fashion, rallied along with the oil complex back above the 12.50 level and set a new daily all-time high of 12.70. The market settled up 1.519 at 12.663, an all-time high settlement for natural gas.

The winter months also showed record gains today, with the November contract hitting a new contract high of 13.33. Most other months also set new highs and ended up over dollar gains. It was all about Rita today, and it will be all about Rita for the rest of the week, as traders monitor weather forecasts to determine the storms trajectory. Most models show the storm taking aim at the northern Texas Gulf Coast, near the Louisiana border. Buying in the cash market has also increased, as several nuclear power plants have closed for autumn

maintenance this week, and hot weather over much of the nation this week is boosting air conditioning generation demand. We see resistance initially at today's high of \$12.70 followed by \$13.00. We see support at today's low of \$11.95 followed by \$11.932, \$11.695, and \$11.458. Further support we see at \$10.69.

