



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR SEPTEMBER 22, 2006

NATURAL GAS MARKET NEWS

As it raised the roof on the second LNG storage tank of its proposed 1.75 Bcf/d LNG import terminal 70 miles south of Houston, TX, on Quintana Island, Freeport LNG Development LP also received final authorization from FERC on Thursday to increase the sendout capacity of the terminal to 4 Bcf/d.

The economics of LNG are beginning to be reexamined, as prices under \$5.00 make it increasingly difficult to make returns on investment. However, little change in the massive scale of investment in LNG infrastructure is expected. The world is increasingly going from crude oil to natural gas. In the U.S., LNG typically comes in the summer because we have excess capacity and if there are any incremental extra shipments in the winter, Europe usually takes them. From an economic standpoint this makes sense as prices in the U.S. are currently in the upper 4.00 range where as price points in Spain, the U.K. and Japan range from 5.80 to 7.60 to 9.00.

U.K. natural gas for same-day delivery fell to its lowest price since December 25, as prospects of extra imports into Europe's biggest market for the fuel this year eased concerns that supplies may fall short. Prices fell 4.1 pence, or 23.8%, to 12.95 pence a therm. Two new import pipelines from Norway and Netherlands are due to start operating soon.

PIPELINE RESTRICTIONS

Pacific Gas and Electric Co.'s California Gas Transmission unit issued a system-wide operational flow order due to high inventories on its natural gas pipeline system. CGT issued the OFO at 5% tolerance, forcing shippers to stay within 5% of their scheduled volumes in order to maintain system integrity.

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. TETCO also said that the schedule has changed for the pipeline outage on Line 1-A downstream of Chester Junction that is currently in progress. The first valve section will not return to service until September 24. Upon returning the first valve section to service, M&R 73318 Liberty Electric and M&R 72930 PECO Eddystone meters will be available for gas flow. The second valve section will not return to service until September 27.

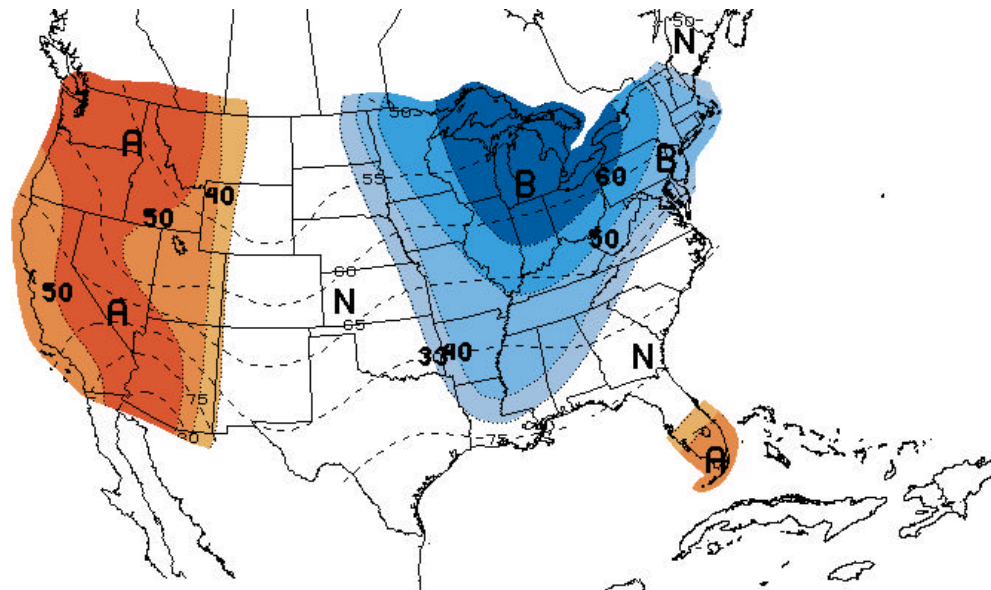
Williston Basin Interstate Pipeline said that several points and line sections are in pipeline capacity constraint and that penalties will be imposed. Line sections in constraint for receipts in the timely cycle include 019 Madden-Worland and 020 Worland-Lovell. Points in constraint are 03366 KMI-Bridger and 03376 TB-Wind River.

Generator Problems

MAIN – Exelon Generation's 855 Mw Quad Cities #1 nuclear unit is back to operating at 97% capacity. Yesterday, the unit dipped down to 79%. Quad Cities #2 remains unchanged at 96% capacity.

SERC – Progress Energy's 900 Mw Harris nuclear unit returned to service and ramped up to 35% capacity by early today.

The NRC reported this morning that 86,464 Mw of nuclear generating capacity were on line, .56% higher than Thursday but 2.01% lower than a year ago.



**6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 22 Sep 2006
VALID Sep 28 - Oct 02, 2006**

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing unscheduled maintenance on Bistineau Compressor Station Unit #5 beginning immediately and continuing for approximately six days. The Injection Capacity at Bistineau will be reduced by 150 MMcf/d due to the maintenance on this unit. Gulf South also said that it will be performing unscheduled maintenance on both units at the Olla Compressor Station, with one unit unavailable at a time, beginning

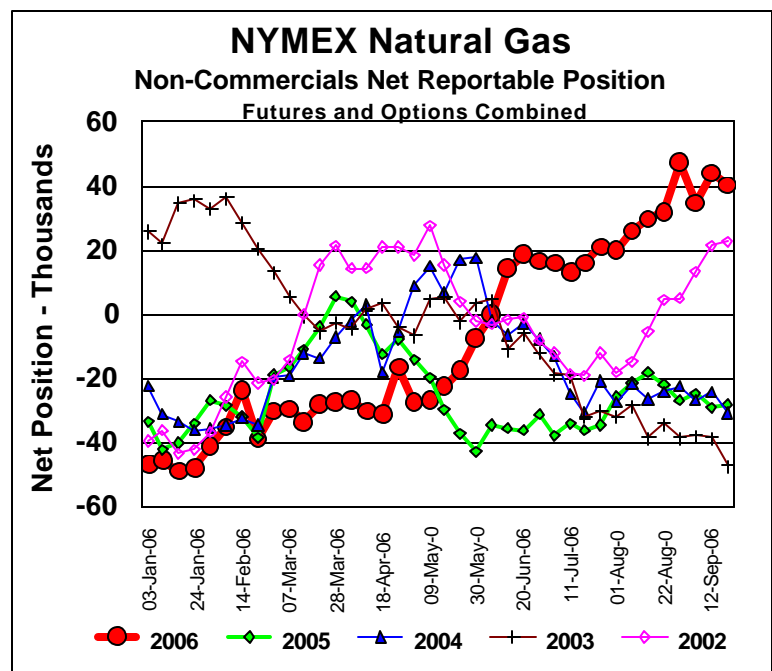
immediately and continuing for approximately 20 days. With only one unit available at a time, capacity through the Olla Compressor Station could be affected as much as 250 MMcf/d for the duration of this maintenance.

Texas Eastern Transmission Corp. said that as a result of data obtained from in-line-inspection tool runs, it has determined that a pipeline section on the discharge of the Crooksville compressor station in Ohio will require further investigation and remediation. Effective immediately Tetco will be operating under reduced pressures as required by the regulations and capacity through this location will accordingly be lowered to 521 MMcf/d. Average throughputs for the past week have been below this level and assuming nominations remain at the current level, restrictions are not anticipated. Remediation efforts are ongoing and this pressure reduction and capacity limitation are expected to remain in place until October 4. Additionally, Tetco must take the line out of service for two days, October 4-5. During this time period all nominations physically flowing through the Crooksville compressor station must be reduced to zero.

ELECTRIC MARKET NEWS

A California Energy Commission committee advised the full energy commission to approve the expansion of the Calpine Corp. Esteros power plant in San Jose, California to 320 Mw from 180 Mw. If approved by the full energy commission on October 11, plans to expand the plant would be able to go ahead despite it not being allowed in zoning regulations by the city of San Jose where the plant is located.

Progress Energy Florida asked state regulators to approve an increase in the power output of the Crystal River 3 nuclear unit, expected to save customers more than \$2.6 billion in gross fuel costs through 2036. Progress wants to spend about \$382 million to increase the plant's output from 900 Mw to



1,080 Mw, which would serve an additional 110,700 homes. If approved by the Florida Public Service Commission, the company will add 40 Mw through equipment modifications during the 2009 refueling outage and 140 Mw through reactor upgrades during the 2011 refueling outage.

MARKET COMMENTARY

The natural gas market opened unchanged as it contemplated fresh two-year lows. October natural gas initially traded to a high of 4.82 but could not maintain those levels and sunk back to the 4.75 level, where it traded sideways for the remainder of the session. Late pressure in the crude oil market overflowed to natural gas, where the market succumbed to bearish conditions and returned to the fresh two-year low of 4.60 from yesterday. The front month contract settled down 15.4 cents at 4.627.

NYMEX Natural Gas Options Most Active Strikes for September 22, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	10	6	P	4.5	09/26/2006	0.1352	0.1006	29,570	101.67
ON	10	6	C	5	09/26/2006	0.075	0.139	12,156	105.17
LN	10	6	C	5	09/26/2006	0.0752	0.1386	8,935	104.63
LN	10	6	C	6	09/26/2006	0.0035	0.0116	5,425	114.74
LN	11	6	P	5	10/26/2006	0.248	0.2267	5,150	91.13
ON	11	6	P	6	10/26/2006	0.697	0.644	3,897	88.89
LN	11	6	C	8	10/26/2006	0.1449	0.1736	2,850	93.27
ON	4	7	P	6	03/27/2007	0.476	0.47	2,800	51.35
LN	11	6	P	6	10/26/2006	0.6964	0.6437	2,587	91.67
ON	3	7	P	6	02/23/2007	0.472	0.491	2,500	66.00
LN	12	8	P	6	11/21/2008	0.4569	0.4439	2,400	41.81
LN	3	7	P	5	02/23/2007	0.1836	0.1953	2,125	66.85
ON	11	6	C	7.5	10/26/2006	0.203	0.242	2,100	93.17
LN	2	7	P	5	01/26/2007	0.1143	0.1174	2,025	65.54
LN	4	8	C	20	03/26/2008	0.057	0.0646	2,000	38.08
LN	3	8	P	5	02/26/2008	0.2548	0.2555	2,000	50.49
LN	10	6	C	5.5	09/26/2006	0.0172	0.0418	1,972	109.97
LN	10	6	P	5	09/26/2006	0.4479	0.3574	1,775	107.20
ON	10	6	P	5	09/26/2006	0.448	0.357	1,699	105.36
LN	10	6	C	5.25	09/26/2006	0.0366	0.0775	1,595	107.20
LN	11	6	C	6.5	10/26/2006	0.4094	0.4714	1,350	87.65
ON	11	6	C	10	10/26/2006	0.049	0.061	1,200	104.97
ON	11	6	C	6.5	10/26/2006	0.41	0.472	1,101	90.32
ON	11	6	C	12	10/26/2006	0.017	0.022	1,000	110.28
ON	5	7	P	6	04/25/2007	0.522	0.511	1,000	50.07

Winter months started the session stronger, on short covering following yesterday's declines, but as the front end came under pressure and could not maintain any gains, the winter months gave up on its gains and returned to unchanged. The Commitment of Traders Report reflects some of the Amaranth debacle, with non-commercial traders reporting that their net long futures position decreased by 7,141 lots to 32,917 contracts. The report also showed that non-commercial traders reduced their net long combined futures and options position by 3,734 lots to 40,419

contracts. We see support at \$4.60, \$4.51 and \$4.00. We see resistance at \$4.90, \$5.00, \$5.15, \$5.42-\$5.43, and \$5.86. We see further resistance at \$6.15.