



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 28, 2005

NATURAL GAS MARKET NEWS

Officials at the Natural Gas Supply Association anticipate supplies will still be higher than the norm for recent years and that they will be adequate to heat Americans' homes through the colder months. Even though most of the natural gas wells in the Gulf of Mexico remain shut-in, Joseph Blount, chairman of the Natural Gas Supply Association, assures consumers that supplies will be efficient, however the price will be some 70% greater than last winter.

The EIA reported that over a dozen natural gas processing plants have confirmed that they are offline owing either to flooding, lack of supplies, an inability to move stored liquids, or safety precautions. Tennessee Gas Pipeline has sustained supply losses of approximately 900 MMcf/d on the 800 line and 500 line, not including the 650 MMcf/d that has remained shut in as a result of Hurricane Katrina. Tennessee has confirmed a leak on the 524G-100 line from Bay Marchand 5 to Leeville. During a flight over the Grand Chenier area, pipeline company officials said initial damage assessments revealed moderate damage to the Starks, Louisiana, compressor and the Johnson Bayou Dehydration Plant.

MarkWest Energy Partners reported its East Texas and Appleby gathering systems suffered no significant damage as a result of Hurricane Rita; however operations at both facilities were affected by the storm due to disruptions to third party downstream processing or pipeline facilities. The East Texas gathering system was taken offline late last week as a result of shutdowns to downstream processing facilities. Start-up activities commenced over the weekend and the system was operational by late Sunday, albeit at reduced levels as producers worked to bring their production back online. Appleby remained in service during the storm by at reduced flow rates.

Crosstex Energy announced that its assets in Texas and Louisiana suffered no significant damage as a result of Hurricane Rita, but are operating at reduced levels due to a temporary limited supply from producers. The partnership expects that these rates will increase over the next few days, and therefore expects no significant impact to its financial results.

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Monticello #3 coal-fired power unit restarted late yesterday following a unit trip.

MAIN— Exelon Generation's 1,163 Mw LaSalle #2 nuclear unit returned to full power this morning. LaSalle #1 continues to operate at full power.

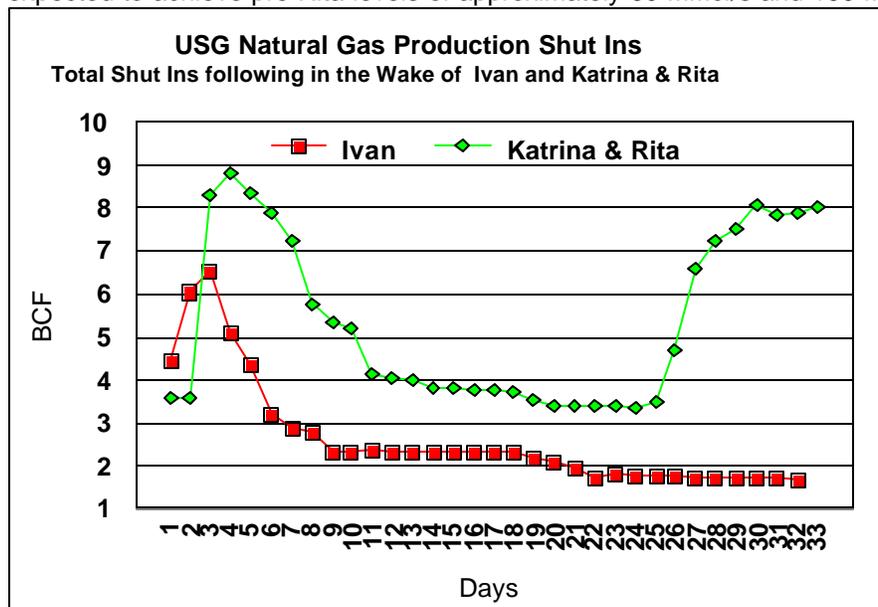
MAPP— Nebraska Public Power District's 756 Mw Cooper nuclear unit returned to full power early today. Yesterday, the unit was operating at 50% capacity.

SERC— Southern Nuclear Operating Co.'s 888 Mw Farley #2 nuclear unit is operating at 84% as it coasts down for a fall refueling and maintenance outage.

Southern Nuclear's 838 Mw Hatch #1 unit reduced output to 90% to conduct maintenance on a valve associated with the turbine. Hatch #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 88,433 Mw up .45% from Tuesday and up 2.99% from a year ago.

Pioneer Natural Resources Company announced today that its Canyon Express and Falcon Corridor gas production facilities in the deepwater Gulf of Mexico resumed operations on September 26 after being evacuated beginning September 20 in advance of Hurricane Rita. The company's net gas production from these facilities is expected to achieve pre-Rita levels of approximately 60 MMcf/s and 150 MMcf/d, respectively, later this week.



The Minerals Management Service reported that 8.027 Bcf/d of natural gas production is shut-in in the Gulf of Mexico, some 0.171 Bcf/d more than yesterday. That is equivalent to 80.27% of the daily production of gas in the Gulf.

The National Hurricane Center said shower activity with the tropical wave entering the western Caribbean Sea is currently limited and disorganized. However, upper level winds are expected to gradually become more conducive for development and this system is expected to become a tropical depression during the next day or two. It is currently moving northwest at 10-15 mph.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that the Balancing Alert operational flow order effective since September 22 has been lifted.

Florida Gas Transmission said that due to hot temperatures and Hurricane Rita shutting in receipt volumes, it is issuing an Overage Alert Day at 50% tolerance.

Gulf South Pipeline has declared a Force Majeure event on the Offshore Eugene Island Burns System until further notice. Also, Gulf South 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.

Natural Gas Pipeline Company of America said that only compressor station 342 remains unavailable for operation. Due to the continuing unavailability of compressor station 342 and the meter location issues, the capacity of the Louisiana Line (Segment 25, 23 and 24) was reduced and the Force Majeure continues.

Sabine Pipeline said that the Force Majeure continues in effect at all points on the Sabine system. Subsequent to preliminary visual assessments, Sabine is briefing personnel and securing necessary resources to facilitate additional reconnaissance.

Texas Eastern Transmission Corp. said it has restored its mainline capacity to pre-Hurricane Rita levels. Nevertheless, customers are advised that Tetco is operating several Gulf Coast area compression facility locations on emergency backup generators as commercial electric power is unavailable. Until such time as power from the electric grid is restored, Tetco is operating without its standard reserve power. Tetco said it has restricted receipts from production to take action to ensure physical receipts are commensurate with physical deliveries. STX and ETX have been restricted to capacity. M1 24-inch and M2 24-inch have been restricted to capacity through the Sarahsville compressor station. Nomination increases sourced between the Vidor compressor station in STX and the Sarahsville compressor station in M2 24-inch will not be accepted.

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

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing unscheduled maintenance on NOPSI City Gate #4 in St. Bernard Parish, Louisiana effective immediately and continuing until further notice. SLN 31 NOPSI City Gate #4 Station will be confirmed to zero each nomination cycle and associated paths will be path balanced to zero until the maintenance is complete.

Williston Basin Interstate Pipeline Company said that receipt point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline may potentially be affected by unscheduled maintenance at Baker East Compressor Station. At this time, Williston does not anticipate any restrictions to the system. Also, Williston said maintenance will be performed at the Fort Peck Compressor Station that will affect receipt points in Line Section 8 in October. Approximate maximum capacity will be 23.5 MMcf for gas day October 12 and 24 MMcf for gas day October 13-14.

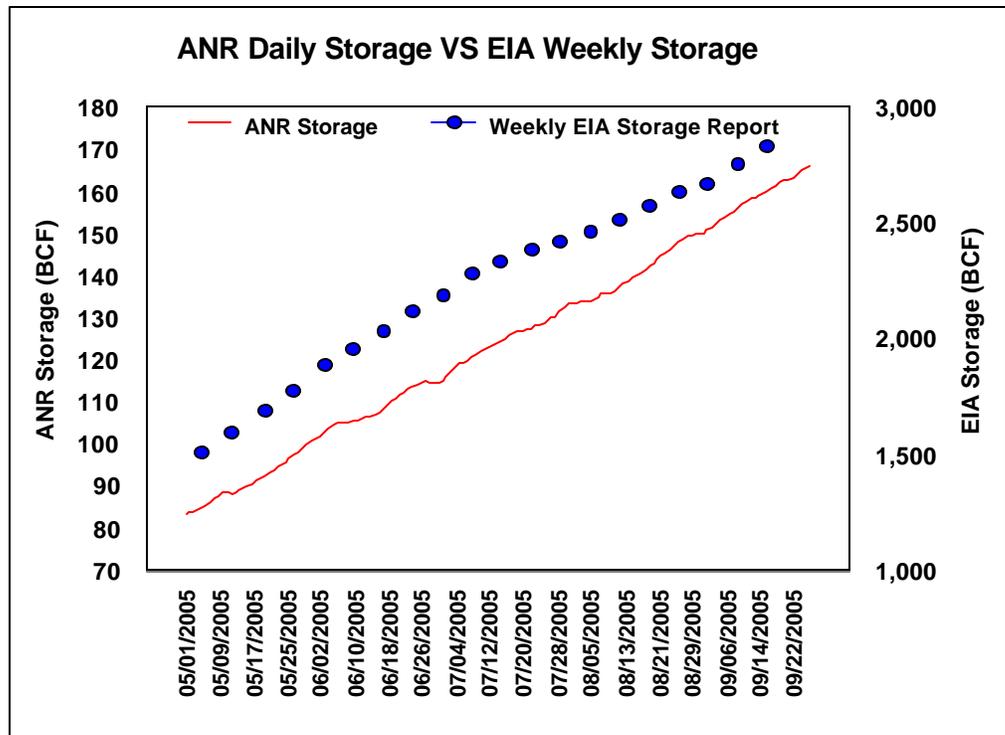
ELECTRICITY MARKET NEWS

TXU Electric Delivery reported power outages in Lufkin and Nacogdoches dropped to less than 13,500 overall today, down from less than 30,000 yesterday. In Nacogdoches, less than 4,500 homes and businesses are without service. Lufkin has 9,000 customers without power. At the height of the storm on September 24, 130,000 customers were affected.

As of today, the Florida Reliability Coordinating Council State Capacity Emergency Coordinator has discounted its Generating Capacity Advisory associated with the impacts of Hurricane Rita on fuel supplies to electric generating facilities within the FRCC. Fuel supplies to electrical generating facilities within Peninsular Florida have stabilized; however, the natural gas being delivered into Peninsular Florida from the Gulf continues to be at a reduced level. Other natural gas supplies continue to be found to replenish that lost in the gulf.

MARKET COMMENTARY

Expiration was a wild one for natural gas today, with the expiring October contract opening a penny stronger and taking off to the races from there, breaking above the 12.70 resistance level. As the oil complex shrugged off its bearish figures and traded higher, natural gas topped the 13.00 level and moved to the next level at 13.50. Finding little resistance and a lot of short covering, natural gas traded above 13.50 and with the MMS report showing slightly more production shut in, the market spiked even further, to an all time high of 14.60. The October



contract settled 1.252 higher at 13.908, a 9.88% move on the day. The new front month lagged behind somewhat at, up 98 cents to settle at 14.10. Volume was strong on the day with 89,000 contracts booked.

With the force majeure continuing at the Henry Hub, the uncertainty of the recovery operations in the Gulf, and the questions concerning what to expect for the winter ahead, volatility will become the norm for the natural gas market. Some profit taking might be on the horizon, but no serious selling will take place until news comes out of an extremely mild winter.

Tomorrow's EIA storage estimates range from a 50 Bcf build to a 75 Bcf build. The average projection is for a 67 Bcf build, and the most popular strike for the ICAP options projection was for a 63 Bcf injection. Last year saw an injection of 69 Bcf and the five-year average injection for this week is 77 Bcf. The complications caused by Rita have made it difficult to survey, but most estimates seem to center in the mid to upper 60s. We see resistance at \$14.32 and \$14.50. We see support at \$13.51 and \$13.26. Further support we see at \$13.01 and \$12.20.