



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 30, 2005

NATURAL GAS MARKET NEWS

Sabine Pipeline said that the Force Majeure continues at all points on the Sabine system, including the Henry Hub delivery point. There is still no word as to when that will reopen.

Louisiana estimated restored natural gas production from onshore wells and from offshore state waters totaled 92.6 MMcf/d, the EIA reported in its latest hurricane assessment issued Friday. The restored production is equivalent to 4.1% of the daily gas production capacity of the 38-parish region, which is currently approximately 2,235 Mcf/d.

The Minerals Management Service reported that today's shut-in gas production is 7.941 Bcf/d, equivalent to 79.41% of the daily gas production in the Gulf of Mexico.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 32 to 1,483 in the week ended September 30. During the same week last year, there were 1,243. The number of rigs searching for gas rose 34 to 1,273.

The National Hurricane Center said that the tropical wave in the northwestern Caribbean Sea has not developed much in the past 24 hours, but that a tropical depression still could form in the coming days.

PIPELINE RESTRICTIONS

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 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.

Kern River Pipeline said that its linepack has returned to normal over the entire system

Generator Problems

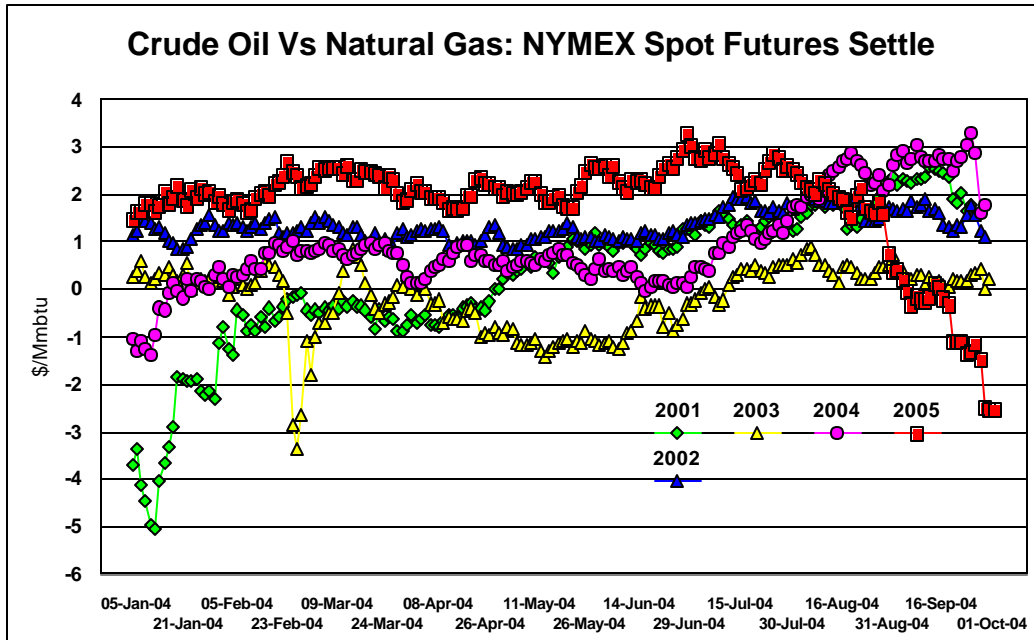
ERCOT— AEP's Monticello #3 power unit will be in shut-down for maintenance and repairs starting today. The unit is expected to restart tomorrow following the maintenance and repairs.

NPCC— Entergy Corp.'s 985 Mw Indian Point #3 nuclear unit reduced power to 66% due to a dropped control rod yesterday. The unit might have to shut to make the repairs. Indian Point #2 continues to operate at full power.

Dominion Resources' 1,130 Mw Millstone #3 nuclear unit manually tripped yesterday due to the loss of circulating water pumps. Millstone #2 continues to operate at full power.

Canada— Two 881 Mw units at Ontario Power Generation's 3,524 Mw Darlington nuclear power station shut by early today. Unit #4 shut for a planned maintenance and unit #1 shut for a short-term forced outage.

The NRC reported that U.S. nuclear generating capacity was at 86,943 Mw down 1.68% from Thursday and up 1.28% from a year ago.



Texas Eastern Transmission Corp. said it has restricted receipts from production that has been shut-in due to Hurricane Rita. Tetco will continue 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 Sarahville compressor station. WLA has been sealed to capacity from Vidor

to Gillis. Nomination increases sourced between the Gillis compressor station in WLA and the Sarahville compressor station in M2 24-inch will not be accepted.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that pigging of Line 1204 and Line 1113 was completed yesterday, one day earlier than originally scheduled. Williams C Turbine maintenance will continue through today. The capacity of the North Mainline at Hackberry will be increased by 135 MMcf/d (to 2,003 MMcf/d) and the capacity of the Havasu Crossover will be increased by 60 MMcf/d (to 650 MMcf/d) effective Cycle 1, September 30.

Williston Basin Interstate Pipeline Company said maintenance to replace approximately 13.25 miles of mainline on the Cabin Creek to Williston Line will be performed sometime between October 31 and December 9. Receipts in Line Section 6 may potentially be affected depending on quantities nominated.

ELECTRICITY MARKET NEWS

About 340,000 Entergy Corp. electric customers in Texas and Louisiana remain without service six days after Hurricane Rita ravaged the Gulf Coast. The company, which restored power to more than 426,000 homes and businesses, said 118,000 customers remained without service in Louisiana and 221,000 remained out in Texas. Entergy spokeswoman Yolanda Pollard said Entergy Texas has not imposed rolling blackouts since Wednesday in the area north of Houston as cooler temperatures reduced air conditioning demand. The company warned, however, that if demand for electricity increases before it can repair the transmission system, customers north of Houston could again experience rolling blackouts.

MidAmerican Energy will invest \$9.2 million in unplanned transmission system upgrades and accelerate another \$14.7 million in planned transmission improvements to resolve findings of a FERC staff compliance audit. In addition to the transmission improvements, the FERC said MidAmerican agreed to implement a plan to assure the company remains compliant with its open access transmission tariff, standards of conduct and Open Access Same-Time Information Systems (OASIS) requirements.

FERC is deciding whether it should get involved in establishing or increasing price transparency in electricity and natural gas sales as well as transmission and pipeline transportation. Price transparency is especially important as gas prices are running extremely high with the approach of winter largely because of Gulf of Mexico production shut in by Hurricane Katrina and Rita. The recently enacted Energy Policy Act of 2005 allowed FERC to decide whether to create price transparency mechanisms and the provisions for that ended up being broader than anticipated.

ECONOMIC NEWS

The University of Michigan's Index of Consumer Sentiment was 76.9 in the September 2005 survey, down from 89.1 in August and 96.5 in July. The one month decline of 12.2 points equaled the largest monthly decline recorded since 1978; the combined August and September decline was the largest two month decline on record, falling a total of 19.6 Index-points.

MARKET COMMENTARY

The natural gas market continued its jitters on the last day of the third quarter, opening almost 20 cents lower and trading down to yesterday's low of 13.90. The market rebounded back into positive territory, posting a high of 14.35, but after failing to reach yesterday's high the market turned negative falling steeply to the day's low of 13.80. Natural gas settled down 27.5 cents at 13.921.

It seemed as though longs were taking profits ahead of the weekend following a four-day 12% run up. With no timeline for the return of the Henry Hub, and still almost 80% of Gulf production shut-in, this market is still in buyers mode. With next week marking the beginning of the fourth quarter, we expect new long positions to be established as any significant return of production in the Gulf is weeks away. Selling an out of the money put in the 13.00-13.50 range would be one play to make on this market.

The Commitments of Traders report through September 27 showed that non-commercial traders increased their net short futures positions by 11,645 contracts, to 18,926 since last week. In the combined futures and options report, non-commercial traders increased their net short position by 2,569 contracts to 30,155 contracts. We see resistance at \$14.35, and \$14.60. More distance resistance we see at \$15.00. We see support at today's low of \$13.80 followed by \$13.652, \$13.375 and \$13.00. Further support we see at \$12.20.

