



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 9, 2006

NATURAL GAS MARKET NEWS

The Energy Information Administration's (EIA) storage report this Thursday probably will set an all-time record for stored gas prior to the start of a winter heating season, an American Gas Association (AGA) official said Monday.

Spot natural gas prices have been trading at a nearly \$2/MMBtu discount to the New York Mercantile Exchange (Nymex) near-month contract, signaling the likelihood of more near-term weakness in prices and probable gas well shut-ins by more producers, energy analysts said in reports issued Monday.

The Second Circuit Court of Appeals ruled late last week that the Connecticut Department of Environmental Protection had no legal basis for denying a water quality certificate to the Islander East Pipeline Company. The company needs the permit to construct an interstate natural gas pipeline project across Long Island Sound.

North Baja Pipeline has received preliminary approval from the US FERC to expand its system in California and Arizona to accept more regasified LNG from Mexico. FERC made a preliminary determination on all non-environmental issues related to the 126-mile project, which would be built in three phases and brought online between 2007 and 2010.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that it has limited operational flexibility to absorb due shipper imbalances. Forecasted demand and scheduled deliveries indicate that parties are continuing to leave excess supply on the system. AGT requires shippers and point operators to take immediate action to balance receipts with scheduled deliveries and reduce their due shipper imbalance positions. All shippers and point operators must carefully review their need for gas and must tender and receive gas consistent with their confirmed nominations. Furthermore, AGT has no ability to absorb due pipe makeup imbalance

Generator Problems

ERCOT – TXU Power's 1,150 Mw Comanche Peak #2 nuclear unit shut for its refueling and maintenance outage. The unit was operating at 92% capacity last week. Comanche Peak #1 continues to operate at full power.

MAAC – PSEG's 1,100 Mw Salem #2 nuclear unit is operating at 86% capacity as it coasts down for a refueling. This unit is expected to shut in the next week.

Exelon Corp.'s 636 Mw Oyster Creek nuclear unit is operating at 91% capacity as it coasts down for a refueling outage scheduled to begin October 16.

MAPP – Nebraska Public Power District's 800 Mw Cooper nuclear unit is operating at a reduced 95% as it coasts down for a refueling on October 21.

Wolf Creek Nuclear Operating Corp. shut its 1,167 Mw Wolf Creek nuclear unit from full capacity for a refueling outage.

MAIN – Exelon Generation's 1,120 Mw Braidwood #1 nuclear unit reduced power to 95% as it coasts down for a refueling outage. Braidwood #2 is operating at full power.

NPCC – Entergy's 825 FitzPatrick nuclear unit shut for a 30-day refueling and maintenance outage. The unit was operating at full capacity on Friday.

Constellation Energy's 495 Mw Ginna nuclear unit shut for planned maintenance. The unit was operating at 92% capacity on Friday.

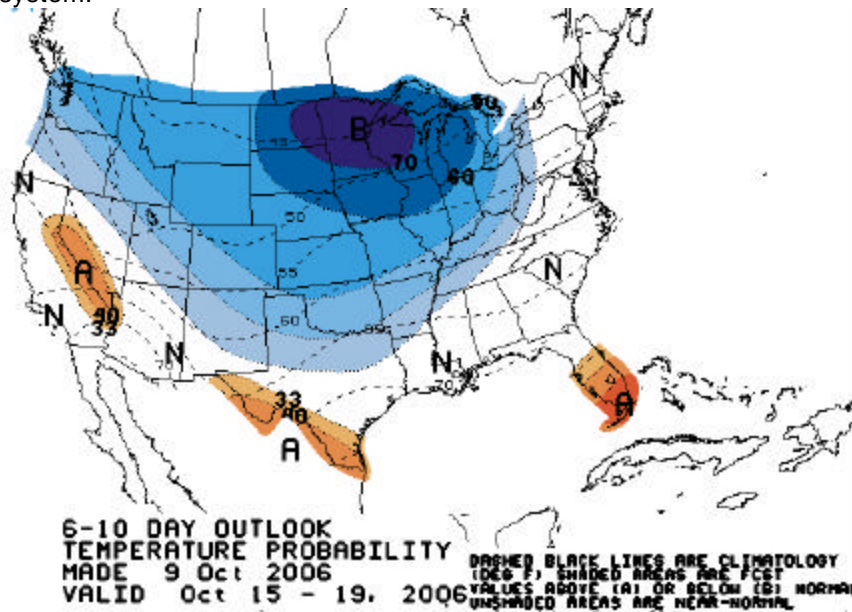
Dominion Energy's 866 Mw Millstone #2 nuclear unit shut for a scheduled refueling and maintenance outage expected to last 37-days. Millstone #3 remains at full power.

SERC – Duke Power's 846 Mw Oconee #1 nuclear unit shut for a 54-day refueling and maintenance outage. The unit was operating at 86% on Friday. Oconee #2 and #3 continue to operate at full power.

Dominion Resources' 800 Mw Surry #1 nuclear unit was forced to call an alert after two transformers were damaged. The alert has been cancelled, but the unit remains offline.

The NRC was closed for the Columbus Day Holiday.

gas into the system. Until further notice, AGT will not accept due-pipeline makeup nominations. If AGT does not see immediate action to address this issue, it is said it will take additional actions necessary to balance the system.



East Tennessee Natural Gas said that it has limited operational flexibility to absorb due shipper imbalances. Meter operators, shippers, LMSMA and LMSPA parties are reminded of the requirement to be balanced daily. In order to prevent the issuance of force balance letters to individual parties or the necessity of issuing system wide Balancing Alerts all LMSMA parties should take action intraday to reduce nominations to their points if meter takes are less than scheduled deliveries. In addition LMSPA parties should flow at scheduled volumes and not create daily due shipper imbalances.

Texas Eastern Transmission Corp. 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 also requires that shippers and TABS parties schedule contracts balanced except for the scheduling of Due Shipper payback, and point operators to perform according to nominated volumes. TE will force balance TABS-1 pools or restrict the system as required.

Williston Basin Interstate Pipeline Company 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 016 Cabin Creek-Hathway; 017 Hathway-Hardin; 018 Hardin-Lovell; 019 Madden-Worland; 020 Worland-Lovell; 021 Lovell-Elk Basin; and 022 Elk Basin-Billings.

PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance will require Carson Creek Lateral Meter/Compressor Station to be unavailable for six hours on October 10. Station capacity will be reduced to 17.2 MMcf for October 12. The Carson Creek Compressor is located in Alberta. Alliance also said that scheduled maintenance will require Teepee Creek Lateral Meter/Compressor Station to be unavailable for 60 hours starting on October 10. Station Capacity will be reduced to zero for the gas days of October 10-11 and 34.5 MMcf for October 12. The Teepee Creek Compressor is located in Alberta.

El Paso Natural Gas Company said that internal inspection results have been received for portions of the Havasu Crossover. Anomalies, which require inspection, have been located upstream of Alamo Station. EPNG is mobilizing excavation and repair crews to begin work on October 11. During the initial excavation and inspection, pressures in the line must be reduced and so too the capacity. For gas day October 11, capacity on the Havasu Crossover will be reduced to 620 MMcf/d from a base capacity of 660 MMcf/d. The results of the inspection will determine the type and timing of repair that is necessary and the associated impact to capacity. If external repairs will suffice, impacts to capacity could be small. However, if pipeline replacement is required, the Havasu Crossover will be shut down. Capacity reductions may be required with very little notice.

ELECTRIC MARKET NEWS

AEP Ohio filed a plan at the Public Utilities Commission of Ohio designed to enhance distribution system reliability and improve the overall customer experience. The plan proposes an additional annual average investment of approximately \$130 million over the next five years on vegetation management, equipment

replacement, infrastructure upgrades and improved use of technology, to help reduce outages and improve service reliability for AEP Ohio customers.

Commercial building owners in Chicago urged the Illinois Legislature to pass legislation that would extend the existing freeze on retail electricity rates, saying Commonwealth Edison's recently concluded wholesale power auction could lead to an average 72% hike in their electricity costs beginning January 2.

MARKET COMMENTARY

The natural gas market opened 15 cents stronger in continued short covering backed by cool forecasts and large amounts of nuclear outages. The November contract rallied higher on light volume trading to a high of 6.80, but those early gains evaporated by the end of the day, courtesy of some profit taking and the market being a little over extended to the upside over the past week with little changing fundamentally. Natural gas managed to barely continue its winning streak to seven consecutive sessions, as it closed a scant 0.2 cents higher at 6.429.

Natural gas managed to maintain last week's upward path although only with this week's cooling trend in the central U.S. as concrete support. We continue to feel this market will move lower as the weight of the supply situation nips the seasonal short covering rally. The market will need more sustained demand to maintain any upside interest. We see support at \$6.28, \$6.00, \$5.77, \$5.46, \$5.35 and \$5.00. We see resistance at \$6.80, \$6.95-\$7.00, \$7.08, \$7.16 and \$7.40.