



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 11, 2006

NATURAL GAS MARKET NEWS

El Paso affiliate Southern LNG is asking the U.S. FERC to approve its plan to increase storage capacity at its existing Elba Island, Georgia, LNG import terminal by 8.44 Bcf and expanding vaporization capacity by 900,000 Mcf/d.

Research conducted at the University of Wisconsin-Madison opine that westward swirling clouds of dust from the Sahara Desert might be putting a damper on Atlantic Ocean hurricanes. Researchers analyzing satellite data from the past 25 years found that during years when dust storms rose up, fewer hurricanes swept across the Atlantic, while periods of low dust storm activity were followed by more intense hurricane activity.

President Putin said Russia's Gazprom can easily raise fund for the development of its huge Shtokman gas field in the Barents Sea on financial markets. Gazprom had opened the field to other firms, accepting bids of assets in exchange for stakes in the five field with 3.7 Tcf in reserves, but none of the five firms shortlisted made an adequate offer. Gazprom will remain the sole subsoil user and owner of the Shtokman resources.

Nigeria will invest part of its savings from high crude oil prices in two LNG projects next year. The proposed Olokola LNG and related pipeline projects will cost an estimated \$9.8 billion and \$2 billion respectively, while the Brass LNG will cost an estimated \$5.8 billion.

The value of hedge fund Amaranth Advisors stock portfolio dropped 97% in the third quarter, according to filings with the U.S. Securities and Exchange Commission, as the fund was forced to liquidate the bulk of its holdings to meet margin calls.

PIPELINE RESTRICTIONS

Gulfstream Natural Gas System said that based on recent system operations, the Gulfstream system has experienced actual receipts into the system in excess of actual deliveries out of the system. Consequently, Gulfstream's line pack has increased above normal operating levels. Gulfstream requests that shippers closely coordinate with their suppliers to ensure scheduled services match actual service requirements.

Generator Problems

ERCOT – American Electric Power's 528 Mw Welsh #2 coal-fired power unit plans to restart between October 11 and 16. The unit shut September 29 for maintenance.

TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station is expected to restart today following repairs to a boiler tube leak. The unit shut October 9 for the work.

MAAC – PSEG's 1,130 Mw Salem #2 nuclear unit shut by early today for a planned month-long refueling outage. Salem #1 continues to operate at full power.

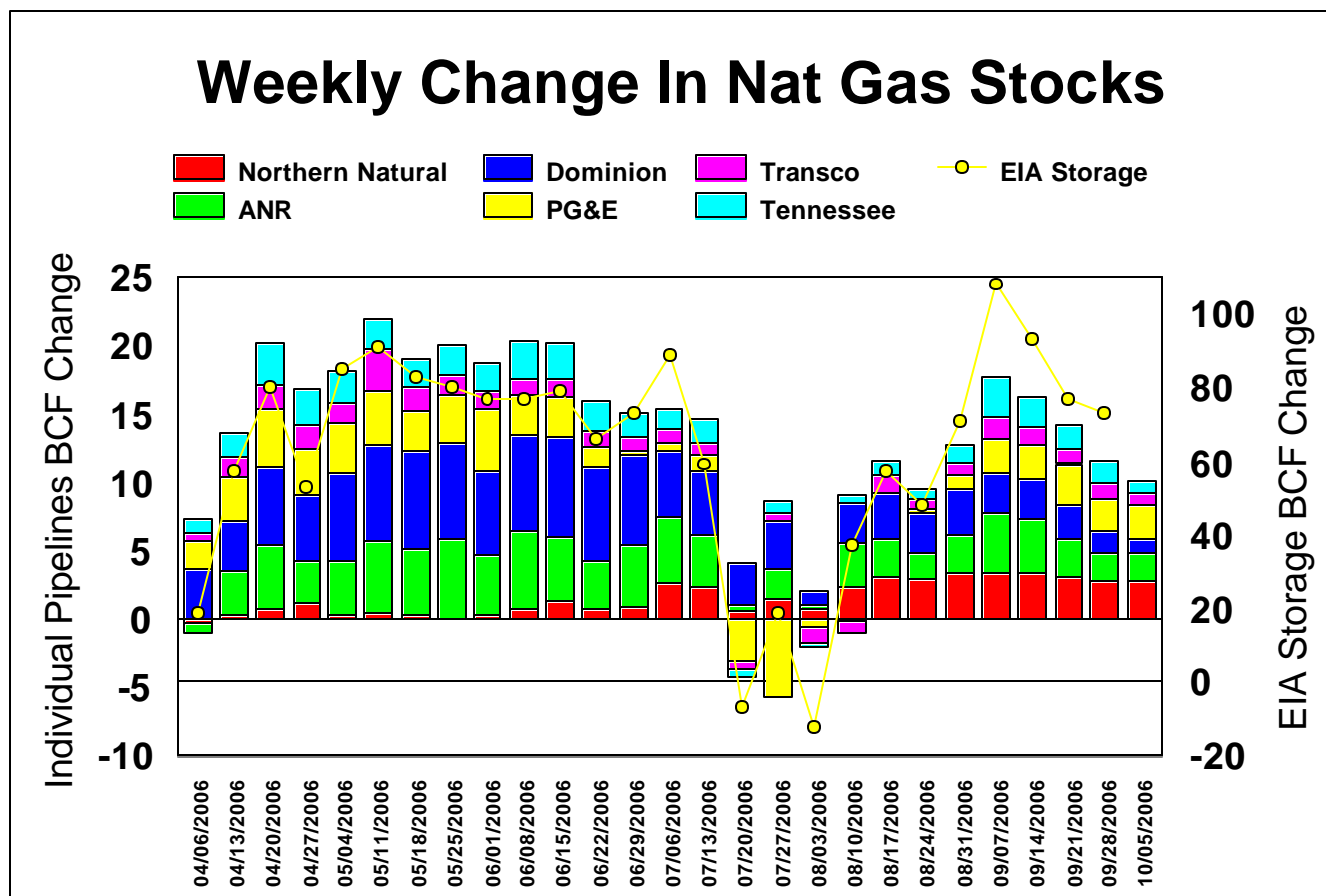
Exelon's 1,116 Mw Peach Bottom #2 nuclear unit ramped up to 36% capacity and reconnected to the grid.

SERC – TVA's 1,100 Mw Browns Ferry # nuclear unit shut from full capacity. Browns Ferry #2 remains shut and Browns Ferry #3 continues to operate at full power.

Canada – Ontario Power Generation's 490 Mw Nanticoke #1 coal-fired power station returned to service by early today. The unit shut October 4.

The NRC reported that 73,553 Mw of nuclear capacity is on line, down 2.29% from Tuesday, and 5.77% lower than a year ago.

Kern River Pipeline said that linepack is high from Muddy Creek to Elberta and normal downstream of Elberta. Due to maintenance at the Fillmore Compressor Station, shippers and operators must endeavor to be on rate unless arrangements have been made.



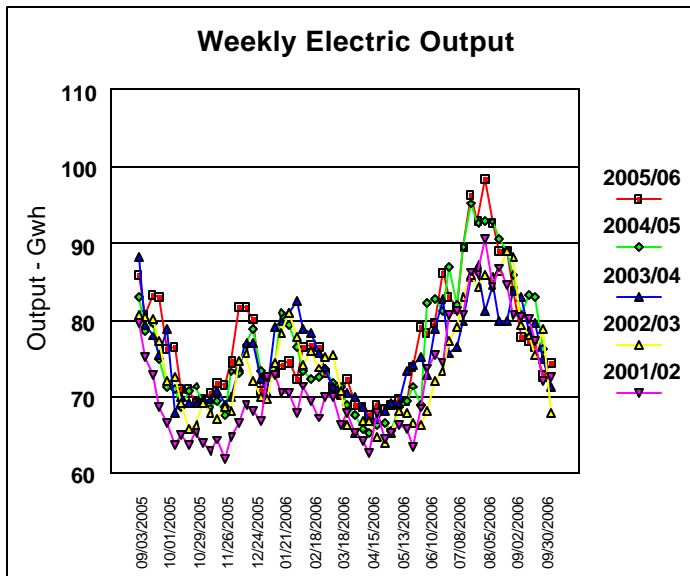
PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing scheduled pipeline maintenance at the Carthage Junction Compressor Station beginning at 7:00 AM CT, October 16, and continuing for two days. Due to this pipeline maintenance the unit normally used for compression on Index 59 will be unavailable, however based on current operating conditions capacity on Index 59 should not be affected. Gulf South also said that it will be performing scheduled maintenance on Goodrich Compressor Station Unit #3 beginning 6:00 AM CT, October 23, and continuing for approximately 45 days. Capacity through the Goodrich Compressor Station could be reduced by as much as 50 MMcf/d.

Natural Gas Pipeline Company said that from October 17-November 17 it will be performing pipeline maintenance on the Gulf Coast #2 Line south of Station 302 (Segment 22 of Natural's South Texas Zone). Although Natural does not anticipate any impact to scheduling based on the expected level of nominations, the reduced capacity in Segment 22 will be lower than the October subscribed volume. On these gas days ITS/AOR and secondary out-of-path transports may be at risk. Also, on these days the associated capacity reduction through the affected area may require Natural to initially schedule primary firm and secondary in-path transports to a minimum of 67% of MDQ for each contract with Segment 22 primary/secondary in-path rights.

ELECTRIC MARKET NEWS

Constellation Energy announced that it has executed an agreement to sell 3,145 Mw of natural gas-fired generation assets to Tenaska Power Fund, for \$1.635 billion in cash, subject to closing adjustments. Constellation Energy's generation assets to be sold to Tenaska Power Fund, include the 830 Mw High Desert in



Victorville, California, which will continue to sell power under its existing tolling contract with the California Department of Water Resources that expires in 2011. Also included in the deal were the 800 Mw Rio Nogales in Seguin, Texas; the 665 Mw Holland Energy in Shelby County, Illinois; the 300 Mw Big Sandy in Neal, West Virginia; the 300 Mw University Park in Chicago, Illinois; and the 250 Mw Wolf Hills in Bristol, Virginia.

Merrill Lynch analysts believe Illinois politicians' attempt to extend a ten-year electricity rate freeze is unlikely to prevail, despite approval of a bill late Monday by the state House's Electric Utility Overnight Committee.

The Edison Electric Institute reported that for the week ending October 7, electricity demand in the continental U.S. totaled 74,504 GWh, down 2.7%

from the same 2005 year, but 2.1% more than the previous week.

MARKET COMMENTARY

The natural gas market opened 4 cents lower to start a softer session that broke the streak of eight consecutive positive days. November natural gas broke through support at the 6.36 and ultimately traded to a low of 6.10 ahead of the release of the EIA's inventory report tomorrow. Profit taking following eight sessions of higher prices kept the market under pressure, as traders look to the large supply picture and the forecast for an above normal winter. The front month contract returned 31.6 cents to settle at 6.15.

NYMEX Natural Gas Options Most Active Strikes for October 11, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	4	7	C	20	03/27/2007	0.0163	0.0177	5,000	59.14
LN	1	7	P	8	12/26/2006	0.6969	0.7344	4,154	59.96
LN	11	6	P	5	10/26/2006	0.0369	0.0474	4,000	77.75
LN	1	7	P	7	12/26/2006	0.3123	0.3359	3,300	60.01
LN	12	6	P	4.5	11/27/2006	0.0039	0.0048	3,000	63.83
ON	11	6	P	6	10/26/2006	0.252	0.283	2,696	65.66
LN	12	8	P	6	11/21/2008	0.3285	0.3434	2,500	39.40
LN	9	7	C	8.5	08/28/2007	1.2165	1.2082	2,200	42.14
LN	8	7	C	8.5	07/26/2007	1.0841	1.0756	2,200	41.56
LN	10	7	C	8.5	09/25/2007	1.3524	1.3453	2,200	42.63
LN	4	7	C	8.5	03/27/2007	0.7283	0.723	2,200	46.80
LN	6	7	C	8.5	05/25/2007	0.8482	0.85	2,200	42.26
LN	7	7	C	8.5	06/26/2007	0.9764	0.9692	2,200	41.73
LN	5	7	C	8.5	04/25/2007	0.7553	0.7531	2,200	43.96
LN	4	7	P	4	03/27/2007	0.0137	0.0167	2,160	49.33
LN	3	7	P	5.5	02/23/2007	0.1383	0.1535	2,000	59.35
LN	3	7	P	7.5	02/23/2007	0.7714	0.8124	2,000	62.44
ON	11	6	P	5.75	10/26/2006	0.17	0.197	1,912	69.29
LN	2	7	C	9.5	01/26/2007	0.8975	0.8927	1,875	70.52
LN	3	7	P	6	02/23/2007	0.2372	0.2586	1,800	59.92
LN	3	7	C	17	02/23/2007	0.1516	0.1575	1,750	76.54
LN	1	7	C	17	12/26/2006	0.0405	0.0419	1,750	79.25
LN	12	6	C	17	11/27/2006	0.0057	0.0064	1,750	85.36
LN	11	6	C	17	10/26/2006	0.0001	0.0001	1,750	137.81
LN	2	7	C	17	01/26/2007	0.0946	0.0973	1,750	76.71
LN	10	7	C	10	09/25/2007	0.9529	0.9541	1,700	45.56
LN	7	7	C	10	06/26/2007	0.6107	0.6123	1,700	44.62
LN	5	7	C	10	04/25/2007	0.4267	0.4321	1,700	46.61
LN	9	7	C	10	08/28/2007	0.8234	0.8241	1,700	44.87
LN	8	7	C	10	07/26/2007	0.6991	0.6998	1,700	44.20
LN	4	7	C	10	03/27/2007	0.401	0.4033	1,700	49.44
LN	6	7	C	10	05/25/2007	0.502	0.511	1,700	45.04

Early expectations for tomorrow's EIA inventory report call for a build of between 55 and 80 Bcf, with most expectations centering around a 65 to 69 Bcf injection. Our model is a bit below the expectations, expecting a 43 to 47 Bcf injection. Stocks are expected to end the injection season at record levels and near the maximum capacity of about 3,600 Bcf, which should put downward pressure on natural gas prices, at least until cold weather sets in and inventories begin to drop. We see support at \$6.10, \$6.00, \$5.77, \$5.46, \$5.35 and \$5.00. We see resistance at \$6.70, \$6.95-\$7.00, \$7.08, \$7.16 and \$7.40.