



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 12, 2005

NATURAL GAS MARKET NEWS

The EIA's Short-Term Energy Outlook report indicated that total natural gas demand is projected to fall by 1.2% from 2004 to 2005 due mainly to higher prices, but recover by 3.0% in 2006 due to an assumed return to normal weather and a recovery in consumption by the industrial sector, which is projected to increase by about 6% over 2005 levels. The EIA reported that domestic dry natural gas production in 2005 is expected to decline 3.0% (due in large part to the major disruptions to infrastructure in the Gulf of Mexico from both Hurricanes Katrina and Rita), but increase by 4.2% in 2006. Net imports of natural gas (pipeline and LNG) are expected to increase only slightly in 2005 (0.1% over 2004) but increase by 10.4% between 2005 and 2006. The Henry Hub price is expected to average about \$9.00/mcf in 2005 and \$8.70/mcf in 2006. Henry Hub prices are likely to remain above \$12 until peak winter demand is over.

The EIA reported that the U.S. inventory of natural gas at the end of the fourth quarter of 2005 will be an estimated 2.50 trillion cubic feet, higher than the previous forecast. This forecast is 200 Bcf below the year-ago level, but still 50 Bcf above the 5-year average.

The Minerals Management Service reported that shut-in natural gas production in the Gulf of Mexico was 5.919 Bcf/d. That is equivalent to 59.19% of the daily gas production in the Gulf of Mexico.

The National Oceanic and Atmospheric Administration projects a 0.4% colder winter in the lower 48 states, in terms of heating degree-days relative to normal winter weather, which would be 3.2% colder than last winter. However, forecasters said they could not predict if the energy-dependent U.S. Northeast and Midwest regions will face warmer, colder or typical winter temperatures. The weather forecast this year is more important than usual with U.S. oil and natural gas production still crippled in the Gulf of Mexico. Natural gas heating bills are expected to rise 48% nationwide and 62% in the Midwest, the largest natural gas

The FERC said it would monitor and investigate any sign of natural gas price manipulation amid tight supplies this winter. The commission will monitor, and if necessary investigate and penalize, any evidence of market manipulation. FERC and the CFTC signed a memorandum of understanding to share confidential energy trading data gathered in investigations. The agreement was ordered by Congress as part of its broad energy law earlier this year.

Generator Problems

ERCOT— American Electric Power plans to restart its 528 Mw Welsh #3 coal-fired power unit October 12-16. The unit shut October 11 to repair a tube leak.

The Sandow #4 power unit will restart today following maintenance and repairs.

MAAC— Public Service Enterprise Group has shut the 1,111 Mw Salem #1 nuclear unit for a refueling outage. Salem #2 continues to operate at full power.

WSCC— Arizona Public Service shut units #2 and #3 at the Palo Verde nuclear station yesterday due to technical reasons related to a safety system.

The NRC reported that U.S. nuclear generating capacity was at 78,057 Mw down 4.56% from Tuesday and down 7.21% from a year ago.

National Fuel Gas Co. said it filed an application with FERC to build a pipeline to connect its Empire State Pipeline with the proposed Millennium Phase I Pipeline. The company said the new pipeline – The Empire Connector – will be designed to move about 250,000 decatherms of natural gas per day. It expects the costs to develop the project to be about \$144 million.

Williams Cos. unit Discovery Gas Transmission said it was holding open season for up to 250 MMcf of firm natural gas transportation stranded as a result of Hurricane Katrina. The unit received federal regulatory approval to construct a new receipt point on the Discovery pipeline system at Texas Eastern Transmission's Larose compressor station in Lafourche Parish, Louisiana. The proposed in-service date is slated for mid-November. The new connection will provide an alternate outlet for gas that was stranded following damage to third-party facilities during the recent hurricane. The open season will commence October 12 and end on October 21.

Cambridge Energy Research Associates reported that while the U.S. may wish to turn to LNG imports to make up for hurricane-related shut-ins of domestic production, those additional imports may not necessarily be forthcoming. To attract LNG cargoes to U.S. shores, a U.S. buyer must pay a competitive price, including a premium to account for additional shipping distance. CERA went on to say that the increased U.S. demand for LNG comes during a period of limited extra supply availability. Global LNG supplies have been in high demand for the past 18 months, as other nations are competing on the growing global LNG market place.

PIPELINE RESTRICTIONS

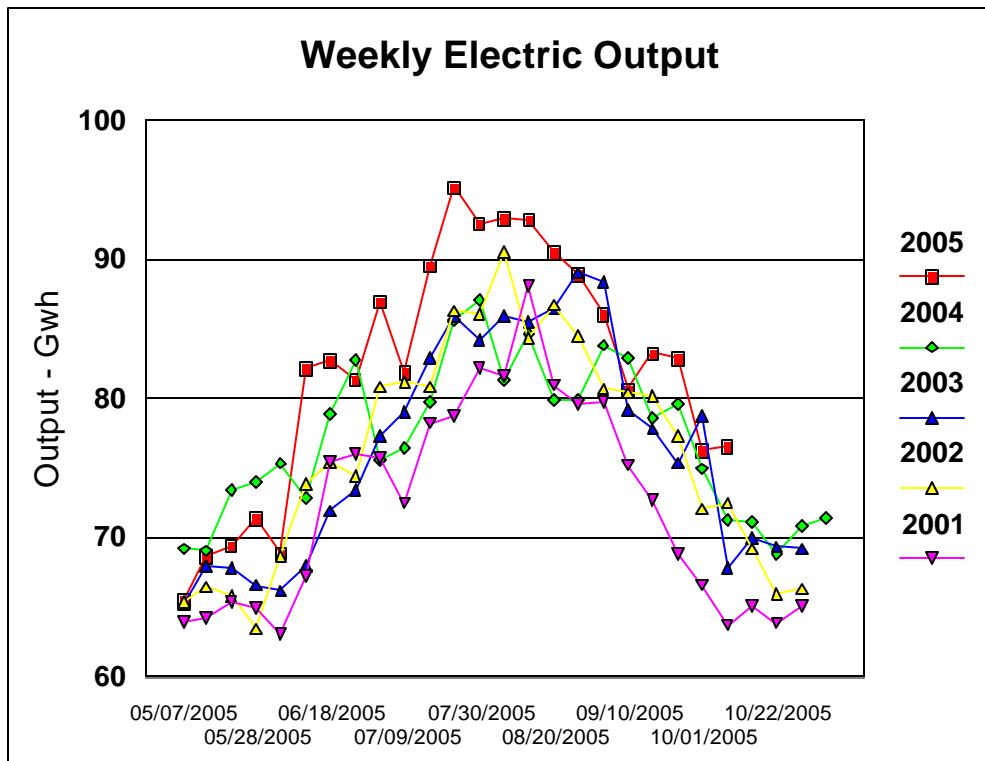
East Tennessee Natural Gas said that nominations sourced on the Nora line have put that line above capacity. ETNG has restricted the NORA line to capacity. No increases in physical supply sourced on the NORA line will be accepted.

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 linepack over the entire system is currently low.

Natural Gas Pipeline Company of America said it is at capacity for gas received in the Segment 16 (Arkoma Line). Therefore, interruptible flow, authorized overrun and secondary out-of-path firm volumes are at risk of not being fully scheduled.

Texas Eastern Transmission Corp. said that due to the cleaning runs, all receipts between Joaquin and Longview on the 20-inch pipeline have been restricted to zero. TETCO also said that M1 24-inch and M2 24-inch



have been restricted through the Batesville compressor station. No increases in receipts between Longview and Batesville for delivery outside that area will be accepted.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing scheduled maintenance on its Montpelier Compressor Station Unit #5 beginning October 17 and continuing until further notice. Capacity through the Montpelier Compressor Station could be affected as much as 75 MMcf/d during this maintenance period.

Williston Basin Interstate Pipeline Company said Unit #1 at the Hathaway Compressor Station is down for unscheduled maintenance and could remain down through November 25. At this time, the company does not anticipate any restrictions to the system under current operating conditions.

ELECTRICITY MARKET NEWS

The EIA's Short-Term Energy Outlook report said that electricity demand is expected to increase by 3.5% in 2005 and about 1.0% in 2006 due largely to weather conditions as well as continuing economic growth. Very hot weather conditions generated a large increase in demand in the third quarter of 2005.

The EIA reported that U.S. electricity demand in the fourth quarter of 2005 will be an estimated 930.2 billion kilowatt hours, 9 billion higher than previously forecasted.

The Edison Electric Institute reported that electricity production in the continental United States for the week ended October 8 rose 7.7% from the same 2004 week to 76,603 GWh. For the first 41 weeks of the year, production rose 4.0% from last year and for the 52 weeks ended October 8, production rose 3.6% from the corresponding period in 2004.

MARKET COMMENTARY

The natural gas market opened 10 cents lower today and traded down to 13.365, the low of the day, but quickly recovered and traded higher back above the 13.50 level. The market was supported by NOAA reports of a 3.2% colder winter on the horizon, but unclear reports for the Midwest and the Northeast, the two largest demand regions for natural gas in the country, kept the market volatile and range bound between 13.40 and 13.60. Natural gas did make a higher high over yesterday at 13.615, but ended the day only .005 higher than yesterday's close. The market settled at 13.524.

Also keeping the market in a range today is the pending EIA storage report. Estimates for tomorrow's report range from a 45 Bcf to a 66 Bcf injection for the week ended October 7, with the average being a 52 Bcf injection. The average over the last 5 years for this report is a 64 Bcf injection. Questions over adequate supply for winter are keeping this market at elevated levels despite the American Gas Association's report yesterday stating that supplies are efficient. We see support at \$13.00, \$12.60 and \$12.20. We continue to see resistance at \$13.75, \$14.00 and the contract high of \$14.75.