



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 12, 2006

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that a low-pressure system in the northeastern Caribbean Sea could develop into a tropical depression over the next day or so. The system is moving northwestward at about 10 to 15 mph.

The U.S. Department of Transportation reported that an offshore natural gas pipeline belonging to Gulfport Energy Corp. has been hit by a tugboat off the coast of Louisiana.

El Paso Corporation said it has asked federal regulators to approve an expansion of its Elba Island LNG terminal and a new pipeline. The projects, if approved by FERC, would cost \$930 million. The proposed 190 mile Elba Express pipeline, with a capacity of 1.2 billion cubic feet per day, would transport natural gas from the Elba Island terminal near Savannah, Georgia, to markets in Georgia and South Carolina by mid-2010. The expansion of the LNG terminal will add 8.4 Bcf of LNG storage to bring the facility's total to 15.7 Bcf. The terminal expansion would also increase Elba Island's send-out capacity by 0.9 Bcf/d, raising the total to 2.1 Bcf/d.

Generator Problems

FRCC – Florida Power and Light's 760 Mw Turkey Point #4 nuclear unit reduced output to 75% as it coasts down for a planned refueling scheduled to start October 29. Turkey Point #3 remains at full power.

MAAC – Exelon's 636 Mw Oyster Creek nuclear unit continues to coast down for a refueling and is operating at 90%.

NPCC – Entergy's 670 Mw Pilgrim nuclear unit reduced output to 80% capacity.

SERC – South Carolina Electric and Gas Co.'s 1,000 Mw Summer nuclear unit dropped to 80% capacity as it prepares for a refueling scheduled to start tomorrow.

WSCC – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit coasted down to 96% capacity as it is expected to shut October 17 for an extended refueling outage. San Onofre #2 remains at full power.

The NRC reported that 73,249 Mw of nuclear capacity is on line, down .41% from Wednesday, and 4.62% lower than a year ago.

EIA Weekly Report

	10/06/2006	09/29/2006	Net chg	Last Year
Producing Region	979	965	14	795
Consuming East	1951	1914	37	1768
Consuming West	459	448	11	416
Total US	3389	3327	62	2979

*storage figures in Bcf

PG&E said it will purchase natural gas from cow manure produced at dairy farms in California to fuel power plants. The utility will buy the gas from Environmental Power Corp., a renewable energy developer based in Portsmouth, New Hampshire. The gas will be generated by Environmental Power subsidiary Microgy at four production plants processing the manure at dairy farms in California's

Central Valley. The deal is for the purchase of up to 8,000 decatherms per day of pipeline-quality gas.

The U.S. Department of Energy and Agriculture announced \$4 million for bio-based fuels research that will accelerate the development of alternative fuels.

PIPELINE RESTRICTIONS

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.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. Tolerance was set at 5%.

Canadian Gas Association

Weekly Storage Report

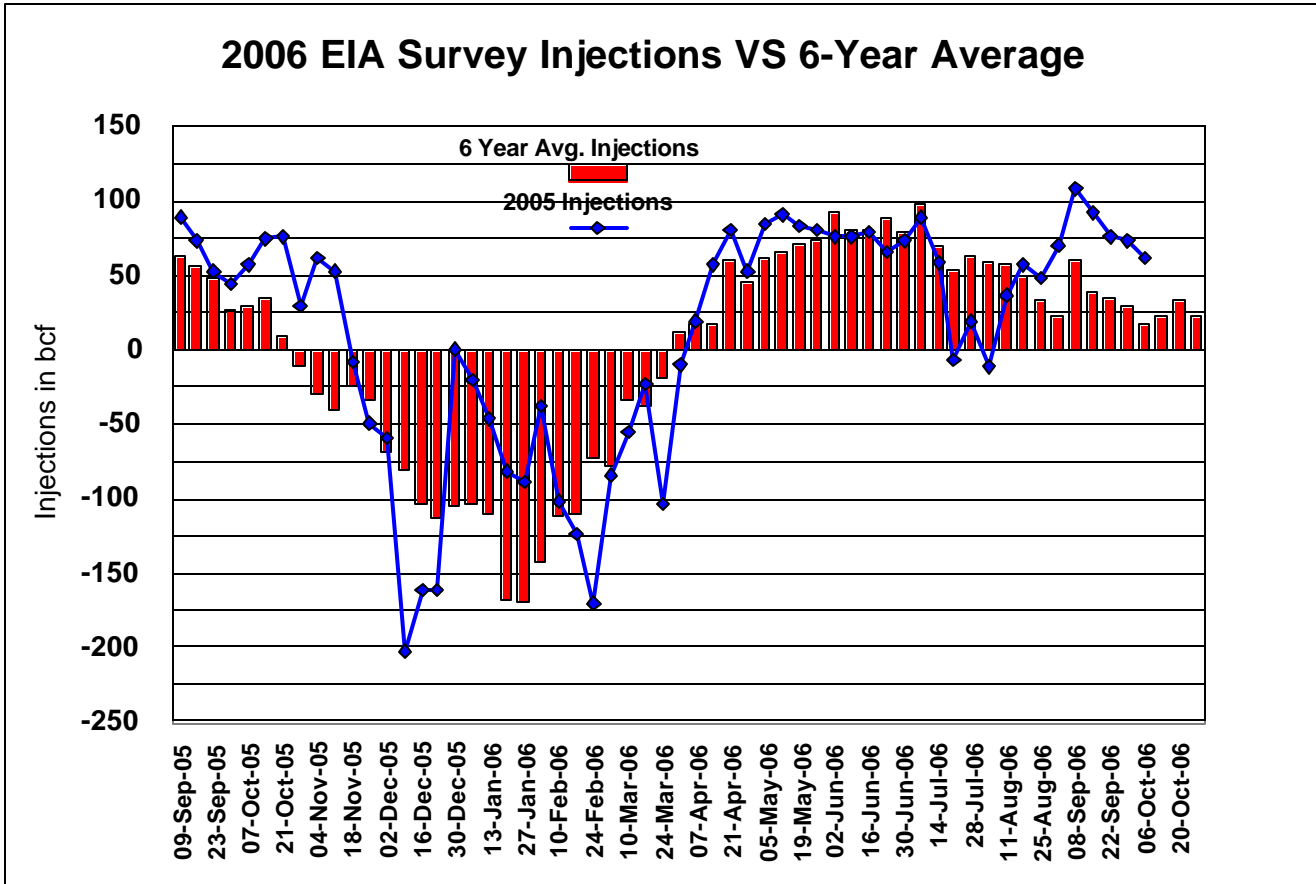
06-Oct-06 29-Sep-06 07-Oct-05

East	241.2	238.3	239.7
West	212.2	209.1	247.5
Total	453.3	447.3	487.1

storage figures are in Bcf

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that maintenance at Gallup Station that was originally scheduled for October 11 has been rescheduled for October 12. The work will require the shutdown for the Gallup C unit with an associated capacity reduction of 240 MMcf/d.



Gulf South Pipeline said that it will perform scheduled maintenance at Clarence Compressor Station Yard beginning 8:00 AM ET October 25, and continuing for approximately 12 hours. All three units will be unavailable during this maintenance. Capacity through Clarence Compressor Station could be reduced by as much as 75 MMcf/d.

Northwest Pipeline said that due to the progress of work on the Pocatello line replacement, the available capacity at the Lava Hot Springs Compressor will be increased from 613 MMcf to 628 MMcf/d for gas day October 13. The full design capacity of 646 MMcf/d will be available for gas day October 14.

Williston Basin Interstate Pipeline Company has once again extended planned maintenance at the Billy Creek Compressor Station, pushing the finish date back to October 18. At this time Williston does not anticipate any restrictions to the system. However, there is a potential for withdrawal limitations on aggregate storage at Billy Creek during this time. The finish date was first pushed back to Friday, October 13. Williston also said that planned maintenance will be performed at the Fort Peck Compressor Station on October 25, cutting maximum capacity at Fort Peck Compressor Station to approximately 23.1 MMcf/d. Finally, Williston said that planned

maintenance will be performed on Line Section 15 on October 16-17 due to HCA assessment test results. During the maintenance period maximum capacity will be approximately 35.1 MMcf from Deadwood to Rapid City, which could result in restrictions to the system depending on volumes nominated.

ELECTRIC MARKET NEWS

The U.S. FERC denied a request by Connecticut seeking all power plants in the state to receive cost-of-service rather than market-based payments. Connecticut wanted FERC to require the generators to enter Reliability-Must-Run, or RMR, agreements until the commission could determine whether the state's electric market is competitive.

California's failure thus far to meet federal air quality standards for soot and smog indicates the trouble the state is likely to have meeting goals established in its recently enacted climate-change law. California has not clearly mapped out how it will meet climate change goals established in legislation signed into law last month.

The Louisiana Recovery Authority is expected to vote today to give New Orleans \$200 million in federal money to cover a portion of the damage caused by

NYMEX Natural Gas Options Most Active Strikes for October 12, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
ON	11	6	C	9	10/26/2006	0.005	0.01	6,977	98.13
LN	3	7	C	16	02/23/2007	0.1011	0.1427	6,400	69.61
ON	3	7	C	20	02/23/2007	0.031	0.047	6,000	72.48
LN	3	7	C	12	02/23/2007	0.3259	0.4214	5,450	66.44
LN	4	7	C	15	03/27/2007	0.0323	0.0448	5,250	50.30
ON	3	7	C	17	02/23/2007	0.075	0.108	3,000	72.33
LN	3	7	C	25	02/23/2007	0.0072	0.0122	3,000	70.44
LN	2	7	C	12	01/26/2007	0.2492	0.3183	2,900	66.73
LN	11	6	P	5.5	10/26/2006	0.248	0.1423	2,800	86.21
LN	1	7	C	12	12/26/2006	0.1334	0.1798	2,700	67.52
LN	12	6	C	12	11/27/2006	0.0302	0.0495	2,400	72.83
LN	3	7	P	5	02/23/2007	0.0885	0.0779	2,125	58.56
LN	3	7	P	6	02/23/2007	0.2912	0.2577	2,025	60.62
LN	5	7	C	15	04/25/2007	0.0311	0.0448	2,000	45.87
ON	1	7	C	17	12/26/2006	0.014	0.023	2,000	73.37
LN	5	7	C	20	04/25/2007	0.0047	0.0076	2,000	48.45
ON	11	6	P	10.8	10/26/2006	5.018	4.65	1,850	152.42
LN	11	6	P	4.5	10/26/2006	0.0254	0.0105	1,850	86.52
LN	11	6	C	6.5	10/26/2006	0.1518	0.2669	1,725	85.71
LN	11	6	P	5	10/26/2006	0.0946	0.0469	1,530	86.27
LN	12	6	C	9	11/27/2006	0.2259	0.3136	1,425	66.54
ON	11	6	P	10.9	10/26/2006	5.118	4.75	1,400	154.73
ON	11	6	P	5.75	10/26/2006	0.363	0.222	1,323	84.42
ON	12	6	C	7.5	11/27/2006	0.606	0.783	1,200	64.66
ON	12	6	C	10	11/27/2006	0.119	0.172	1,200	71.56
ON	12	6	C	9	11/27/2006	0.226	0.314	1,157	68.75
LN	11	6	P	5.75	10/26/2006	0.3633	0.2219	1,125	86.27
LN	1	7	C	9	12/26/2006	0.5147	0.6553	1,100	59.77
LN	2	7	C	9	01/26/2007	0.7105	0.8621	1,100	59.75
LN	3	7	C	9	02/23/2007	0.786	0.9519	1,100	59.35
LN	11	6	P	4.75	10/26/2006	0.0516	0.0235	1,100	86.40
ON	11	6	P	5.5	10/26/2006	0.248	0.142	1,011	84.71
ON	12	6	C	11	11/27/2006	0.061	0.095	1,005	73.25

Hurricane Katrina. The LRR, which was set up by Governor Kathleen Blanco to distribute the more than \$1 billion the state received in community development block grants from the US Government, is expected to approve a resolution that would give the utility the funds.

U.S. Department of Energy Secretary Samuel W. Bodman announced more than \$13 million to fund new research in solar technologies. This funding, part of President Bush's \$148 million Solar America Initiative, will support the development of more efficient solar panels, known as photovoltaic devices.

MARKET COMMENTARY

The natural gas market opened 12 cents lower in anticipation of the EIA reporting that stocks are now at an overall record. The report of 62 Bcf being injected into the ground was on the smaller side of expectations, but

that put the total amount of gas in storage at an all time record. Natural gas broke through the 6.00 level on its way to an intra-day low of 5.74. November natural gas settled down 36.8 cents at 5.782.

Total storage for the country now stands at 3,389 Bcf, 410 Bcf over last year at this time and 358 Bcf above the five-year average. The supply situation is dominating this market right now, after a rally last week on news of the first frost coming to the northern portion of the country caused some short covering but was unable to break key resistant points. Natural gas will remain under pressure as traders focus on forecasts for above normal temperatures this winter and deal with a record gas surplus. We see support at \$5.77, \$5.74, \$5.46, \$5.35 and \$5.00. We see resistance at \$6.00, \$6.07, \$6.60, \$6.70 and \$6.95-\$7.00.

