



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 18, 2005

NATURAL GAS MARKET NEWS

The head of the EIA, Guy Caruso, said that U.S. natural gas supplies are adequate to meet demand even if the winter is 10% colder than a year ago but prices will be higher. U.S. natural gas in storage is expected to hit 3.1 Tcf by November 1. Caruso said the expected working gas in storage at the end of the fourth quarter will be about 2.5 Tcf, or 200 Bcf below the goal level, but about 50 Bcf above the five-year average.

The Minerals Management Service reported a small improvement in shut-in natural gas production today, with 5.346 Bcf still shut-in. That is equivalent to 53.46% of the daily gas production in the Gulf of Mexico.

The Canadian Press reported that Gov. Frank Murkowski of Alaska has probably run out of time to call the legislature into special session this month to consider a natural gas pipeline contract. Gov. Murkowski had said for several months that he planned to call the legislature into special session this fall to consider a natural gas pipeline contract. The contract would set out terms for taxes, royalties and the state's share of the estimated \$20-billion U.S. project.

The National Hurricane Center reported that Wilma has increased in strength to a category 1 Hurricane. The storm's track is uncertain, but most models show it moving north-northeast toward Cuba and then Florida. At this point Wilma is not expected to disrupt the production fields in the Gulf.

PIPELINE RESTRICTIONS

Alliance Pipeline said that following a review of its Measurement Facility Capability at Younger it will be raising the target capacity at that facility to 145.4 MMcf/d effective cycle 1 October 19. As a result of the target increase at Younger Alliance's gathering ability on the Taylor Lateral exceeds the hydraulic capability of the lateral. Therefore it has created a new constraint point

Generator Problems

ERCOT— TXU Corp. will likely restart the 750 Mw Monticello #3 coal-fired power unit today and tomorrow. The unit shut yesterday to repair a boiler tube leak.

FRCC— FPL Group's 839 Mw St. Lucie #1 nuclear unit shut for a planned refueling outage. St. Lucie #2 continues to operate at full power.

MAAC— Exelon Corp.'s 1,134 Mw Limerick #2 nuclear unit exited an outage and ramped up to 24% of capacity by early today. The unit shut October 12. Limerick #1 continues to operate at full power.

Exelon Corp.'s 1,112 Mw Peach Bottom #3 nuclear unit ramped up to 59% of capacity by early today. Yesterday, the unit was operating at 17% after exiting a refueling outage. Peach Bottom #2 continues to operate at full power.

SERC— Southern Co.'s 842 Mw Farley #2 nuclear unit shut for a refueling and maintenance outage. Farley #1 continues to operate at full power.

Entergy Corp.'s 1,263 Mw Grand Gulf nuclear unit started to exit a refueling outage and ramped up to 9% of capacity by early today. The unit shut September 18.

Southern Co.'s 1,152 Mw Vogtle #1 nuclear unit shut by early today. Yesterday the unit was operating at full power. Vogtle #2 ramped up to 87% from 65% yesterday after exiting a refueling outage.

Canada— Two units at Ontario Power Generation's 1,976 Mw Lambton coal-fired unit returned to service by early today.

The NRC reported that U.S. nuclear generating capacity was at 76,653 Mw down .61% from Friday and down 6.58% from a year ago.

CP01A – Taylor Lateral. The initial target Capacity for the Taylor Lateral will be set at 281.2 MMcf/d. Receipt Facilities included within CP01A are: McMahon, Younger and the TBO Receipts (Boundary Lake, Petro Canada, Boundary Lake, Imperial, and Boundary Lake South).

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 has returned to normal levels.

Natural Gas Pipeline Company of America said that until further notice, limited capacity is available for deliveries to Texas Gas-Lowry. Limited interruptible flow, authorized overrun and secondary transport volumes are available. Texas Gas-Lowry is located in Cameron Parish, Louisiana (Segment 23), in Natural's Louisiana Zone.

Texas Eastern Transmission Corp. said that due to the pipe replacements between Pemex and Sante Fe, all meters between the U.S./Mexico border and the replacement location have been restricted to zero. This work is scheduled through October 19. Zones STX and ETX have been restricted to capacity. No increases in receipts between Mont Belvieu and Batesville for delivery outside of that area will be accepted. Zones M1 24-inch and M2 24-inch have been sealed to capacity through the Batesville compressor station. No increases in receipts between Little Rock and Batesville for delivery outside of that area will be accepted.

PIPELINE MAINTENANCE

ANR Pipeline Company said that work continues on its offshore and onshore facilities located in its Southeast Gathering Area to repair any damage resulting from Hurricane Rita. On the Western SEGA System, effectively immediately, ANR will increase its capacity through its Grand Chenier facilities to 250 MMcf/d for the SE 3 A (Grand Chen) –CFTP until further notice. After being inspected and approved, ANR has returned to service the 30-inch West Cameron 167 line to Grand Chenier, including the interconnection WC 167 ANRPL #29636. At this time, no liquids will be accepted at the 16-inch Cameron Meadows line to Lake Arthur, though no interconnections have been cleared for flow on this line.

Gulf South Pipeline said that it will be performing scheduled maintenance on Unit #2 at the Clarence Compressor Station beginning October 24 and continuing until further notice. Capacity could be reduced as much as 150 MMcf/d from South Texas and/or East Texas with this maintenance.

PG&E California Gas Transmission has scheduled work on the Delevan K-2 Compressor from November 17 to December 14. Capacity on the Redwood Line will be reduced to 2,101 MMcf/d, roughly 98% of capacity.

Williston Basin Interstate Pipeline Company said that due to unscheduled maintenance on Line Section 22 on October 28, deliveries to Point ID 03820 MDU-Billings Border may be potentially affected. At this time Williston does not anticipate any restrictions to the system. Due to unplanned maintenance, the low pressure unit at the Baker Booster Compressor Station will be down approximately eight hours on October 24. Based upon current operating conditions, Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline will be affected by approximately 3 MMcf. Due to unscheduled maintenance at the Dickinson Compressor Station, deliveries in East Mon-Dak and Sheyenne Sub-Systems may potentially be affected on October 25. At this time, the company does not anticipate any restrictions to the system.

ELECTRICITY MARKET NEWS

The Edison Electric Institute, which represents investor-owned utilities, opposes any effort by Congress to limit utility access to natural gas for electric generation, dictate what fuel should be used to produce electricity or federally mandate the efficient dispatch of generation plants.

ECONOMIC NEWS

The Labor Department said the producer price index for finished goods rose 1.9% on a seasonally adjusted basis in September -- the fastest rate in 15 years. The core index, which excludes food and energy items rose 0.3%. Wall Street had called for a 1.4% jump in the overall index and a 0.2% increase in the core index.

MARKET COMMENTARY

The natural gas market opened 52 cents lower as concerns about Wilma's trajectory soothed with the storm steering clear of the production fields in the Gulf. However, the market did not move much lower, with the low on the day at 13.35. In the afternoon, there was a bit of a rally, with natural gas reaching a high of 13.62 for the day. Natural gas settled down 46.6 cents at 13.421.

Even with the EIA's comments that working gas in storage will reach 3.1 Tcf by November 1 and that there will be enough supply to meet demand this winter, the market remains reluctant to significantly retrace the Hurricane premiums. This market will continue to monitor Wilma, and any threatening change will put this market to the races. The \$13.00 level will remain as the bottom of a wide range, with further support at \$12.70 and \$12.20. We see resistance at \$14.00, \$14.25 and \$14.75.