



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 17, 2006

NATURAL GAS MARKET NEWS

According to AccuWeather.com chief long-range forecaster Joe Bastardi, the upcoming winter could prove chillier than previously expected. Unlike the National Weather Service forecast, Bastardi does not see this winter being warmer than normal across the vast majority of the country. Overall, the AccuWeather.com Winter 2006-2007 Forecast calls for a cooler-than-normal winter along the East Coast and eastern Gulf Coast, and a warmer-than-normal winter from the western Great Lakes to the Pacific Northwest. The National Weather Service cited the El Nino system as being the factor keeping temperatures warmer-than-normal, but Bastardi points out that El Nino will remain at its current weak to moderate level, and may even weaken as the winter progresses.

An energy minister in South Korea said the country would face LNG shortages of up to around 4 million metric tones in coming years as the country's monopoly gas utility Korea Gas Corp. has not secured enough stable supplies through long-term contracts to meet growing demand in the country. South Korea is expected to face LNG supply shortages of 960,000 mt next year, rising to 1.51 million mt in 2008, 2.54 million mt in 2010 and 4.1 million mt in 2011 before easing to 3.98 million mt in 2012.

PIPELINE RESTRICTIONS

KM Interstate Gas Transmission said that WIC/Cottonwood is at capacity for delivered volumes. Based on the level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

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%.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will perform scheduled maintenance on Montpelier Compressor Station Unit #5 beginning October 23, and continuing for three days. Capacity through Montpelier Compressor Station will be reduced by as much as 75 MMcf/d with this unit's maintenance. Ongoing scheduled maintenance being performed at the Montpelier Compressor has already reduced existing capacity by 50 MMcf/d. Total capacity through Montpelier Compressor from October 23 through October 26 will be reduced by as much as 125 MMcf/d.

Generator Problems

ERCOT – TXU Corp.'s 750 Mw Monticello #3 coal-fired power station is restarting today following a short work outage.

MAAC – Exelon's 1,116 Mw Peach Bottom #2 nuclear unit has reduced production to 81%. The unit was operating at full power yesterday. Peach Bottom #3 continues to operate at full power.

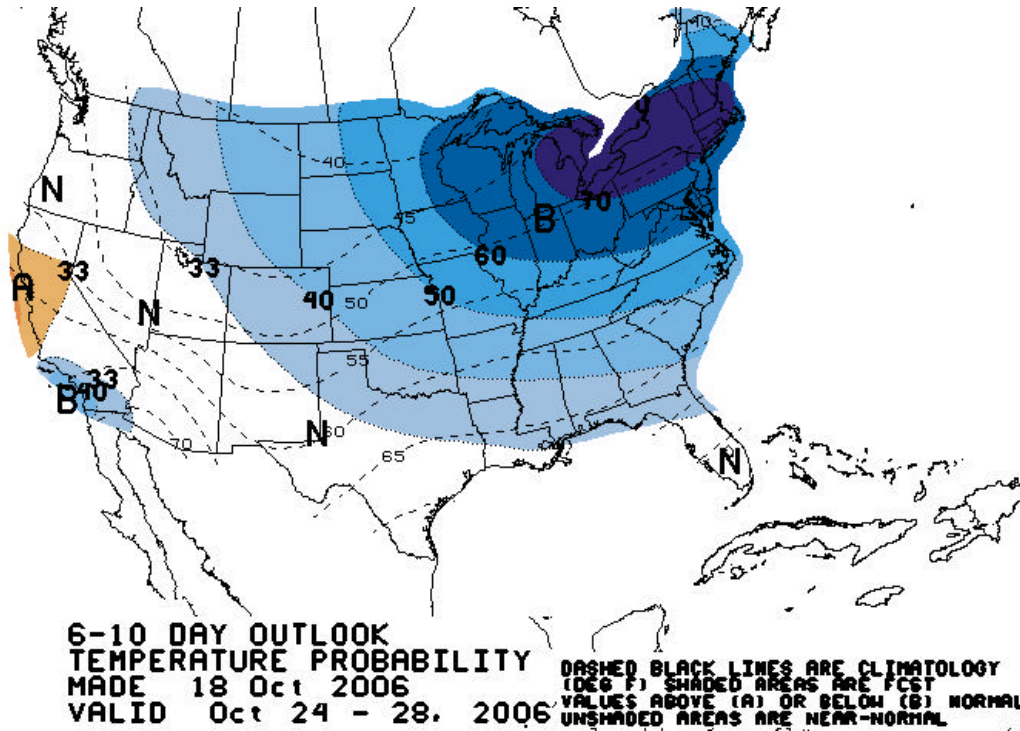
PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit started to exit an outage and ramped up to 5% of capacity following repairs to the control rods.

MAIN – Exelon's 1,252 Mw Byron #1 nuclear unit further ramped output to 74%. Yesterday, the unit was operating at 58% capacity. Byron #2 continues to operate at full power.

MAPP – Nebraska Public Power District's 800 Mw Cooper nuclear unit reduced output to 92% capacity as the unit coasts down for a planned refueling outage.

WSCC – Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit increased output to 91% capacity. Yesterday, the unit was operating at 50%.

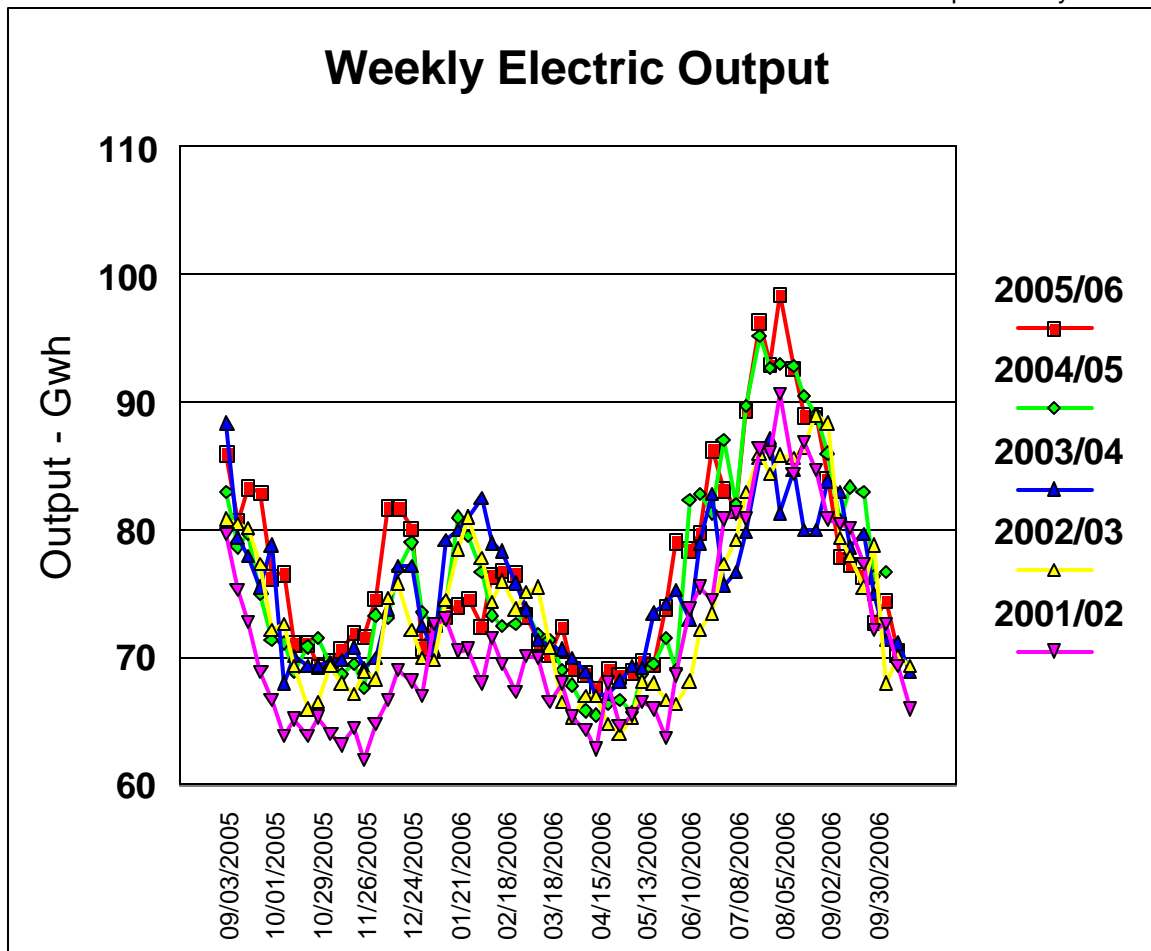
The NRC reported that 71,458 Mw of nuclear capacity is on line, up .37% from Monday, but 6.60% lower than a year ago.



Natural Gas Pipeline Company said that from October 19 through 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.

Questar Pipeline Company said that based on current reservoir pressures and anticipated receipt pressures from NPC and QPC, Questar estimates that the total physical injection capacity for Clay Basin will be 250 MMcf/d beginning October 19. Customers are advised that the



injection capacity will be reduced to 100-125 MMcf/d beginning gas day November 1 as Questar begins seasonal maintenance on its turbine compressor units.

Westcoast Energy said that the Fort Nelson Gas Plant has resumed full production after the DCS failure early October 17, and will continue to lower the inlet pressures and reduce the gathering pack as the day progresses.

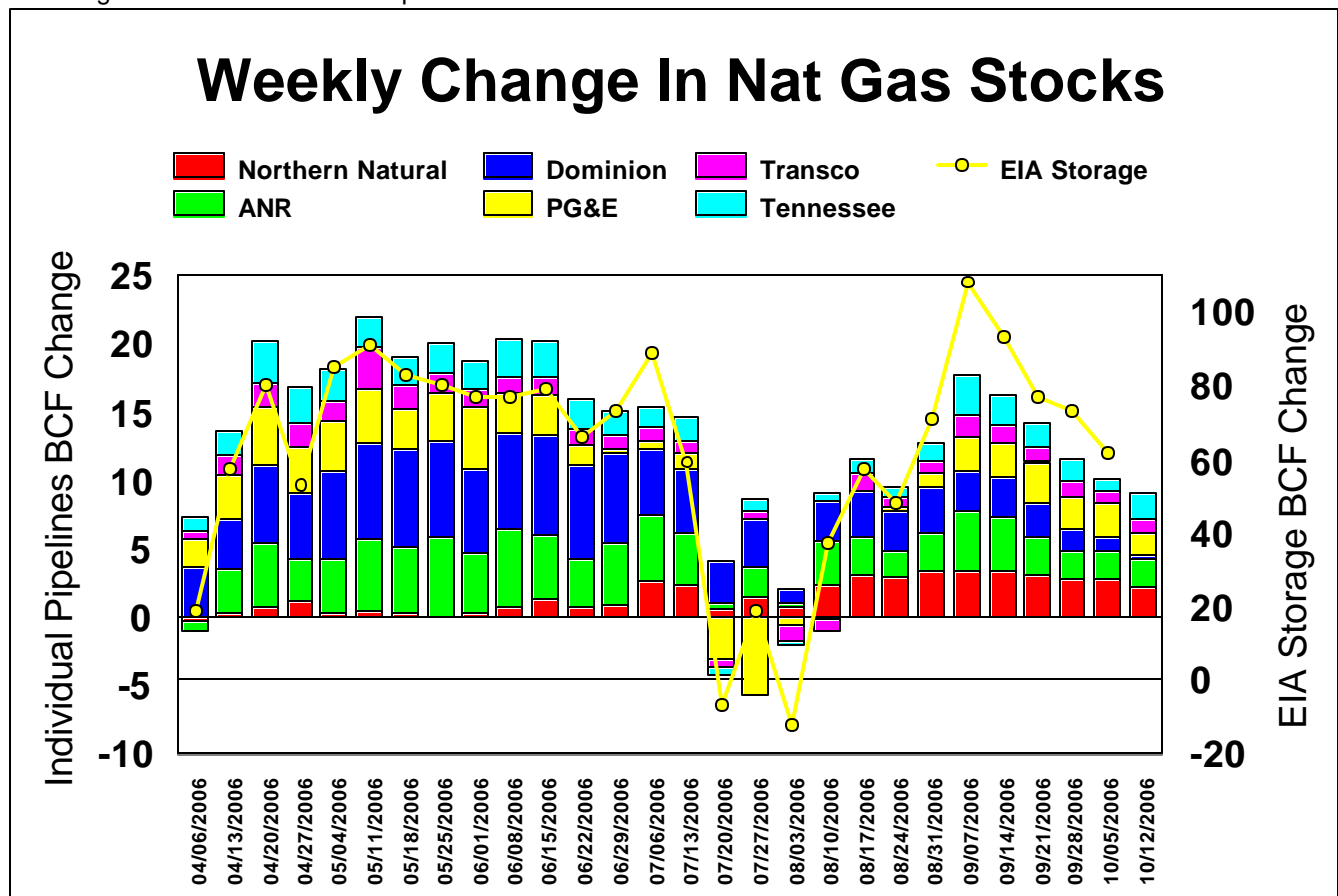
Williston Basin Interstate Pipeline Company said that previously scheduled maintenance at the Little Beaver Compressor station is being rescheduled due to inclement weather conditions. The work will now be performed on October 19. Unit #11 at the Little Beaver Compressor Station will be down approximately four to eight hours during the work. Based on current operating conditions, Receipt Point ID 04018 Baker Area Mainline will be effected by approximately 3-5 MMcf.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that electricity demand in the Continental U.S. totaled 70,492 GWh during the week ended October 14, 0.9% lower than a year ago and about 5% less than the previous week.

MARKET COMMENTARY

The natural gas market opened 2.2 cents lower, but some fresh bullish news boosted prices. Initially, the market rallied with the oil products, as the EIA showed sizeable draws in heating oil and gasoline, but as the weight of the crude oil build brought the oil complex back into its bearish bias, natural gas stayed elevated, chopping around the 6.60 level. A late day release of AccuWeather's latest winter forecast, which calls for cooler conditions than originally anticipated, rallied prices through resistance at 6.80 to a high of 6.85. November natural gas finished the session up 36.5 cents at 6.807.



Weather forecasts remain the driving force in the market right now, and following the cool start to October, builds to storage this week are expected to be below last year's and the five-year average. Expectations call for a build of 46-50 Bcf, compared to 79 Bcf last year and the five-year average build of 66 Bcf, likely trimming the 358 Bcf

year-on-five-year-average surplus. Yet, three weeks still remain in the injection season and total stocks come November 1 are still expected to reach a record 3.5 Tcf. We see support at \$6.40, \$6.22, \$6.00 and \$5.75. Further support is seen at \$5.60, \$5.55, \$5.46 and \$5.35. We see resistance at \$6.95-\$7.00, \$7.08 and \$7.20.

NYMEX Natural Gas Options Most Active Strike for October 18, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
ON	11	6	P	5	10/26/2006	0.003	0.011	8,510	91.05
ON	11	6	P	5.5	10/26/2006	0.018	0.056	8,171	89.06
LN	11	6	P	6	10/26/2006	0.0793	0.1801	5,040	91.25
LN	11	6	P	5	10/26/2006	0.0026	0.0113	4,259	90.13
LN	1	7	P	5	12/26/2006	0.0114	0.0131	3,550	57.68
ON	11	6	P	6	10/26/2006	0.079	0.18	3,045	90.36
LN	4	7	C	15	03/27/2007	0.0394	0.0441	2,800	50.35
LN	3	7	P	5	02/23/2007	0.0616	0.0664	2,250	58.08
LN	3	7	C	10	02/23/2007	0.6862	0.6951	2,250	62.98
LN	4	7	C	10	03/27/2007	0.3046	0.3193	2,200	43.36
LN	11	6	C	7.5	10/26/2006	0.1492	0.0903	2,050	95.07
LN	2	7	P	5	01/26/2007	0.0468	0.0463	2,000	62.73
LN	11	6	C	7	10/26/2006	0.2942	0.1838	1,850	92.79
LN	12	6	C	13	11/27/2006	0.0258	0.0229	1,525	77.33
ON	2	7	P	8	01/26/2007	0.915	0.918	1,510	63.80
LN	12	6	C	11	11/27/2006	0.099	0.0879	1,500	74.96
LN	11	6	C	8	10/26/2006	0.0712	0.0427	1,475	97.17
ON	1	7	C	9	12/26/2006	0.626	0.636	1,450	64.20
LN	3	7	P	6	02/23/2007	0.2365	0.2425	1,300	61.27
LN	3	7	C	12	02/23/2007	0.392	0.3998	1,275	67.42
ON	11	6	C	8	10/26/2006	0.071	0.043	1,263	97.86
LN	1	7	P	6.5	12/26/2006	0.186	0.1977	1,250	62.86
LN	1	7	C	9	12/26/2006	0.6249	0.6346	1,200	60.24
LN	1	7	C	10	12/26/2006	0.3968	0.4069	1,200	63.64
ON	1	7	C	11.5	12/26/2006	0.208	0.216	1,200	70.30
LN	1	7	P	6	12/26/2006	0.0998	0.1078	1,100	62.73
LN	2	7	P	6	01/26/2007	0.1698	0.1764	1,100	62.74
ON	1	7	C	12.5	12/26/2006	0.131	0.138	1,028	71.39
ON	11	6	P	7	10/26/2006	0.487	0.741	1,000	94.17