



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 24, 2005

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that US offshore production of natural gas dropped for the second straight report, showing that natural gas production shut in stood at 5.472 bcf Monday versus 5.337 shut in on Friday and just 5.196 bcf off line on Thursday.

Private weather forecasting service, WSI, today called for temperatures in the U.S. Northeast and Southeast, as well as parts of the upper Midwest should be warmer than normal during November and December. The forecaster though said after a mild start to winter, due to a slow Arctic snow cover build, January could become bitter cold especially in the Northeast, where natural gas delivery curtailments could be possible.

The CEO of Woodside Petroleum said over the weekend that he expects the U.S. market will need to import 7-10 tcf of LNG per year, in order to meet demand for natural gas. He noted that the ability of the U.S. to supply its energy needs from

Generator Problems

FRCC— FPL Group reduced operating levels at its Turkey Point #3 and #4 nuclear units to 23% of capacity as a result of the approach of the Hurricane Wilma.

Operators at the 839 Mw nuclear power Unit #2 at the St Lucie nuclear power station also shut the unit down over the weekend due to the approach of Hurricane Wilma. Unit #1, the sister nuclear unit was already offline since October 16th for a refueling outage.

NPCC— Entergy's 506 Mw Vermont Nuclear unit was taken off line on Sunday for what was believed to be a refueling outage.

MAAC- AmerGen Energy's 786 Mw Unit #1 at the Three Mile Island nuclear power station was off line this morning as operators began a month long refueling outage.

MAIN- Exelon's 1162 Mw Unit #2 at the Byron nuclear plant was back to full power this morning after dropping off line last week due to problems with a condensate booster pump.

SERC— Duke Energy's 846 Mw Unit #2 at the Oconee nuclear power station was taken off line for a planned refueling outage.

Duke Energy's 1100 Mw McGuire #1 nuclear unit returned to full power over the weekend after going off line back on September 19th for a refueling outage.

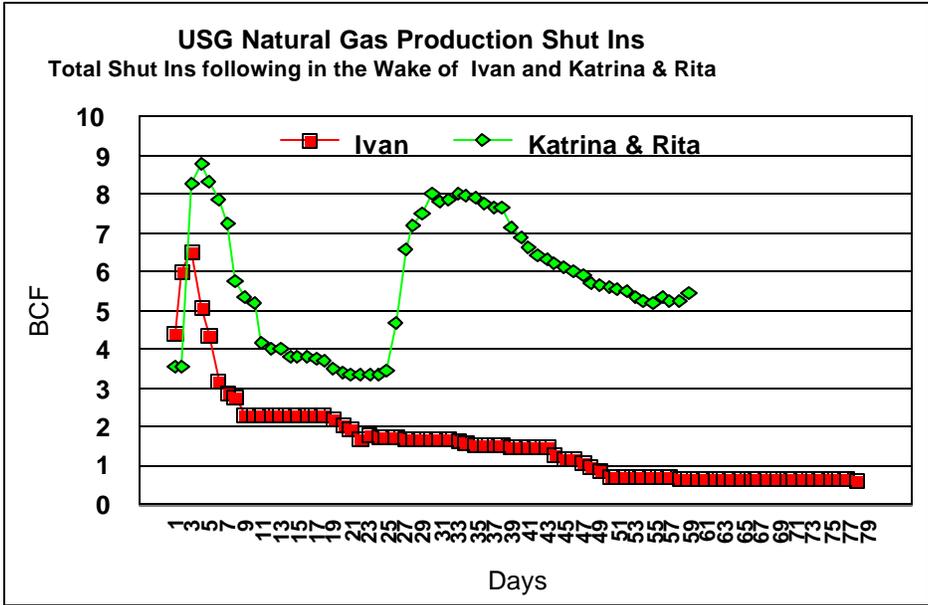
Progress Energy's 900 Mw Brunswick #2 nuclear unit was at only 57% of capacity this morning. The Unit had been at full power last week but was reduced over the weekend to current levels.

ERCOT – TXU's 750 Mw Unit #1 at the Martin Lake coal fired power station went off line Monday and is expected to remain offline until Tuesday for operators to repair a tube leak.

WSCC—APS' returned to service Palo Verde nuclear units #2 and #3 over the weekend and the units were back to full power this morning. The unit were taken off line back on October 11th, when a problem was found in the emergency system by the NRC.

PG&E's 1087 Mw Diablo Canyon #1 nuclear was off line as the unit was expected to have entered into a planned refueling outage.

The NRC reported that U.S. nuclear generating capacity was at 77,388 Mw up 0.4% from Sunday, but down 4.1% from Friday. Versus a year ago current nuclear output is running some 5% lower than a year ago.



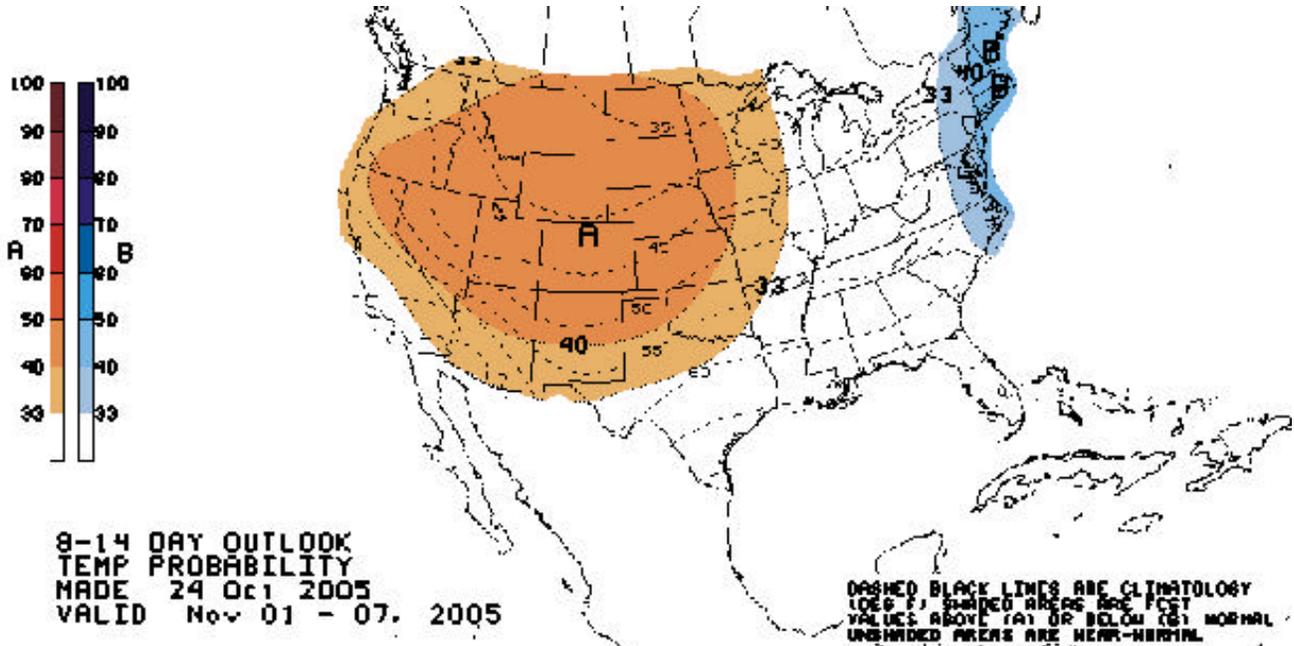
domestic sources is diminishing rapidly and is the root cause of the escalation in energy prices. He also expects that LNG will not be oversupplied during this period and as a result gas pricing will be set by the cost of the next barrel of US indigenous supply found, developed and bought to market. The Australian firm expects its LNG production to double by 2008.

The Climate Prediction Center reported this morning that for the week ending October 22nd, it estimated that heating degree days totaled just 53 HDD some 24% less than last year and seasonal norms. For

the current week ending October 29th, the CPC is forecasting some 101 HDD, which would be 9.8% colder than normal and 50% colder than the same week a year ago.

PIPELINE RESTRICTIONS

Southern Natural Gas Pipeline reported that it sees improved natural gas flows upstream of the Toca Compressor Station. Late last week the company lifted the force majeure restrictions at 14 receipt points that had been in effect since August 30th. These receipt points typically combine for 200 Mmcf/d. The company also said



that it is re-evaluating projected in-service dates regarding other regions of its offshore system. Projected in-service dates for the Olga Compressor Station to the Main Pass 298 junction platform and east of the Main Pass 298 and offshore laterals will be posted on Wednesday. Originally the company had expected these flow points to resume by the end of October and others by the end of November. But due to contractor equipment delays and recent weather disruption may push these return dates back even further. Gas quality remains a concern. Enterprise Partners is in the process of restarting its Toca 2 plant. Within the next week, Toca 2 should be able to

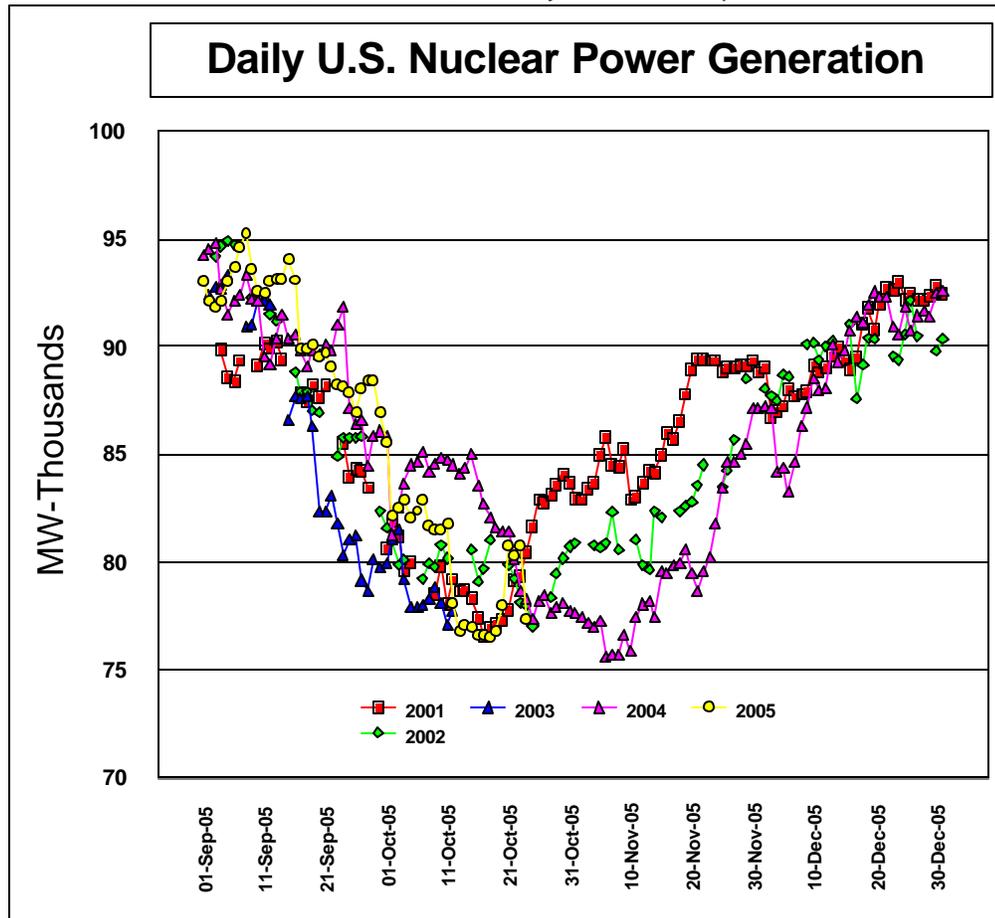
process about 250 Mmcf/d. The Toca #1 plant, with a capacity of about 850 Mmcf/d is expected back in service within about five weeks.

FGT said that its linepack was low today, but due to lower load demand due to the hurricane it was not issuing an Alert Day. But there is a good chance the company will issue an Overage Alert Day for October 25th.

KMIGT said it is at capacity for receipts from Sterling Yenter due to operational conditions.

Kern River Pipeline said that linepack levels are currently high across its entire system.

Gulf South Pipeline said that based upon its initial review of nominations, the company 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.



Texas Eastern Pipeline said that Zones STX and ETX have been restricted to capacity. Zone WLA has been sealed to capacity between Vidor and Gillis. 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.

Questar Pipeline Company said it has experienced a mechanical problem on one of the compressors at Clay Basin. As a result, injection capacity has been reduced to 300 Mmcf/d. Capacity is expected to return to normal in cycle 1 gas day October 25th.

PIPELINE MAINTENANCE

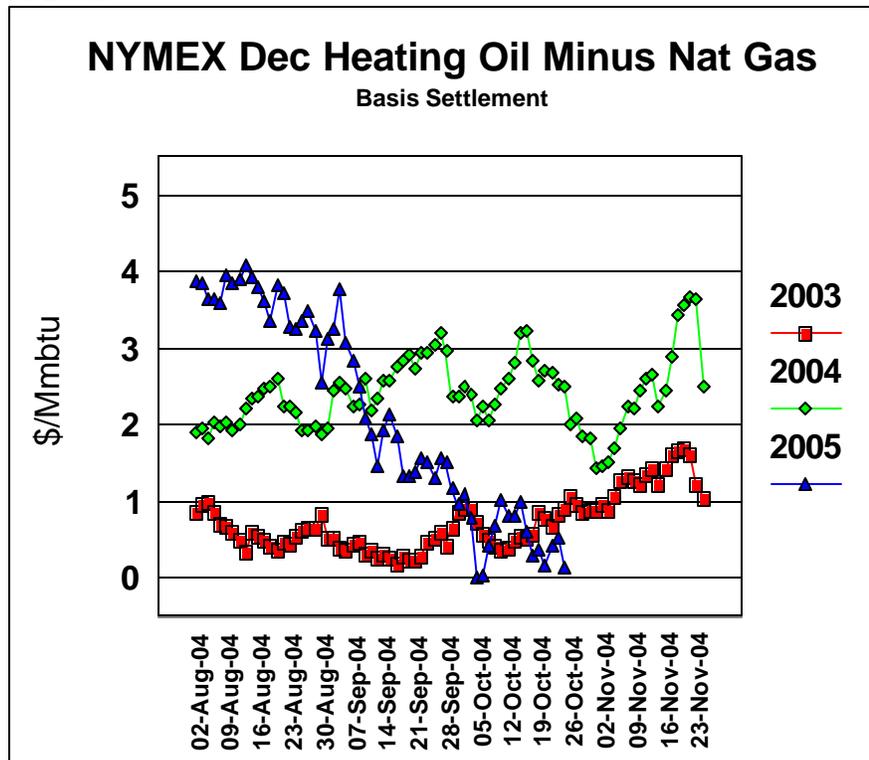
El Paso Natural Gas reported today that it expects its Keystone Mainline Station will be down for annual government inspections and other maintenance work from November 1-4th. During the shutdown, the pipelines between Keystone and Eunice Stations on Line 3026 and Line 30125 will be shutdown, reducing the amount of gas that can be moved through Eunice by approximately 250 million cf/d, to only 350 Mmcf/d. Also Line 1900 downstream of Mojave Topock Station will be shut in to tie in Line 1903 on November 17th. As a result there will be no flow into the Mojave Pipeline at DMOJAVE for some 16 hours. On the North Mainline, Window Rock 2A a mechanical inspection starting October 31st will continue through November 3rd. Net reductions during this period will range from 15Mmcf/d to 195 Mmcf/d.

ELECTRIC MARKET NEWS

FPL Group announced that it was adding a \$600 million, 1150 Mw gas fired combined cycle generating unit at its Turkey Point generating facility. The unit is expected to begin service in 2007.

As Hurricane Wilma moved across Florida today more than 6 million power customers lost electrical service. FPL reported that damage to its electrical grid is expected to be more extensive than the problems caused by Hurricane Francis or Jeanne last year. But the company felt that the storm did not cause any significant damage to its power plants.

Arizona Public Service Company announced today that it will explore building two 500 Kv transmission lines from Wyoming to northern Arizona. The company is looking at the project as providing it with the capabilities of accessing electricity generated from coal, wind and other resources. An expected in service date though would be 2013.



Westar Energy announced late last week that it has signed an agreement to purchase a 300 Mw gas fired power plant from ONEOK, Inc for \$53 million. The Spring Creek power plant is located in Logan County, OK. The company plans to use the plant to meet customer's peak electrical power especially during the summer months.

Transmission capacity on the California/Oregon AC power lines are expected to decline by 100 Mw to 3899 Mw on Tuesday.

MARKET COMMENTARY

The natural gas market opened lower this morning for the third consecutive trading session, helped in part by the southerly path of Hurricane Wilma, which stayed away from Gulf of Mexico production areas. But the market began to rally back shortly after the opening, led by

the spot month, helped in part by supportive weather forecasts which saw heating demand for the coming week running some 13% higher than normal. The market though settled in to a relatively quiet sideways trading range for much of the late morning and afternoon. Final estimated volume was pegged at just over 58,000 contracts, of which spreads accounted for two thirds of the day's trading activity. The November-December spread was a focal point as the spread contracted to its narrowest range since late June of this year.

With the outlook for decent heating demand this week, coupled with nuclear generation levels that are running some 5% lower than a year ago should help to provide support to this market near term. We see support starting at \$12.90 followed by \$12.78 and \$12.676. Resistance we see at \$13.09, \$13.25-\$13.26, and \$13.38. More distant resistance we see at \$13.68 and \$13.90.