



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 25, 2005

NATURAL GAS MARKET NEWS

The Minerals Management Service reported for the third straight day that offshore natural gas production dropped, showing that 5.582 Bcf/d of production is shut in, compared to 5.472 Bcf/d Monday.

A BP spokesman in Alaska said that an agreement between the state of Alaska and North Slope producer of the Alaskan Gasline Project is very close to being finalized. Progress in building a pipeline to bring North Slope natural gas to market has been slow. But the pace of negotiations has quickened in recent weeks with the delivery earlier this month to Alaskan Governor Murkowski of a contract to the North Slope Producers – BP, ConocoPhillips and ExxonMobil Corp. Last week, ConocoPhillips said that it has agreed on terms with Alaska on the contract, leaving only BP and ExxonMobil to reach agreement before the \$24 billion pipeline can move forward. The Alaska gas pipeline is expected to take around 10 years to construct. Once complete, it will have a capacity of between 4.5 billion

Generator Problems

ERCOT— AEP's Martin Lake #3 coal-fired unit shut to repair a boiler tube leak. The unit is expected to restart tomorrow following the repairs.

Xcel Energy said it could not shut the 346 Mw Harrington #1 coal-fired power unit due to a problem with unit #2. Xcel wanted to shut unit #1 to repair a boiler tube leak.

San Antonio City Public Service shut the 415 Mw JT Deely #2 coal-fired power unit October 24-26 to repair a pipe leak. Unit #1 will shut later this week for planned maintenance.

MAIN— Exelon's 800 Mw Dresden #2 nuclear unit increased output to full power from 86% yesterday. Dresden #3 is operating at 99% capacity today.

SERC— Progress Energy's 900 Mw Brunswick #2 nuclear unit ramped up to 85% of capacity by early today. Yesterday, the unit was operating at 57%. Brunswick #1 continues to operate at full power.

WSCC— PG&E's 1,100 Mw Diablo Canyon #2 nuclear unit returned to full power today. The unit was reduced to 25% power due to ocean conditions on Sunday. Diablo Canyon #1 remains shut for a refueling outage.

Calpine Corp's 811 Mw Delta Energy Center returned to full service by yesterday afternoon. On Sunday, the unit was curtailed by 576 Mw for planned maintenance.

Constellation Energy Group's 780 Mw High Desert natural gas-fired power station shut yesterday afternoon for planned maintenance. The unit was available for service on Sunday.

All three units at PG&E's 1,218 Mw Helms Pumped Storage hydropower station returned to service by late Sunday.

Canada— Ontario Power Generation's 494 Mw Lambton #4 coal-fired power unit returned to service by early today. The unit shut October 19 for a short-term planned maintenance outage. Lambton #1 shut for a short term forced outage early today.

Ontario Power Generation's 490 Mw Nanticoke #8 coal-fired power unit shut over the weekend, while #6 returned to service.

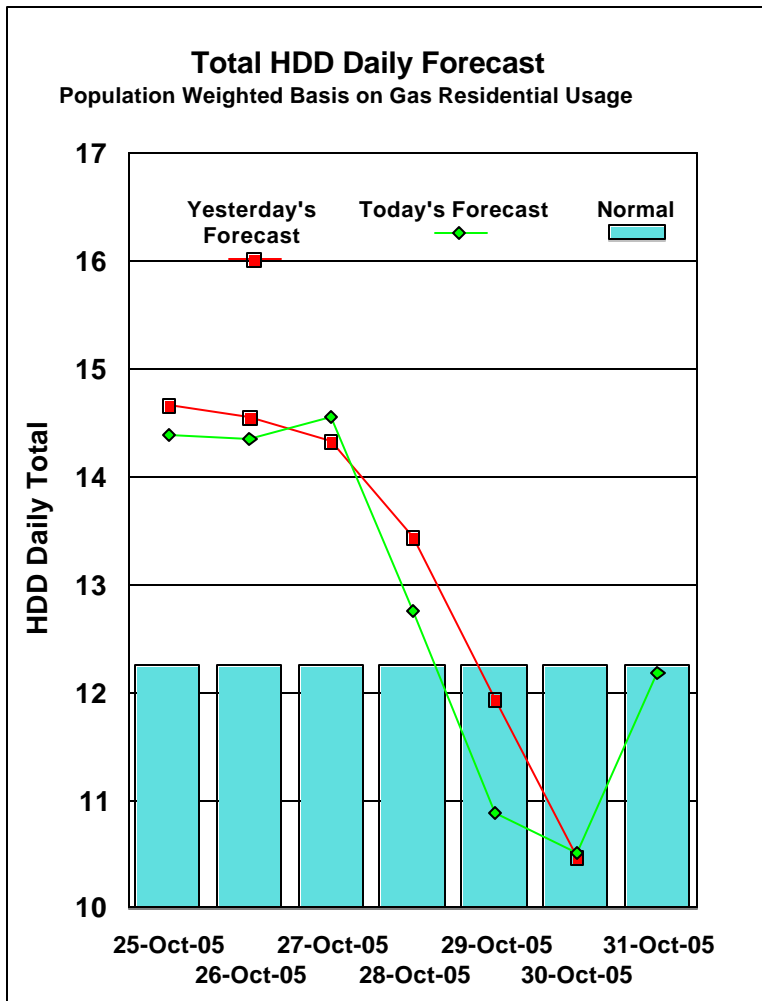
The NRC reported that U.S. nuclear generating capacity was at 78,531 Mw up 1.48% from Monday and up .41% from a year ago.

to 6 billion cubic feet a day of natural gas.

LNG imports into the Pacific coast will decouple Mexico from South Texas markets and force pricing changes, a commissioner in Mexico's Energy Regulatory Commission told participants Monday at Ziff Energy's North American Gas Strategies Conference in Calgary, Alberta. The commissioner, Raul Monteforte, said LNG will provide competition that will lower prices as it substitutes for imported U.S. gas. Mexico currently imports 22% of its natural gas. Monteforte said LNG supplies from the West Coast also will create flow reversal and price competition. The new gas will allow more bilateral flow into both the US and Mexico with significant flow from the northern coast of Mexico going to California and Arizona. Gas from the Atlantic LNG sites will also be bi-directional, and will create demand for storage in depleted wells for the South Texas market. To date, Mexico's Energy Regulatory Commission has issued five permits for LNG terminals, some of which will bring badly needed supply to the Pacific coast.

The EIA reported that sixteen processing plants in Louisiana and Texas, each with a capacity equal to or greater than 100 MMcf/d, are not active. These plants have an aggregate capacity of 9.71 Bcf/d and they had a total pre-hurricane flow volume of 5.45 Bcf/d. A number of non-operating plants with a total capacity of 1.35 Bcf/d are operational, but are not active owing to upstream or downstream infrastructure problems or supplies being unavailable. These plants had flowed 0.54 Bcf/d before the hurricanes. A number of the inactive plants are expected to be operating within four weeks.

CenterPoint Energy said its gas pipeline subsidiary has signed a deal to transport 600 MMcf/d of XTO Energy's natural gas for 10 years. CenterPoint Energy Gas Transmission said it would build a new 168-mile pipeline between Carthage, Texas, and a hub in northeast Louisiana at a cost of \$375 million. It is expected to be in service as soon as the winter of 2006-2007.



The National Hurricane Center said an area of low pressure has formed over the southwest Caribbean and some slow development of this system is possible during the next day of so. However most forecasters do not expect the system to pose much of a risk to the Gulf of Mexico or the U.S., with the system likely posing a bigger risk to Central America.

PIPELINE RESTRICTIONS

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 levels are currently high across its entire system.

Texas Eastern Transmission said that Zones STX and ETX have been restricted to capacity. Zone WLA has been sealed to capacity between Vidor and Gillis. No increases in receipts between Gillis in WLA and Little Rock in ETX 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 said its post-Hurricane Rita capacity will increase through its Grand Chenier facilities to 55 MMcf/d. Total gas flows on the pipeline are around 750 MMcf/. Prior to Hurricane Rita, flows on the line were around 1.2 Bcf/d. The pipeline has returned to service a 30-inch line from West Cameron to Grand Chenier. The pipeline added that no liquids can be accepted at the West Cameron 167 line.

Gulf South Pipeline said that it will be performing scheduled maintenance on unit #1 and unit #2 at the Kiln Compressor Station beginning October 27 and continuing until further notice. Capacity could be reduced by as much as 100 MMcf/d with this maintenance. Also, Gulf South Pipeline said that it will be performing scheduled maintenance on unit #1 at the Hall Summit Compressor Station beginning November 15 and continuing until further notice. Capacity could be reduced as much as 150 MMcf/d with this maintenance.

Questar Pipeline Company said that the mechanical problem at Clay Basin has been corrected. As a result, the injection capacity at Clay Basin will be increased 350 MMcf/d beginning cycle 1 today.

Williston Basin Interstate Pipeline Company said that maintenance will be performed at the Fort Peck Compressor Station that will affect receipt points in Line Section 8. Approximately max capacity will be 23.5 MMcf/d for gas day October 26 and 24 MMcf/d for a gas day October 27.

ELECTRIC MARKET NEWS

More than 2.5 million Florida Power and Light customers remain without power in the wake of Hurricane Wilma. However, FP&L reported that they could restart the three nuclear reactors in the state as early as Wednesday. The units were shut before Hurricane Wilma reached the Florida's Gulf Coast. So far the company has found no significant damage.

The Energy Information Administration reported that total U.S. retail sales of electricity in August rose an estimated 10% from the same month in 2004, driven higher by hot temperatures. This August saw cooling degree-days 37% higher than last year. Residential demand jumped more than 16% in August while the commercial sector rose an estimated 8.8% from one year ago. Year to date consumption of natural gas for power generation was up an estimated 9.7%, reflecting both demand growth and the continuing introduction of new gas-fired power plants.

FERC attorney John Moot stressed that the commission wants to set up a highly influential electric reliability organization. Moot stressed that FERC's overriding focus under Chairman Joseph Kelliher will be on practical details, rather than larger visions of fundamental direction for regulatory reform.

MARKET COMMENTARY

Natural gas broke out of its lower opening trend today by opening 42.6 cents higher on reports of cooler weather and increased Gulf production shut-ins. The market had one direction today, up. After a triple bottom at the support level of 12.70, mother nature put the bears on the defensive forcing them to cover and as the market took out resistance levels confirming a settlement above 13.50, the market went after the \$14.00 call option strike ahead of tomorrow's expiration of the November contract. The market made it way to a high of 14.37 and settled just below that at 13.338 up 1.334, a 10% increase.

The spot cash market was strong today, supporting the futures, as cold temperatures hit the Midwest and the Northeast to two largest natural gas consuming regions. With only one week left in the April-October stock-building season, and cold on the doorstep, traders were busy shopping in the cash market, leaving the inventory situation for winter a key factor to the direction of this market, as forecasters call for below normal temperatures in key consuming regions. Also supporting this market was the MMS report showing that shut-ins increased for the third straight day. We see support at \$13.50 and \$13.00. Further support we see at \$12.70 followed by \$12.20. We see resistance at \$14.50, \$14.75, and \$15.00.