



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 26, 2005

NATURAL GAS MARKET NEWS

An official with Canada's Enbridge warned that if the Alaskan natural gas pipeline project is delayed, it could end up competing with imported LNG in both Alaska and Alberta. Steve Letwin, the group vice president for gas strategy and corporate development at Enbridge, believes eventually consumers will tire of paying high prices for gas and will welcome LNG imports. The process of getting the pipeline built has been flawed because of conflicting interests. North America needs a unified view of how it's going to solve these energy issues or it is going to lose out to South East Asia. Regionalism will kill this project.

The Minerals Management Service reported that production in the Gulf of Mexico increased slightly for the first time in four reporting periods. Today's shut-in natural gas production is 5.563 Bcf/d. That is equivalent to 55.63% of the daily gas production in the Gulf of Mexico.

Sempra LNG announced that it has signed a Heads of Agreement with Sonatrach S.A. and is proceeding with detailed negotiations to bring Algerian natural gas to the U.S. Gulf Coast. The negotiations include exploring additional opportunities to market the natural gas in the United States. Sonatrach S.A. is Algeria's state-owned natural gas and oil refining company and plays the lead role in that nation's energy-related transactions.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that nominations delivering downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke have been restricted to capacity. No increases will be accepted in this section.

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. Also, Gulf South Pipeline said force majeure conditions are no longer on the Latex-Sarepta system. Gulf South called a force majeure on October 18 due to the shutdown of the Latex Compressor Station.

Generator Problems

FRCC— FPL Group put out a fire in the main turbine area of the 693 Mw Turkey Point #3 nuclear unit late yesterday. The unit was not operating when the fire occurred because FPL shut both units #3 and #4 before Hurricane Wilma struck.

MAAC— PPL will shut the 1,140 Mw Susquehanna #1 nuclear unit late Friday for up to three weeks of maintenance to improve the operation of the unit's control rods.

SERC— Progress Energy's 710 Mw Robinson #2 nuclear unit exited a refueling outage and ramped up to 49% of capacity by early today. The unit shut September 17 for the outage.

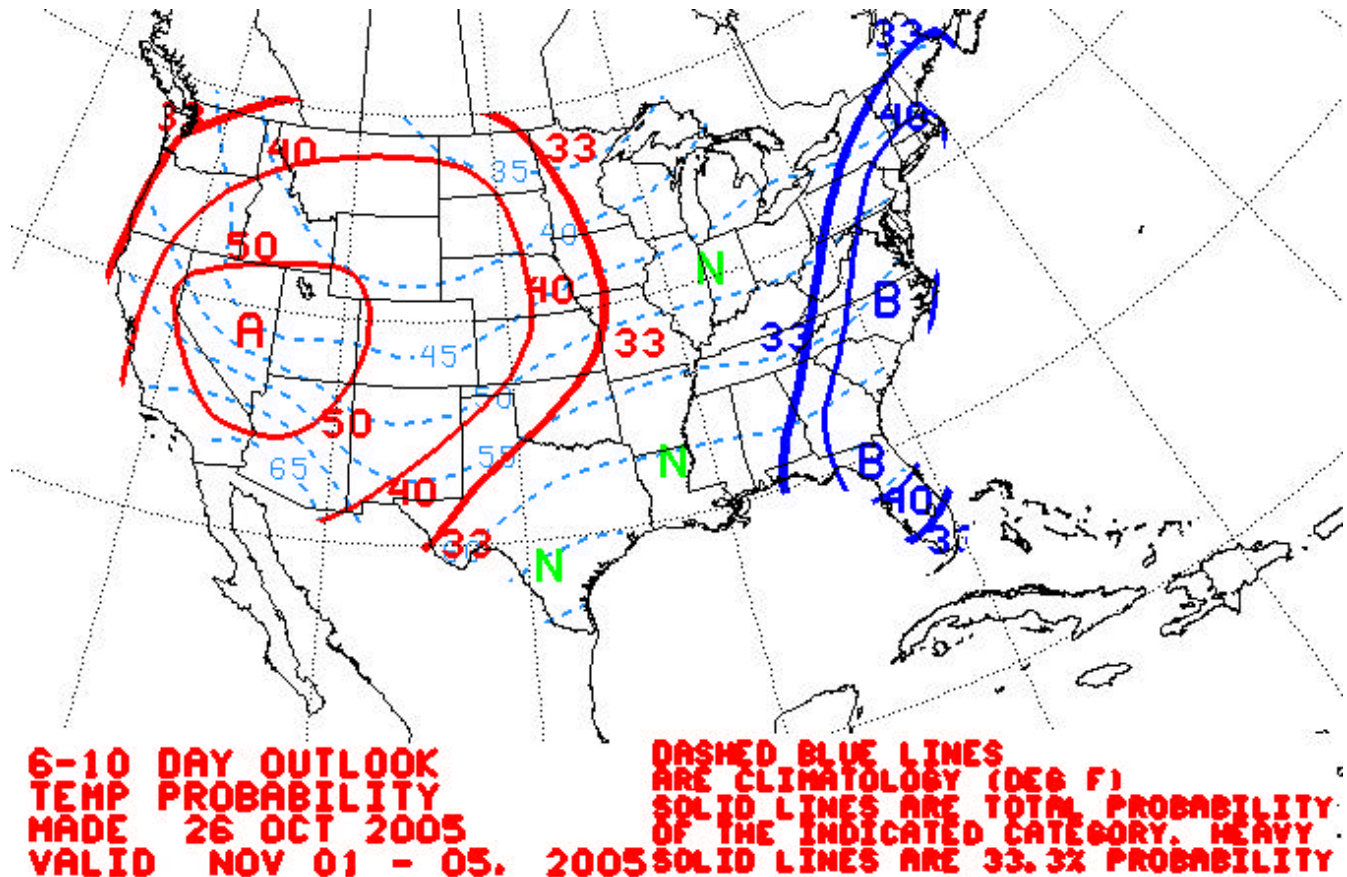
WSCC— Southern California Edison reduced output at its 1,020 Mw Big Creek hydropower project yesterday afternoon by 613 Mw.

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.

Gulfstream Natural Gas System said that actual receipts into the system are exceeding actual deliveries out of the system and therefore Gulfstream is currently experiencing high line pack levels. Gulfstream requests that shippers closely coordinate with their suppliers to ensure scheduled services match actual service requirements.

Kern River Pipeline said that linepack levels have returned to normal on the north end of the Kern system but remain at high levels on the rest of the system.

Natural Gas Pipeline Company of America said that it has capacity available for gas going eastbound through the end of Segment 17. Interruptible flow, authorized overrun and secondary out-of-path transport volumes are available.



Texas Eastern Transmission said that Zones STX and ETX have been restricted to capacity. No increases in receipts between Mt Belvieu and Little Rock for delivery outside 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.

TransColorado Gas Transmission said effective today and until further notice, it has capacity available for deliveries through Segments 300/310. Depending on the level of nominations, interruptible flow, authorized overrun and secondary out-of-path volumes may be scheduled.

PIPELINE MAINTENANCE

ANR Pipeline Company will begin work on its New Windsor Compressor Station in the Southwest Central Fuel Segment (ML-6), which will reduce the total SWML capacity by 35 MMcf/d (leaving 637 MMcf/d available) on October 26-27. Based on current nominations through the SWML, it is anticipated that the above reductions will result in the curtailment of firm secondary and IT nominations.

El Paso Natural Gas Company has completed Alamo Lake #2 maintenance. Capacity on the Havasu Crossover had been reduced by 100 MMcf/d from a base capacity of 650 MMcf/d, however Havasu Crossover will be at full capacity of 650 MMcf/d effective today.

Williston Basin Interstate Pipeline Company said that 01050 Northern Border Glen Ullin is in pipeline Capacity Constraint and that penalties will be imposed. Also, due to unscheduled maintenance at the Dickinson Compressor Station, deliveries in East Mon-Dak and Sheyenne Sub-System may potentially be affected throughout today. At this time, Williston does not anticipate any restrictions to the system.

ELECTRIC MARKET NEWS

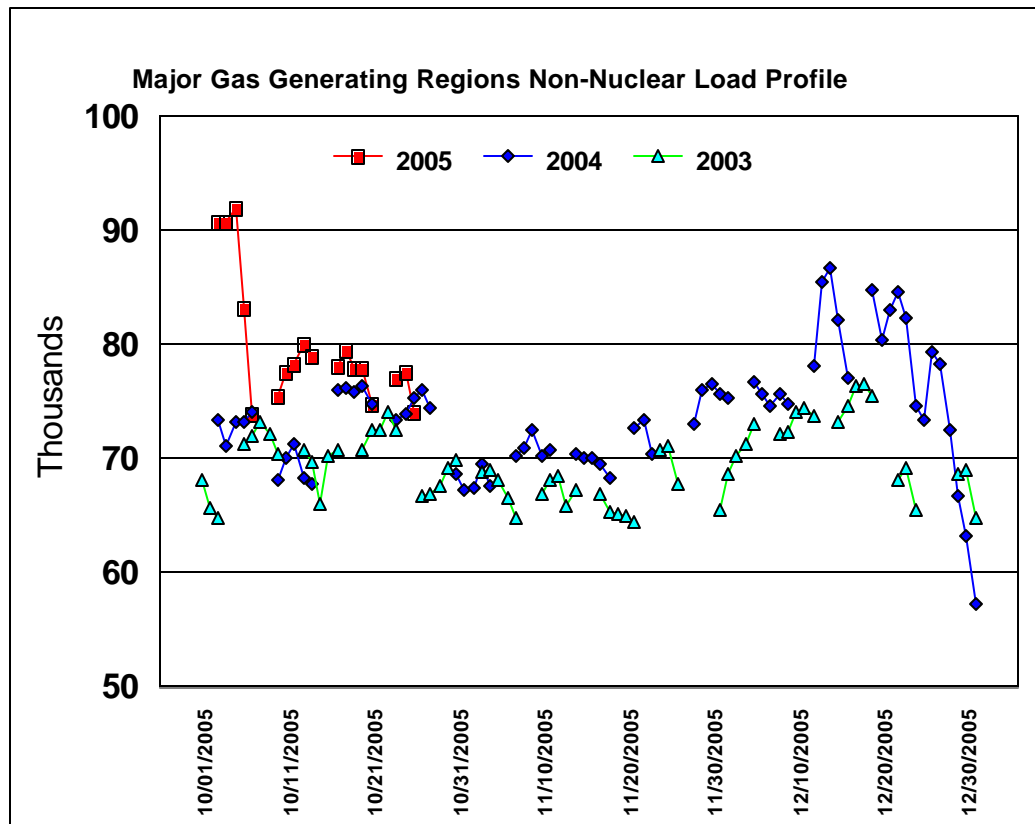
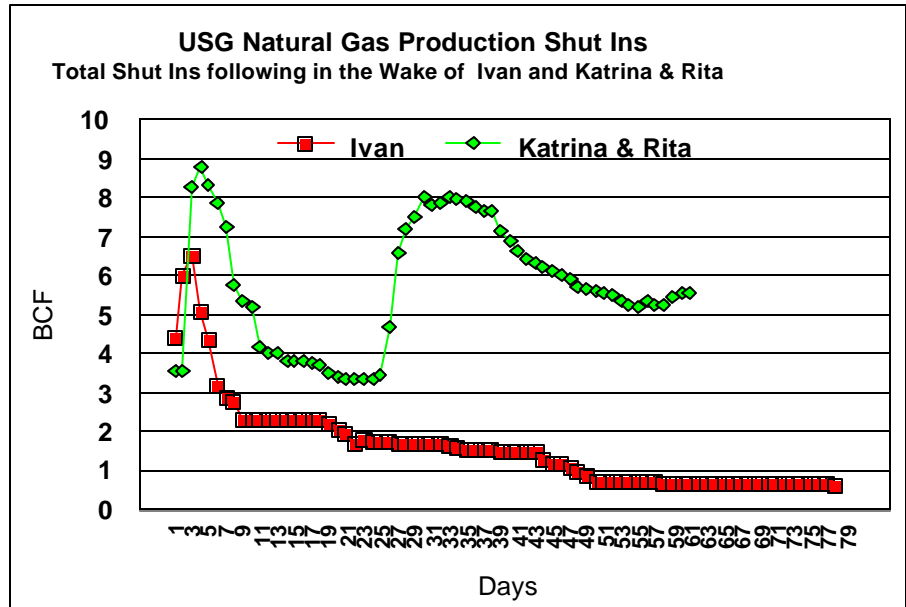
Florida Power & Light has restored power to more than 647,000 customers out of the 3.2 million left without electricity by Hurricane Wilma. FPL said that it had already restored most of the power to customers along the Gulf Coast, and would likely restore service to a majority of its customers by November 8. The company said 95% of its customers should have power restored by November 15.

Duke Energy Corp.'s Duke Power subsidiary was preparing a combined construction and operating license application for new nuclear generation, the company said.

Florida Power & Light expects the 839 Mw St. Lucie #2 nuclear power station to return later this week. In addition, she said the 693 Mw units #3 and #4 at the Turkey Point nuclear power station in Florida would return to service following the return of St. Lucie #2 depending on customer demand for the power.

MARKET COMMENTARY

The natural gas market opened down almost 17 cents as the market consolidated some of yesterday's rally and awaited the oil complex's inventory



data figures. The market mirrored the petrol markets following the release of the data, and traded to the day's high of 14.49 on follow through trading from yesterday's titanic upswing. Sideways trading was the theme for the afternoon until the oil complex began to slump significantly and natural gas retraced some of yesterday's gains, falling to a low of 13.75. The November natural gas contract, which expires tomorrow finished down 29.8 cents at 14.04. The upcoming spot December contract slumped just over 40 cents to finish the day at 14.06.

The early cold snap showed how soft the underbelly of this market really is, and we better pray for a mild winter. Tomorrow's EIA storage report shows a range of a 55 Bcf injection to a 75 Bcf injection for what could be one of the last injections till next year. The average projection is for an injection of 65 Bcf, and the most popular ICAP strike was also a 65 Bcf injection. This report will be watched closely as it will signal how much working gas in storage the nation will have coming into the winter heating season. We see support for the December contract at \$14.00, \$13.90 and \$13.30. We see resistance for the December contract at \$14.50, \$15.00 and \$15.25.