



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 28, 2005

NATURAL GAS MARKET NEWS

The EIA today released their latest natural gas monthly market report and it showed that in August U.S. domestic production of natural gas stood at 52.3 bcf/d up 1.1% from the same time last year, and up 0.3% from July. But the agency dramatically revised downward its July production estimate from 53.6 bcf/d to just 51.1 bcf/d. The EIA though revised upward its demand estimates for July by 8.4% to 55.5 bcf/d. even though it calculated demand in August of only 52.3 bcf/d. Demand for natural gas in August saw the largest gains on a year on year basis come in the electrical generation and commercial sectors, which posted growth of 16.2% and 4.9% respectively. The residential and industrial sectors though saw declines of 5% and 9.4% respectively from August 2004. Imports during the month dropped some 16.5% from July, slipping to only 7.9 bcf/d the lowest level since June 1998. LNG imports on the month were off even more dropping by 18% from July to 1.41 bcf/d. The EIA reported that natural gas storage levels at the end of August stood at 2.662 tcf. This is nearly identical to the weekly storage reports, which on an extrapolated basis stood at the end of August at 2.659 tcf.

While some industry experts tend to use natural gas futures prices as an aid in predicting realized spot prices at the Henry Hub, a new study from the Energy Information Administration (EIA) found that out month futures prices are "relatively poor predictors" of the Henry Hub spot price that is eventually realized when the contract settles, and even the final futures price for a given contract often does not match the realized average spot cash price.

Staff at the FERC recommended agency approval of Dominion Resource's plan to expand its LNG import terminal in Maryland and build 161 miles of related pipeline. FERC staff said in a draft report that the project would have "limited adverse" effect on the environment and

Generator Problems

ECAR— FirstEnergy said its Davis-Besse nuclear unit will be removed from service today for maintenance work and it scheduled to return to full power early next week.

FRCC— FPL's 839 Mw St. Lucie #2 nuclear unit exited an outage and ramped up to 64% of capacity early today. The unit shut before Hurricane Wilma hit.

FPL's 693 Mw Turkey Point #3 nuclear unit exited an outage and ramped up to 60% of capacity early today. Turkey Point #4 is expected to restart over the weekend.

MAAC— PPL's 1,115 Mw Susquehanna #1 nuclear unit shut today to improve the operation of the unit's control rods. Susquehanna #2 continues to operate at full power.

NPCC— Dominion's 1,150 Mw Millstone #3 nuclear unit exited a refueling outage and ramped up to 27% of capacity today. Millstone #2 continues to operate at full power.

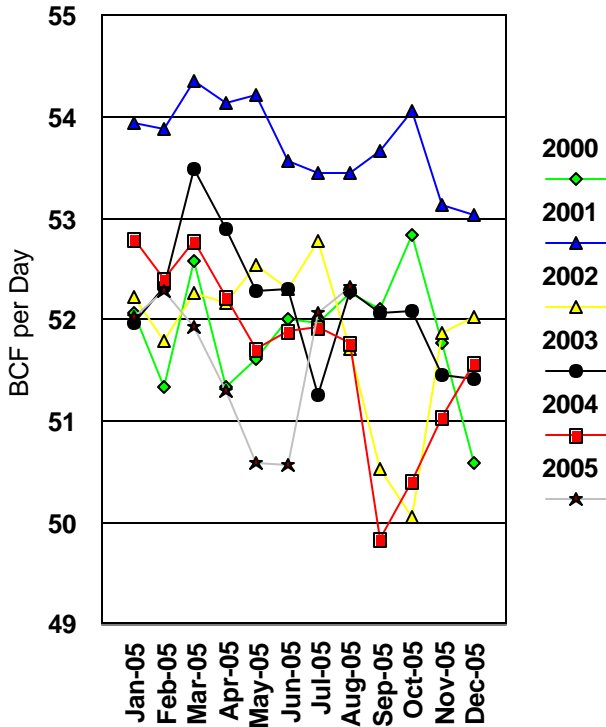
Entergy's 670 Mw Pilgrim #1 nuclear unit increased power to 75% from 63% today while backwash cleaning continues.

SERC— Progress Energy's 710 Mw Robinson #2 nuclear unit ramped output to 89% today. The unit was operating at 65% yesterday.

Canada— Ontario Power Generation's 535 Mw Lennox #3 and #4 oil- and natural gas-fired power units returned to service today.

The NRC reported that U.S. nuclear generating capacity was at 80,293 Mw up 2.21% from Thursday and up 3.04% from a year ago.

U.S Natural Gas Production



recommended that the full commission approve it. FERC commissioners usually follow staff recommendations. The expanded Cove Point terminal, which is already the nation's largest LNG import facility, would deliver new winter gas supplies in the Mid-Atlantic and Northeastern states. Dominion wants to almost double the amount of gas the terminal can send out daily to 1.8 Bcf. The maximum number of ships delivering LNG to the terminal would jump to 200 from 120 a year.

Michigan's attorney general said he reached a settlement with two natural gas utilities to reduce increases in gas heating bills this winter by up to 75% by lengthening the time for the utilities to recover their costs. The settlement applies to Semco Energy and the Michigan Consolidated Gas unit of DTE Energy.

The Minerals Management Service reported that shut-in natural gas production in the Gulf of Mexico is 5.504 Bcf today. That is equivalent to 55.04% of the daily gas production in the Gulf.

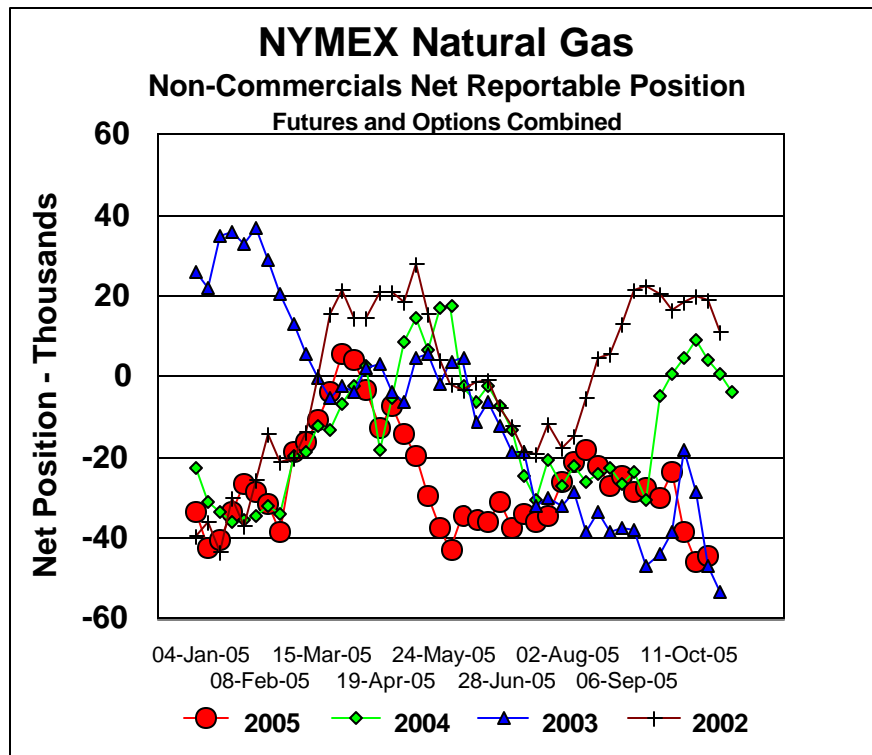
PIPELINE RESTRICTIONS

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.

Iroquois Gas Transmission System said that it is experiencing mechanical problems at the Dover compressor station causing lower pipeline pressures south of the station. The company has requested that Zone 2 point operators to be on or below their scheduled volume.

Northwest Pipeline said that on October 24, it was notified of land movement on its right-of-way 5.5 miles east of Centralia, Washington. Northwest immediately dispatched crews to assess the situation. Both



the 26-inch and 30-inch pipelines are situated in the right-of-way and as a precaution measure, line pressure has been reduced. There has been no impact to customers. Northwest along with third party geotechnical consultants are onsite to evaluate the situation and to determine the best course of action.

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.

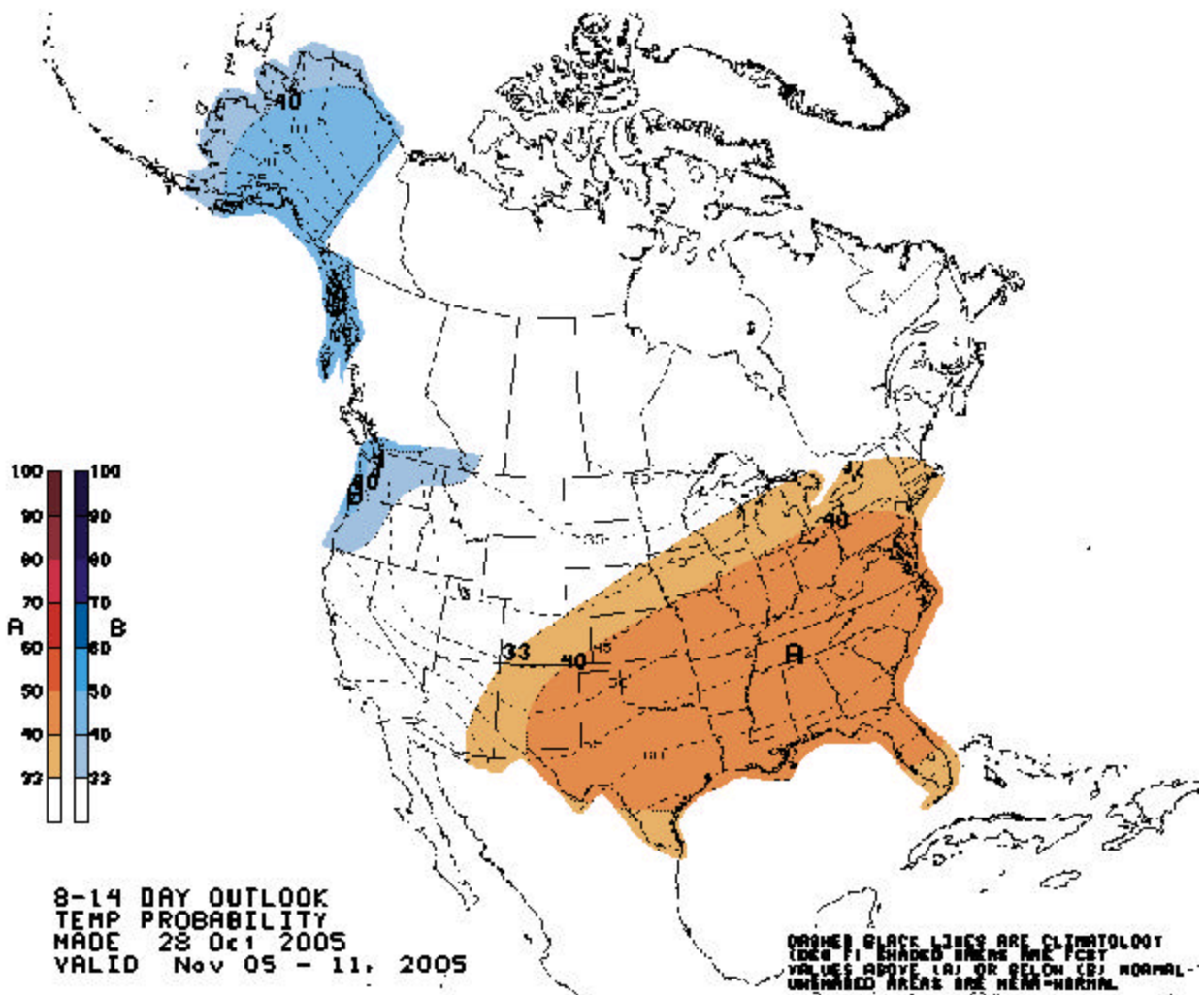
TransColorado Gas Transmission said effective today and until further notice, it is at capacity for deliveries through Segment 240 and Segment 300/310. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.

Transcontinental Gas Pipe Line Corporation said it is issuing an Operational Flow Order effective gas day November 1 and continuing until further notice, for all production received on Transco's North High Island Lateral and receipts at the interconnection with the UTOS pipeline.

PIPELINE MAINTENANCE

Alliance Pipeline said that Unit #2 at the Blueberry Hill Compression Station will be required to be taken offline for eight hours on November 1 for inspections and maintenance. Alliance will be lowering the target capacity at Constraint Point #2 to 409 MMcf on November 1.

Williston Basin Interstate Pipeline said that due to unscheduled maintenance on Line Section 22, deliveries to Point ID 03820 MDU-Billings Border may be potentially affected today. At this time Williston does not anticipate any restrictions to the system. Meanwhile, 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 November 2 and 24 MMcf/d for gas day November 3. Also, there will be maintenance at the Dry Creek Mainline Valve on November 8 for an eight-hour period. At this time, Williston does not anticipate any restriction to the system.

ELECTRIC MARKET NEWS

FPL restored power to 1.5 million customers, leaving 1.7 million still without service, four days after Hurricane Wilma devastated its transmission and distribution system. FPL also returned to service two nuclear reactors but would not ramp the reactors up to full power until the utility restores power to enough customers in the counties surrounding the plants to consume the energy the units will produce.

ECONOMIC NEWS

The Commerce Department's first estimate of GDP for the third quarter showed that U.S. economic growth quickened to at 3.8% annual rate, as the economy overcame higher energy costs and Hurricane Katrina. This estimate exceeded the median forecast and the pace from last quarter of 3.3%.

MARKET COMMENTARY

The natural gas market opened just over 50 cents lower as traders continue to digest the yesterday's oversize injection into underground storage. The market traded sideways initially finding support at the 13.00 level. But as traders questioned where the demand has gone, the market was able to break down to a low of 12.88 before settling just above 13.00 at 13.05, down 62.9 cents.

With no supportive weather on the horizon, the market slumped, but remains cautious and unlikely to sell off too sharply with the end of the injection season in sight and winter cold possibly only a few weeks away. At the lower end of range, here we can expect to see buyers to come in and hold the support levels. The Commitments of Traders report showed that non-commercial traders increased their long positions and therefore reduced their net short position by 6,244 contracts through October 25, a sharp short covering day. In the combined report, non-commercial traders reduced their net short position by only 1,316 contracts. We see support at \$13.00, \$12.71, and \$12.20. We see resistance at \$13.50, \$14.00 and \$14.50. We see further resistance at \$15.00 and \$15.25.