



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 6, 2006

NATURAL GAS MARKET NEWS

The push and pull of high gas storage levels and competing fuel prices on natural gas prices probably means a \$6/MMBtu floor for the market unless the spring and summer are exceptionally mild, according to consultant Stephen Smith of Stephen Smith & Associates. Smith said even given the current major gas storage surplus, gas prices are pretty low compared to competing fuels and unlikely to venture much lower.

Looking to add pipe capacity for Appalachian natural gas producers, NiSource Inc.'s Columbia Gas Transmission Corp. on Monday launched an open season for up to 65,000 Dth/d of newly created firm transportation service on a proposed expansion of its Appalachian pipeline system in West Virginia and Kentucky.

In the United States the majority of talk about liquefied natural gas (LNG) has focused on downstream regasification capacity. Another necessary part of the LNG value chain is shipping, and Standard & Poor's (S&P) suggests in a new analysis that strong fundamentals in the LNG market can support investment-grade credit ratings for LNG shipping projects.

EnCana Corp. said that a private equity fund has agreed to pay \$1.5 billion for the company's natural-gas storage business. Calgary-based EnCana, North America's biggest independent petroleum producer and explorer, said the Carlyle/Riverstone Global Energy and Power Fund will acquire the business in a two-stage deal. The fund will acquire EnCana's storage facilities in Alberta, Oklahoma and Louisiana, with a combined capacity of more than 150 Bcf, when the transaction closes next month.

PIPELINE RESTRICTIONS

El Paso Natural Gas Company said that Rio Vista 1 turbine has become unavailable and an engine replacement will be needed. The preliminary estimate is that a replacement can be made in approximately two weeks. The remaining available compressors at Rio Vista place unique limitations on the volumes that can be moved

Generator Problems

ECAR— FirstEnergy's 935 Mw Davis-Besse nuclear unit shut this morning to begin a refueling and maintenance outage. The unit is expected to return to service in April.

FRCC— FPL's 760 Mw Turkey Point #3 nuclear unit shut yesterday for its planned refueling and maintenance outage. Turkey Point #4 continue to operate at full power.

MAAC— Exelon's 1,134 Mw Limerick #1 nuclear unit shut today for a planned refueling outage. On Friday, the unit was operating at 90% capacity. Limerick #2 continues to operate at full power.

PPL's 1,135 Mw Susquehanna #1 nuclear unit shut for a planned refueling outage. On Friday, the unit was operating at full power. Susquehanna #2 continues to operate at full power.

MAIN— Exelon's 1,043 Mw Clinton nuclear unit dipped to 26% capacity by early today. On Friday, the unit was operating at 96% after exiting a refueling outage earlier in the week.

NPCC— Entergy's 535 Mw Vermont Yankee nuclear unit decreased to 87% this weekend. The unit was operating at full power on Friday.

SERC— Southern Nuclear Operating Company's 888 Mw Farley #1 nuclear unit increased to full power this weekend. On Friday, the unit was operating at 80%. Farley #2 continues to operate at full power.

Progress Energy's 938 Mw Brunswick #1 nuclear unit shut by early today for a planned refueling outage. The unit was operating at 95% on Friday. Brunswick #2 continues to operate at full power.

Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit returned to full power this morning. The unit was operating at 86% capacity late last week.

through the station. Unit 2 can compress up to 27 million cubic feet per day by itself. Unit 3 is a larger machine, and needs a minimum of 75 MMcf/d to run. It can compress up to 100 MMcf/d. Together, the two units can move 125 MMcf/d. Consequently, EPNG has posted a capacity of 125 MMcf/d.

Gulf South Pipeline said that Carthage Junction Compressor Units #2 and #3 are available but that unit #1 will remain unavailable until further notice. Capacity through Carthage Junction Compressor Station could be affected as maintenance continues; however, with current nominations capacity should not be affected.

Kern River Pipeline said that its system is experiencing high pack due to significant banking. Therefore, it is imperative that operators do take the gas that is scheduled.

Texas Eastern Transmission Corp. said it has scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced between Mt. Belvieu and Little Rock. No increases between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at Monroe station. No increases in receipts sourced at Monroe will be accepted. Receipt points located at Monroe are: Gulf South pipeline, CenterPoint Gas Transmission; and Duke Energy Field Services.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing scheduled pigging maintenance on Index 198 from Longview, Texas to Carthage, Texas beginning March 14, and lasting approximately one week.

Generator Problems

WSCC— Arizona Public Service's 1,247 Mw Palo Verde #3 tripped shut on Sunday due to a failure of an isolation amplifier in the control element assembly calculator that looks at the position of the control rods. The unit is however, expected to return to service later today. Palo Verde #1 remains at 25% capacity, and Palo Verde #2 continues to operate at full power.

Southern California Edison reduced two units at the 1,054 Mw Mountainview power station by Sunday afternoon for planned reasons. Unit 3 was reduced by 214 Mw and Unit 4 by 285 Mw.

Reliant Energy's 1,516 Mw Ormond Beach natural gas-fired power station returned to service by Sunday afternoon. Both units shut February 5 for planned work.

Canada— Ontario Power Generation's 494 Mw Lambton #4 coal-fired power station shut for planned maintenance by early today.

Ontario Power Generation's 535 Mw Lennox #2 oil- and natural gas -fired power station returned to service by late today.

Ontario Power Generation's 490 Mw Nanticoke #4 coal-fired power station returned to service by early today. The unit shut last week for short-term planned work.

The NRC reported that U.S. nuclear generating capacity was at 83,662 Mw down 6.65% from Friday and up .10% from a year ago.

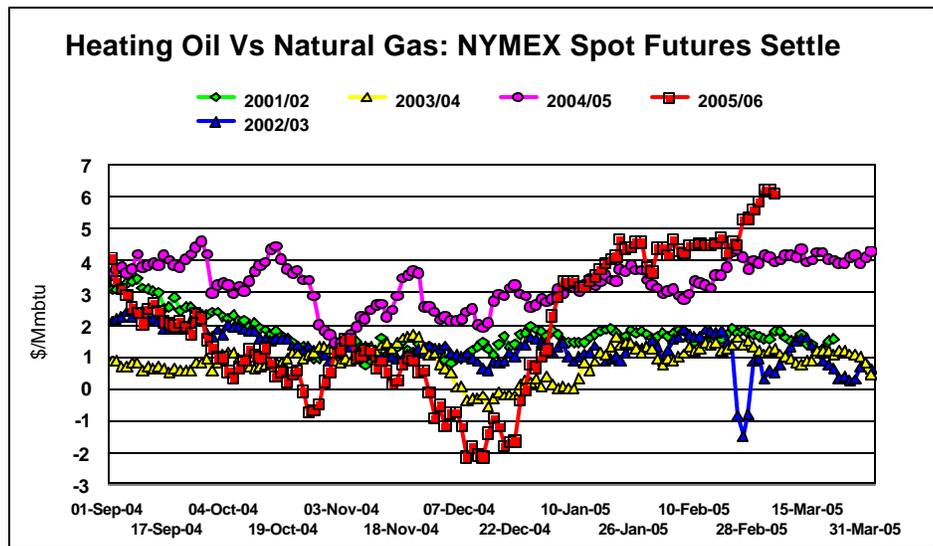


chart low to 6.47, as the market vacillated on either side of 6.50. With very little reason to buy natural gas right now, the front month contract returned 24.3 cents to settle at 6.547.

ECONOMIC NEWS

New orders at U.S. factories fell 4.5% in January, slightly less than expected but still the biggest drop since July 2000, as orders for durables, machinery, computers and aircraft fell. The street was expecting factory orders to fall 5.3%.

MARKET COMMENTARY

The natural gas market opened 20 cents lower amid continuous bearish fundamentals and a retreating crude oil market. April natural gas extended the spot month

With spring like temperatures entering key consuming regions this week, the market will continue to pressure lower. The surplus of storage due to the lackluster winter has much of the market in a shoulder season mentality, several weeks ahead of schedule. Looking ahead to this week's withdrawal figure, expectations are bearishly ranging between a 95 to 130 Bcf pull, below last year's 134 Bcf draw, but possible near the five-year average draw of 108 Bcf. If prices can break below the support at \$6.50, we look to possible targets at \$6.13 and \$5.82. Further support we see at \$6.03, \$5.94, and \$5.65, the 5-year price average. We see resistance at \$6.62, \$6.92, and \$7.00. Further resistance we see at \$7.40.

