



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 26, 2006

NATURAL GAS MARKET NEWS

The NYMEX announced margin changes for its natural gas futures to take affect at the close of business today. The margins on the second month of the natural gas futures contracts will decrease to \$10,800 from \$12,150 for customers. Margins for the third to eighth months will increase to \$9,450 from \$8,775 for customers. Margins for the ninth to 13th months will increase to \$11,475 from \$9,450 for customers. Margins for the 14th month will increase to \$7,425 from \$6,075 for customers. Margins for all other months will remain unchanged.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 15 to 1,487 in the week ended January 27. During the same week last year, there were 1,256. The number of rigs searching for oil in the U.S. fell 10 to 237, while the number of rigs searching for gas rose 25 to 1,247.

Natural gas pipeline company, Southern Union Co., said it has agreed to sell PG Energy, a business that distributes gas to customers in Pennsylvania, to UGI Corp. Holdings Co. for \$850 million in cash. Southern Union said that because the sale will reduce the number of employees it has in Pennsylvania, its headquarters will move to Houston once the deal is completed. UGI, a holding company whose assets include a 44% stake in retail propane marketer AmeriGas Partners agreed to pay Southern Union a relatively high multiple of about 11 times PG Energy's earnings before interest, taxes, depreciation and amortization. PG Energy's gas distribution pipelines are all within close geographic range of Valley Forge, Pennsylvania-based UGI.

Rhode Island's attorney general on Thursday joined the city of Fall River, MA, and the state of Massachusetts in filing a petition in federal court seeking review of a FERC order approving the construction of a liquefied natural gas (LNG) terminal in Fall River.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that mild weather is forecasted in Florida over the next couple days, and FGT's linepack is currently high. Therefore, FGT would like to notify their customers in its market area that there is the potential that it may issue an Underage Alert Day on one of the upcoming gas days.

Generator Problems

ERCOT— American Electric Power's 528 Mw Welsh #3 coal-fired power unit will restart January 27-31 after repairing a boiler tube leak.

FRCC— FPL's 839 Mw St. Lucie #2 nuclear unit ramped up to 85% capacity by early today. Yesterday, the unit was operating at 30% capacity after exiting an outage earlier in the week. St. Lucie #1 continues to operate at full power.

SERC— Dominion Energy's 921 Mw North Anna #1 nuclear unit increased production to 86% capacity this morning. The unit was operating at 80% capacity since Tuesday. North Anna #2 continues to operate at full power.

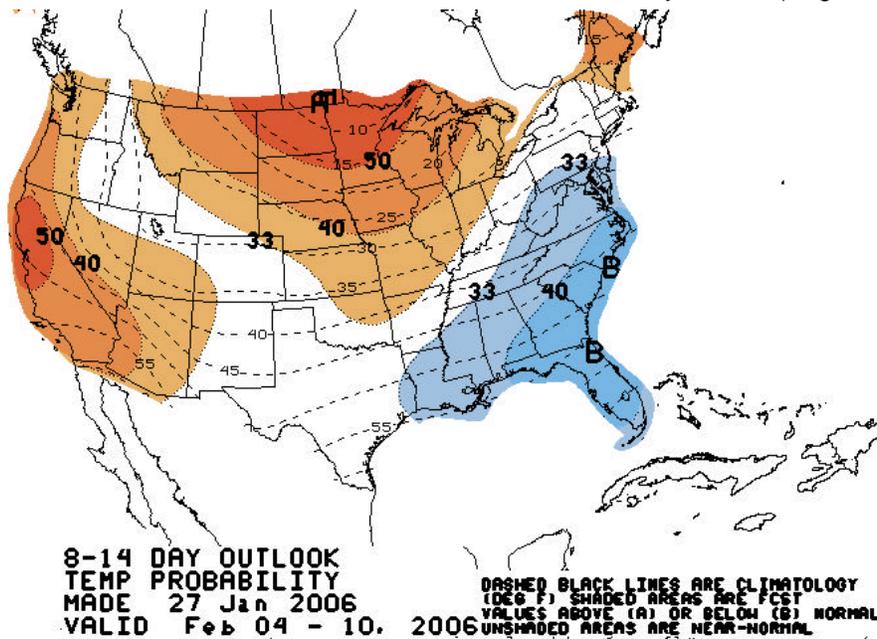
Canada— Ontario Power Generation's 535 Mw Lennox #1 oil- and natural gas-fired power unit shut early today for a short-term planned maintenance outage.

Ontario Power Generation's 490 Mw Nanticoke #1 coal-fired power unit shut early today for a short-term planned maintenance outage.

The NRC reported that U.S. nuclear generating capacity was at 94,400 Mw up .55% from Thursday and up 4.50% from a year ago.

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 at Lake Charles Receipts – Capacity Allocation Area 6; and West 30 North including Capacity Allocation Area 9 Locations and Capacity Allocation Area 10 Locations.

Natural Gas Pipeline Company of America said that ANR South Joliet #2 is at capacity for deliveries. Interruptible flow, authorized overrun and secondary firm transport volumes are at risk of not getting fully scheduled. ANR South Joliet #2 is located in Will County, Illinois (Segment 33) in Natural's Iowa Illinois Receipt Zone.



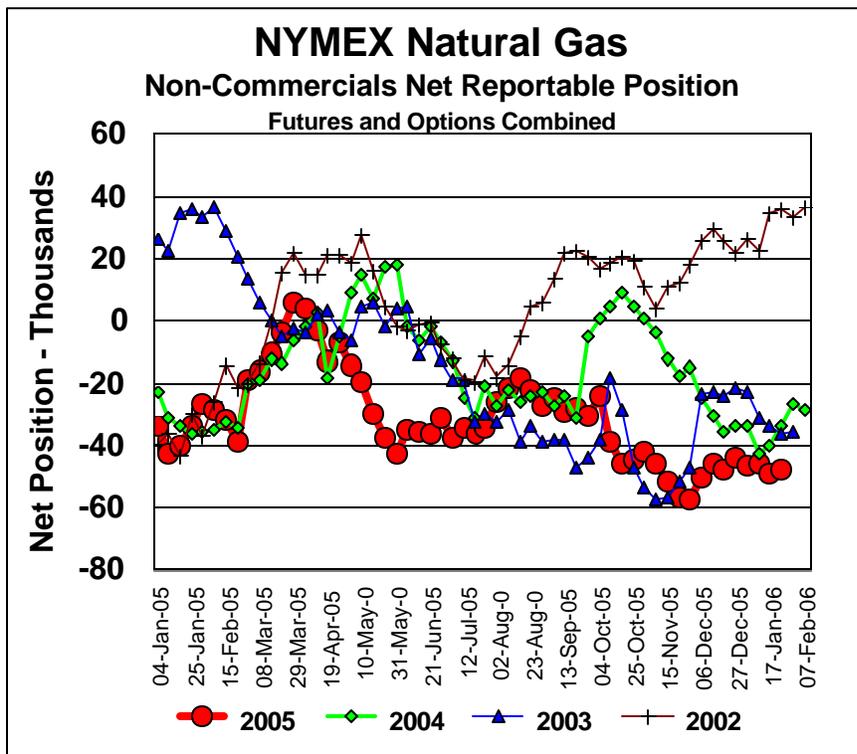
Texas Eastern Transmission said it has restricted STX and ETX to capacity. No increases in receipts between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has also scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at Monroe station. No increases in receipts will be accepted from the following meter stations at Monroe: Gulf South Pipeline; CenterPoint Energy Gas Transmission; and Duke Energy Field Services.

PIPELINE MAINTENANCE

PG&E California Gas Transmission said it will be performing K-1 maintenance on the Burney Compressor on February 9. Capacity on the Redwood Line will be reduced to 2,075 MMcf/d, 97% of capacity.

ELECTRIC MARKET NEWS

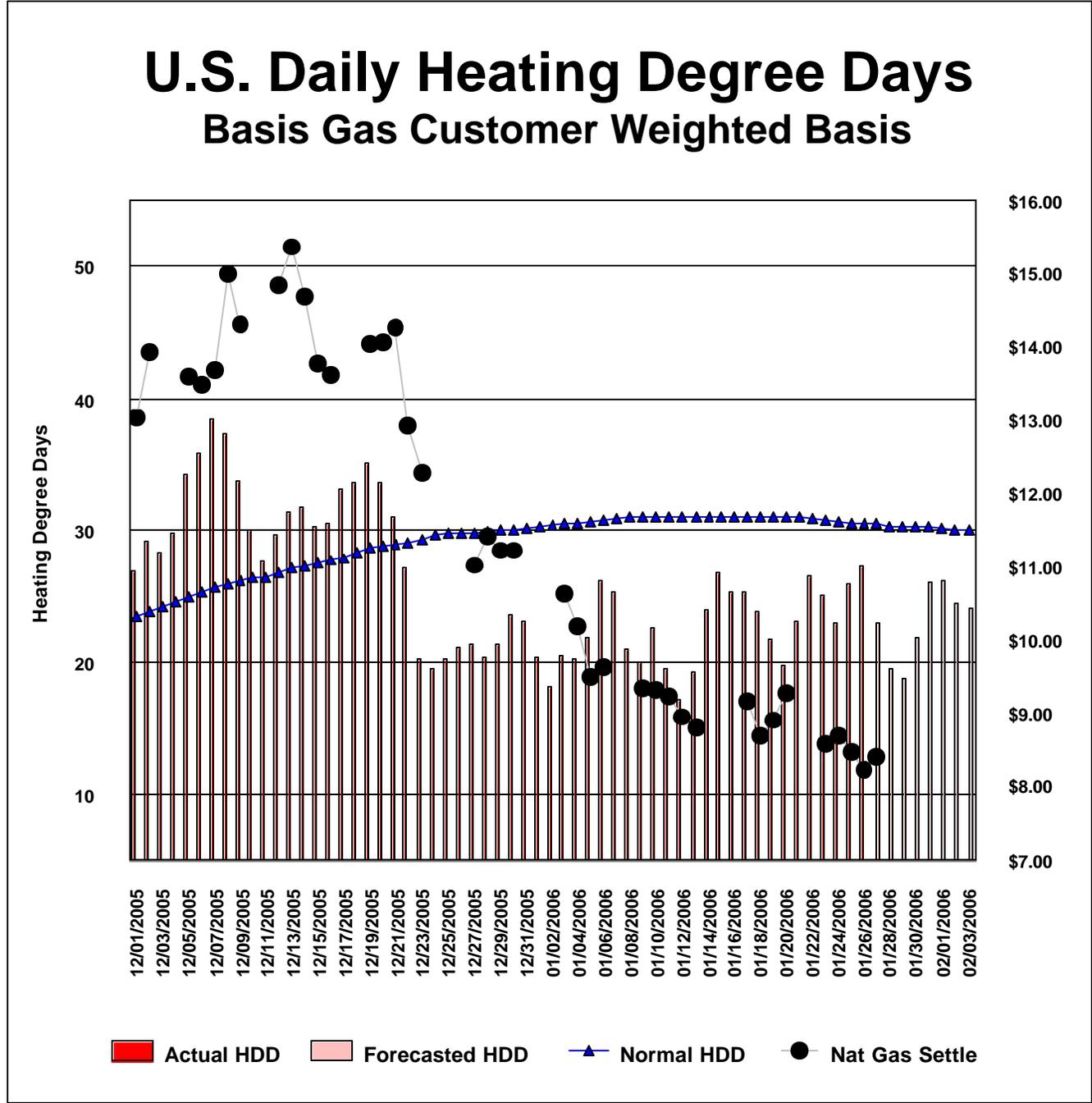
Utility FPL Group, which agreed in December to buy rival Constellation Energy Group said fourth-quarter profit rose on gains related to hedges, though earnings were reduced by damages from Hurricane Wilma. Net income rose to \$206 million or 53 cents a share, from \$173 million or 47 cents a share in the year-earlier period. Excluding the hedging gains, FPL said it earned 46 cents a share, the street had expected just 40 cents. However, the company estimates that restoration costs from the hurricane are about \$1.7 billion. FPL proposed two methods for recovering the costs, either by issuing storm recovery bonds or through rate increases. FPL said that its customers will face a steep rate increase in 2006 due to rising



fuel costs. It said typical residential customers will see their bills rise by 19% from fuel costs, while commercial and industrial customer bills will increase 30% to 40%.

ECONOMIC NEWS

The U.S. Commerce Department reported that gross domestic product expanded at a weak 1.1% annual rate in the 4th quarter of 2005, little more than a quarter of the third quarter's 4.1% rate. Consumer spending grew at the slowest rate since 2001. It was the weakest growth rate for any three months since 0.2% in the fourth quarter of 2004, much below what the street had anticipated.



MARKET COMMENTARY

The natural gas market opened 32.1 cents higher for the last day of the February contract. Some cold temperatures creeping into the 11-15 day forecast supported the market at the open, but those prices could not be maintained and the market slid, back filling the gap from the open and trading to an intra day low of 8.18.

February natural gas recovered and trended back to 8.50 through the afternoon, but the closing range for expiration saw volatility swing February contract between 8.00 and 8.60. The February contract came to rest at 8.40, up 17.1 cents and the new spot March contract settled at 8.507, up 8.6 cents.

The February March spread, as expected, vacillated with market players rolling their large short positions. The spread finished the day at -10.7 cents, narrowing from -19.2 cents. Another reason the market finished higher ahead of the weekend was because market players covered themselves from the weekend risk of further supportive weather. The stage is set for the March contract to consolidate more of the oversold feeling this market has, as it is near 50% off its high's set back in December. If the cold forecasts make it to the 6-10 outlook, we will see this market move higher through short covering. The Commitments of Traders report showed that non-commercial traders reduced their net short position by 2,745 contracts, by adding 2,243 long futures contracts, as these low levels in natural gas are starting to appear to be a bargain. In the combined futures and options report, non-commercial traders reduced their net short position by 1,384 contracts. We see support for the March contract at \$8.25, \$8.00 and \$7.85. We see resistance at \$9.07, \$9.60 and \$10.00.