



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 4, 2006

NATURAL GAS MARKET NEWS

Private forecaster EarthSat Energy Weather said today it revised its U.S. winter weather outlook to reflect a warmer January and a colder February. EarthSat said that today's forecast accounts for one additional week of warmth and one less week of anticipated colder weather for the Central and Eastern U.S. More sustained cold will occur in the last part of January. EarthSat's updated February forecast, however, is changed to be colder for key energy consuming areas of the U.S. Northeast, the Ohio Valley and the Mid-Atlantic.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said Tennessee Gas Mahwah has been sealed to capacity. Nomination increases for receipts sourced at Mahwah will not be accepted.

Florida Gas Transmission said that cold weather is forecasted in Florida on Friday and Saturday morning. Therefore, FGT would like to notify their customers in FGT's Market Area that there is the potential that FGT may issue an Overage Alert Day on one of the upcoming gas days.

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 on

Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; Hall Summit; Koran Station; West 30 North; Barron (To Columbia Gulf); Bayou Sale to Napoleonville; Montpelier to Kosciusko, Kiln to Mobile, and Lake Charles Receipts – Capacity Area 6.

Kern River Pipeline said that linepack is at a high level, according to an informational posting on their web site. There will be no new banking arrangements until line pack returns to normal.

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

Generator Problems

MAIN— Exelon Generation Company increased output at its 855 Mw Quad Cities #2 nuclear unit to 85%. Quad Cities #1 continues to operate at 85% capacity.

SERC— Entergy Nuclear's 858 Mw Arkansas Nuclear One #1 continued to ramp output, and is operating at 98% capacity. Arkansas Nuclear One #2 continues to operate at full power.

WSCC— Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit shut as planned today for an extended refueling and maintenance outage. The unit was operating at 88% yesterday. San Onofre #3 continues to operate at full power.

Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit remained at 32% today for the eighth straight day for maintenance. Palo Verde #2 and #3 continue to operate at full power.

Canada — Ontario Power Generation's 494 Mw Lambton #2 coal-fired power unit returned to service early today following a short-term forced outage.

The NRC reported that U.S. nuclear generating capacity was at 93,431 Mw down .87% from Tuesday and up .38% from a year ago.

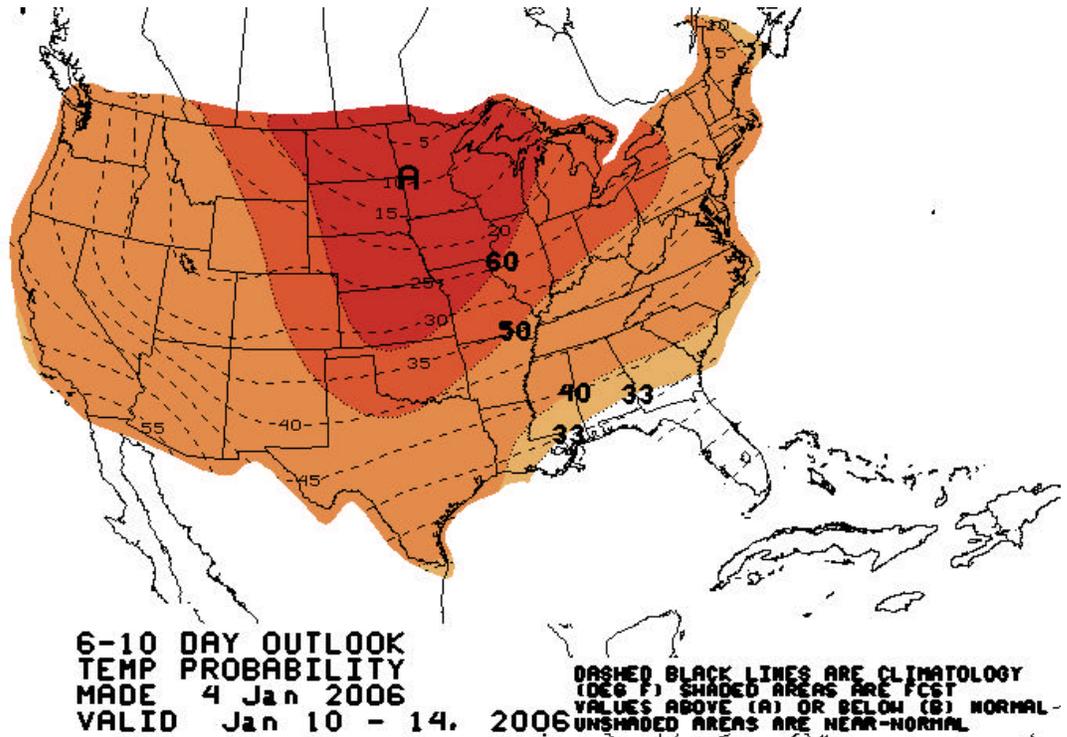
accepted. Tetco has scheduled and sealed receipts sourced at Monroe Station. No increases in receipts sourced at Monroe will be accepted.

PIPELINE MAINTENANCE

TransColorado Gas Transmission said that it will be installing new meters at the Williams Raccoon Hollow Interconnect on January 19. Nominations at PIN 40412 will not be accepted during this outage. The company also noted that as this maintenance progresses additional scheduled quantities may become available for the Intraday 2 cycle.

ELECTRIC MARKET NEWS

As the fourth consecutive winter storm hit northern California in as many days, Pacific Gas and Electric made huge strides in restoring power to customers, and repairing electric equipment throughout northern and central California. With the help of crews from Southern California Edison and dozens of contract crews from as far as Missouri, PG&E reduced outages to 26,000 throughout northern and central California, the majority of whom are in the Humboldt and San Luis Obispo regions.



MARKET COMMENTARY

The natural gas market continued its slide; opening 42 cents lower as expectations for tomorrow's EIA storage report are showing a small relative draw, and continued mild forecasts offer little support for the bulls. The front month traded in a small 30 cent range today trading only as high as 10.32, but coming close to pushing below 10.00, as the market traded to the day's low of 10.03. It looks as though with tomorrow's expected bearish EIA report, traders are preparing for a push below 10.00. Natural gas settled down 42.9 cents at 10.197 today, with 75,000 contracts changing hands.

The front month contract has nearly closed the price gap with the 10.02 high of August 26 from just before the arrival of Hurricane Katrina. The return to this level is an acknowledgement that despite the 560 Bcf or more in production losses related to the storm, storage levels are still slightly above their five-year average. Last week's mild temperatures have expectations for tomorrow's EIA report ranging between a 10-65 Bcf pull, well below last year's 154 Bcf pull and the five-year average withdrawal of 134 Bcf. We are looking at last week's poor heating demand which was some 36% less than the previous week, which basis our model would yield a 37 bcf draw down. The potential for this draw down to be even smaller is also possible given that in past years the holiday week has seen industrial demand depressed, which could reduce normal withdrawal patterns by up to another 20 bcf, thus potentially producing a 17 bcf draw down for the week. In support for such a poor demand picture for the week comes from the fact that storage on the ANR pipeline system saw a 1 bcf build for the period ending December 29th, versus a 9.8 bcf decline for the same period a year ago. Meanwhile storage along the Northern Natural Pipeline saw its smallest net weekly decline since the week ending December 1st. Also, the continued

lack of supportive weather keeps buyers on the sidelines even as this market beginning to feel relatively oversold. We see support at \$10.00, \$9.50 and \$9.20. We see further support at \$9.00 and \$8.25. We see resistance at \$11.00, \$11.38 and \$11.90. Further resistance we see at \$12.12 and \$13.38.

U.S. Daily Heating Degree Days

Basis Gas Customer Weighted Basis

