



## ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

### POWER MARKET REPORT FOR JANUARY 5, 2006

#### NATURAL GAS MARKET NEWS

U.S. Energy Secretary Sam Bodman said he was not concerned that better natural gas prices in Europe would divert many gas shipments bound for the U.S. or significantly affect available U.S. supplies. Some shipments of super-cooled LNG have been skipping the U.S. market for Europe, particularly Spain, where gas brings a higher price. More LNG shipments could be heading to Europe after the dispute between Russia and the Ukraine over gas costs raised worries among European countries over the reliability of supplies and pushed gas prices there higher. Bodman pointed out that LNG accounts for a very small part of total U.S. gas supplies, so diverted cargoes won't have much impact in the U.S.

The Minerals Management Service reported that 1.878 Bcf/d of natural gas production remains shut-in in the Gulf of Mexico. That is equivalent to 18.79% of the daily production of natural gas. A week ago some 1.954 bcf/d of production was shut in.

The NYMEX will reduce its margins for natural gas futures at the close of business on Friday. The margins on the first two months will decrease to \$16,200 from \$18,900 for customers. Margins for all other months will remain unchanged.

#### 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.

	EIA Weekly Report			
	12/30/2005	12/23/2005	Net chg	Last Year
<b>Producing Region</b>	749	737	12	922
<b>Consuming East</b>	1520	1539	-19	1875
<b>Consuming West</b>	372	364	8	417
<b>Total US</b>	2641	2640	1	3214

\*storage figures in Bcf

#### Generator Problems

**ERCOT**— American Electric Power's 528 Mw Welsh #1 coal-fired unit will be shut from January 5-8 to fix a boiler tube leak.

**WSCC**— Energy Northwest's 1,200 Mw Columbia Generating nuclear unit reduced output to 85% to work on the plant's condenser tubes. Yesterday, the unit was operating at full power.

**Canada** — Ontario Power Generation's 490 Mw Nanticoke #5 coal-fired power station returned to service by early today. The unit shut December 30.

**The NRC reported that U.S. nuclear generating capacity was at 93,257 Mw down .19% from Wednesday and up 1.88% from a year ago.**

Florida Gas Transmission said that cold weather is forecasted in Florida on Friday. 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.

**Canadian Gas Association**

**Weekly Storage Report**

30-Dec-05 23-Dec-05 31-Dec-04

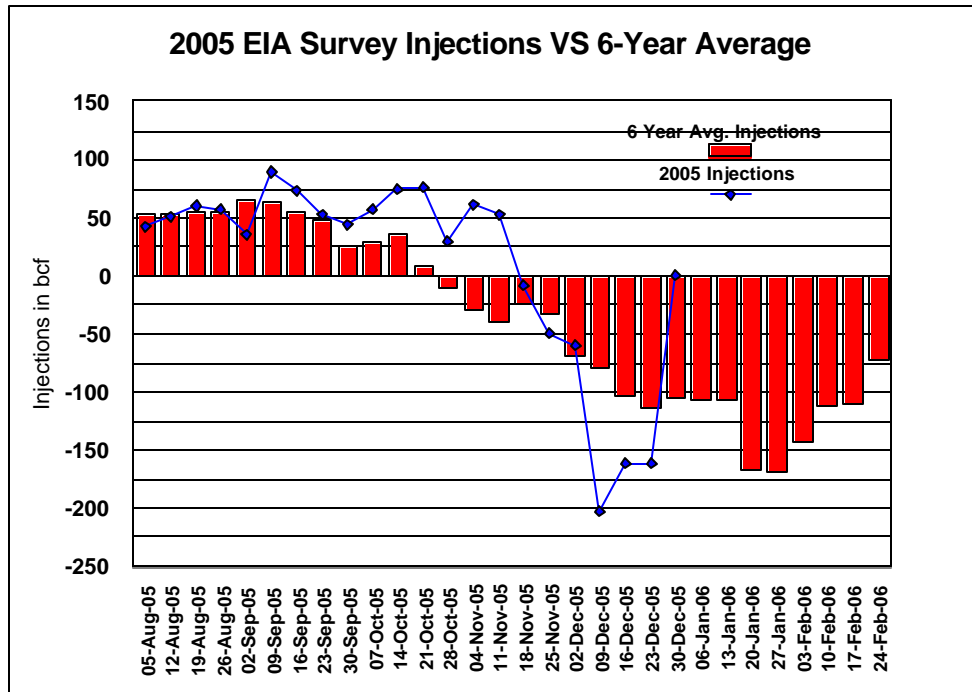
<b>East</b>	196.6	198.7	199.5
<b>West</b>	189.8	193.4	164.5
<b>Total</b>	386.5	392.2	364.0

storage figures are in Bcf

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 sourced at Monroe will be accepted.

**PIPELINE MAINTENANCE**

Natural Gas Pipeline Company of America said that the previously posted notice of rehab work on the Gulf Coast #3 Main Line south of Station 303 in Angelina County, Texas is still on schedule for January 5-6. This rehab work is in Segment 26 of Natural's Texok Zone and on these two gas days Station 303 will be unavailable. This scheduled work will result in a reduction of available capacity southbound through Station 302 in Segment 26 into the South Texas and Louisiana Receipt Zones and Segment 25 of the Texok Zone.



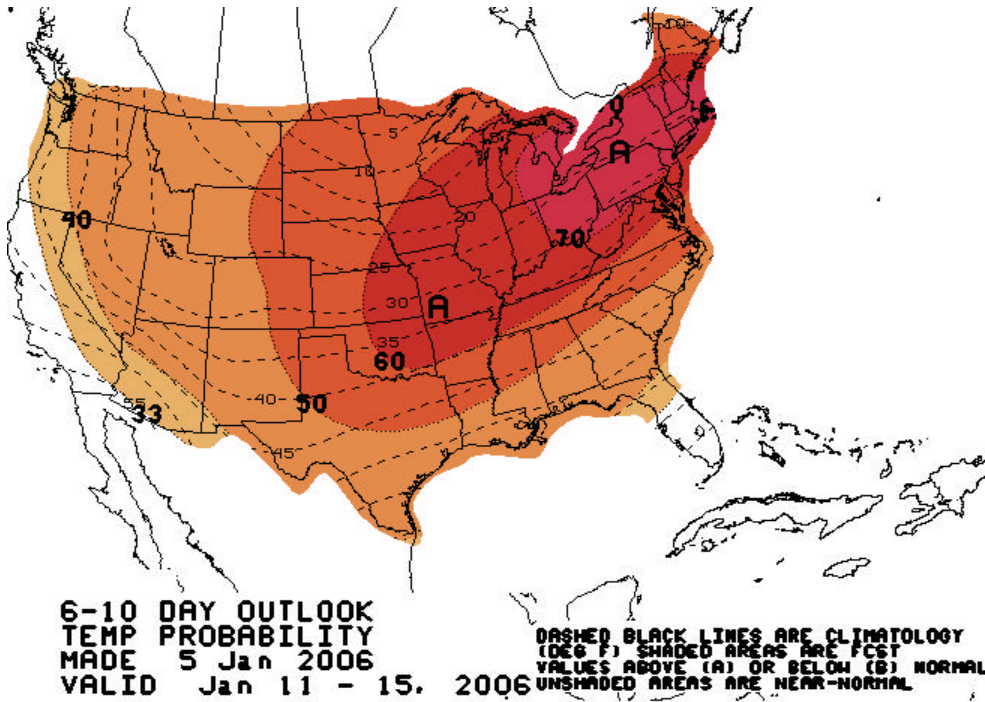
Westcoast Energy said repairs to the slab valve on the 20-inch Grizzly Valley pipeline have been completed. Customers can bring gas onto the system at all receipt points in the Grizzly Valley immediately.

Williston Basin Interstate Pipeline Company said that maintenance to replace approximately 13.25 miles of mainline on the Cabin Creek to Williston Line will be performed for one day in February, the specific date of which remains unknown. Williston said, receipts in Line Section 6 may potentially be affected depending on quantities nominated.

**ELECTRIC MARKET NEWS**

The Southwest Power Pool said it expects to submit within the next several days a report to the U.S. FERC explaining its plan for monitoring compliance with market rules when its energy imbalance market goes into effect May 1. FERC was unclear on how SPP would handle market monitoring responsibilities and tariffs for the imbalance market. SPP's report clarifies these issues noting that it plans to have a small group of internal market monitors.

Mirant Corp. has given the U.S. Department of Energy two options for resuming operation at its 482 Mw coal-fired power plant in Alexandria, Virginia. Energy Secretary Samuel Bodman on December 20 ordered the plant to begin limited operations to maintain electric reliability in the District of Columbia. In response to that order, Mirant filed an operating plan with the DOE detailing two options, which would enable the company to fully

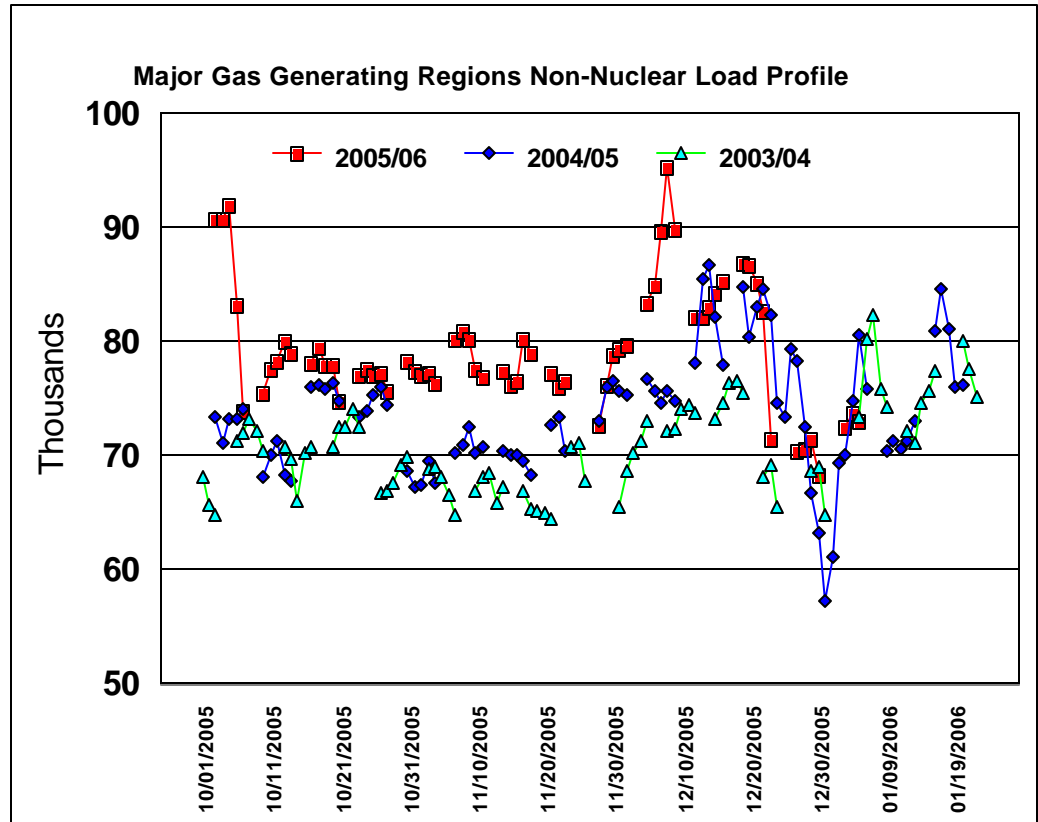


restore the plant's operations in either 28 or 12 hours. Mirant filed its plan as Pepco, the utility company that distributes electricity in Washington and Maryland, notified DOE that it intends to close at different times in January two 230-Kv lines that Pepco relies on to supply the area. Bodman said his order was necessary to ensure that the Mirant plant was available in the event that either of the 230 Kv lines was out of service. Pepco plans to close one of the lines from January 9-13 and the other from January 23-27.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ending December 31 fell 3.7% from the same 2004 week to 70,780 GWh. For the 52 weeks ended December 31, production rose 3.6% from the corresponding period in 2004.

**MARKET COMMENTARY**

The natural gas market traded below the \$10.00 level in overnight trading and opened 35 cents lower at 9.85 today in anticipation of a bearish EIA storage report. The street had been expecting a small draw of between 20 and 30 Bcf with their big question being how small will the draw be given last week's warm temperatures. The surprise build of 1 Bcf, the first of its kind for the end of December, sent the market to 9.50, where light support was taken out, allowing the February contract to trade as low as 9.40 on the initial sell off. Following the release of the date, the market



bounced modestly to 9.60 and traded sideways at that level until the end of session where again the market came under pressure and traded to a day's low of 9.39. The market settled down 69.8 cents at 9.499.

Today's uncharacteristic storage build clearly shows that the combination of warm weather and depressed industrial demand has further fueled the bears control of the market. Now that prices are at their lowest since late August, where many thought natural gas was at a bargain price, some support might make its way back into this market. It is a matter of weather, when will cold come back to give the bulls some fodder. We see support at \$9.20, \$9.00 and \$8.25. Further support we see at \$7.85. We see resistance at \$10.45, \$10.65 and \$11.00. Further resistance we see at \$11.38 and \$11.90.

