



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 9, 2006**

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#### **NATURAL GAS MARKET NEWS**

The U.S. National Weather Service reported that total U.S. natural gas heating demand will be slightly more than 34% below normal this week as mild temperatures continue to hold sway in the main heating regions of the country. For the week ending January 7<sup>th</sup> the government estimated that gas home heating customers weighted nationwide saw 159 Heating Degree Days some 29% less than normal and some 8.6% less than the same week a year ago.

The U.S. Minerals Management Service reported that 1.856 Bcf/d of natural gas production in the Gulf of Mexico remains shut-in. That is equivalent to 18.56% of the daily natural gas production in the Gulf of Mexico and a slight improvement from Thursday's reading of 18.79% shut-in.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to cold weather and low linepack, it is issuing an Overage Alert Day at 25% tolerance.

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

#### **Generator Problems**

**ECAR**— CMS Energy Corp.'s 767 Mw Palisades nuclear unit exited an outage and ramped up to full power by early today. The unit shut December 30 to repair two control rod drive seals.

**ERCOT**— AEP's 528 Mw Welsh #1 coal-fired power station will restart January 7-11. the unit shut January 5-8 to fix a boiler tube leak.

**FRCC**— Progress Energy's 838 Mw Crystal River #3 nuclear unit exited an outage and ramped up to 40% of capacity by early today. The unit shut January 3 to work on a step-up transformer that was showing higher-than-normal temperatures.

**MAAC**— Exelon Generation's 1,143 Mw Limerick #1 nuclear unit increased to 99% power today. On Friday, the unit was operating at 87%. Limerick #2 continues to operate at full power.

**MAIN**— Exelon Corp.'s 864 Mw Quad Cities #1 nuclear unit was taken offline on Saturday for maintenance but returned to service on Sunday. The unit reported operating at 59% capacity early today. The unit was operating at 85% capacity on Friday. Quad Cities #2 continues to operate at 85% capacity.

Exelon's 1,162 Mw LaSalle #1 nuclear unit reduced power over the weekend for scheduled rod pattern adjustments. The unit was operating at 83% capacity today. On Friday, the unit was operating at full power. LaSalle #2 continues to operate at full power.

Exelon's 1,120 Mw Braidwood #1 nuclear unit reduced power to 85% for valve surveillance. Braidwood #2 continues to operate at full power.

**SERC**— Southern Nuclear Operating Co. decreased production at its 888 Mw Farley #2 unit this weekend to operate the unit at 93% capacity, down from full power on Friday. Farley #1 continues to operate at full power.

**WSCC**— Energy Northwest's 1,108 Mw Columbia nuclear unit returned to full power by early today. On Friday, the unit was operating at 60% capacity.

**Canada**— Ontario Power Generation's 490 Mw Nanticoke #1 and #4 coal-fired power units both returned to service by early today.

**The NRC reported that U.S. nuclear generating capacity was at 93,895 Mw up 1.19% from Friday and up 2.33% from a year ago.**

30 North; Barron (To Columbia Gulf); Bayou Sale to Napoleonville; Montpelier to Kosciusko, Kiln to Mobile, and Lake Charles Receipts – Capacity Area 6.

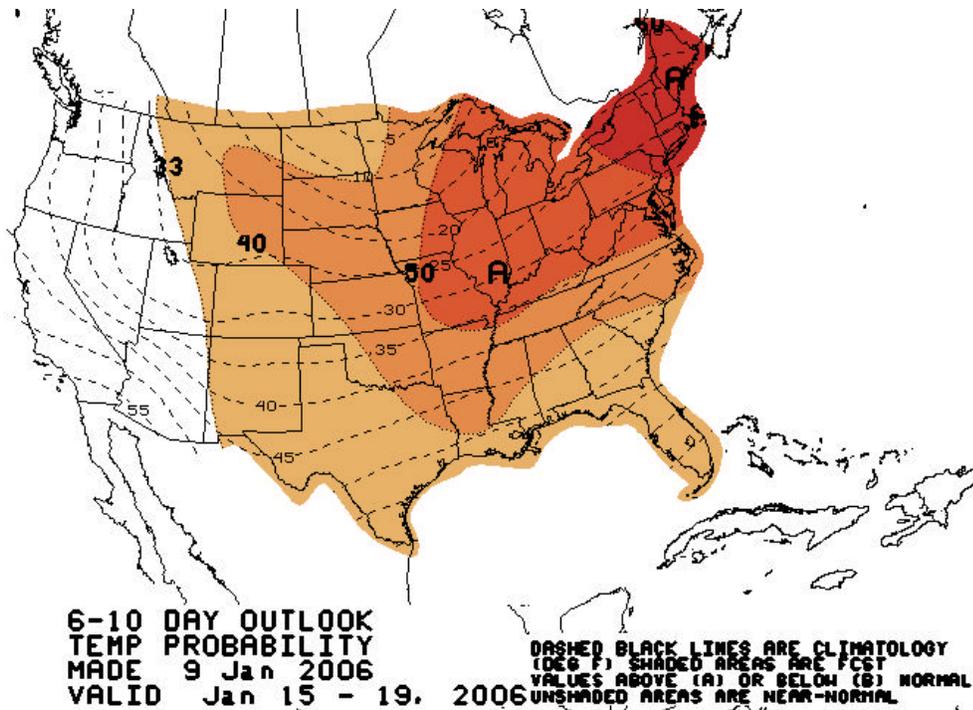
Kern River Pipeline said that linepack has returned to normal across its entire system.

Natural Gas Pipeline Company of America said that Florida Vermilion is at capacity for deliveries. Interruptible flow, authorized overrun and secondary firm transport volumes are at risk of not getting fully scheduled. Florida Vermilion is located in Vermilion Parish, Louisiana (Segment 24) in Natural's Louisiana 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 sourced at Monroe will be accepted.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said that maintenance and inspections will require the Alameda Compression Station to be offline for eight hours on January 12. System throughput will be affected and will be determined closer to the outage date. The Alameda Compressor is located in Saskatchewan. Alliance also said that maintenance and inspections will require the Morinville Compression Station to be offline for four to six hours on January 10. System throughput will be affected and will be determined closer to the outage date. The Morinville Compressor is located in Alberta.



Trunkline Gas Company said that it will be performing meter maintenance at the Ragley interconnect-Location #80277 beginning January 16. The expected duration is four days to complete the repairs. Nominations during the outage will be limited to 75 MMcf/d.

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Cabin Creek Compressor Station today from 9:00 AM to 5:00 PM local time. Under current operating conditions, Williston Basin is not

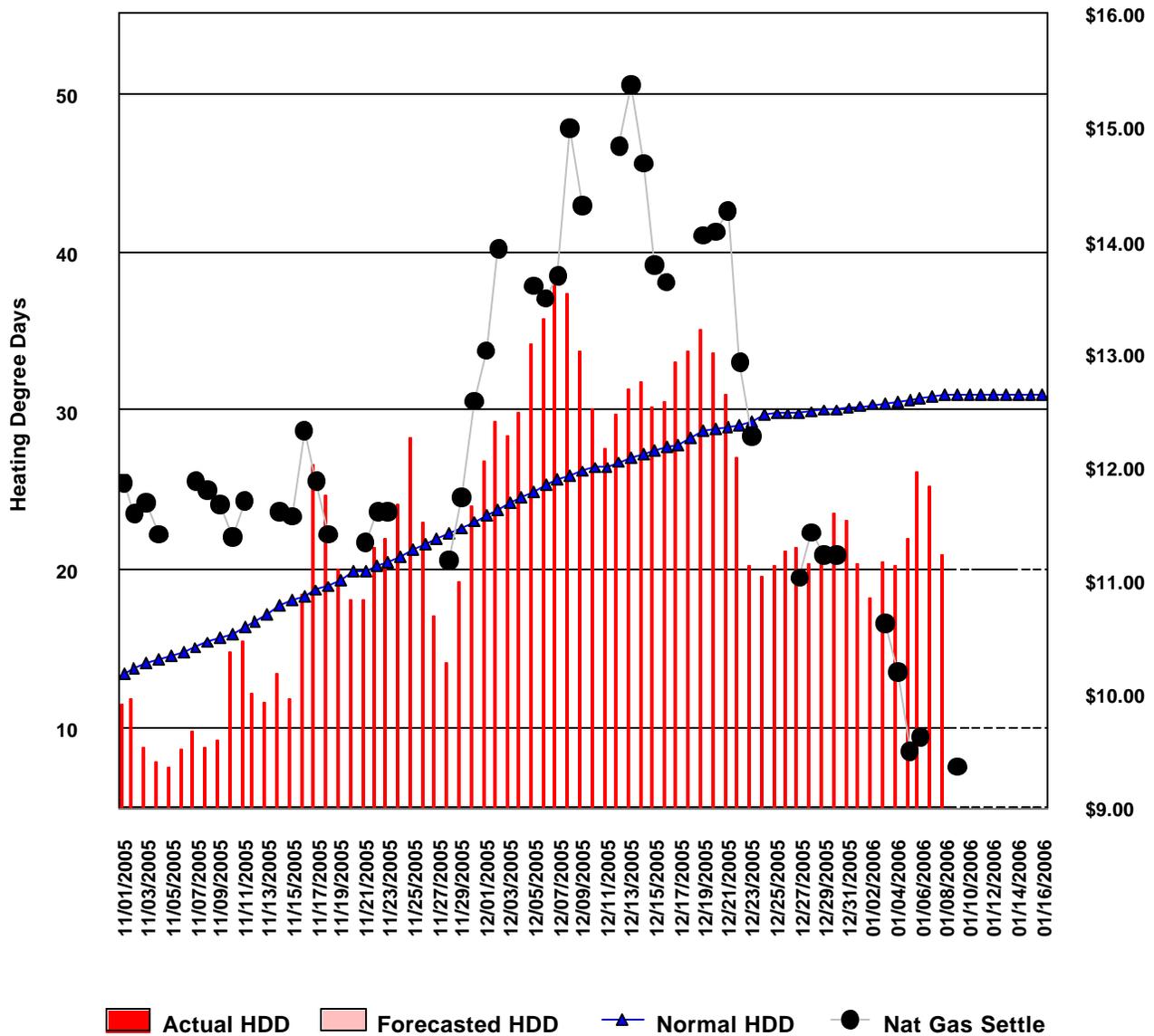
anticipating any affect on the system.

### **ELECTRIC MARKET NEWS**

Legal counsel for Calpine and a set of California parties agreed Friday to resolve by noon (est) January 10 issues about who can intervene before the U.S. FERC on matters related to the merchant power plant operator's efforts to reject eight power contracts as part of its ongoing bankruptcy proceedings. On Wednesday, US District Judge Richard Casey granted a request by Southern California Edison, Pacific Gas & Electric and the California Department of Water Resources asking him to intervene after the US Bankruptcy Court for the Southern District of New York approved a Calpine request to abrogate the contracts.

Duke Energy Corp. said it would sell Duke Energy North America's power-generation assets outside the Midwest for about \$1.5 billion to LS Power Equity Partners. The sale is part of a plan Duke unveiled in September to exit most of its merchant power business, which it said it could not bring to a goal of break-even in 2006 without significant extra risks. But the sale plan excludes certain assets in the Midwest that Duke will keep and combine with Cinergy Corp., which it is acquiring. The sale of 6,200 Mw of power generation, stretching from Maine to California, is expected to close before June.

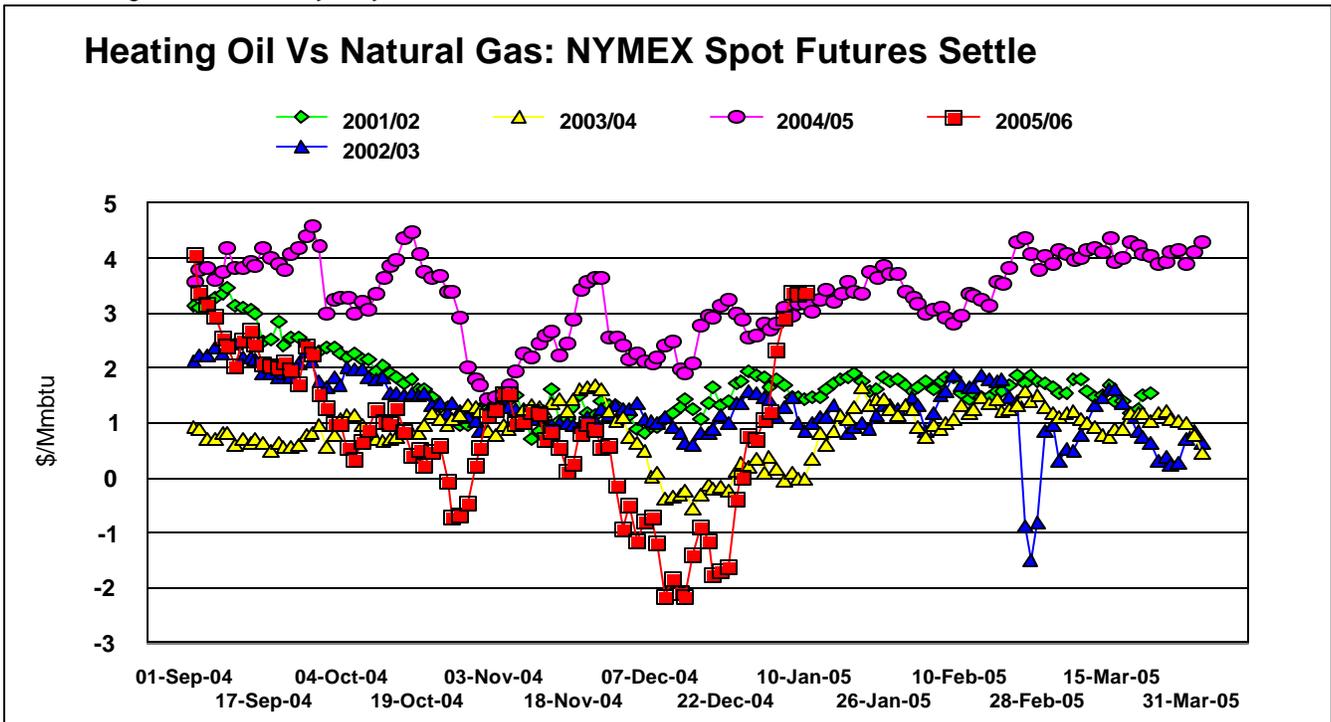
## U.S. Daily Heating Degree Days Basis Gas Customer Weighted Basis



Sierra Pacific Resources said it will build two 750 Mw coal-fired power units in Nevada and a 250-mile transmission line to connect the northern and southern parts of the state. The \$3 billion project will see the first generating unit come online in 2011, with the second one joining it by 2014. Sierra Pacific, which called the project the largest energy development in Nevada since the construction of Hoover Dam, said the two generating units will apply “clean coal” technology to reduce gas emissions. The project also can be expanded with two 500 Mw coal gasification units when the technology becomes commercially viable.

**MARKET COMMENTARY**

The natural gas market opened down 25 cents while temperatures across the country continue to signal warmth for at least the next two weeks. The February contract resumed its descent early in the session, trading to a low of 9.20. The market bounced off the 9.20 level most of the session before it broke down to the day’s low of 9.15 late in the day. But as the market begins to near support at the 9.00 level and natural gas is increasingly becoming cheaper relative to other fuels, support is finding its way back into the market, as natural gas closed near the highs on a late day rally to settle down 27 cents at 9.36.



The bears will remain in control of this market as weather continues to give no alternative, yet as the market explores prices it has not seen since last summer, the relative cheapness of natural gas is beginning to cause fuel switching, which will lend modest support to the front month. Psychological support at the 9.00 level will slow the market’s slid, but another bearish storage report this week could put that level to the test. We see support at \$9.20, \$9.00 and \$8.25. We see resistance at \$10.00-\$10.10, \$10.20 and 10.52. Further resistance we see at \$10.65 and \$11.00.

