



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 10, 2006

NATURAL GAS MARKET NEWS

The EIA Short-Term Energy Outlook for January 2006 reported that because natural gas prices remain high and summer weather in 2006 is expected to be cooler than in summer 2005, total natural gas demand in 2006 will likely remain near 2005 levels, then increase by 1.3% in 2007. Residential demand is projected to increase by about 0.8% in both 2006 and 2007. Industrial demand is estimated to grow by 3.5% in 2006 and 1.3% in 2007. Demand for natural gas for production of electricity is expected to fall by 4.7% in 2006 because of the assumed return to normal summer weather, then increase by 2.4% in 2007. Domestic dry natural gas production in 2005 is estimated to have declined by 3.1%, due mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico. Dry gas production is projected to increase by 3.8% in 2006 and 1.1% in 2007. Total LNG imports for 2006 are projected to increase from their 2005 level of 650 Bcf to 950 Bcf in 2006, and in 2007, LNG imports are expected to reach 1,200 Bcf.

The EIA also said that the jump in American consumers' home heating costs this winter will be less steep than previously expected due to mild weather in October and November. U.S. homes that use natural gas for winter heating will see an average increase of 35% or \$257 from last winter. Households that depend on heating oil can expect to pay an average 23% more or \$275.

Even while the initial facility is under construction, Sempra Energy's liquefied natural gas (LNG) unit announced Tuesday it has received FERC approval to begin the mandatory pre-filing process to expand the Cameron, LA, LNG terminal's production capacity up to 2.65 Bcf/d from the 1.5 Bcf/d capacity now being built. Driven by growing supplier interest, the formal expansion application will be filed later this year when the pre-filing process is completed with a final federal decision expected early next year, Sempra LNG said.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that current weather forecasts in its service territory indicate an extended period of moderate weather. Although there has been some improvement in resolving certain due shipper

Generator Problems

FRCC— Progress Energy's 838 Mw Crystal River #3 nuclear unit ramped up to full power by early today. Yesterday, the unit was operating at 40% after exiting an outage.

MAIN— Exelon Corp.'s 864 Mw Quad Cities #1 nuclear power station ramped up to 85% capacity by early today. Yesterday, the unit was operating at 59% capacity. Quad Cities #2 continues to operate at 85% power.

Exelon Corp.'s 1,120 Mw Braidwood #1 nuclear unit returned to full power today. Yesterday the unit was operating at 85% power. Braidwood #2 continues to operate at full power.

Exelon Corp.'s 1,162 Mw LaSalle #1 nuclear unit returned to full power today. Yesterday the unit was operating at 83% capacity. LaSalle #2 remains at full power.

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

The NRC reported that U.S. nuclear generating capacity was at 95,029 Mw up 1.21% from Monday and up 3.43% from a year ago.

imbalances, there are still significant due shipper imbalances remaining. If ETNG does not continue to see corrective action to address this issue over the next several days, ETNG will take action.

El Paso Natural Gas Company said that the Amarillo Station is unavailable pending resolution of controls problems, reducing the capacity through Amarillo by 100 MMcf/d from a base capacity of 345 MMcf/d. The reduction will be effective Cycle 1 January 10 and continue until further notice.

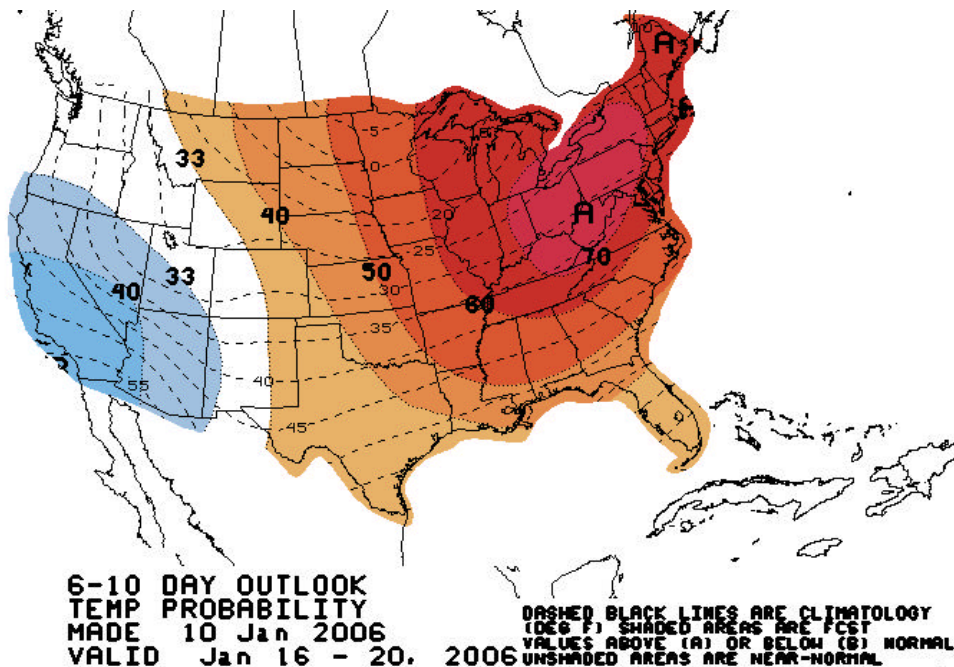
Florida Gas Transmission said that due to cold weather and low linepack, it is issuing an Overage Alert Day at 25% tolerance.

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

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.

PIPELINE MAINTENANCE

Gulf South Pipeline said pigging maintenance for Index 266 – North Louisiana will resume January 11. The maintenance is scheduled to continue for three days. Any changes to this plan will be posted as soon as information becomes available. Capacities in the following areas could be affected, as noted below, during the duration of the pigging maintenance activity: East Texas – as much as 150 MMcf/d; Olla South – as much as 150 MMcf/d.



Williston Basin Interstate Pipeline Company said that maintenance is being performed on Unit #2 at the Dickinson Compressor Station, which is expected to last until 12:00 PM PT today. At this time, Williston does not anticipate any restriction to the system. Also, maintenance is being done on one unit at the Worland Compressor Station, which is expected to last through 5:00 PM PT January 11.

At this time, Williston does not anticipate any restriction to the system. Next week, the low pressure unit at the Baker Booster Compressor Station will be down on January 18 due to unplanned maintenance. Based upon current operating conditions, Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline will be affected by approximately 1.5 MMcf/d.

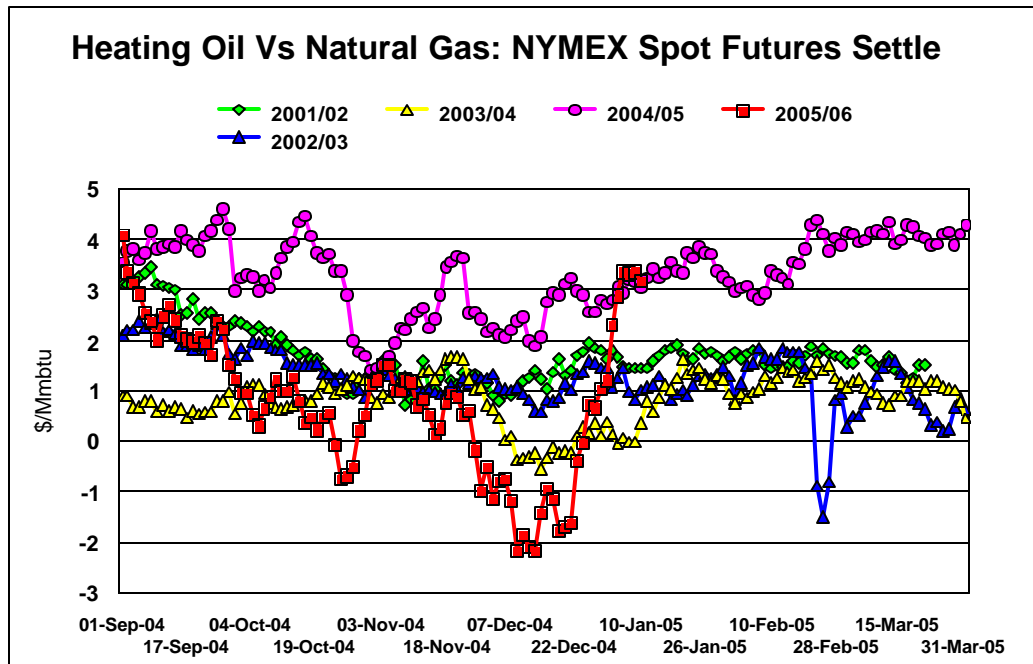
ELECTRIC MARKET NEWS

The EIA Short-Term Energy Outlook for January 2006 said that weather conditions and continuing economic growth are expected to increase electricity demand by 1.3% in 2006 and an additional 1.6% in 2007. U.S. Electricity demand in the first quarter of 2006 will be an estimated 945.0 billion kwh, lower than previously

forecast. Projected 2006 electricity prices to the residential sector range from 8.0 cents per kwh in the West North Central region to 13.8 cents per kwh in New England. Residential electricity prices in 2007 are expected to remain near 2006 levels.

The EIA also reported that in 2006, electric power sector demand for coal is projected to increase by 2.2% and by another 1.2% in 2007. Power sector demand for coal continues to increase in response to higher oil and, more specifically, to higher natural gas prices. U.S. coal production is projected to grow by 3.9% in 2006 and remain at about the 2006 level in 2007. The price of coal to the power sector is projected to rise throughout the forecast period, although at a slower rate than in the first half of 2005. In the electric power sector, coal prices are projected to rise by an average 5.5% in 2006 and by an additional 2.6% in 2007, increasing from \$1.54 per Mmbtu in 2005 to \$1.66 per Mmbtu in 2007.

The U.S. Nuclear Regulatory Commission will increase the oversight at AmerGen Energy's Oyster Creek nuclear power plant in New Jersey due to a failure



by plant operators to use the emergency action level system during an event in August. In a release, the NRC said a large amount of sea grass built up on screens on the north side of the 619 Mw plant's water intake structure on August 6, which draws water from a canal and pumps it into the plant for cooling purposes.

MARKET COMMENTARY

The natural gas market opened 4 cents lower today and started the session rallying into positive territory as the February contract traded to a high of 9.55. But as the crude market, which helped support natural gas, started to slid, natural gas lost its footing and succumbed into the red. February traded as low as 9.28 by mid-day, and spent the remainder of the session between 9.30 and 9.40 until settling down 2.4 cents at 9.336.

Today's session suggests a moment of indecision or consolidation, as weather forecasts fail to offer any support. Yet the psychological support level of 9.00, which is being reinforced by the strength of crude oil and its products, continues to hold, slowing down natural gas' sell off. With natural gas sizing up as a cheaper fuel compared to the oil complex, natural gas will pick up some market share as it trends lower widening its discount to oil. We see support at \$9.20, \$9.00 and \$8.25. Further support we see at \$7.85. We see resistance at \$10.00-\$10.10, \$10.20 and \$10.65. Further resistance we see at \$11.00 and \$11.38.

