



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 11, 2006**

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

Over half of available U.S. LNG import capacity is sitting idle because higher prices in Europe are luring away available cargoes, FERC chairman reported. Policies in Spain guarantee LNG suppliers a multi dollar premium to the going U.S. price. LNG accounts for about 2% of U.S. natural gas supplies, but imports are growing and could meet about 10% of total U.S. gas needs by 2010.

BP has loaded the first LNG cargo from the Atlantic LNG train 4 plant in Trinidad & Tobago onto its ship 'British Merchant' for delivery to the U.K. Atlantic train 4, the largest producing LNG train in the world, began liquefaction December 16. Its proposed capacity is 5.2 million ton a year, and maximum supply is expected to be hit early 2006 upon completion of associated production facilities!

The Minerals Management Service reported that 1.825 Bcf/d of natural gas production in the Gulf of Mexico remains shut-in. That is equivalent to 18.05% of the daily natural gas production in the Gulf of Mexico.

Over the objections of an opposition alliance group, FERC Wednesday approved Quoddy Bay LLC's request to begin the environmental pre-filing process for its proposed \$500 million liquefied natural gas (LNG) import terminal on a Native Indian reservation at Split Rock, ME, and a storage project in Perry.

#### **PIPELINE RESTRICTIONS**

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.

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 currently low across its entire system. Supply has been short the past few days in conjunction with some drafting.

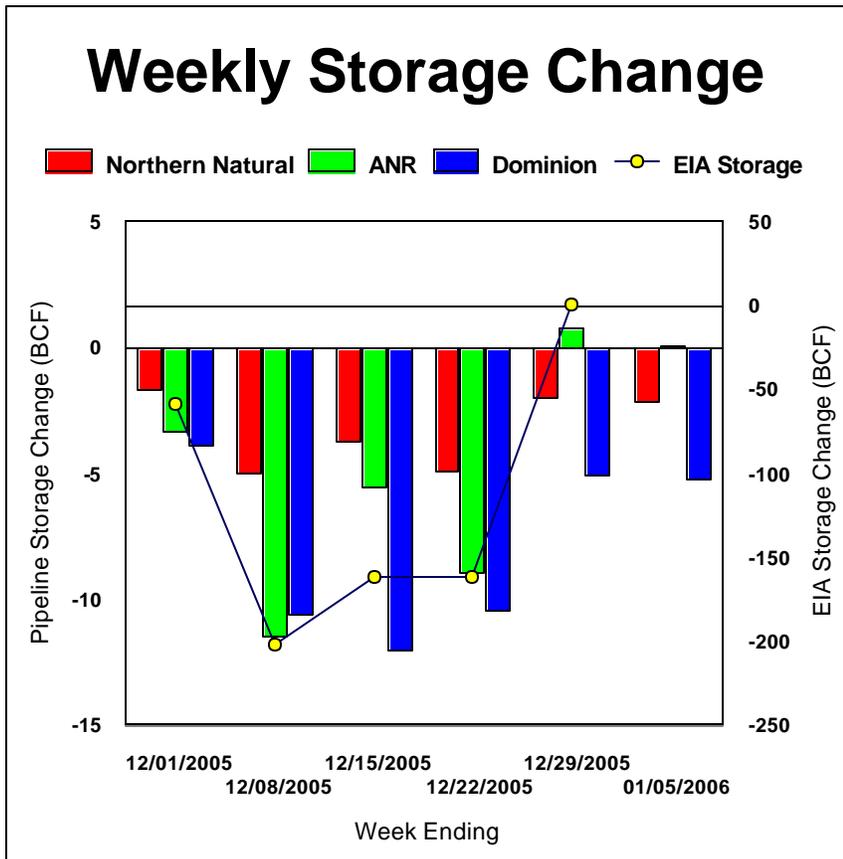
#### **Generator Problems**

**ERCOT**— American Electric Power's 528 Mw Welsh #2 coal-fired power station will shut January 27-31 for maintenance and restart February 7-12.

**Canada**— Ontario Power Generation's 490 Mw Nanticoke #1 coal-fired power station returned to service early today following a planned short-term outage.

**The NRC reported that U.S. nuclear generating capacity was at 95,038 Mw up .009% from Tuesday and up 4.60% from a year ago.**

Natural Gas Pipeline Company of America said that capacity is available for deliveries to Florida-Jefferson. Interruptible flow, authorized overrun and secondary firm transport volumes are available. Florida-Jefferson is located in Jefferson County, Texas (Segment 25) in Natural's TexOk 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. Finally, Tetco has scheduled and sealed receipts sourced at Monroe Station. No increases in receipts sourced at Monroe will be accepted.

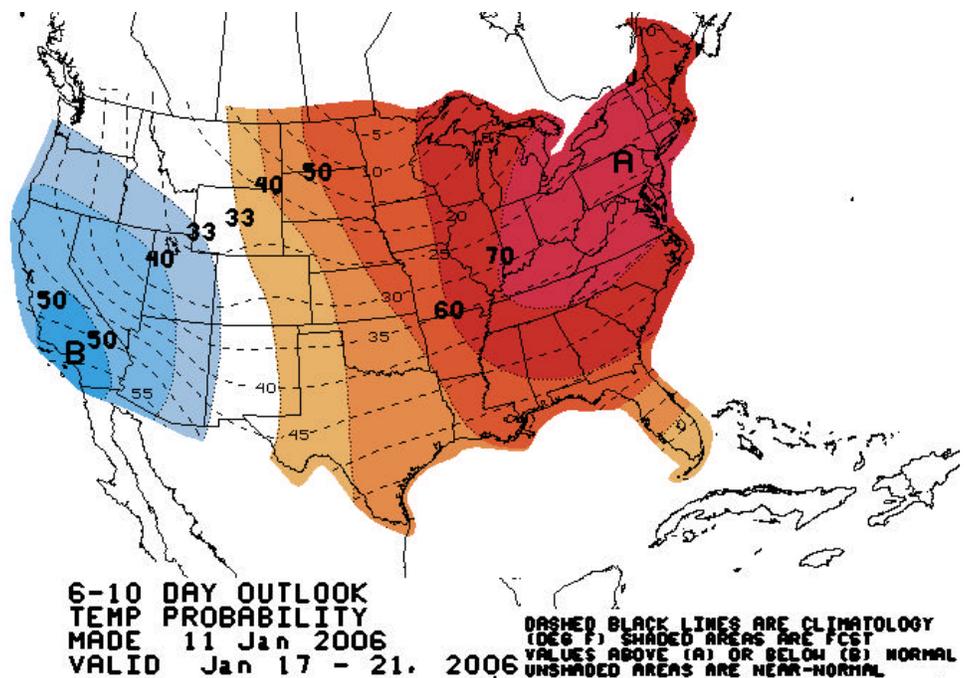
### PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline said that maintenance is being performed at the Cleveland Compressor Station. At this time, Williston does not anticipate any restriction to the system from the work, which is expected to last through 5:00 PM PT today. Unplanned maintenance, meanwhile, will be performed at the Elk Basin Compressor Station through 5:00 PM PT today. At current conditions, there will be no affect to the system. Finally, due to unplanned

maintenance at the Baker East Compressor Station, Point ID 04018 Baker Area Mainline and 04015 Baker Area Grasslands Mainline will be affected by approximately 1 MMcf/d through 1:00 PM PT today.

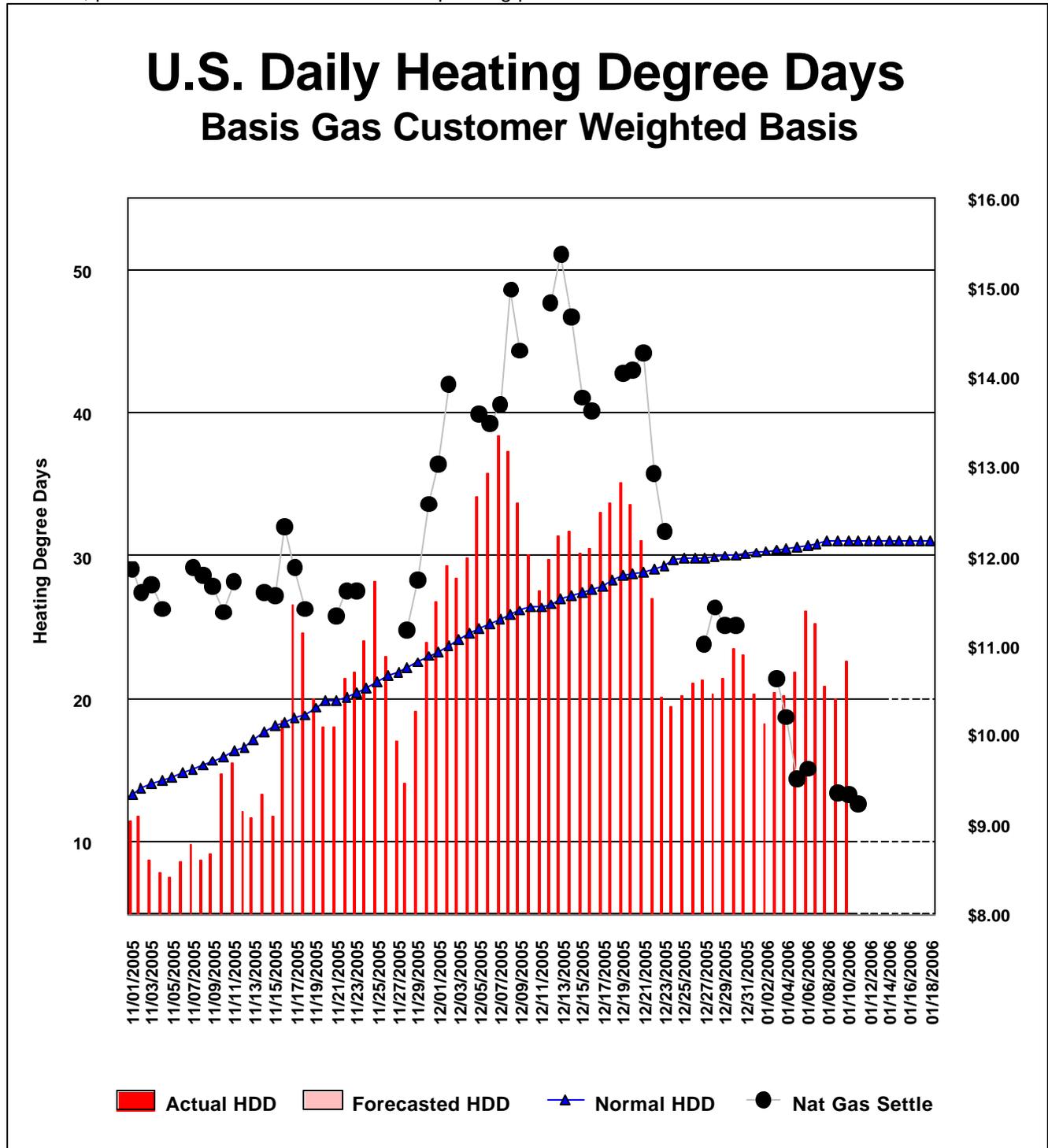
### ELECTRIC MARKET NEWS

The U.S. Nuclear Regulatory Commission began a special inspection into the causes of the damage to steam line relief valves at Exelon Corp.'s 1,728 Mw Quad Cities nuclear power plant in Illinois. In December 2005, an electrical problem occurred with one of the four electromatic relief valves at the 864 Mw unit 2. These valves release steam and depressurize the reactor



in case of an accident. The company replaced the troubled equipment and is looking into the cause of the damage. The NRC will issue an inspection report in about 45 days following the completion of the inspection.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended January 7 held steady with the same week in 2005 at 72,554 GWh. For the 52 weeks ended January 7, however, production rose 3.7% from the corresponding period in 2005.



Connecticut's attorney general said that Massachusetts will very likely sign onto the nation's first regional pact to reduce carbon dioxide emissions from power plants once its governor leaves office. Massachusetts Governor

Mitt Romney helped form the Regional Greenhouse Gas Initiative over two years with fellow Republican New York Governor George Pataki. Last month seven Northeast states, including Connecticut, inked a memorandum of understanding on the pact, which seeks to reduce carbon dioxide emissions by 10% at power plants by 2020. Romney dropped out of RGGI at the last minute, citing concerns by industry groups that the pact could boost electricity costs for homeowners. As Romney is not running for reelection in Massachusetts, but rather possibly seeking the presidential nomination of the Republican Party the democratic front-runners for the governorship of Massachusetts support rejoining the RGGI effort.

**MARKET COMMENTARY**

The natural gas market opened 15.6 cents softer on the lack fundamental support, and mirrored the crude oil market following the release of the EIA's inventory report. The mixed report initially shot prices lower, with natural gas trading as low as 9.13. But as crude bounced off the lows, so did natural gas and a brief short covering rally saw prices climb to the day's high of 9.54, helped in part but yet another bullish temperature forecast from Accuweather. But it appears that

other forecasters remained bearish near term for heating demand and as a result prices gave back all its gains at the end of the session, to finish the day down 9.8 cents at 9.238.

Tomorrow's EIA storage report is shaping up to be another bearish situation given the prolonged mild temperatures across the country, but it should hold itself to negative territory as opposed to last week's surprise 1 Bcf build. Current expectations are for a pull of between 7 and 70 Bcf, with most calling for a draw of between 27 and 34 Bcf, well under last year's 88 Bcf draw and the five-year average draw of 131 Bcf. Given the holiday last week depressing demand, our model estimates a draw of between 22 and 28 Bcf. The bears are clearly in control of this market, but a report in line with expectations or just slightly bearish will do little to the market, unless we have another surprise build, which will pressure the 9.00 level. No one wants to be short energies with half of the winter left and turmoil in the Middle East continuing to support the oil complex. We see support at \$9.00, \$8.25 and \$7.85. We see resistance at \$10.00-\$10.10, \$10.50 and \$11.00. Further resistance we see at \$11.38 and \$11.90.

