



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 12, 2006

NATURAL GAS MARKET NEWS

Former Alaska Gov. Walter Hickel on Wednesday once again urged state legislators to impose a tax on undeveloped natural gas reserves to encourage North Slope producers to agree to begin building the long-proposed North Slope gas pipeline.

Connecticut's outspoken attorney general wants FERC to release critical information about a proposed deepwater liquefied natural gas (LNG) import terminal to be located off the coast of Connecticut and Long Island, without first formally filing a request and signing a non-disclosure agreement with the agency.

Less than a month after Congress voted to deny producers access to the energy-rich Arctic National Wildlife Refuge (ANWR), the Interior Department this week announced that it will make available thousands of acres of North Slope tundra for oil and natural gas leasing.

EIA Weekly Report

	01/06/2006	12/30/2005	Net chg	Last Year
Producing Region	760	749	11	786
Consuming East	1491	1520	-29	1500
Consuming West	370	372	-2	337
Total US	2621	2641	-20	2623

*storage figures in Bcf

meets the mouth of the St. Croix River.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that it is taking action to require the balancing of certain LMSMA contracts effective for gas day January 13 if significant corrective action has not been taken to reduce imbalances by the beginning of gas day January 12.

El Paso Natural Gas Company said that through a combination of receipt under-performance and takes in excess of scheduled quantities, El Paso's transmission system is being drafted at rates that are not sustainable. Performance caps will be placed on receipts that are not performing up to scheduled quantities. Shippers are urged to bring their supplies in balance with their takes.

Generator Problems

ERCOT— American Electric Power's 528 Mw Welsh #3 coal-fired power station shut yesterday due to a boiler tube leak.

Texas Genco's 560 Mw WA Parish #7 coal and natural gas fired power station shut today for unplanned maintenance.

NPCC— Entergy Nuclear's 670 Mw Pilgrim nuclear unit shut early this morning to conduct planned scheduled maintenance. The unit is expected to return to service soon.

The NRC reported that U.S. nuclear generating capacity was at 94,470 Mw down .60% from Wednesday and up 4.17% from a year ago.

Residents in the town of Robbinston, ME, voted 227-83 Tuesday in favor siting the Downeast liquefied natural gas (LNG) terminal in their town. The \$400 million project, which would have a peak sendout capacity of 500 MMcf/d and would include one 160,000 cubic meter storage tank, would be located on Mill Cove, where Passamaquoddy Bay

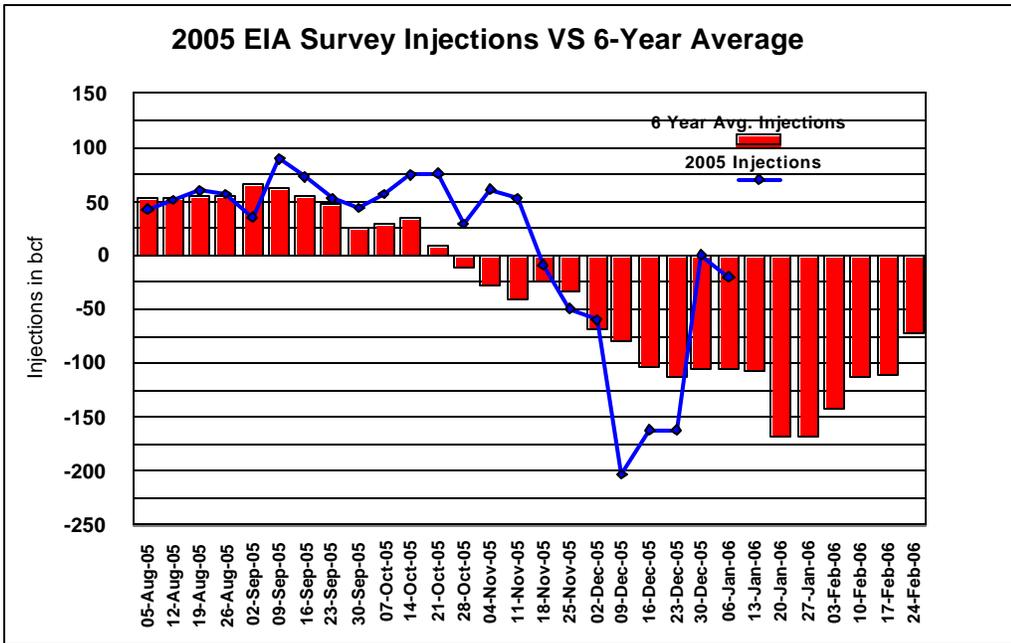
Canadian Gas Association

Weekly Storage Report

	06-Jan-06	30-Dec-05	07-Jan-05
East	188.0	196.6	189.0
West	185.1	189.8	148.5
Total	373.2	386.5	337.5

storage figures are in Bcf

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.

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.

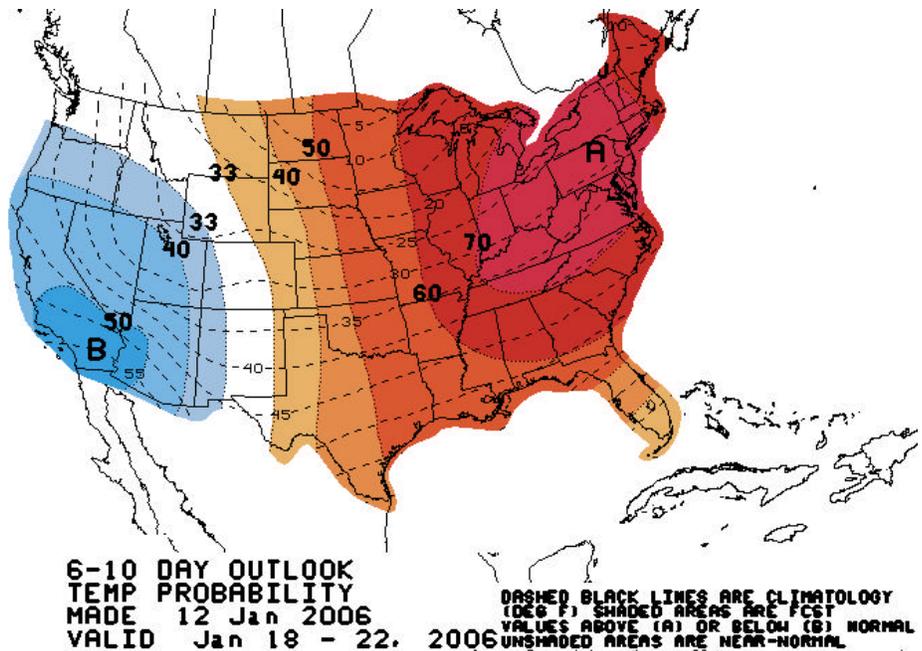
PIPELINE MAINTENANCE

El Paso Natural Gas Company said that Alamo Lake 2 turbine maintenance has completed ahead of schedule. The capacity of the Havasu Crossover was increased by 100 MMcf/d (to 615 MMcf/d) effective Cycle 3, January 11 and returned to full capacity of 670 MMcf/d effective Cycle 1, January 12.

Gulf South Pipeline said that it will be performing scheduled pigging maintenance on Index 131 – 12-inch from Lafayette, Louisiana to Weeks Island, Louisiana beginning January 18 and continuing through January 21. The Lake Charles Area receipt capacity could be affected as much as 20 MMcf/d during this maintenance.

MARKET COMMENTARY

The natural gas market opened 1.2 cents higher today in anticipation of the EIA’s storage report. The street had been expecting a draw of between 25 and 35 Bcf and today’s release was slightly bearish of that showing that just 20 Bcf had



been pulled from storage. Natural gas's initial reaction was a spike down to 9.20, where it then traded sideways before being pulled to its highs of the day by the strength in the crude oil market, to trade to 9.405. The market could not maintain the highs and the weight of a second bearish report during peak draw down season pressured natural gas lower, breaking through support at 9.20 and testing the 9.00 level. February natural gas traded as low as 8.91, the lowest a spot contract has traded since mid August. The market rebounded back above 9.00, but only briefly, as the bears were able to pressure the market for a settlement of 9.943, down 29.5 cents on the day.

With balmy April-like temperatures persisting in the Northeast, and plenty of natural gas in storage for the remainder of winter, there really appears to be no fundamental excuse to help natural gas organize a technical correction. The nation has a total of 2,621 Bcf in storage, just 2 Bcf under last year at this time and 276 Bcf above the five-year average. Sustained cold temperatures are going to be needed to reverse this market given that next week's storage report will also be expected to be bearish, which currently we estimate at only a 37-47 bcf decline. We see support at \$8.25, \$8.12 and \$7.85. We see resistance at \$9.40, \$10.00-\$10.10, and \$10.50. Further resistance we see at \$11.00 and \$11.38.