



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 13, 2006

NATURAL GAS MARKET NEWS

Europe's liquefied natural gas imports hit a record high in December, with shipments being diverted from the United States as companies cashed in on high European gas prices. Imports climbed to over 3.8 million tones in December, beating the previous high of 3.5 million tones in March 2005. Shipments in January to Europe are expected to be similar to December. The main drivers for the strong European demand remain low hydro-levels in Spain, strong demand in France and overall gas shortages in the UK.

Rhode Island Gov. Donald. Carcieri on Thursday signed an executive order creating Rhode Island's first chief energy advisor to the governor, who will be in charge of coordinating state energy policy and overseeing the state energy office. One of the energy advisor's main tasks will be to make LNG more available.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that cold weather is forecasted in Florida on Saturday night and Sunday morning, so FGT is notifying customers in its market area that there is the potential for 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 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

Generator Problems

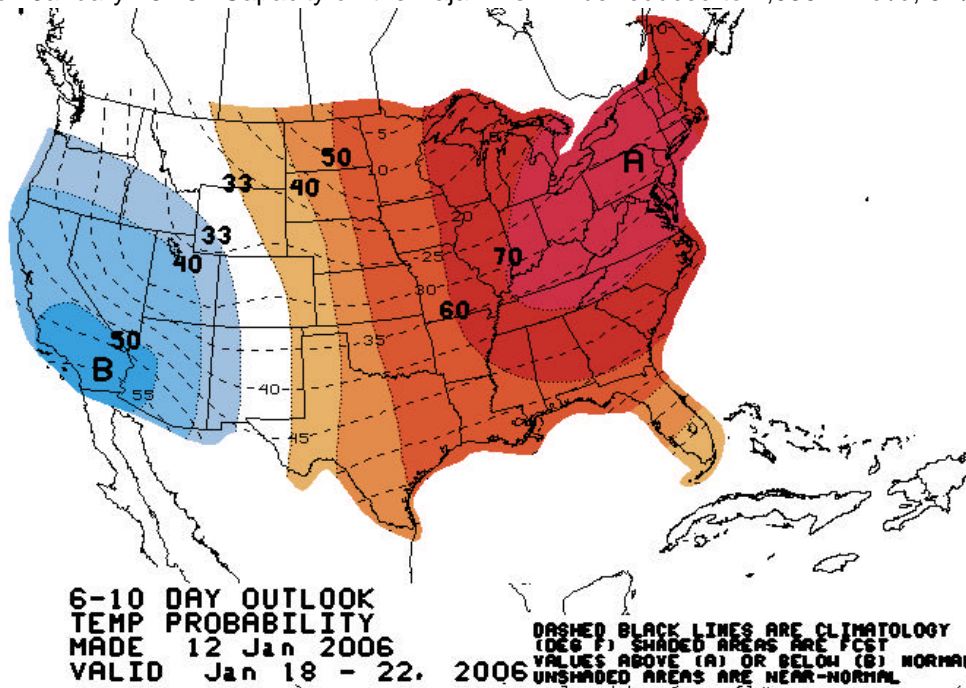
ERCOT— American Electric Powr's 528 Mw Welsh #3 coal-fired power station was in start-up late Thursday from a brief outage and has returned to service. The unit shut Wednesday due to a boiler tube leak.

Texas Genco's 560 Mw WA Parish #7 coal and natural gas fired power station is in start-up following unplanned maintenance.

NPCC— Entergy Corp.'s 684 Mw Pilgrim nuclear unit increased power to 43% capacity this morning. Yesterday, the unit was operating at 15%.

The NRC reported that U.S. nuclear generating capacity was at 94,626 Mw up .17% from Thursday and up 2.98% from a year ago.

PG&E California Gas Transmission said it will be performing general maintenance at the Kettleman Compressor on January 23-26. Capacity on the Baja Line will be reduced to 1,050 MMcf/d, 92% of capacity.



ELECTRIC MARKET NEWS

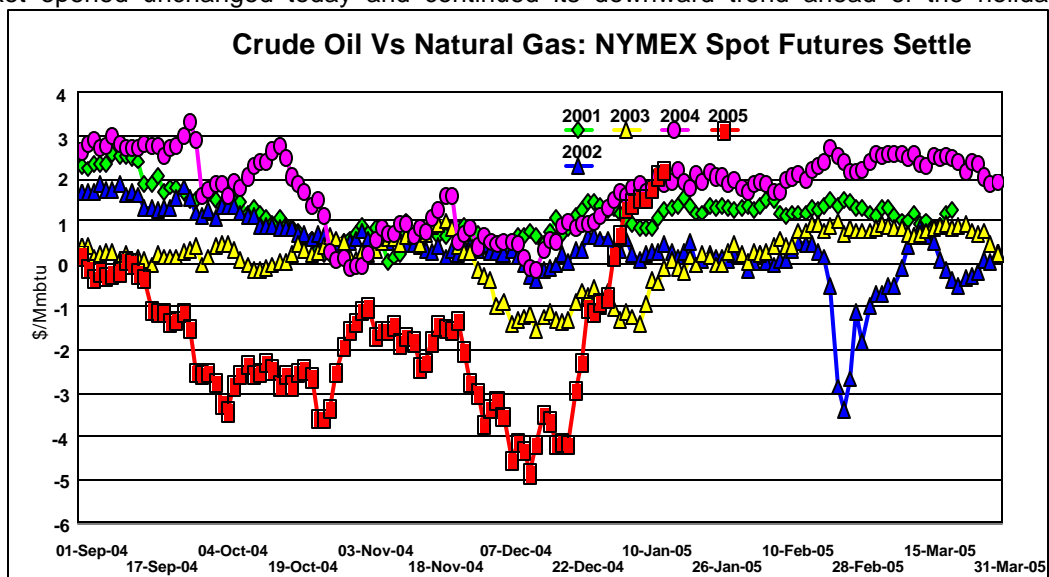
NRG Energy and Texas Genco announced that they have received the required approval from the Nuclear Regulatory Commission to transfer indirect ownership of the 44% interest in the South Texas Project Electric Generation Station. As a result of receiving this final required regulatory approval, both companies anticipate closing the transaction during the week of January 30.

To achieve needed transmission improvements, Bonneville

Power Administration, Chelan County PUD, Grant County PUD, Puget Sound Energy, and Seattle City Light have decided to continue to press for an integrated approach of the use and expansion of the Northwest interconnected transmission system. These transmission owners will host an initial public meeting in Portland on January 27. They expect to have broad participation, including the involvement of other transmission owners and control area operators, in a joint effort to form a new organization. The objective is to improve substantially the operational efficiency, reliability, and planned expansion of the transmission grid. The effort will focus on the design and implementation of near-term services beginning in 2006, as well as the design of additional longer-term responsibilities (such as voluntary consolidation of control areas).

MARKET COMMENTARY

The natural gas market opened unchanged today and continued its downward trend ahead of the holiday weekend as no bullish news surfaced to challenge this bear market. The February contract traded to 8.74 before finding a bit of support, which moved the market sideways through the afternoon of the shortened session. The market sank late to the lowest level for a front-month contract of 8.70, before settling the day down 15.2 cents at 8.791.



The market continues to be extremely oversold and due for a short covering bounce, but not much upside is expected with the mild temperatures and the cash markets running 50 cents below the NYMEX screen. Also after next week's storage report, we are expecting to see a surplus to year-ago storage levels given the mild weather slowing demand and the profitable cash-to-futures spreads encouraging injections. This would be the first surplus to year-ago levels since early August. Early withdrawal estimates for next week's EIA report range from 25 to 58 Bcf versus a 90 Bcf decline for the same year-ago week. Also, in the past two weeks, crude oil's strength and natural gas' slid has put crude futures some \$2.23 /MMbtu above natural gas futures. 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