



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 17, 2006

NATURAL GAS MARKET NEWS

Natural gas producer and pipeline company El Paso Corp. said its proved reserves rose 22% by year-end 2005 over the previous year to 2.7 Tcf. The company said it would spend about 27% of its 2006 drilling budget on proven undeveloped reserves and was targeting 5 to 10 percent growth in reserves.

El Paso Corp. said it reached an interim agreement with the Navajo Nation on pipeline right-of-way through Navajo territory, but the two sides remain far apart on a long-term deal. The interim deal extends until the end of 2006 a previous pact that expired in October. Negotiations for a 20-year agreement will continue.

U.S. demand for heating fuels is expected to be about 23% below normal this week with most of the main heating regions of the country experiencing above-normal temperatures. Total U.S. natural gas heating demand will rise from the week earlier to about 23% below normal.

The NYMEX said it will change margins for natural gas futures and other related natural gas contracts effective at the close of business on Wednesday. The margins on the first two months of the natural gas futures contract will decrease to \$12,150 from \$16,200 for customers. Margins for the third month will decrease to \$8,775 from \$10,800 for customers. Margins for all other months will remain unchanged.

PIPELINE RESTRICTIONS

El Paso Natural Gas Company said that through a combination of receipt quantities in excess of nomination and takes that are significantly below nomination, the transmission system linepack is rising at rates that are not sustainable. Since Friday, linepack has increased nearly 500 MMcf/d. Washington Ranch Storage facility is on injection at maximum capacity. Shippers are urged to bring their supplies in balance with their takes. If the situation fails

Generator Problems

ECAR— FirstEnergy Nuclear Operating Company's 1,260 Mw Perry nuclear unit reduced power to as low as 62% over the weekend but has increased to 85% by this morning.

MAAC— Exelon Generation's 1,143 Mw Limerick #1 nuclear unit reduced power to 65% on Saturday but has increased to 90% this morning. The unit was operating at 97% on Friday. Limerick #2 continues to operate at full power.

MAIN— Both Exelon Corp.'s 864 Mw Quad Cities #1 and #2 shut over the weekend due to some valve problems. Both units were operating at 85% capacity last week.

MAPP— Xcel Energy's 522 Mw Prairie Island #1 nuclear unit reduced power to 40% to fix a leak in the condenser on the non-nuclear side of the plant. Prairie Island #2 continues to operate at full power.

NPCC— Entergy Corp.'s 825 Mw FitzPatrick nuclear unit reduced power to 65% capacity over the weekend to perform control rod pattern adjustments.

Entergy Corp.'s 684 Mw Pilgrim nuclear unit increased output to 80%. On Friday, the unit was operating at 43% capacity.

SERC— Southern Co.'s 883 Mw Hatch #2 nuclear unit reduced power to 65% capacity early today for planned work on the feedwater heater. Hatch #1 continues to operate at 85% capacity.

TVA's 1,114 Mw Browns Ferry #3 nuclear unit shut over the weekend to perform maintenance on two large re-circulation pumps. Browns Ferry #2 continues to operate at full power.

to improve, a declaration of Strained Operating Conditions may be required.

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 high on the South End of its system. Kern River requests that customers do not bank gas until further notice.

Natural Gas Pipeline Company of America said it has limited capacity available for gas going eastbound through the end of Segment 17. Limited ITS/AOR and secondary out-of-path transport volumes are available.

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 also scheduled and sealed receipts sourced at Monroe Station. No increases in receipts will be accepted from the following meter stations at Monroe: Gulf South Pipeline; CenterPoint Energy Gas Transmission; Duke Energy Field Services.

Generator Problems

WSCC— Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit reduced production to 25% capacity. The unit had been operating at 32% capacity the past few weeks. Palo Verde #2 and #3 continue to operate at full power.

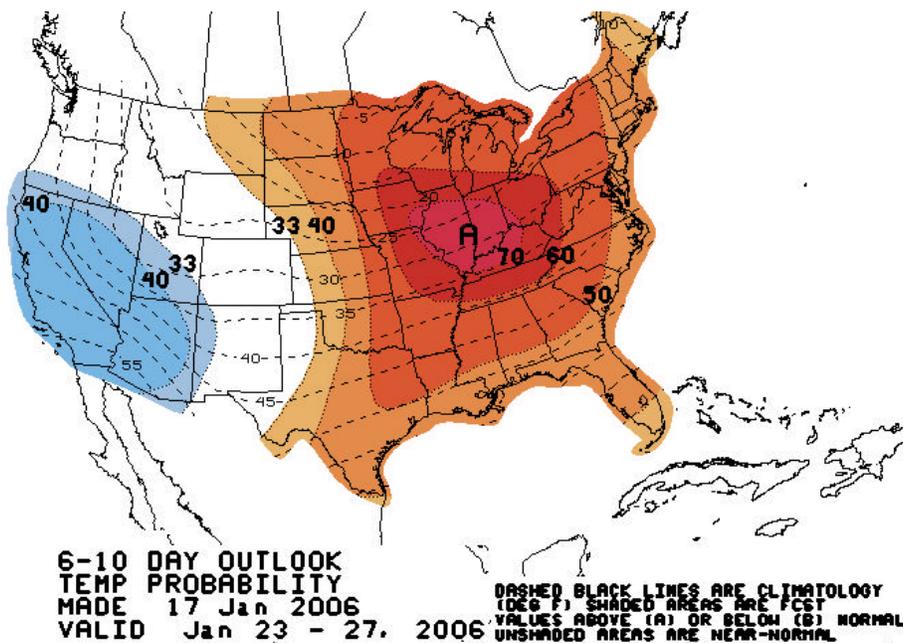
AES Corp.'s 480 Mw Redondo #7 gas-fired station shut for planned reasons yesterday. All other units at the station are available for service.

Duke Energy Corp.'s 510 Mw Moss Landing #2 natural gas-fired unit shut for both planned and unplanned reasons.

Canada— Bruce Power's 750 Mw Bruce A #3 nuclear unit shut early today. All of the other units at Bruce were operating at full power.

Ontario Power Generation's 490 Mw Nanticoke #1 and #8 coal-fired power units returned to service today following short planned outages.

The NRC reported that U.S. nuclear generating capacity was at 91,202 Mw down 3.62% from Friday and up 1.03% from a year ago.



PIPELINE MAINTENANCE

Alliance Pipeline said that the Olivia Compression Station will be offline for 12 hours starting at 9:00 AMCT on January 18. This outage is to perform minor maintenance. AOS will not be affected. The Olivia Compressor is located in Minnesota. Alliance also said that scheduled maintenance will require Unit #2 at the Whitecourt Lateral Meter/Compressor Station to be unavailable today. Station Capacity will be reduced to 30.4 MMcf for this gas day. The Whitecourt Compressor is located in Alberta.

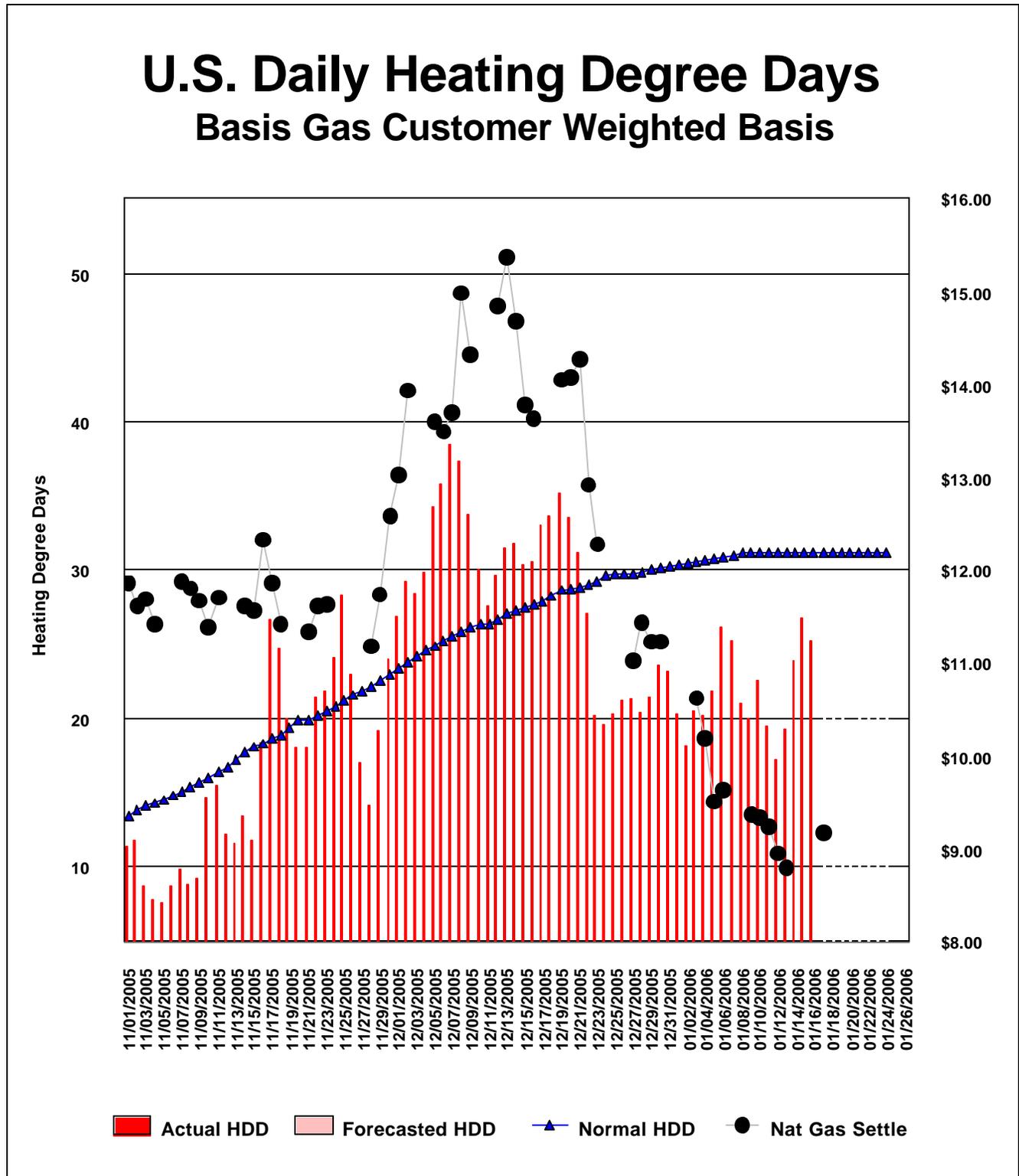
Williston Basin Interstate Pipeline Company said that maintenance at the South Baker Compressor

Station Unit #2 will affect Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline by approximately 2 MMcf/d through Wednesday January 19. Maintenance is also being

performed on Unit #1 at the Manning Compressor Station Through January 20. At current conditions, Williston does not anticipate restrictions to the system.

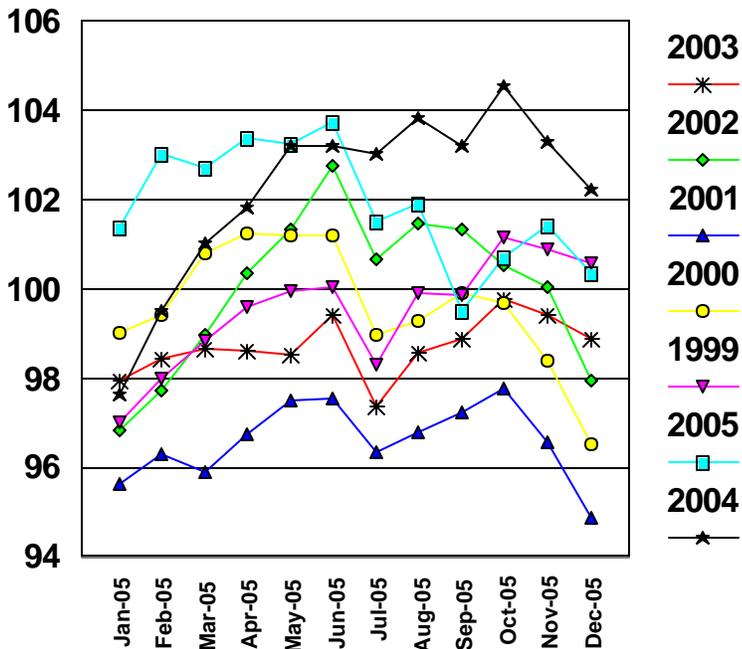
ELECTRIC MARKET NEWS

American Electric Power said it expects that the Public Utility Commission of Texas will reduce the amount the



company can recover related to the transition to a competitive energy market in that state. The company said it will record a pretax, fourth-quarter charge of about \$384 million because of the expected Texas ruling. AEP said that, based on several public meetings held by the Texas commission, it believes the PUCT will disallow about 90% of its attempted recovery from its wholesale capacity auction, as well as some of its other attempted recoveries. After the charge, AEP's recorded recovery from the mechanism will be about \$1.3 billion, down from about \$1.7 billion.

US Industrial Production Index Major Nat Gas Consuming Sectors Basis Federal Reserve & DOE/EIA Stats



ECONOMIC NEWS

The Federal Reserve reported that U.S. industrial production rose for a third straight month in December as companies replaced equipment and utility output jumped by the most since June. Output at factories, mines and utilities rose 0.6% after a revised 0.8% gain the month before.

MARKET COMMENTARY

The natural gas market opened 24 cents stronger today helped by strength in the oil complex due to geopolitical factors. With no real fundamental news of its own, natural gas just tagged along with crude, chopping to an intra day high of 9.24. There is still no supportive weather, and stocks should flip to show a year-on-year surplus following this week's inventory data. This confused market sank as low as 9.03 just before the close, but mirrored crude oil and rallied to a high of 9.29 before settling up 37.7 cents at 9.168.

After this weekend's brief return to wintry weather, such conditions are not expected for the remainder of the month. Models range from above normal for key consuming

regions such as Chicago and New York, to much above normal, not really the supportive forecasts needed to correct this market. The oil market's strength will not alone generate an upside follow through. We see support at \$9.00, \$8.25 and \$8.12. Further support we see at \$7.85 and \$7.49. We see resistance at \$9.25, \$9.40 and \$10.00-\$10.10. Further resistance we see at \$10.50 and \$11.00.

