



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 18, 2006

NATURAL GAS MARKET NEWS

Russia is in the middle of a deep freeze, with temperatures reaching 20 below Fahrenheit, and the cold to continue. Three people have frozen to death in the past couple days bringing the seasons total to 107. The government has introduced electricity rationing to large businesses in an effort to conserve. Gazprom, the world's largest natural gas producer, may cut supplies to power plants in central and western Russia by as much as half due to the cold. Contracts between Gazprom and Unified Energy's power stations, including its Moscow plants, allow for the 50% cut in extreme cold weather because of technical issues of transporting gas in low temperatures. The plants will have to use up to 150,000 tons of more-expensive fuel oil to continue working if the limits are imposed.

Gazprom's export arm, Gazexport, has begun cutting gas volumes to Hungary and Bosnia-Herzegovina as a result of the cold in Russia. Gazexport warned that the reduced supplies could spread to all of Europe. The cut may be as high as 20%. The resumption of gas exports to normal levels will depend on outside temperatures and on how much Russia's own demand in gas will be.

Ukraine has taken extra supplies of Russian gas from an export pipeline crossing its territory to meet soaring demand, reducing onward deliveries to Europe. Ukraine has taken extra deliveries amounting to 40 million cubic meters a day, equivalent to 11% of Russian exports passing through the country. The move to take the extra fuel was approved by Russia's Gazprom due to the reduced gas supplies to Europe because of the extreme cold at home. Further downstream, Italy's biggest utility Enel said it can switch about 4,000 Mw of power generating capacity to oil from gas to help the government offset the impact of reduced gas supplies from Russia.

Woodside Petroleum said it plans to seek approval to deliver LNG to California from Australia. The Australian energy company said it plans to deliver the LNG via tankers to a site

Generator Problems

ERCOT— TXU Corp.'s 553 Mw Sandow #4 coal-fired power unit will shut today for boiler tube repairs. The maintenance is expected to end tomorrow with the plant returning to service Thursday or Friday.

MAAC— Exelon Generation's 1,143 Mw Limerick #1 nuclear unit increased output to full capacity this morning, up from 90% power. Limerick #2 continues to operate at full power.

NPCC— Entergy Nuclear's 825 Mw FitzPatrick nuclear unit returned to full power this morning following control rod pattern adjustments.

Entergy Nuclear's 670 Mw Pilgrim nuclear unit returned to full power this morning following maintenance.

SERC— TVA's 1,127 Mw Sequoyah #2 nuclear unit was taken offline and is operating at 13% power to replace a main transformer. Sequoyah #1 continues to operate at full power.

Southern Nuclear Operating Company's 838 Mw Hatch #1 nuclear unit decreased power to 45% this morning. Yesterday, the unit was operating at 60% capacity. Hatch #2 continues to operate at full power.

WSCC— APS completely shut its 1,270 Mw Palo Verde #1 nuclear unit to fix a vibration issue. Units #2 and #3 remain at full power.

Canada— Bruce Power's 750 Mw Bruce A #3 nuclear unit shut yesterday due to an electrical relay fault on a circuit breaker. The unit is expected to return to service later this week.

The NRC reported that U.S. nuclear generating capacity was at 90,293 Mw down 1.00% from Tuesday and down .27% from a year ago.

at least 15 miles offshore Southern California, where it would be turned back to gas aboard the tankers and then delivered to shore through a pipeline on the seabed.

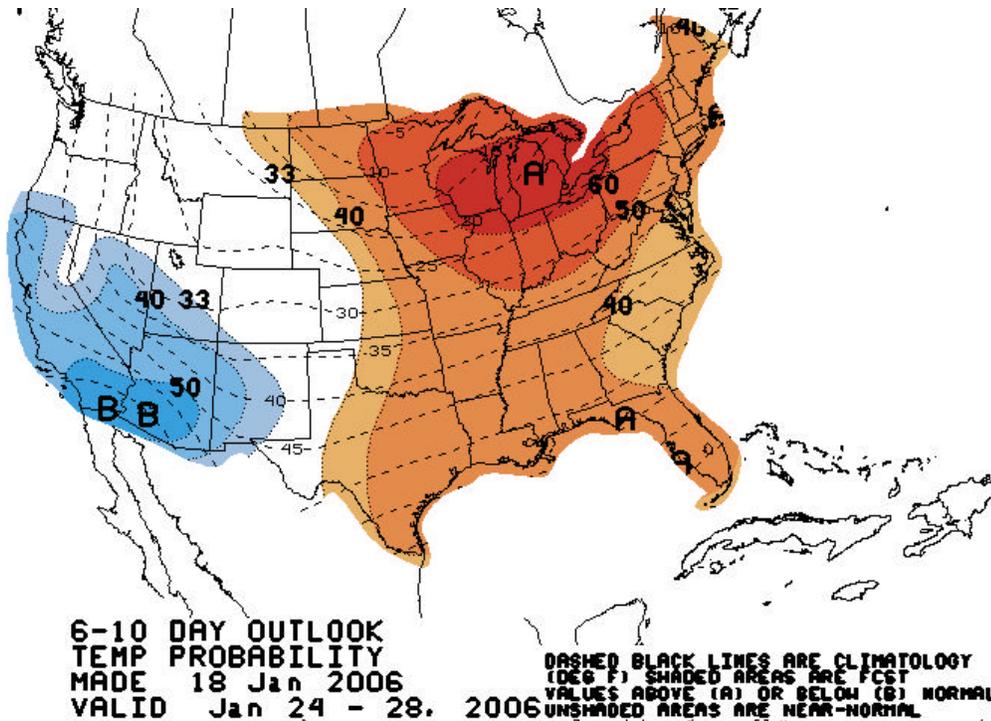
Royal Dutch Shell inked a preliminary deal with India's Gujarat State Petroleum Corp. to supply LNG for 20 years. Under the terms, Shell would agree to supply the Indian state-run company with 14 million tones of LNG over 20 years from a Chevron-run project in Australia in which Shell has a stake. Shell already operates a 2.5 million tonne merchant LNG terminal at Hazira in the western state of Gujarat.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas listed its restrictions for today. There will be: No secondary receipts out of path upstream of station 3104; No secondary receipts out of path upstream of station 3205; No secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke. In addition, Maximum Allowable Delivery Service will be in effect until further notice.

El Paso Natural Gas Company said that its linepack has stabilized at a manageable level through a combination of takes that more closely match receipts and injections into storage. The threat of Strained Operating

Conditions has been significantly reduced, but shippers should continue to make every effort to schedule their supplies in balance with their takes.



Florida Gas Transmission said that cold weather is forecasted in Florida tonight and Thursday morning. Therefore, FGT would like to notify their customers in its market area that there is the potential that it may issue an Overage Alert Day on one of the upcoming gas days.

Gulf South Pipeline said that based upon its initial review of nominations,

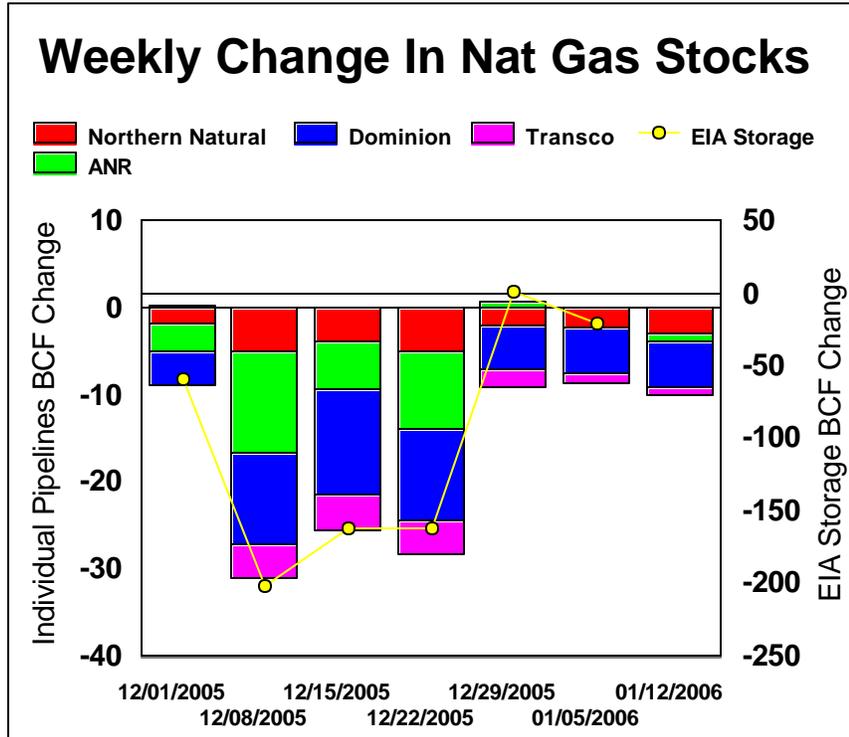
NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions on Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; Hall Summit; Koran Station; West 30 North; Barron (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 high on the South End of its system. Kern River requests that customers do not bank gas until further notice.

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; and Duke Energy Field Services.

PIPELINE MAINTENANCE

Alliance Pipeline said that the Olivia Compression Station will be offline for 12 hours starting at 9:00AM CT on January 18. This outage is to perform minor maintenance. AOS will be affected. The Olivia Compressor is located in Minnesota.



Gulf South Pipeline said that scheduled maintenance is complete on Unit #5 at the Goodrich Compressor Station and is continuing on Unit #3 until further notice. Capacity through the Goodrich Compressor Station with this unit unavailable could be affected as much as 75 MMcf/d during the duration of this maintenance. Gulf South Pipeline also said that it began performing unscheduled maintenance on the Hall Summit Compressor Station Unit #2 beginning immediately and continuing for approximately four days. Capacity through the Hall Summit Compressor Station could be affected by as much as 75 MMcf/d during the duration of this maintenance.

Williston Basin Interstate Pipeline Company said that maintenance is being performed on Unit #10 at the

Little Beaver Compressor Station through January 20. At current conditions, Williston does not anticipate any restriction to the system.

ELECTRIC MARKET NEWS

PNM Resources said it will buy a 305 Mw coal-fired power plant in Texas from Sempra Energy for \$480 million in cash, it a bid to expand its merchant generating fleet. In addition to buying the Twin Oaks power plant, which is about 150 miles south of Dallas, PNM will also assume several of the plant’s contracts. Under current agreements, the majority of the plant’s output is sold for the next five years. PNM’s purchase agreement also includes development rights for a possible 600 Mw expansion of the plant.

The U.S. FERC approved the California Independent System Operator’s request to increase its real-time market bid cap to \$400/MWh from \$250/MWh, but rejected the ISO’s switch to a “hard” bid cap. Further, FERC opened a proceeding to examine the possibility of increasing spot market price caps across the Western Electricity Coordinating Council.

ECONOMIC NEWS

Al Hubbard, White House economic advisor, said the U.S. economy should grow at a slower pace in 2006, by 3.3% to 3.4%, while unemployment continues to decline. Hubbard said the U.S. economy has been resilient in the face of high oil prices, but he was concerned about anything that would keep those prices elevated, including moves by OPEC to cut production. He stressed the importance for the U.S. to get more energy independence so we are not so vulnerable to decisions by OPEC or other geopolitical risk.

MARKET COMMENTARY

The natural gas market opened 3 cents stronger, following further support from the oil complex, but that was not enough to hold these levels, as unsupportive weather and large stocks weighed on this market. February natural gas traded as high as 9.24 early in the session before succumbing to fundamental pressures and breaching support levels at 9.00, 8.80 and 8.60. Spot natural gas traded to a new 5 month low of 8.505 before settling down 47.4 cents at 8.694.

Also factoring in on today's sell off is the expectation of another bearish storage report tomorrow. A Reuters survey estimates a withdrawal ranging from 15 to 55 Bcf, with the average being a 33 Bcf withdrawal. According to our model, we see a slightly larger draw of about 46 Bcf. Both scenarios will yield a storage surplus to year-ago storage levels, and with that much supply possible this time of year with each day being a little bit warmer, the lows had to be extended. If the report comes in line with expectations we can expect a bit of an upside correction, given the oversold position of the market. We see support at \$8.50, \$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.

U.S. Daily Heating Degree Days Basis Gas Customer Weighted Basis

