



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 19, 2006

NATURAL GAS MARKET NEWS

The U.S. FERC reported that above normal temperatures will have a significant effect on natural gas prices this winter. The extended period of mild temperatures from late December through the next week or two has brought natural gas down 40% from its record high of \$15.78 set in mid-December. FERC added that comfortable inventory levels and mild weather suggest that the natural gas supply appears to be adequate for U.S. needs through the winter.

The trade group for the natural gas utility industry does not expect Congress to pass a bill this year providing producers more access to gas reserves, because the warm winter has driven down prices and kept supplies in check. A cold winter might have driven lawmakers to make it easier for producers to tap gas reserves in the eastern U.S. Gulf of Mexico, Alaska, Wyoming and elsewhere, American Gas Association Chief Executive David Parker said.

FERC stood by its decision to reject, on safety grounds, KeySpan's plan to upgrade a LNG storage terminal in Rhode Island that would have accepted tanker shipments. KeySpan, the largest distributor of natural gas in the U.S. Northeast, wanted to convert an existing LNG storage facility to a terminal capable of receiving tanker shipments of LNG. Separately, FERC upheld an earlier decision to approve the Weaver's Cove LNG terminal project in Massachusetts. The Weaver's Cove terminal, which will be located in the town of Fall River about 60 miles south of Boston, will help meet the New England region's growing natural gas needs.

Owners of the Aux Sable natural gas liquids plant near Chicago said they had agreed to sell all the plant's output to BP under a 20-year deal aimed at guaranteeing the facility's profitability. Aux Sable, owned by Enbridge, Fort Chicago Energy Partners and Williams Cos processes liquid hydrocarbons stripped from natural gas that flows on the Alliance pipeline from northern British Columbia. Under the deal, BP will pay Aux Sable a fixed annual fee and percentage share of any net margin above set levels. BP will also pay the owners for all operating, maintenance and capital costs associated with the Chicago plant.

Generator Problems

ECAR— First Energy's 1,260 Mw Perry nuclear unit returned to full power this morning. The unit was operating at 84% capacity yesterday.

ERCOT— TXU Corp.'s 553 Mw Sandow #4 coal-fired power station is in start up mode following repairs that were made for a boiler tube leak.

MAIN— Exelon Corp.'s Quad Cities nuclear power station restarted both units following valve inspection. Both units remain offline, but unit #1 is operating at 12%, and unit #2 is operating at 1%.

SERC— TVA's 1,125 Mw Sequoyah #2 nuclear unit increased production to 22% capacity following maintenance. Yesterday the unit was operating at 13% power. Sequoyah #1 continues to operate at full power.

Canada— Bruce Power's 750 Mw Bruce A #3 nuclear unit returned to service following a brief outage began on January 17. All units are now available for service.

Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station shut for a short term planned outage.

Ontario Power Generation's 515 Mw Pickering B #8 nuclear unit returned to service early today. The unit shut January 15 for a short term maintenance outage to inspect controls of the unit's steam turbine.

The NRC reported that U.S. nuclear generating capacity was at 90,642 Mw up .39% from Wednesday and up .56% from a year ago.

Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station shut for a short term planned outage.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that effective today it will lift all secondary restrictions. Additionally, the Maximum Allowable Delivery Service will be lifted.

EIA Weekly Report

	01/13/2006	01/06/2006	Net chg	Last Year
Producing Region	752	760	-8	755
Consuming East	1460	1491	-31	1438
Consuming West	363	370	-7	307
Total US	2575	2621	-46	2500

Florida Gas Transmission said that cold weather is forecasted in northern Florida, and its linepack is low. 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.

Canadian Gas Association

Weekly Storage Report

	13-Jan-06	06-Jan-06	14-Jan-05
East	182.5	188.0	179.3
West	179.2	185.1	130.6
Total	361.7	373.2	309.9

storage figures are in Bcf

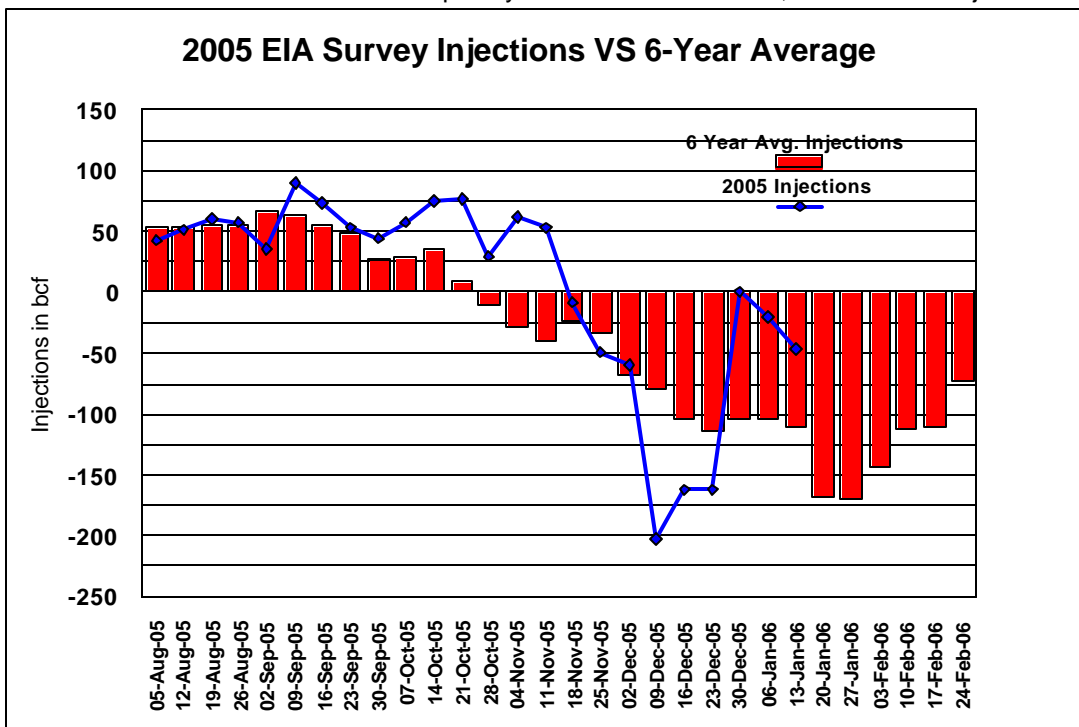
Kern River Pipeline said that linepack has returned to normal levels.

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

El Paso Natural Gas Company said that Line 1903 from Mojave Pipeline's Cadiz point to EPNG's Ehrenburg point is currently shut-in to facilitate the installation of temporary scrubbers. However, EPNG and Mojave are

absorbing the impact such that this outage will not affect service to shippers using firm capacity on that line. The installation work should be complete by January 20 and the line returned to service. Pigging of Line 1903 to obtain a baseline condition report as part of EPNG's Pipeline Integrity Program is scheduled for three days in January (24, 25 and 27) and one day in February (14). No impact to service is expected as a result of this



pigging.

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, continuing through January 21, and beginning again January 24 through January 26. The Lake Charles Area (Capacity Allocation Area 6) receipt capacity could be affected as much as 20 MMcf/d during this maintenance.

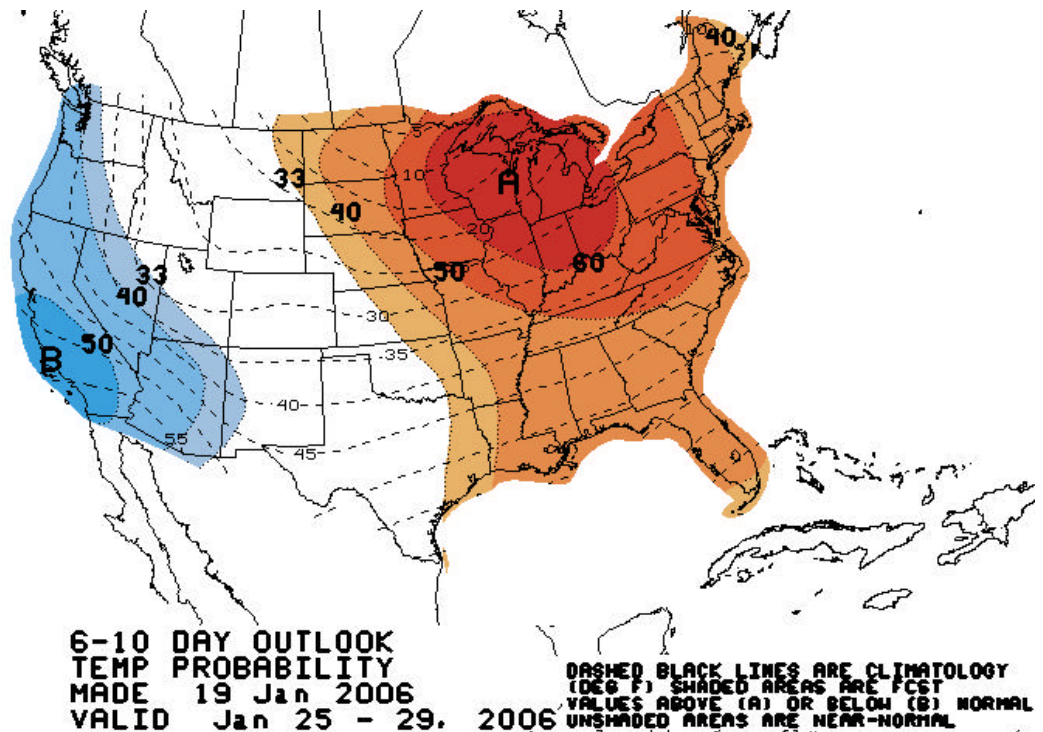
Northwest Pipeline announced that between January 15 and February 28 only two planned activities will have any expected impacts to customers. First, from January 31 to February 3, NWP will be replacing a compressor seal on unit #2 at Buhl CS, cutting flow from 583 MMcf/d to 496 MMcf/d. Second, on February 13, NWP will perform a MCC and unit #1 new auxiliary generator tie-in at Kemmerer CS, taking about ten hours and cutting capacity from a design of 653 MMcf/d to 639 MMcf/d.

Williston Basin Interstate Pipeline Company said that maintenance is being performed on Unit #3 at the Dickinson Compressor Station through January 19 at 5:00 PM MT. At current conditions, restrictions to the system are not anticipated.

ELECTRIC MARKET NEWS

WestConnect, a group of 11 southwest U.S. utilities, wants to improve the wholesale power market in the region, but will not likely form a regional transmission organization. WestConnect is focused on creating wholesale market enhancements, similar to RTO functions, that they can implement by contracts among transmission owners.

WestConnect's members decided that the Southwest power markets are generally fluid, so the benefits of forming an RTO are outweighed by the costs. Instead, WestConnect is in the early stages of considering bringing in an experimental regional transmission tariff to see if eliminating rate pancaking across the region would improve the wholesale market. WestConnect would need U.S. FERC approval for such a tariff.

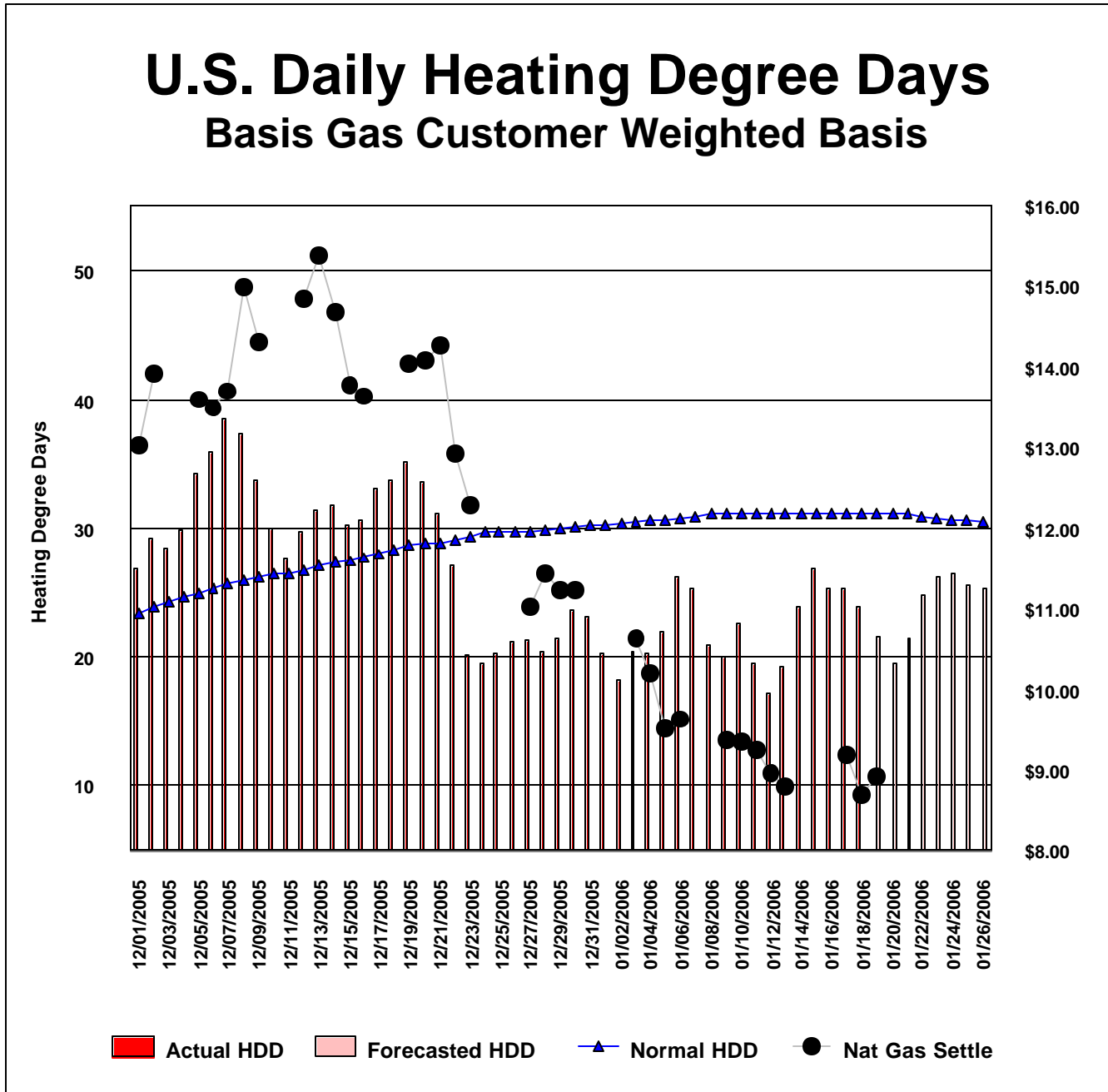


FERC issued rules to prevent a repeat of massive market manipulation by Enron Corp. and others during the 2000-2001 Western energy crisis. The rules, which Congress ordered FERC to issue as part of a \$14.5 billion energy bill passed last year, ban any manipulative or deceptive device or contrivance in the U.S. wholesale natural gas and electricity markets. The rules apply to all entities, not just public utilities and natural gas companies. FERC can now levy civil penalties of \$1 million per day per violation.

MARKET COMMENTARY

The natural gas market opened down 14 cents ahead of the much anticipate bearish EIA inventory figure. Wall street expectations had focused on a 33 Bcf draw, and our model suggested a higher draw of 46 Bcf. The actual

EIA figure did show that 46 Bcf of natural gas was drawn from storage and though that was slightly bullish of expectations, it is quite bearish historically for this time of year. The market initially shot down to a new 5 month low of \$8.46, but as news of Osama Bin Laden's audio tape reached the market, even the oil complex's bearish figures couldn't hold the energies lower. February natural gas bounced back above the \$8.60 level and traded sideways through the afternoon before rallying along with crude oil into positive territory. Natural gas spiked to a high of \$9.00 before the close, as the local ring traders were caught short and forced to cover, then settled up 21.1 cents at \$8.905.



Total stocks in storage now stand at 2,575 Bcf compared to last year at this time when they were 2,516 Bcf. That is 59 Bcf more natural gas in storage compared to last year, and 361 Bcf above the five-year average, with still no supportive weather in the forecasts. After a month of steady losses, the front month may be approaching a bottom as traders are just unable to push it significantly lower. The question remains though, when is too much inventory really too much inventory. Next week's inventory report we feel will show a 62-70 bcf draw down,

which would further increase the year on year surplus of natural gas in inventory. For the week ending January 21, 2005 stocks drew down by 230 bcf. Serious support exists at the \$8.25 level, where the 2005 bull market left off before the hurricane spikes. 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 support we see at \$10.50 and \$11.00.