



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 23, 2006

NATURAL GAS MARKET NEWS

After a month of well above normal temperatures, some winter cold might be ready to take hold in areas of the country over the next three months, according to Andover, MA-based WSI Corp. The weather forecasting firm said its seasonal outlook for the February-April period calls for cooler than normal temperatures in the northeastern states with warmer-than-normal temperatures elsewhere.

Legal and industry experts are disputing the results of an investigation conducted by *The New York Times*, which found that the federal government is undercollecting royalties from natural gas production on federal onshore and offshore lands.

Natural gas processing capacity in the United States grew 9% between 1995 and 2004 to 60,533 MMcf/d, but further increases in processing likely will be needed in regions of gas reserves growth, such as the Rockies, while decreases probably will be seen in the Louisiana Gulf Coast region, the Energy Information Administration (EIA) said in a new report titled "Natural Gas Processing: the Crucial Link between Natural Gas Production and Its Transportation to Market."

PIPELINE RESTRICTIONS

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.

Generator Problems

ERCOT— Texas Genco's 766 Mw Limestone #2 coal-fired power unit shut January 21 due to boiler tube leaks. The company said the unit would likely return to service in a few days.

AEP's 690 Mw Oklaunion coal-fired power unit will shut January 27 to repair the main boiler feed pump. The company said the unit would likely remain shut until February 8 for the work.

FRCC— FPL's 839 Mw St. Lucie #2 nuclear unit shut on January 20 due to indications of a tube leak in the condenser. On Friday, the unit was operating at full power. St. Lucie #1 continues to operate at full power.

MAIN— Exelon Corp.'s 864 Mw Quad Cities #2 nuclear unit ramped up to 85% capacity by early today. The unit was operating at 48% on Friday. Quad Cities #1 continues to operate at full power.

MAPP— Xcel Energy's 522 Mw Prairie Island #1 nuclear unit returned to full power by early Monday. The unit reduced power to about 40% of capacity to fix a leak in the condenser on the non-nuclear side last week.

SERC— TVA's 1,114 Mw Browns Ferry #3 nuclear unit exited an outage and ramped up to 91% of capacity by early today. Browns Ferry #2 continues to operate at full power.

Southern Co.'s 883 Mw Hatch #2 nuclear unit returned to full power by early today. The company reduced the unit last week for planned work on the feedwater heater. Hatch #1 continues to operate at 86%, the same as on Friday.

WSCC— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit exited an outage and ramped up to 26% of capacity by early today. Last week, the company shut the unit to install clamps to try to stop a pipe from vibrating. Units #2 and #3 continue to operate at full power.

Kern River Pipeline said that line pack is posted as normal on Kern Mainlines North, Middle, and South. However, the Common Facility to End of Facilities is listed as high.

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 has 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.

Generator Problems

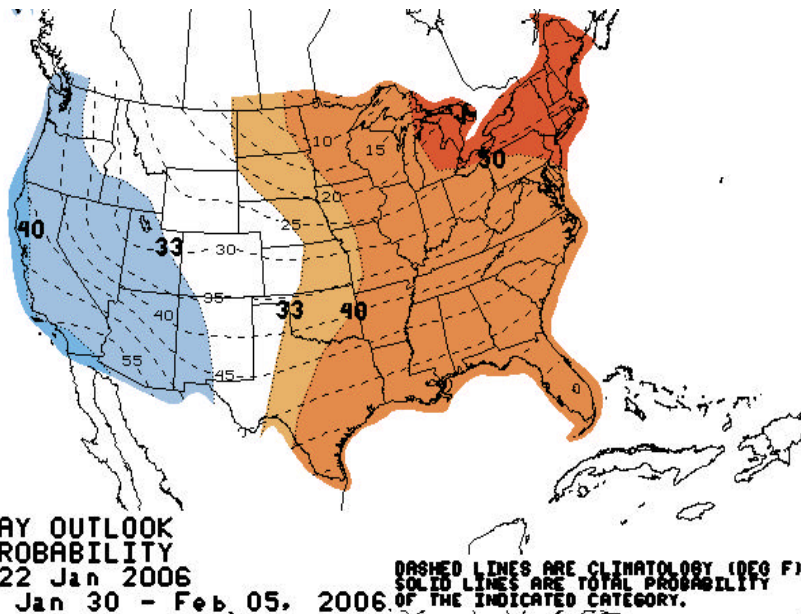
Canada— Ontario Power Generation's 881 Mw Darlington #4 nuclear unit shut for short-term maintenance on a water control line.

Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station returned to service by early today following a short maintenance outage last week.

The NRC reported that U.S. nuclear generating capacity was at 93,960 Mw up 1.58% from Friday and up 3.38% from a year ago.

PIPELINE MAINTENANCE

El Paso Natural Gas Company listed its preliminary schedule for maintenance projects during the month of February. On the North Mainline, Leupp 3C turbine will be down for mechanical inspection February 14-15. The North Mainline capacity will be reduced by 25 MMcf/d from a base capacity of 2,351 MMcf/c. On the San Juan Crossover, the ongoing Belen 2 compressor Force Majeure repairs will continue through February 10. Caprock 2 compressor will be down to replace fuel piping February 14. The San Juan Crossover capacity will be reduced by the following approximate amounts from a base capacity of 650 MMcf/d: February 1-10 – 35 MMcf/d; February 14 – 10 MMcf/d. On the Havasu Crossover, Alamo Lake 1 turbine will be down for mechanical inspection February 21-22. The Havasu Crossover capacity will be reduced by 40 MMcf/d from a base capacity of 670 MMcf/d.



Gulf South Pipeline said it will be performing scheduled maintenance on Bistineau Compressor Station Unit #4 beginning January 24, and continuing for approximately four days. Capacity through Bistineau Compressor Station with this unit unavailable could be affected as much as 200 MMcf/d during this maintenance, however with current nominations, capacity will not be affected.

National Fuel Gas said that the Boone Mountain compressor number one will be out of service for scheduled

maintenance from January 30 through February 14. However, this work is not anticipated to affect any services at this time.

Natural Gas Pipeline Company said that as of January 20, Station 812 in Atoka County, Oklahoma (Segment 16 of Natural's Texok Zone) had unit #1 unavailable for unscheduled repairs. Based on the current level of nominations, this outage will not impact scheduling transports on Segment 16. However, if Segment 16 nominations increase, scheduling may be necessary. These repairs should be completed by January 26.

Westcoast Energy said that it will be proceeding with the replacement of the Guttermouth valve on A Sulphur Train at the Pine River Gas Plant this morning. The work is anticipated to take approximately 12 hours,

beginning at 8:00 AM MT. The RGT Constraint to 61% of firm RGT Service availability will remain in place until the replacement of the Guttermouth valve is complete. There will be no interruptible RGT service available at this time.

ELECTRIC MARKET NEWS

Progress Energy said it has selected a site in North Carolina for a nuclear plant that, if built, would help it meet growing customer demand for electricity. The company has selected Westinghouse Electric Co. to supply the reactors. Progress Energy Carolinas has selected a site near New Hill, North Carolina. If approved by the federal Nuclear Regulatory Commission, and if a final decision to build is made by the company, construction could begin as early as 2010 and the plant could be online around 2016.

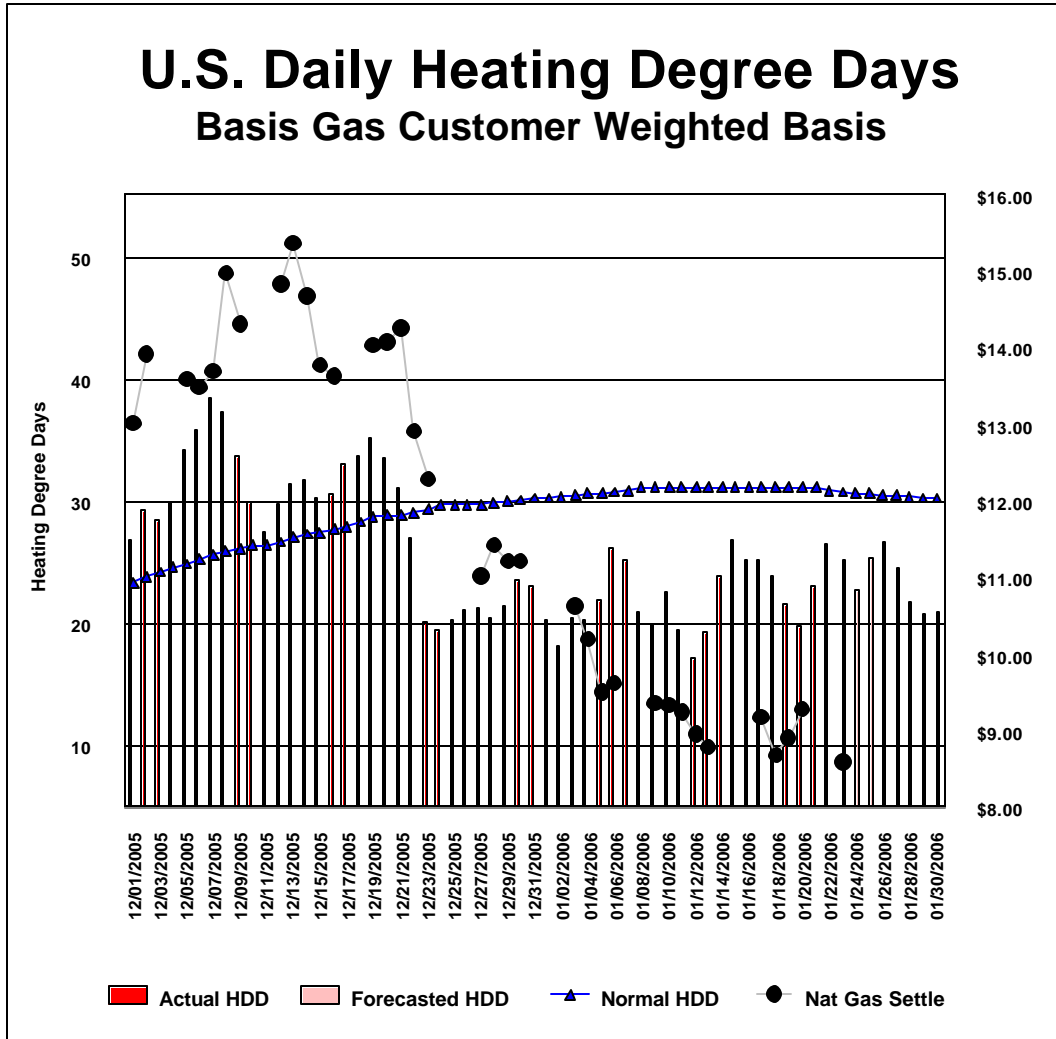
ECONOMIC NEWS

The U.S. Index of Leading Indicators rose 0.1% in December, just below market expectations for a 0.2% rise, after an upwardly revised 0.9% gain in November.

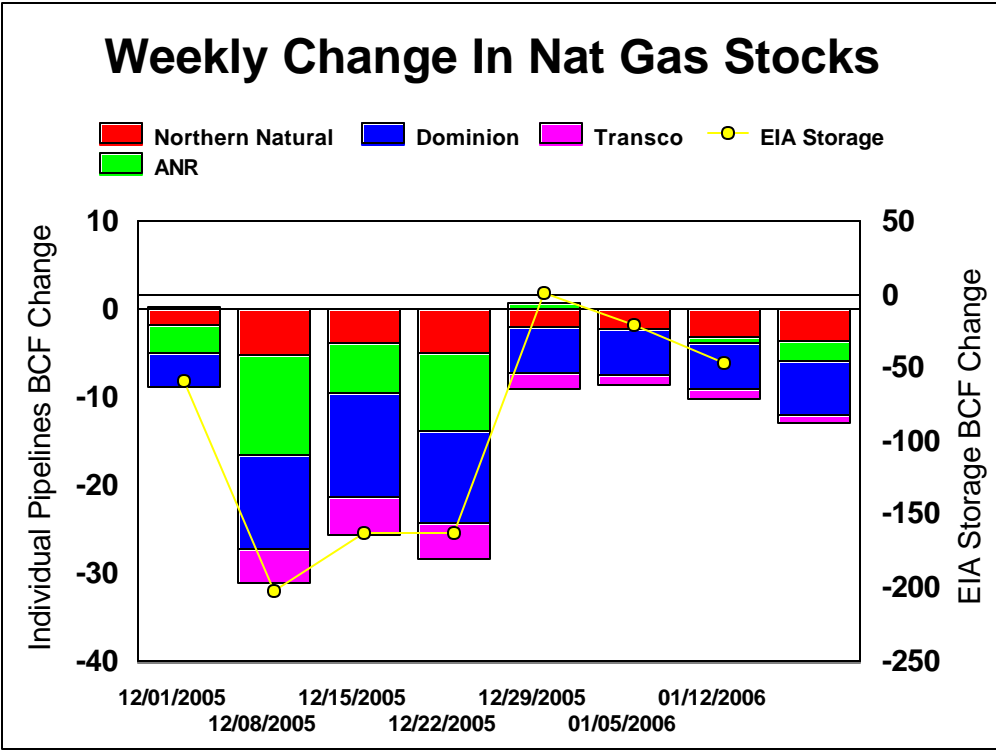
MARKET COMMENTARY

The natural gas market opened 88 cents lower today as long-term weather forecasts continue to show above normal temperatures for key consuming regions. Following a week focused on geopolitics and crude oil-inspired gains, market players turned their attention back to fundamentals. February natural gas traded as low as 8.31 early in the session and bounced slightly higher from there, trading mostly sideways. February traded as high as 8.62 before settling down 70.6 cents at 8.574.

Weatherwise, the strong Pacific flow is continuing to inhibit any major intrusions of Arctic air into the lower 48. This forecast now stretches into nearly the first full week of February. The winter is rapidly coming to an end for all practical purposes. Despite forecasts for some sporadic winter-like temperatures in the Northeast and Midwest, on the whole, the major consuming regions look as if they will escape the month of January with atypically light weather demand. It can still get cold, but at this point in the season the possible duration of cold is diminishing rapidly. Mother nature has become an incredible bear following a bullish summer and early winter.



We see support at \$8.25, \$8.12 and \$8.00. Further support we see at \$7.85 and \$7.49. We see resistance at \$9.00, \$9.40 and \$10.00-\$10.10. Further resistance we see at \$10.50 and \$11.00.



Early market expectations for Thursday's storage report appear to be running between a 20-90 bcf decline, with most estimates centering around a low 70 bcf decline. We currently are looking for a 61-68 bcf decline based on heating demand for the period being some 9.5% higher than the previous period.