



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 1, 2006

NATURAL GAS MARKET NEWS

MDA EarthSat Energy Weather updated its 30-60 day forecast and called for a cold February in the Eastern part of the United States, starting next week. The December cold should be a close benchmark to February, much closer than a super-warm January. December 2005 was 3 to 5 degrees Fahrenheit below normal across much of the Midwest and 2 to 3 degrees Fahrenheit below normal on the East Coast, but the first half of the month recorded sever cold periods.

Gulfstream Natural Gas System LLC on Wednesday began a month-long, non-binding open season to determine market interest in a compression expansion of its pipeline network that primarily serves the Florida market.

Kinder Morgan Louisiana Pipeline LLC has asked FERC to begin the pre-filing process for its proposed pipeline that would provide service from Cheniere LNG's 2.6 Bcf/d Sabine Pass terminal now under construction in Cameron Parish, LA.

FERC on Tuesday gave the go-ahead for El Paso Corp. subsidiary Southern LNG to begin service on an expansion of its Elba Island liquefied natural gas (LNG) import terminal in Georgia.

SGR Holdings LLC said Wednesday the sale of a 40% stake in the proposed 16 Bcf Southern Pines Energy Center, a new salt dome gas storage project located in Greene County, MS, to ArcLight Capital Partners has enabled the company to begin construction on the storage field. The first phase is expected to provide 8 Bcf of working gas capacity in summer 2007.

President Bush's State of the Union address Tuesday night was notable more for what it didn't say on energy policy -- it failed to make any reference to domestic oil and natural gas drilling.

PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack on Kern River has increased to high on the majority of the system. Customers are asked to take delivery of their scheduled quantities and not bank gas on the system

KM Interstate Gas Transmission said that it has the following capacity constraints on its system. SSC Grant will be unavailable for nominations, due to operational conditions. NGPL Barton will be unavailable for nominations, due to operational conditions. NNG Milligan is at capacity for delivered volumes. Authorized overrun, interruptible flow and secondary volumes are at risk of not being scheduled.

Generator Problems

SERC— Southern Nuclear Operating Co.'s 1,215 Mw Vogtle #2 nuclear unit decreased production to 77%. Yesterday the unit was operating at full power. Vogtle #1 continues to operate at full power.

Canada— Ontario Power Generation's 215 Mw Atikokan coal-fired power station shut over the weekend.

Ontario Power Generation's 515 Mw Pickering A #4 nuclear unit returned to service by early today. The unit shut January 20 for planned maintenance.

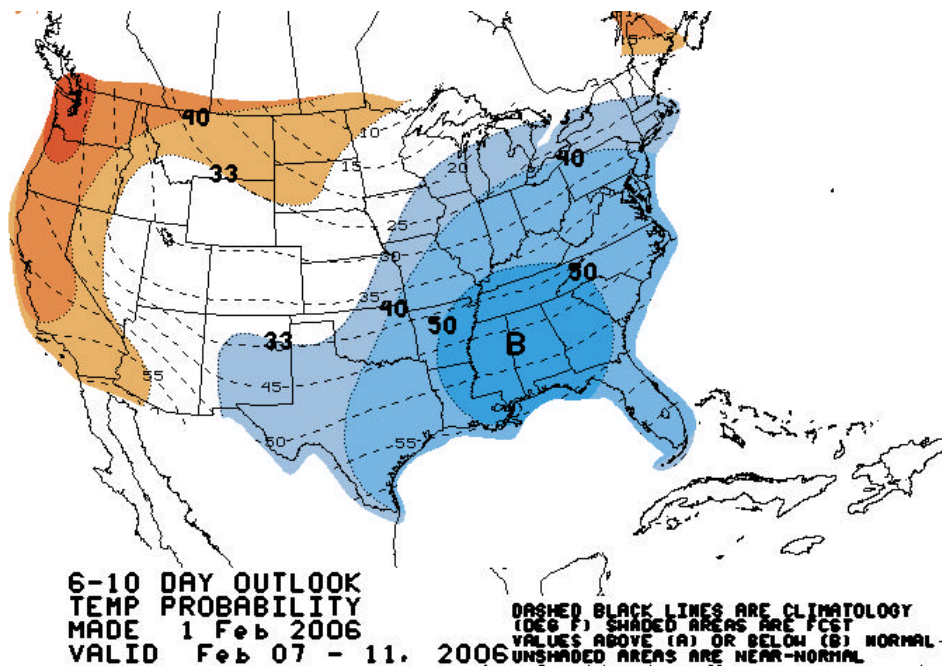
The NRC reported that U.S. nuclear generating capacity was at 92,962 Mw down .31% from Tuesday and up 2.41% from a year ago.

Texas Eastern Transmission Corp. said that it has 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

Gulf South Pipeline said that it will be performing scheduled maintenance on Index 430 on February 2. Gulf South Pipeline also said that the unscheduled maintenance on the Goodrich Compressor Station Unit #1 is complete. Scheduled maintenance on Goodrich Unit #3 is ongoing therefore the capacity through the Goodrich Compressor Station could be affected by as much as 75 MMcf/d during the duration of this maintenance.

Natural Gas Pipeline Company said that Unit #1 at Station 812 in Oklahoma (Segment 16 of Natural's Texok Zone) is unavailable because of unscheduled repairs. Based on the current level of nominations, this outage will not impact scheduling transports in Segment 16. However, if Segment 16 nominations increase significantly, scheduling may be necessary. These repairs should be completed by February 8.



TransColorado Gas Transmission said it will be performing maintenance at the Greasewood Hub on gas day February 9. During this outage, nominations at the Greasewood Hub (Segment 180), which includes the following points, will not be accepted:

- Questar/Greasewood,
- Williams/Greasewood,
- Canyon Gas/Greasewood,
- CIG/Greasewood.

Also, as this maintenance progresses, additional scheduled quantities may become available for the Intraday 2 cycle.

Williston Basin Interstate Pipeline Company said maintenance to replace

approximately 13.25 miles of mainline on the Cabin Creek to Williston Line will be performed on February 8. Receipts in Line Section 6 may potentially be affected depending on quantities nominated. Also, maintenance will be performed at the Morgan Creek Compressor Station February 6 through February 9. At current conditions, Williston does not anticipate any restrictions to the system.

MARKET COMMENTARY

The natural gas market opened 25.4 cents stronger today as private forecasters called for cold weather for the month of February. The market rallied to a 4week high of 9.82, supported by crude oil, which shrugged off its slightly bearish inventory numbers. However in the last hour of trading, rumors spread across the floor that forecasters were backing off the cold outlook for the 11-15 day period and local traders, who were caught long, dumped their positions quickly. Along with the locals, funds jumped in selling, and the front month dumped more than a dollar in only one hour. The March contract traded to a low of 8.70 just before settling down 59.3 cents at 8.723.

With the crude oil market topping out at 69.00 today and then ending the day down 1.36, there was a clear technical move as failed momentum caused the markets to loose traction at their relatively high levels. With crude threatening 70.00, natural gas was looking at \$10.00 but as both failed, fund traders laid into the market and the recent long positions that had been established bailed quickly. Even with cold on the way, we are too far through the winter to seriously worry about supply, and with tomorrow's EIA inventory report expected to be

another sub par withdrawal, traders felt weary of being so far off the lows and pressured the market. Street expectations for tomorrow's report range from a 75-97 Bcf draw, with most calling for a draw in the upper 80s. Our model expects a withdrawal on the lower end, 76 Bcf. Though tomorrow's inventory report is expected to expand the surplus to the five-year average yet again, the cooler temperatures coming next week might result in technical buying as this market dips. We see support at \$8.66, \$8.45-\$8.50 and \$8.30. Further support we see at \$8.02 and \$7.85. We see resistance at \$9.82, \$9.95 and \$10.00. Further resistance we see at \$10.82.