



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR FEBRUARY 7, 2006

NATURAL GAS MARKET NEWS

The EIA Short Term Energy Outlook for February 2006 reported that total natural gas demand in 2006 is projected to remain near 2005 levels, then increase by 2.3% in 2007. Residential demand, in particular, is projected to slip somewhat from 2005 levels in 2006 and then increase by 3.3% in 2007. Demand for natural gas for generation of electricity is expected to fall by 2.1% in 2006 because of the warm January and the assumed return to normal summer weather, then increase by 2.2% in 2007. However, strong growth in natural gas-intensive industrial output is expected both this year (3.1%) and next (2.2%). Domestic dry natural gas production in 2005 is estimated to have declined by 2.7%, owing mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico. Dry gas production is projected to increase by 3.0% in 2006 and 1.3% in 2007. Total LNG imports are projected to increase from their 2005 level of 630 Bcf to 840 Bcf in 2006. LNG imports in 2007 are expected to reach 1,070 Bcf.

The EIA also released their Natural Gas Monthly for the month of November this morning. It showed that domestic production in November was up 6% from October levels to 47 bcf/d but still 7.5% below year ago levels and some 8.2% less than August monthly production levels. Net imports in November reached 10 bcf/d up 2.3% from October and 6.7% better than year ago levels for November. LNG imports averaged 1.93 bcf/d during the month of November basically unchanged from October. The EIA estimated working gas in storage at 3.189 tcf, some 19 bcf less than extrapolated from the weekly storage data for the same time period. On the demand side, total U.S. consumption of gas was down in November versus year earlier levels, by 5.4%. Residential, commercial and industrial sectors all posted year on year declines of 4.9%, 4.7% and 12.7% respectively. Only the electrical power sector continued to see year on year growth, posting a 5.6% gain versus November 2004.

Citing the continued high cost of natural gas, two U.S. senators are seeking a Senate committee hearing on the status of the Alaska natural gas pipeline project. Maine Republican Senator Olympia Snowe and Iowa Democrat Senator Tom Harkin said that they are troubled that negotiations between Alaska natural gas producers and the state of Alaska still have not yielded an agreement, even as consumers are paying sky-high natural gas prices. Noting that a congressionally mandated Department of Energy review of the pipeline's progress is approaching, Snowe and Harkin urged the committee to take a lead role in examining the situation.

Heartland Gas Gathering announced that it has completed construction of a gas gathering, processing, and transmission system that will allow the company to sell coalbed methane, shale gas, and conventional gas

Generator Problems

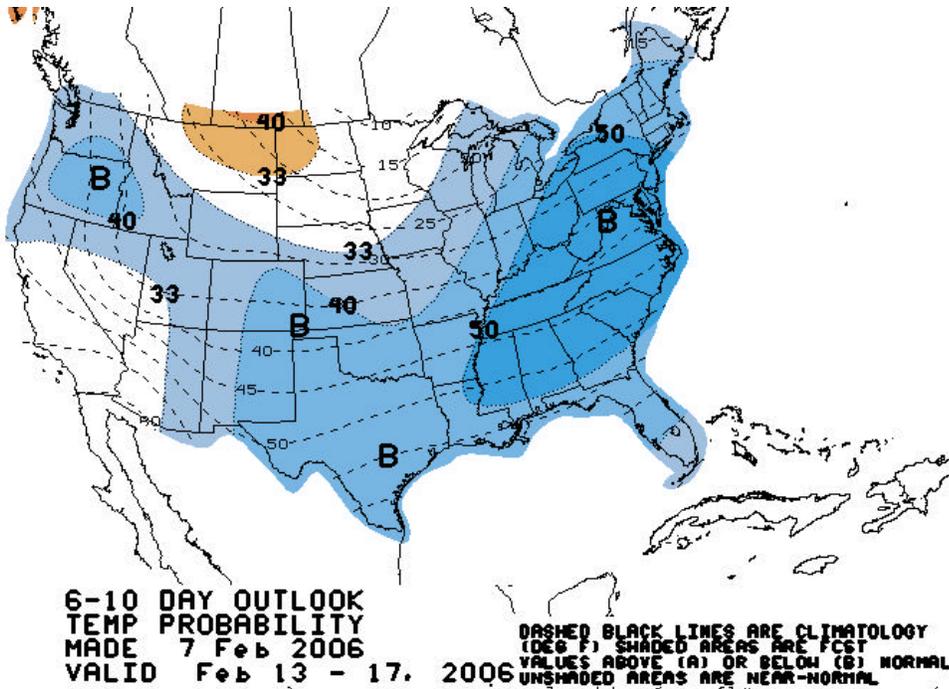
ERCOT— AEP's Welsh #2 coal-fired power plant is in start up following repairs to the boiler.

NRG Energy's 646 Mw WA Parish coal/natural gas-fired power station will start up on February 8-9 following an unplanned maintenance outage.

MAAC— First Energy Nuclear Operating Company's 821 Mw Beaver Valley #1 nuclear unit will shut on February 13 to begin an extended refueling and maintenance outage. The unit was operating at 99% this morning down from full power yesterday. Beaver Valley #2 continues to operate at full power.

WSCC— Southern California Edison's 1,054 Mw Mountainview natural gas-fired power unit returned to near full service yesterday afternoon. The unit was operating at about half power Sunday afternoon for unplanned reasons.

The NRC reported that U.S. nuclear generating capacity was at 91,635 Mw down .023% from Monday and up 2.18% from a year ago.



produced from the area. The pipeline and associated facilities transport, process and compress the company's gas for delivery into a sales line operated by Enbridge Marketing.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said it will be lifting Maximum Allowable Delivery Service beginning for gas day February 7.

Egan Hub Storage, a division of Duke Energy, is advising its customer that it is experiencing a period of high delivery activity to the Columbia Gulf interconnect. Restrictions of interruptible services 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 at West 30-inch North (Capacity Allocation Areas 9, 10); and Hall Summit. Hall Summit includes East Texas (Capacity Area 8); Capacity Area 7 Locations Index 266; Koran Area Index 269; Koran Station Index 218, 219, 228, 229, 244.

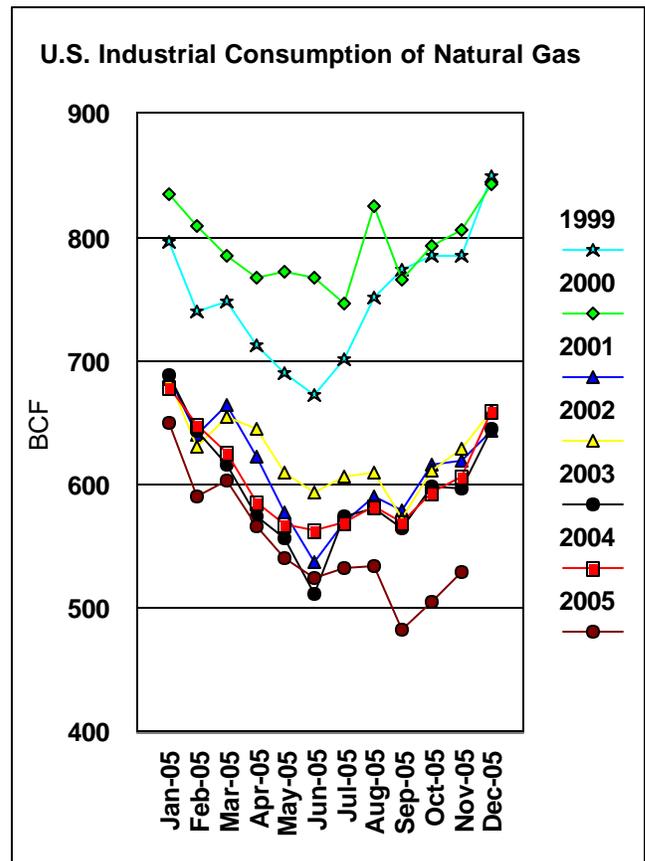
Kern River Pipeline said that line pack remains high on the entire Kern River system. Customers are asked to take delivery of their scheduled quantities and not bank gas on the system.

Natural Gas Pipeline Company said that effective today and until further notice, Trunkline Lakeside (PIN 900548) has limited capacity available for deliveries. Limited ITS/AOR and Secondary Firm transportation are available. Trunkline Lakeside is located in Cameron Parish, Louisiana (Segment 23) in Natural's Louisiana Receipt/Delivery Zone.

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

El Paso Natural Gas Company said its Belen #1 turbine in New Mexico would be taken out of service Tuesday and Wednesday due to a problem with the oil pump. Due to the outage and ongoing work on the Belen #2 as well as the Caprock compressor also in New Mexico,

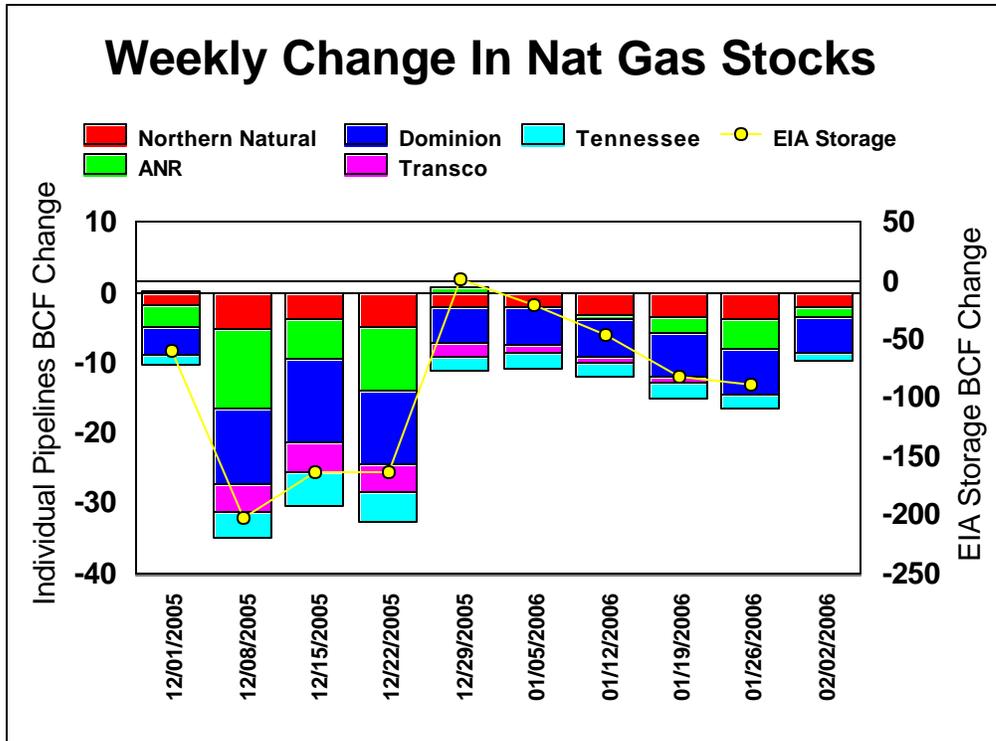


capacity at the San Juan crossover would be reduced from a bas capacity of 650 MMcf/d by 85 MMcf/d on Tuesday and by 35 MMcf/d February 8-15. Belen #2 will remain out of service through February 15 due to a force majeure outage caused by delays in manufacturing replacement compressor components. The Caprock compressor will shut Wednesday to replace fuel piping.

Gulf South Pipeline said that the unscheduled maintenance on the Hall Summit Compressor Station Unit #1 is complete. Capacity through the Hall Summit Compressor Station was affected by as much as 75 MMcf/d during the unscheduled maintenance, which began February 1.

ELECTRIC MARKET NEWS

The EIA Short Term Energy Outlook for February 2006 reported that Electricity demand is expected to increase by 0.5% in 2006 and by an additional 2.0% in 2007 due mainly to weather conditions and continuing economic growth. Electricity demand in the first quarter of 2006 will be an estimated 899 billion kilowatt hours, sharply lower than the 945 billion kilowatt hours previous forecast. Projected regional 2006 electricity prices to the residential sector range from 7.9 cents per kwh in the East South Central region to 13.9 cents per kwh in New England. On average, residential electricity prices in 2007 are expected to remain near 2006 levels.



Sempra Energy produced power from its 550 Mw Palomar natural gas-fired power plant, which is still slated to open for commercial power before peak summer demand. The plant will continue to test up to the time it opens full time. The power produced during testing goes on the grid. The price of the plant is about \$410 million.

MARKET COMMENTARY

The natural gas market opened 12.5 cents lower as the coming cold weather pattern continues to be questioned, and the petroleum market continues its sag. The front month contract traded to a new six-month low of 7.70 by midday as natural gas cautiously moves into territory it has not seen since last summer. Natural gas had a relatively modest day compared to the other energies, with crude oil down over \$2.00 and heating oil down over 7 cents. Natural gas rebounded in the latter half of the session to finish the day down just 13.7 cents at 7.858.

Anticipation of another low withdrawal from storage, on Thursday's report, has this market selling with the cold forecasts being shrugged off as too little too late. With market players also expecting builds in the petroleum complex tomorrow, that will further dwindle any bullish ideas. The heavy short market players are leaning on this market, with the next downside target being in the mid 7.00's. We see support initially at \$7.70, \$7.50, and \$7.03, a low from July 2005. Further support we see at \$6.62. Upside targets we peg at \$8.00, \$8.17-\$8.26, and \$8.745. Further resistance we see at \$9.82.

Market expectations for Thursday's natural gas storage report are running between 40-80 bcf. Our estimate though is a bit smaller with only a 36 bcf draw down given that we estimate last week's heating needs for gas was the smallest since the week of January 5th when the holiday depressed industrial demand yielded only a 20 bcf draw.

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

