



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 10, 2006

NATURAL GAS MARKET NEWS

American consumers are paying for the most expensive winter on record, but consider how much worse it might have been. After the hurricanes slammed into the Gulf coast leaving 80% of production shut-in as winter approached, natural gas climbed to record highs. However, with the warmest January in recorded history, those prices have fallen 50%. Yet heating bills remain up 24% from last winter and 57% above the average from 1999 through early 2004. American households can expect to pay \$920 this winter to heat their homes with natural gas.

MDA EarthSat reported that while February temperatures should still average below normal in the U.S., the cold expected after a warmer-than-normal January has gotten off to a slow start. EarthSat expects February will average below normal temperatures and be somewhat similar to December's outcome in the Eastern U.S.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 19 to 1,532 in the week ended February 10. The number of rigs searching for gas rose 10 to 1,323.

The Chicago Mercantile Exchange announced that they will begin trading snowfall futures and options contracts later this month. The new product will trade electronically starting February 26 and should help cities manage risk associated with snow accumulation. Insurance companies, retailers and other businesses with a lot riding on the weather also can use the futures to hedge their risk.

Public testimony from North American native tribes on the value of lands and the determination of right-of-way will be held March 7-8 in Denver. The testimony will have implications on talks involving El Paso Natural Gas and the Navajo Nation regarding gas pipelines on Navajo land.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that there will be: no secondary out of path receipts upstream of station 3104; no secondary out of path receipts upstream of station 3205; and no secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke.

Generator Problems

ERCOT— AEP's Welsh #1 coal-fired power unit will shut down for scheduled maintenance on auxiliary equipment.

MAAC— FirstEnergy Nuclear's 821 Mw Beaver Valley #1 will be shutting February 13 to begin an extended refueling and maintenance outage. The unit is operating at 98% capacity, down from 99% yesterday. Beaver Valley #2 continues to operate at full power.

MAIN— Dominion Resources' 539 Mw Kewaunee nuclear unit dipped to 39% of capacity by early today to clean and inspect the main condenser. Yesterday, the unit was operating at full power.

SERC— Entergy Corp.'s 968 Mw River Bend nuclear unit dipped to 46% of capacity by early today as it approaches an outage to perform planned inspections. Yesterday, the unit was operating at 75% capacity.

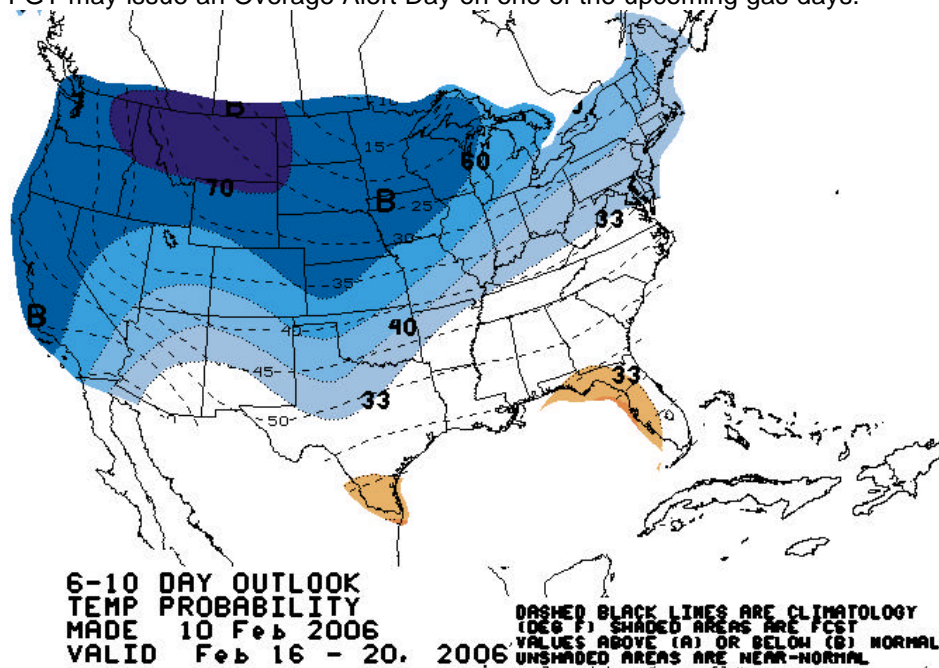
Southern Nuclear Operating Company's 838 Mw Hatch #1 nuclear unit will shut next week for a refueling and maintenance outage.

Canada— Bruce Power LP's 790 Mw Bruce B #8 nuclear unit shut by early today for a two month maintenance outage.

Ontario Power Generation's 490 Mw Nanticoke #3 coal-fired power station shut early today.

The NRC reported that U.S. nuclear generating capacity was at 91,088 Mw down .57% from Thursday and up 2.21% from a year ago.

Florida Gas Transmission said another cold front is forecasted to move into central Florida over this upcoming weekend. Therefore, FGT would like to notify their customers in the Market Area that there is the potential that FGT may issue an Overage Alert Day on one of the upcoming gas days.



Northwest Pipeline is warning customers of the possibility of an entitlement period and/or Operational Flow Order through it Kemmerer compressor station. For the month of February, north-flow volumes through Kemmerer compressor have consistently scheduled an average of 38 MMcf above design capacity. For gas day February 9, scheduled volumes reached 48 MMcf above design capacity.

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.

Transcontinental Gas Pipe Line Corporation said that until 5:00 PM CT March 23, it will receive requests for firm Part 284 transportation service under its Rate Schedule FT for up to 15 MMcf/d on its South Virginia Lateral from Station 165 to Emporia. This capacity will become available August 1.

PIPELINE MAINTENANCE

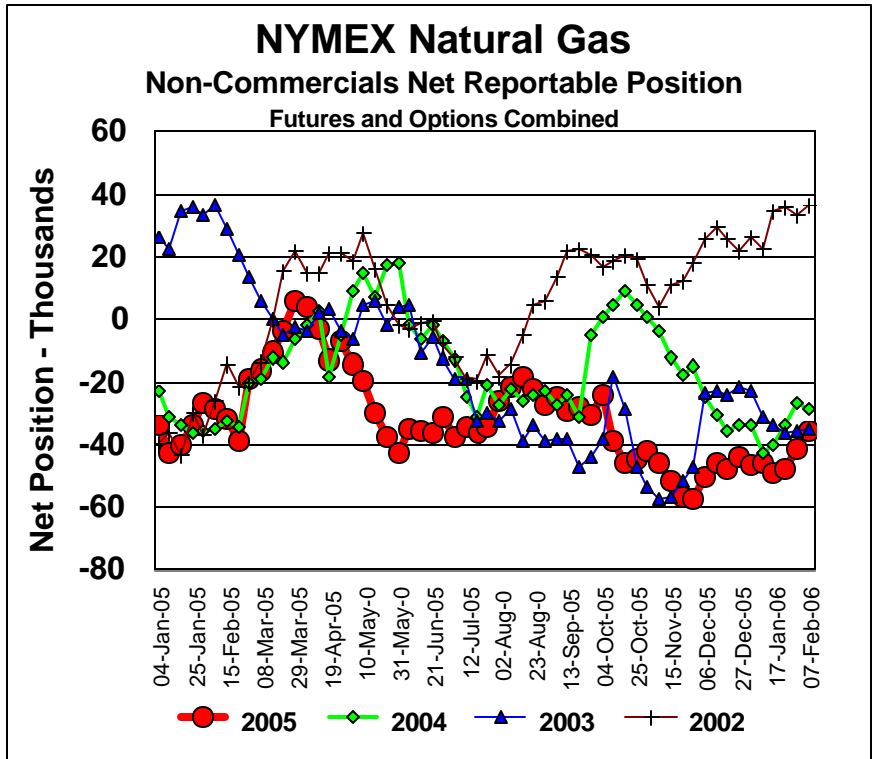
Gulf South Pipeline said that it will be performing unscheduled maintenance on all units at the Carthage Junction Compressor Station beginning immediately until further notice. Capacity through Carthage Junction Compressor Station with all units unavailable could be affected as much as 75 MMcf during this maintenance, however with current nominations capacity should not be affected

Gulf South Pipeline said that it will be performing scheduled maintenance on the Longview #2 Compressor Station Unit #1 beginning February 14, and continuing for approximately one week. Capacity through the Longview Compressor Station with this unit unavailable could be affected as much as 25 MMcf/d during this maintenance; however with current nominations capacity should not be affected.

ELECTRIC MARKET NEWS

Utility operator Scana Corp. said it has notified the U.S. FERC that it improperly utilized certain kinds of transmission services for the purchase and sale of electricity. Scana said its actions were in violation of a FERC order and consent agreement. The company said there were about 1,200 transactions since August 8 of last year that could be potentially found in violation of FERC rules. Scana said it could potentially face penalties of up to \$1 million per violation or per day since August 8.

BP and Edison International said they plan to team up on a \$1 billion hydrogen-fueled power plant in southern California. The plant, near the BP refinery in Carson 20 miles south of Los Angeles, would come online by 2011 and generate 500 Mw of electricity, about enough to power 325,000 homes. The plant would be the first in the U.S. to use a process that produces clean-burning hydrogen from petroleum coke, a residue from refining crude oil. Carbon dioxide is still produced in the process, but rather than being released into the air, about 90% of the gas would be trapped and injected into a natural reservoir thousands of feet underground, where it would stimulate additional oil production.



The market for Sulfur Dioxide emission credits has lost more than a third of its value since it touched an all-time high of \$1,630/ton on December 9 in line with a 50% slide in natural gas prices as winter weather turned unseasonably mild. The spot price for SO₂ was \$950/ton on Friday.

Ontario will build a natural gas-fired power plant on Toronto's waterfront to prevent blackouts as electricity demand peaks in the hot summer months. The province says it has directed the Ontario Power Authority to build the Portlands Energy Center, which will produce 550 Mw of clean gas-fired power to downtown Toronto when it is completed in two years time at an estimated cost of C\$700 million.

MARKET COMMENTARY

The natural gas market opened 7 cents stronger helped by cold temperatures and forecasts of snow in the Northeast, but that did not stop the bears from leaning on this market. Natural gas immediately began to slump, trending to a new 6-month low of 7.25, where it found support and bounced up to the 7.40 level by midday. Quiet trading at the end of the session saw natural gas finish down 16.3 cents at 7.316.

Despite firmer cash markets ahead of the cold, traders are waiting to see how long the cold will last before rushing in to buy this market. Quite simply, the market is dealing with the worst inventory fundamentals on record. To drop to 1,600 Bcf by the end of March, withdrawals must exceed the 5-year average by over 13% every week. With that unlikely, there really is a serious storage issue looming in the September and October time frame. Demand must return, or supply must be curtailed. The Commitment of Traders report showed that non-commercial traders increased their net short position in the futures only by 3,338 contracts, and in the combined futures and options report, decreased their net short position by 5,663 contracts. We see support at \$7.22-\$7.25, \$7.12, and \$7.03. Further support we see at \$6.90, \$6.02 and \$5.938. To the upside, we see targets at \$8.00, \$8.12 and \$8.17-\$8.26. Further resistance we see at \$8.745, and \$9.82.

