

W The Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

POWER MARKET REPORT FOR MARCH 17, 2006

NATURAL GAS MARKET NEWS

Henry Hub gas prices should average about \$6.43/MMBtu this year, down about \$2.37 from 2005 prices, mainly because storage is likely to end the heating season April 1 about 320 Bcf above 2005 levels, making for an easy injection season, according to consulting firm Energy and Environmental Analysis Inc.

The Senate on Thursday approved a \$2.8 trillion budget resolution that sets the stage for legislation authorizing drilling in the Arctic National Wildlife Refuge (ANWR), but the prospects for the inclusion of ANWR in the House budget appear bleak.

Amerada Hess said the Sea Robin processing plant in Louisiana began to process natural gas again on Thursday as it ramped up following damage from one of last year's major hurricanes. Sea Robin is capable of processing up to 750 MMcf/d but had been processing only about 439 MMcf/d before Hurricane Rita hit the Gulf Coast in late September.

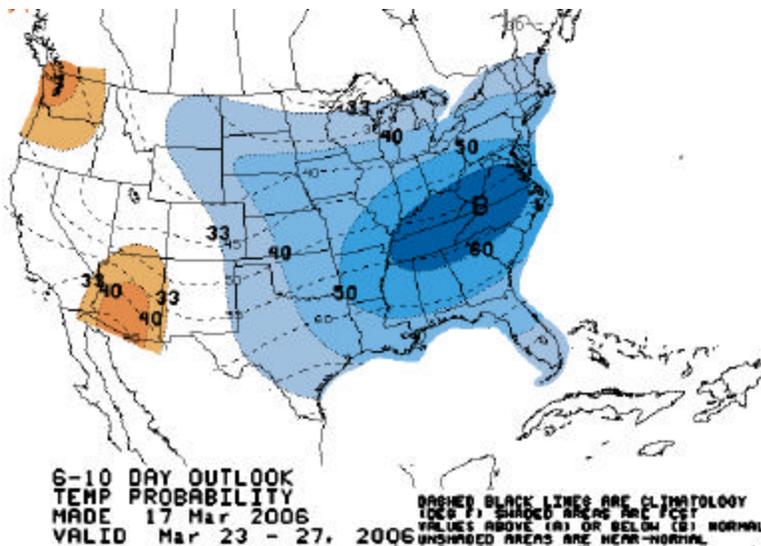
Generator Problems

MAPP— Nebraska Public Power District decreased production at its 800 Mw Cooper nuclear unit, cutting the plant's output to 87% capacity as of today. The unit was operating at full power yesterday.

NPCC— Entergy's 655 Mw Pilgrim nuclear unit ramped output to 75% by early this morning. Yesterday the unit was operating at 49% after exiting an outage begun earlier in the week.

SERC— Progress Energy's 937 Mw Brunswick #2 nuclear unit ramped production to 90% capacity by early today. The unit was operating at 65% for the past couple days. Brunswick #1 is shut for a refueling.

The NRC reported that U.S. nuclear generating capacity was at 84,015 Mw up .16% from Thursday and up .94% from a year ago.



Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 14 to 1,546 in the week ended March 17. The number of rigs searching for natural gas rose three to 1,295.

PIPELINE RESTRICTIONS

Texas Eastern Transmission said 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. In addition, Tetco also has restricted and sealed receipts sourced between Mt. Belvieu and Little Rock. No increases in receipts sourced between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at Monroe Station. Increases in receipts

sourced from the following meters at Monroe will not be accepted: Gulf South Pipeline; CenterPoint Gas Transmission; and Duke Energy Field Services.

PIPELINE MAINTENANCE

Kern River Pipeline said that Southern California Gas Company posted a notice canceling the second phase of the work scheduled in the San Joaquin Valley on Line 225. This means that effective immediately there will no longer be a reduction in capacity at Wheeler Ridge due to this maintenance.

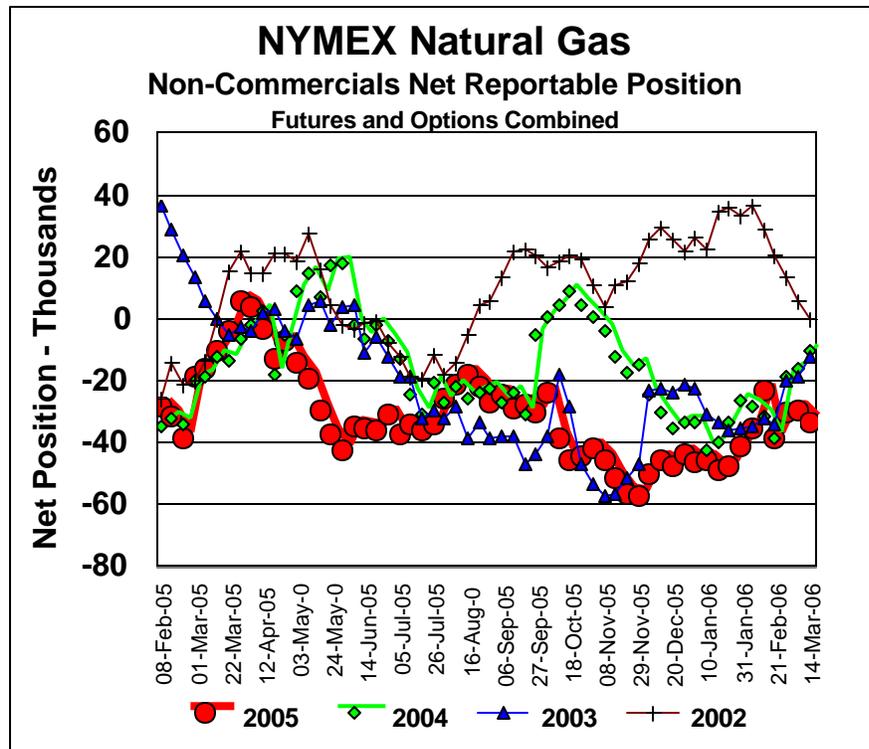
Williston Basin Interstate Pipeline Company said that unplanned maintenance at the Baker South Compressor Station will affect Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline by approximately 750 thousand cubic feet for gas day March 17. The work is expected to conclude at noon today.

ELECTRIC MARKET NEWS

The FERC conditionally approved a proposal by two Kentucky utilities to withdraw their transmission facilities from the Midwest ISO. Louisville Gas and Electric Co. and Kentucky Utilities Co. will withdraw from the Midwest ISO and will delegate transmission tariff administrative duties to the Southwest Power Pool, serving as an Independent Transmission Organization. The proposal also calls for the federal Tennessee Valley Authority to serve as the companies' reliability coordinator.

MARKET COMMENTARY

The natural gas market opened 9.7 cents lower as storage supplies weighed on this week's market gains. A sinking crude oil market also helped dissuade any fresh buying. The low volume session saw April natural gas trade between 7.27 and 7.04 as market players consolidated the week's activity. In the first positive week in 2 months, natural gas rose 15.3 cents and traded as high as 7.37 as technical buying and a bit of cool weather brought a correction to a fundamentally bearish market. The April contract finished the day down 21.4 cents at 7.053.



The front month contract is currently caught in a tug of war between bearish fundamentals versus somewhat supportive technicals, an uncertain petroleum complex and propensity for a pre-summer rally. With these factors affecting the market, we need to wait for a clearer picture of what summer demand is going to be like and how the injection season will take shape. If the temperature-adjusted supply/demand balance is roughly equal to last year, then a repeat of last year's very bullish weather patterns would result in nearly the same injection of over 2 Tcf, but there is not room for that given the glut of current supplies, so must change, supply must be reduced or demand increased. The Commitment of Traders report showed that non-commercial traders decreased their net short futures position by just 93 contracts, and increased their combined futures and options net short position by 3,749 contracts. We see support at \$6.95-\$7.00, \$6.83, and \$6.69. Further support we see at \$6.45-\$6.50, \$6.18 and \$6.00. We see resistance at \$7.27, \$7.40 and \$8.00.