



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 28, 2006

NATURAL GAS MARKET NEWS

The Department of Transportation has issued an advisory bulletin urging owners and operators of liquefied natural gas plants to be vigilant in securing their facilities in the wake of the breach at KeySpan Corp.'s Lynn, MA, storage site in August.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that due pipe makeup nominations will be accepted until further notice. Shippers should take immediate steps to resolve any due shipper imbalance.

ANR Pipeline Company said that due to emergency work at its Havensville Compressor Station in Kansas in the Southwest Southern Fuel Segment, ANR will reduce the total capacity by 50 MMcf/d (leaving 670 MMcf/d available) from December 27 through January 1. Based on current nominations through the SWML, it is anticipated that the above reductions will result in the curtailment of firm secondary and IT nominations.

East Tennessee Natural Gas said that no due pipe makeup nominations will be accepted until further notice. Shippers should take immediate steps to resolve any due shipper imbalance.

Canadian Gas Association

Weekly Storage Report

	22-Dec-06	15-Dec-06	23-Dec-05
East	229.5	230.6	198.7
West	189.9	190.7	193.4
Total	419.4	421.3	392.2

storage figures are in Bcf

Texas Eastern Transmission Corp. said that no due pipe makeup nominations will be accepted until further notice. Shippers should take immediate steps to resolve any due shipper imbalance. Shippers and point operators should ensure they are flowing at scheduled volumes and take immediate action to alter flow or change nominations so as to remain balanced. Tetco will force balance TABS-1 pools as required.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said that planned maintenance will be performed at the Fort Peck Compressor Station from January 3 to January 26. Maximum capacity at the Fort Peck Compressor Station will be approximately 22.6 MMcf/d on the following days: January 3, 4, 10, 11, 12 and 22 through 26.

ELECTRIC MARKET NEWS

High winds gusting between 55-75 mph swept through the northern and central Pacific coasts as well as the Bay Area, knocking down trees and blowing branches and debris into power lines. The result was service interruptions to more than 516,000 Pacific Gas and Electric Company customers. As of 5:00 PM ET yesterday, utility crews had restored power to 409,000 customers, or 79%. Winds are expected to continue, which could cause further outages to customers as far south as Kern County. As a result of this winter's first major storm,

Generator Problems

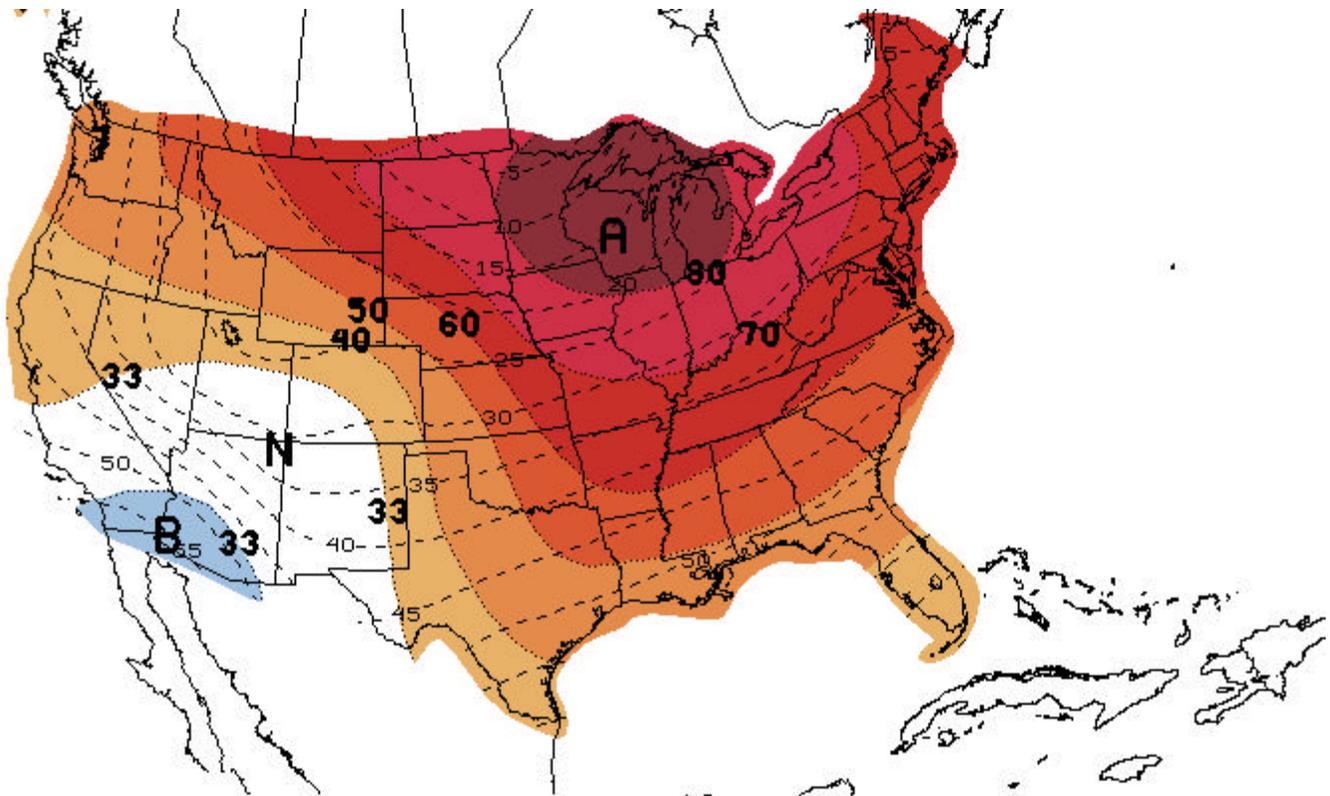
MAAC – Exelon's 636 Mw Oyster Creek nuclear unit is operating at a reduced 80% capacity today. Yesterday, the unit was operating at full power.

SERC – Dominion Resources' 800 Mw Surry #1 nuclear unit remains at reduced output of 80%. Surry #2 remains at full power.

Entergy Nuclear's 1,091 Mw Waterford nuclear unit has restarted following a refueling outage and has ramped up to 48% capacity.

WSCC – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit remained at 29% power today. San Onofre #2 remains at 99% power.

The NRC reported that 93,212 Mw of nuclear capacity is on line, up .41% from Wednesday, but 1.14% lower from a year ago.



**6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 28 Dec 2006
VALID Jan 03 - 07, 2007**

**DASHED BLACK LINES ARE CLIMATOLOGY
(DEG F) SHADED AREAS ARE FCST
VALUES ABOVE (A) OR BELOW (B) NORMAL
UNSHADED AREAS ARE NEAR-NORMAL**

more than 2,000 separate locations have been impacted to date, with damages to 39 poles and roughly 44 miles of power lines.

Electric rates are rising next month for about 130,000 Duke Energy Kentucky customers in the northern part of the state, compliments of an order by the Public Service Commission. Under the order, increases will vary, ranging from about 16% for residential customers to about 21% for commercial-and-industrial customers. The monthly bill for a typical residential customer using 1,000 kWh will increase to \$76.84/month from \$65.89/month. Even with the increase, Duke says its Kentucky rates will remain well below the national average.

MARKET COMMENTARY

The natural gas market opened 16.8 cents higher as the February contract started its first session as the prompt month with a modest short covering bounce following steady and sizeable losses the past several days as the January contract expired and mother nature has kept old man winter warm and toasty. Recent price action has been over done to the downside and the market was due to for a bounce, yet without any cold air, this market won't get very far. The February contract traded as high as 6.365 early in the session, and found intra day support at 6.20 as it chopped to a settle of 6.248 up a slight 10.6 cents ahead of tomorrow's EIA storage release.

A firmer cash market added support to the market today with gas flowing through Henry Hub up over 9 cents and prices even higher in the western part of the county where PG&E Citygate next day natural gas rose over 15 cents. Despite this modest support ahead of the long weekend, tomorrow's EIA inventory report will add more bearish pressure, as expectations call for another modest draw of between 37 and 75 Bcf with an average expectation of 65 Bcf withdrawal. This will compare bearishly to last year's sizeable 162 Bcf pull and the five-year-average draw of 127 Bcf. Weather forecasts show little change, keeping the bulls out of the market and as we move into the New Year and the brunt of winter with one of the largest overhangs of natural gas in storage, the risk will be to the downside. We see support at \$6.05, \$6.00, \$5.95, \$5.75, \$5.58, \$5.35 and \$5.00. We see

the low of \$4.07 from September as a possible downside target. We see resistance at \$6.50, \$6.87, \$7.00, \$7.20 and \$7.40.