



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 1, 2006

NATURAL GAS MARKET NEWS

The EIA late Thursday released their latest monthly natural gas monthly report. It showed that in September domestic natural gas production stood at only 49.9 bcf/d up only 0.3% from August but some 10.5% higher than the hurricane restricted production of a year ago. Net imports of natural gas fell to only 8.9 bcf/d, off 8.3% from August and the lowest level since May and June of 2005. LNG imports during the month averaged only 1.3 bcf/d off 20.7% from August. Consumption in September averaged 49.6 bcf/d some 4.7% higher than a year ago. Residential, commercial and industrial sectors all showed year on year increases of 6.8%, 14.5% and 6.9% respectively. Only the electric power sector showed a year on year decline, dropping by 0.7%

Acceding to the wishes of the energy industry and consumers, House Republicans on Friday said they planned to take the Senate's narrower offshore drilling legislation to the floor for a vote Tuesday. This ends months of divisive negotiations between House and Senate lawmakers over how to reconcile their vastly different bills that seek to open more of the offshore to oil and natural gas drilling.

The CEO of New York-based hedge fund Third Point LLC, which in November purchased a substantial stake in Pogo Producing Co., on Friday demanded that the Pogo board initiate a process to sell the company "in whole or part." In a letter, Third Point CEO Daniel S. Loeb called the track record of Pogo's CEO "long and meager" and said it was time for a change.

New Jersey Resources' New Jersey Natural Gas unit said on Friday it will refund \$51.5 million to some of its customers because of declines in wholesale natural gas prices. The refund will go to residential and small commercial sales customers using less than 5,000 therms annually. The typical residential customer can expect a refund of \$120 in their December bill.

Baker Hughes reported that for the week ended today, the total rig count in the U.S. climbed 20 rigs to a total of 1,717 rigs, up 257 rigs from the 1,460 counted during the same week in 2005. Some 1,423 were looking for natural gas, up 28 on the week, while 289 were drilling for oil, down eight.

PIPELINE RESTRICTIONS

Generator Problems

ERCOT – AEP's 528 Mw Welsh #1 coal-fired power station shut today for maintenance. The work is expected to be completed by December 10.

MAAC – PPL's 1,115 Mw Susquehanna #1 nuclear unit increased output to 90% capacity. Yesterday, the unit was operating at 40%. Susquehanna #2 continues to operate at full power.

NPCC – Entergy's 956 Mw Indian Point #2 nuclear unit ramped up to 40% of capacity following some repairs to the auxiliary Feed Water System. Indian Point #3 continues to operate at full power.

SERC – Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit restarted and increased power to 25% following a long refueling outage.

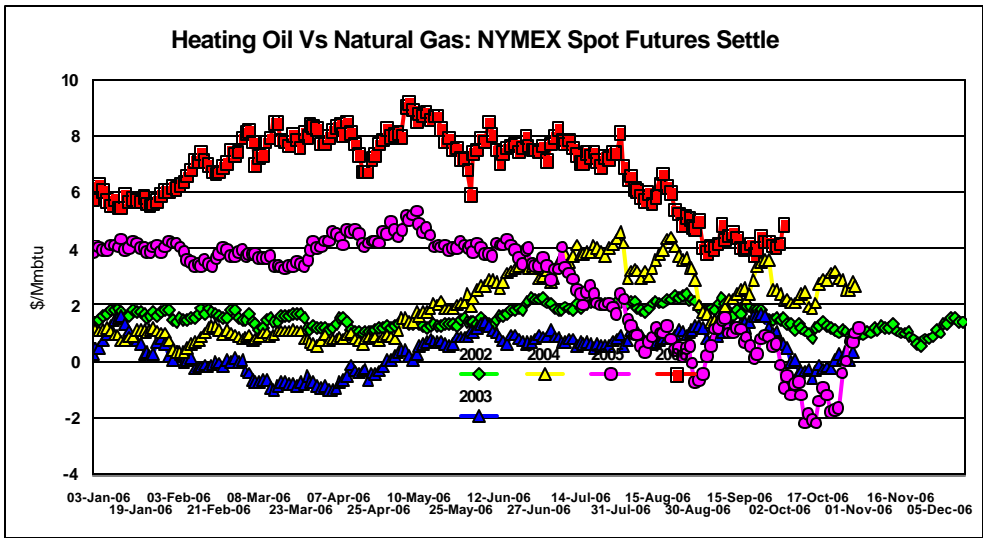
WSCC – Pacific Gas and Electric's 1,100 Mw Diablo Canyon #1 nuclear unit ramped output to 97% power after completing some planned maintenance. The unit was operating at 56% capacity yesterday. Diablo Canyon #2 remains at full power.

The NRC reported that 88,789 Mw of nuclear capacity is on line, up .95% from Thursday, but 1.47% lower from a year ago.

Florida Gas Transmission said that below freezing weather is forecasted in northern Florida by late this upcoming weekend. Therefore, FGT said there is the potential that it may issue an Overage Alert Day on one of the upcoming gas days.

Kern River Pipeline said that due to excessive drafting on Kern River's system, linepack is now posted as low on the entire system.

Natural Gas Pipeline Company said that a force majeure event occurred at Station 302 in Montgomery County, Texas (Segment 25 of Natural's Texok Zone) Thursday morning. Repairs have been completed and capacity is back to normal.



Northwest Pipeline told its natural gas shippers that slightly warmer weather would move into the Pacific Northwest beginning Saturday, easing supply constraints.

Williston Basin Interstate Pipeline Company said that one point and several line sections are in pipeline Capacity Constraint. Penalties will be imposed for the timely cycle for delivery at the following line sections: Cabin Creek-Dickinson; Dickinson-Dickinson-

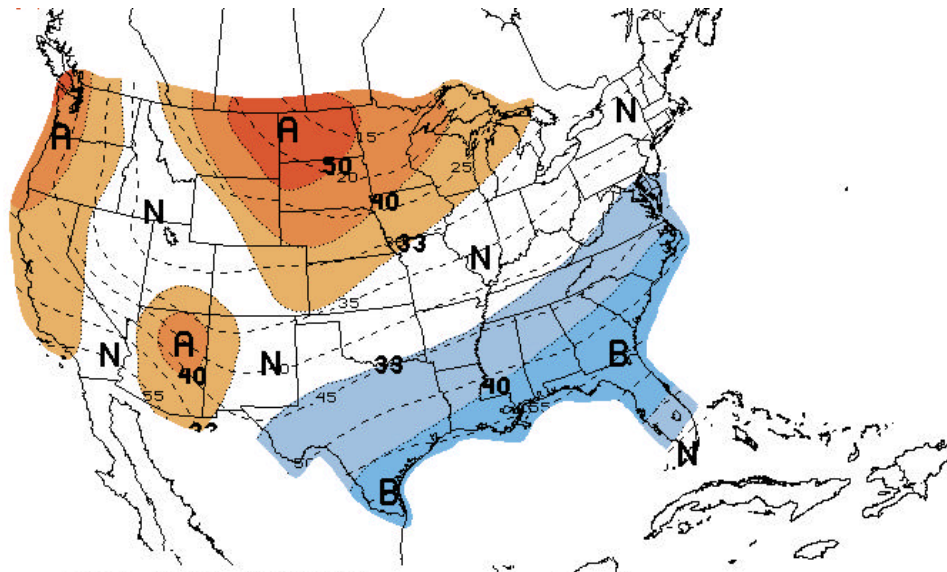
Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; Belle Creek-Manning. Penalties will also be imposed at the Northern Border-Manning.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it will be performing unscheduled maintenance on the Carthage Junction Compressor Station Unit #1 effective immediately and continuing for approximately one week. Gulf South will update the maintenance progress as information becomes available.

ELECTRIC MARKET NEWS

Ameren Corp. reported that 500,000 customers in its Illinois and Missouri service territory were without power after a strong storm blew through the area. The company is telling customers those lengthy outages are expected.

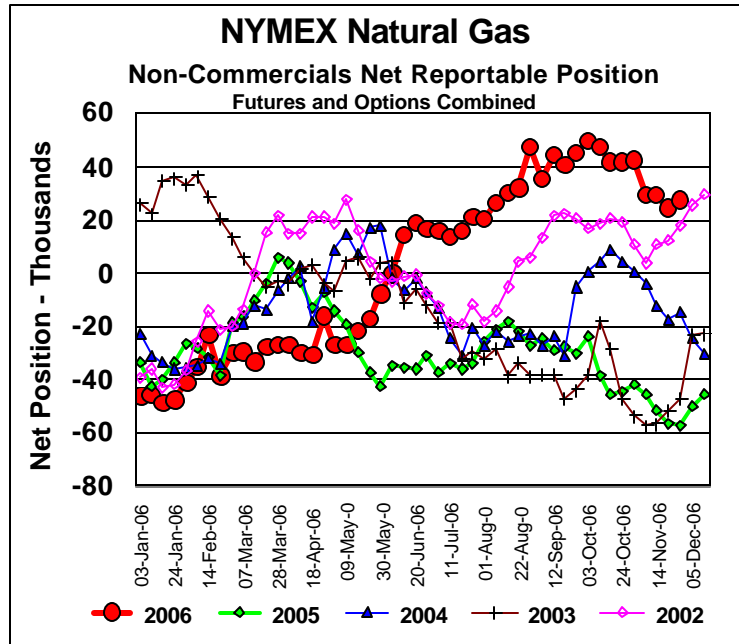


6-10 DAY OUTLOOK TEMPERATURE PROBABILITY MADE 1 Dec 2006 VALID Dec 07 - 11, 2006
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

The California Public Utilities Commission adopted improvements to the electric utilities' demand response programs and created several new programs. These changes will promote system reliability during the summer of 2007 and 2008. Demand response programs typically provide incentives and technologies to customers who can reduce their power when the electric grid is strained.

ECONOMIC NEWS

The Institute for Supply Management reported that U.S. manufacturing contracted in November for the first time in three and a half years, while construction spending fell sharply in October. The index of national factory activity unexpectedly dropped to 49.5 from 51.2 in October, below the economists' median forecast for a slight rise to 51.5. It was the first time the index had fallen below 50, which indicates shrinking activity in the sector, since April 2003.



NYMEX Nat Gas Options Most Active Strikes for December 1, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	P	7.5	03/27/2007	0.595	2,750	53.93
ON	6	7	C	8	05/25/2007	1.1	1,750	48.69
LN	1	7	C	10	12/26/2006	0.1224	1,700	62.81
LN	3	7	P	5	02/23/2007	0.019	1,625	58.26
LN	1	7	P	7	12/26/2006	0.0596	1,605	58.41
LN	1	7	P	7.5	12/26/2006	0.1519	1,525	59.25
LN	9	8	P	8	08/26/2008	1.2435	1,515	45.45
LN	4	8	C	8	03/26/2008	1.1484	1,500	18.76
LN	4	8	C	10	03/26/2008	0.6221	1,500	26.71
LN	4	7	P	5.5	03/27/2007	0.0723	1,500	52.35
LN	9	8	P	6	08/26/2008	0.4142	1,500	41.73
ON	3	7	C	8	02/23/2007	1.122	1,370	60.24
LN	1	7	C	12	12/26/2006	0.0212	1,300	70.64
LN	1	7	C	9	12/26/2006	0.3088	1,300	58.73
LN	4	7	P	8	03/27/2007	0.8457	1,300	55.09
LN	1	7	P	8.5	12/26/2006	0.5583	1,210	61.63
LN	3	7	C	12	02/23/2007	0.2242	1,200	65.96
ON	1	7	C	9	12/26/2006	0.309	1,161	60.81
LN	1	7	P	8	12/26/2006	0.3146	1,075	60.23
LN	1	7	P	6.5	12/26/2006	0.019	900	58.33
ON	1	7	P	8	12/26/2006	0.315	895	58.35
LN	4	7	P	7	03/27/2007	0.3929	850	52.96
ON	1	7	C	8.5	12/26/2006	0.481	738	59.12
ON	1	7	C	12	12/26/2006	0.021	715	71.48
LN	1	7	P	7.9	12/26/2006	0.2758	700	60.01
LN	2	7	C	10	01/26/2007	0.3573	700	62.07
LN	3	7	C	16	02/23/2007	0.0431	700	69.37
ON	5	7	C	9	04/25/2007	0.637	700	49.73

MARKET COMMENTARY

The natural gas market opened 17.4 cents lower pressured by moderating forecast for the middle of December, and a lower than expected ISM manufacturing index number, which indicates a slowing in the industrial demand for natural gas. The January contract traded to a low of 8.35 by midday, and then finished off the week moving sideways in a 8.40-8.50 range. January settled down 42.2 cents at 8.422.

After reaching new highs yesterday, the moderating report for two weeks from now was enough to spark some profit taking, but this market remains ever sensitive to further winter forecasts. The market may also have some difficulty in sustaining lower levels at this point, as the cold is reaching the Eastern half of the country tomorrow and the associated withdrawals

from storage are still ahead. We feel the sideways to higher chop of the past six weeks or so may continue a

while longer. The Commitment of traders report showed that non-commercial traders increased their net long futures position by 8,066 lots to 51,544 contracts and increased their net long combined futures and options position by 3,651 lots to 27,749 contracts. We see support at \$8.36, \$8.21, \$8.14 and \$8.00. We see resistance at \$8.70, \$8.90, \$9.05, \$9.25 and \$9.65.