



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 2, 2005

NATURAL GAS MARKET NEWS

Natural gas processing plants in Texas and Louisiana with a total capacity of 5.25 Bcf/d remain shut because of hurricanes Katrina and Rita. However, before the storms struck, the plants were actually processing about 3.26 Bcf/d. The EIA said it expects some of the inactive plants with about 200 MMcf/d in gas processing capacity to come back within four weeks. The plants remain shut because of damage from the hurricanes, no power or lack of gas supplies.

Chevron Global Gas announced it has exercised its option to increase capacity at Cheniere Energy's Sabine Pass LNG terminal from approximately 0.7 Bcf/d to 1.0 Bcf/d, pursuant to its original agreement signed with Cheniere in 2004.

BP's chief executive John Browne said he was very hopeful that an agreement can be reached with the state of Alaska on building a natural gas pipeline from the North Slope to the Lower 48. Browne said believed and hoped that negotiations will be concluded very soon, perhaps after the turn of the New Year.

The Minerals Management Service reported that 2.943 Bcf/d of natural gas production in the Gulf of Mexico remains shut-in. That is equivalent to 29.43% of the daily gas production in the Gulf of Mexico.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell by 31 to 1,460 in the week ended December 2. The number of rigs searching for natural gas fell 20 to 1,192.

Generator Problems

ERCOT— San Antonio's City Public Service planned to shut the 585 Mw JK Spruce coal-fired power station December 2-7 to repair a heater bypass and a tube leak.

TXU Corp.'s 560 Mw Big Brown #2 coal-fired power unit returned to service by late yesterday. The unit tripped offline on Wednesday due to the failure of an air heater system.

MAIN— Dominion Resources' 574 Mw Kewaunee nuclear unit increased output 1% to operate at 56% capacity.

NPCC— Dominion Resources' 1,130 Mw Millstone #3 nuclear unit automatically shut yesterday afternoon. The unit was reducing power to investigate a small leak in the reactor coolant system. Millstone #2 continues to operate at full power.

SERC— Duke Energy Corp.'s 846 Mw Oconee #2 nuclear unit returned to full power early today. Yesterday the unit was operating at 62% of capacity. Oconee #1 and #3 continue to operate at full power.

Southern Nuclear Operating Company restarted its 888 Mw Farley #2 nuclear unit and is warming the unit up offline at 2%. The unit shut October 15 for an extended fall refueling and maintenance outage. Farley #1 continues to operate at full power.

WSCC— Arizona Public Service's 740 Mw Four Corners #5 coal-fired unit remained shut to repair a tube leak.

Pacific Gas and Electric's 1,100 Mw Diablo Canyon #1 nuclear unit remains offline at 2% today following its restart yesterday. Diablo Canyon #2 continues to operate at full power.

Canada— Ontario Power Generation shut the 494 Mw Lambton #4 coal-fired station for short-term planned work today. Unit #2 shut yesterday, and Units #1 and #3 are available for service.

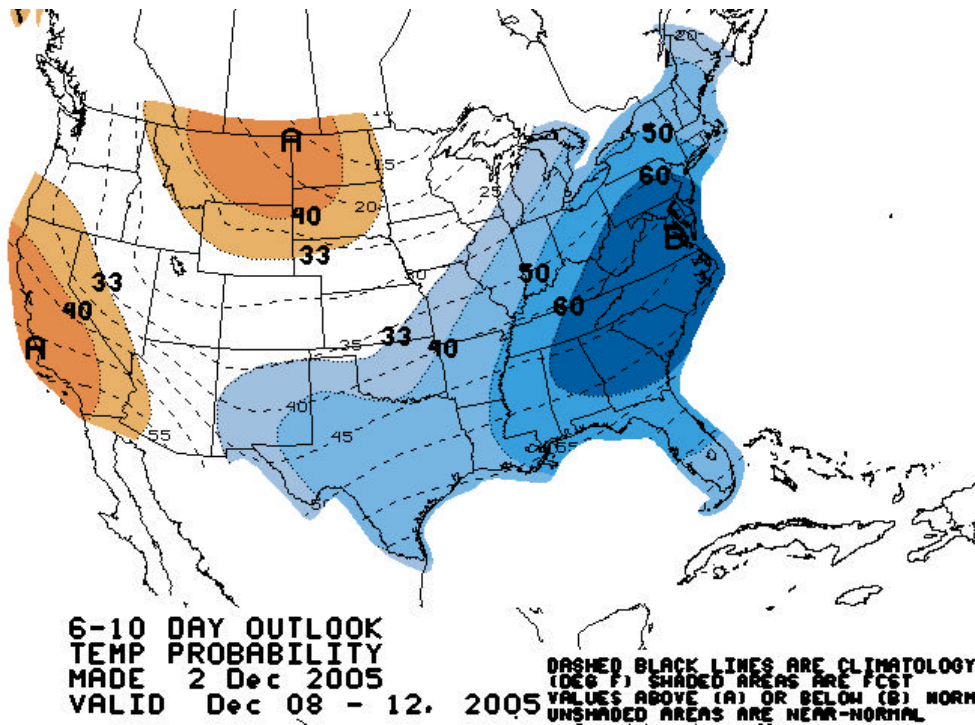
The NRC reported that U.S. nuclear generating capacity was at 90,113 Mw down .82% from Thursday and up 3.45% from a year ago.

PIPELINE RESTRICTIONS

ANR Pipeline Company said that due to an unforeseen engine outage at the Patterson Compressor Station located in Louisiana in the Southeast Area Fuel Segment, interconnects between Eunice Compressor Station and Patterson Compressor Station will experience lower than normal line pressures. Effective immediately, the total delivery capacity between Patterson and Eunice will be increased to the following: 610 MMcf/d available from December 1-31. Based on current nominations for this segment, it is anticipated that the above reductions will result in the curtailment of IT nominations.

East Tennessee Natural Gas said that nominations delivering downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke have been restricted to capacity. No increases will be accepted in this section.

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 on Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; Hall Summit; Koran Station; West 30 North; Barron (To Columbia Gulf); Bayou Sale to Napoleonville; Montpelier to Kosciusko, Kiln to Mobile, and Lake Charles Receipts – Capacity Area 6.

Kern River Pipeline said that line pack is low across its entire system. It requests that all customers to be on rate.

KM Interstate Gas Transmission said that Williston Basin Bridger (PIN 8737) is at capacity for receipt volumes. Based on the current level of nominations, interruptible flow, authorized overrun and secondary volumes are at risk of not being scheduled.

Natural Gas Pipeline Company of America said that it is at capacity for gas received going northbound in Segment 1. Interruptible flow, authorized overrun and secondary out-of-path transportation are at risk of not getting fully scheduled. In addition, IBS Banks and Take Paybacks nominated in Segment 1 are at risk of not getting scheduled.

Texas Eastern Transmission said that Zones STX and ETX have been sealed to capacity. No increases in receipts between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has also restricted the M1 24-inch and M2 24-inch systems to capacity. No increases in receipts between Little Rock and Batesville for delivery outside that area will be accepted.

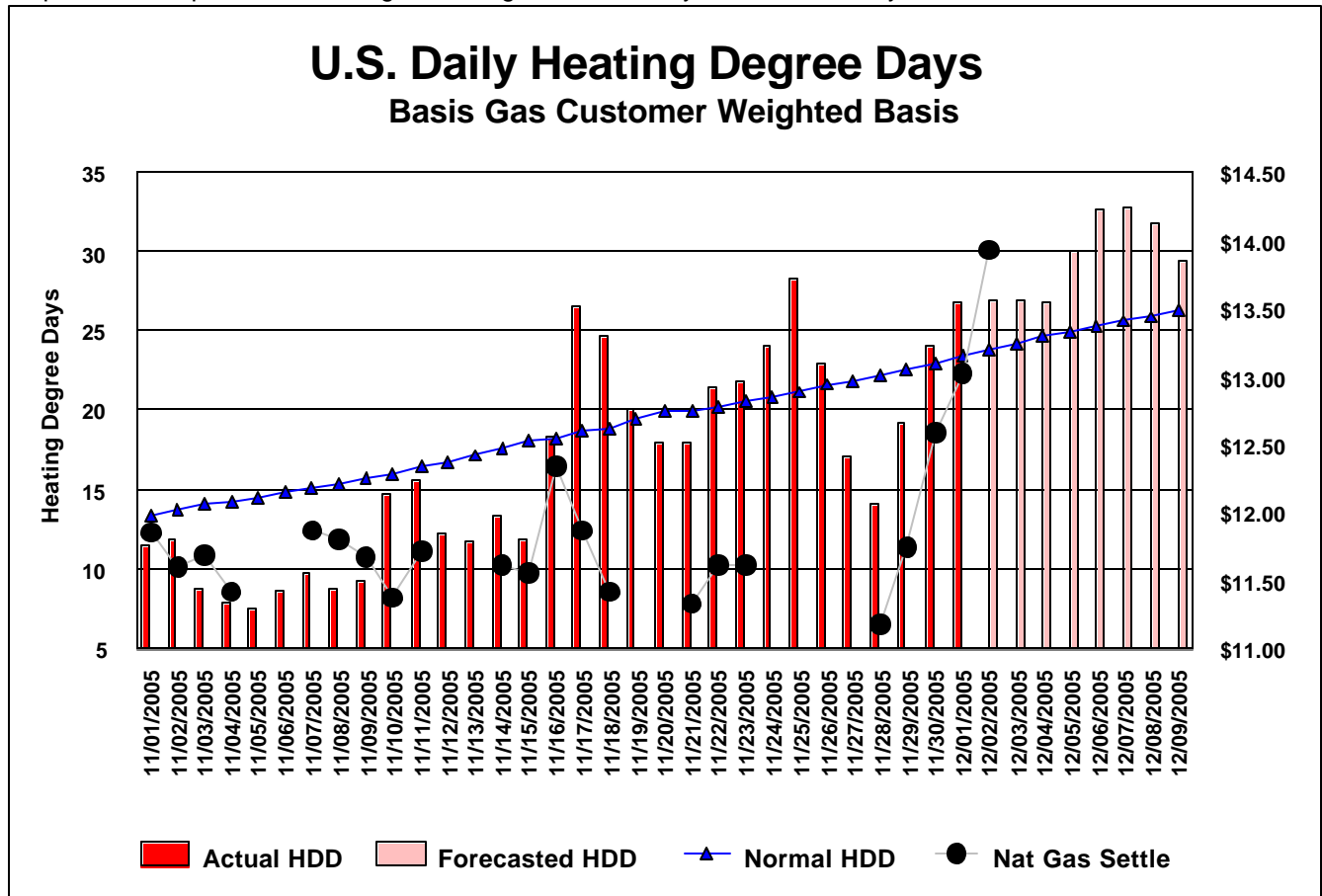
PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said that due to unplanned maintenance at the Williston Compressor Station on December 6, deliveries may potentially be restricted in the East Mon-dak and Sheyenne subsystems by approximately 5 MMcf/d.

ELECTRIC MARKET NEWS

Calpine Energy has reiterated to a Delaware court that it cannot easily repay \$313 million that the court ruled it improperly spent on fuel for its power plants. Calpine also reiterated it needs at least 90 days to repay the money.

The proposed merger of Exelon and Public Service Enterprise Group could result in diminished instead of improved gas and electric services for New Jersey customers, according to a consultant for the ratepayer advocate's office at the New Jersey Board of Public Utilities. Nancy Brockway, the consultant, said representations made by Exelon and PSEG have failed to show how the merger would benefit PSEG's 2.1 million electric customers and 1.7 million gas customers. Earlier in November, Philadelphia Gas Works protested the merger to the Pennsylvania Public Utilities Commission, contending the merger would drive up gas and electric prices across the Mid-Atlantic region. Brockway mentioned that the merger poses three key risks to utility operations. The merger will shift the locus of utility management, budgeting, and policy formation to corporate headquarters in Chicago, drawing attention away from New Jersey.



Kentucky regulators approved the merger of Cinergy Corp., parent company of the state's Union Light, Heat & Power Co., with Duke Energy Corp., making the second state to approve the deal. South Carolina was the first to approve the merger deal. The State Public Service Commission said ULH&P's 145,000 ratepayers in northern Kentucky would receive credits of at least \$7.6 million over the five years following completion of the merger. The credits would be used to reduce the base rates ULH&P charges retail electric and natural gas customers in six Kentucky counties. The merger still has to be approved by regulators in North Carolina, Ohio and Indiana.

American Electric Power Inc., which has spent nearly \$1.3 billion to reduce nitrogen oxide from its power plants, said it will invest an additional \$310 million by 2010 to further cut ozone. AEP said it submitted data about the emissions performance of its plants during 2005 to the U.S. EPA November 29 showing that its nitrogen oxides reducing equipment is performing better than designed to help improve air quality.

California must insist that U.S. western states that supply it with electricity clean up coal-fired power plants that pollute cities, national parks and alpine forests, several environmental groups said in a study issued yesterday. California imports 21% of its electricity from out-of-state coal-fired power plants and according to environmental groups, they must insist that coal power plants that supply it with electricity burn cleaner. The study also urges California to carry through with Gov. Arnold Schwarzenegger's ambitious plans to reduce greenhouse gases by 2050 to 80% of 1990 levels. The study says existing coal power plants that feed California electricity each year release 67 million tons of carbon dioxide, as much as 11 million automobiles. And they release 200 times the mercury than all power plants in California. California may soon require that any new coal-fired power plant from outside the state meet strict clean-burning requirements if its owners want to sell electricity into California.

BPA reported today that transmission capacity on the California/Oregon AC power line will decrease by 600 Mw to 3500 Mw on Monday, while capacity on the Pacific DC line will drop by a couple hundred MW to 2200 Mw.

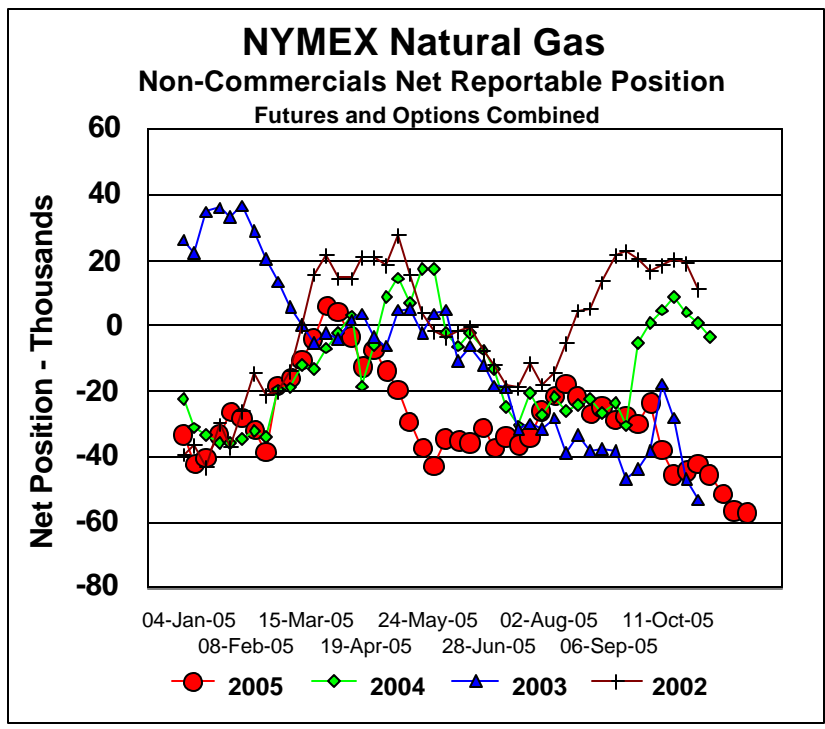
ECONOMIC NEWS

The Labor Department reported that employers added 215,000 jobs last month, up from the revised 44,000 they added in October following the hurricanes. The street had been expecting an increase of 210,000 non-farm pay rolls. The unemployment rate held steady at 5%, also inline with expectations.

MARKET COMMENTARY

The natural gas market opened 10 cents higher on follow through from yesterday's bullish performance fueled by cold temperatures and short covering. The market traded sideways early in the session between the day's low of 13.05 and 13.15 and then around midday, it broke to the upside and held at the 13.20 level until the almost predictable late day rally boosted the market to the high of the day at 13.95. The market settled for the second straight day just off the highs, up 90.4 cents at 13.931.

This week saw the return of the bulls after an almost three week hiatus. The market rallied over \$2.70, breaking through the upper level of the last range. The reason seems clear, cold weather, and as a result short covering, especially in funds, who have held net a large net short position since the hurricanes in August and September. As forecasts call for temperatures to fall further through the weekend, shorts wanted out of their positions, as this market still has room to the upside, if the weather holds. Accu Weather is forecasting three winter storms across the eastern part of the country over the next seven days, with temperatures expected to hover well below normal for at least the first two weeks of the month. Even with supplies being above average heading into the winter season, weather is driving this market, moving prices higher or lower with every change in the forecast.



The Commitment of Traders report showed that through Tuesday November 29 of this week, before the rally really took hold, non-commercials had increased their net short futures positions by less than 500 contracts, and that in the combined futures and options report, they increased their net short positions by less than 1,000 contracts. With the remainder of the week marking the short covering rally, we expect to see these net short positions significantly smaller next week. We see resistance initially at \$14.18 followed by \$14.80-\$14.85. Further resistance we see at \$15.00 and \$15.60. We see support at \$12.89, \$12.57 and \$12.25.