



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 4, 2006

NATURAL GAS MARKET NEWS

U.S. heating demand is expected to be just over 11% above normal this week as colder temperatures blanket most of the regions east of the Rockies, the NWS forecast today. Demand for natural gas will be just about 11% above normal.

El Paso Corp. said its Tennessee Gas Pipeline unit placed into service two natural gas pipeline extensions in the New York-New Jersey area to serve growing energy demand in the U.S. Northeast. The Northeast ConneXion NY/NJ Expansion project, including additional compression and storage deliverability upgrades as well as the gas pipeline loops, will cost the company more than \$39 million.

Key energy-friendly lawmakers are optimistic that the House will pass Tuesday the Senate's more limited offshore drilling bill that would open parts of the eastern Gulf of Mexico to oil and gas producers. However, they warned that this would be just a first step, and that efforts already are under way to push for passage of a more expanded Outer Continental Shelf (OCS) drilling bill in the 110th Congress.

PIPELINE RESTRICTIONS

Colorado Interstate Gas Company said that it has experienced a major mechanical failure in one of four Cheyenne Station units. The loss of this unit results in a capacity reduction through the station of approximately 80 MMcf/d. Scheduling reductions began on December 3. The extent of damage is still being determined.

Florida Gas Transmission said that freezing temperatures are forecasted in northern Florida tonight. Consequently, for today, FGT is notifying customers in FGT's Markt Area that it is issuing an Overage Alert Day at 25% tolerance.

Kern River Pipeline said that linepack has returned to normal across its entire system.

Texas Eastern Transmission Corp. said that it has restricted to capacity deliveries downstream of Castor on the Castor lateral. No increase of deliveries downstream of Castor on the Castor lateral will be accepted.

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 -

Generator Problems

ERCOT – TXU's 545 Mw Sandow #4 coal/oil-fired power station restarted to service by today following short-term repairs.

American Electric Power's 528 Mw Welsh #3 coal-fired power station is planned to restart soon after a unit trip.

MAAC – PPL's 1,115 Mw Susquehanna #1 nuclear unit returned to full power. On Friday, the unit was operating at 90% capacity. Susquehanna #2 continues to operate at full power.

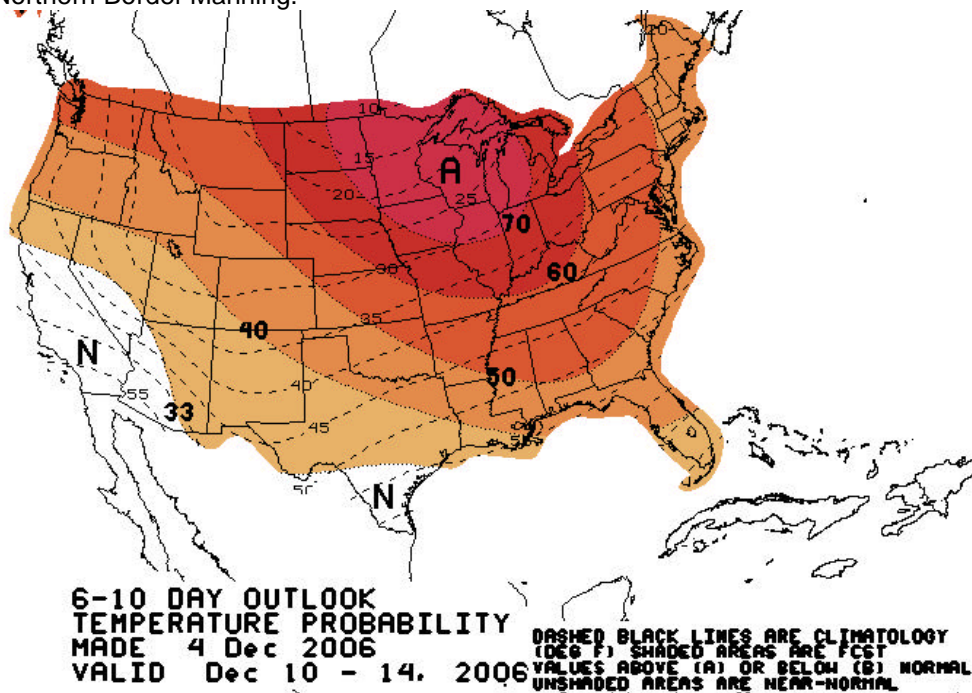
MAPP – Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit restarted following a refueling outage and has ramped up to 28% capacity.

NPCC – Entergy's 956 Mw Indian Point #2 nuclear unit returned to full power this weekend. The unit was operating at 40% capacity on Friday. Indian Point #3 remains at full power.

SERC – Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit has increased production to 73% capacity. The unit was operating at 25% on Friday.

The NRC reported that 89,644 Mw of nuclear capacity is on line, up .96% from Friday, but 2.23% lower from a year ago.

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

Alliance Pipeline said that regular scheduled maintenance will require Unit #2 at the Whitecourt Lateral Meter/Compressor Station to be unavailable for eight hours on December 4. Station Capacity will be reduced to 29 MMcf for this gas day. The Whitecourt Station is located in Alberta. Alliance also reported that Blueberry Hill Compression Station Unit #2 will be required to be offline for 48 hours to undergo inspections and maintenance. This is scheduled to start at 9:00

AM PT on December 5. Capacity at Constraint Point #2 will be lowered to 418.5 MMcf/d for December 5-6. The Blueberry Hill Station is located in British Columbia. Alliance also said that regular scheduled maintenance will require the Irma Compression Station in Saskatchewan to be offline for 80 hours starting on December 5. System throughput will be affected for the gas days of December 5-8 and will be determined closer to the outage date.

TransColorado Gas Transmission has rescheduled maintenance at the Williams Raccoon Hollow Interconnect for December 19. Repairs were originally scheduled for December 6. Capacity at the Williams Raccoon Hollow Interconnect will be limited to 180 MMcf/d. Depending on the level of nominations, AOR/IT, secondary in-path, secondary out-of-path and primary volumes are at risk of not being scheduled.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	548,100	\$7.842	(\$0.573)	\$0.035	\$0.043	(\$0.468)
Chicago City Gate	494,400	\$7.807	(\$0.536)	(\$0.113)	(\$0.023)	(\$0.441)
NGPL- TX/OK	583,400	\$7.248	(\$0.414)	(\$0.672)	\$0.099	(\$1.074)
SoCal	762,200	\$7.436	(\$0.455)	(\$0.484)	\$0.058	(\$0.865)
PG&E Citygate	425,300	\$7.722	(\$0.407)	(\$0.198)	\$0.106	(\$0.427)
Dominion-South	415,200	\$8.062	(\$0.464)	\$0.142	\$0.049	(\$0.299)
Transco Zone 6	17,300	\$8.612	(\$0.471)	\$0.692	\$0.042	\$0.078

Williston Basin Interstate Pipeline said that planned

maintenance will be performed on Line Section 20 near Worland Compressor Station through December 5. At this time, the company does not expect any restriction to the system.

ELECTRIC MARKET NEWS

A collection of large retailers sent a letter to the five commissioners of the U.S. FERC expressing support for wholesale electricity competition and the commission's policies with respect to independent system operators. The firms, including Wal-Mart, Federated Department Stores, 7-Eleven and A&P, represent nearly 14,000 facilities with annual electricity costs of more than \$8.5 billion. The companies expressed support for competition at the wholesale level and the continued evolution of ISOs and regional transmission organizations.

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	1	7	P	8	12/26/2006	0.55	4925	60.69
ON	1	7	P	8	12/26/2006	0.55	4432	58.05
LN	1	7	P	7	12/26/2006	0.1255	4116	57.87
LN	3	7	C	12	02/23/2007	0.1251	3750	65.48
LN	3	7	P	6	02/23/2007	0.1357	3100	56.89
LN	3	7	P	7	02/23/2007	0.4433	2350	60.45
LN	1	7	P	7.5	12/26/2006	0.2898	2260	58.88
ON	2	7	C	8.5	01/26/2007	0.486	2246	61.50
ON	2	7	C	10	01/26/2007	0.193	2112	65.02
LN	1	7	P	6	12/26/2006	0.0099	1800	56.83
LN	1	7	C	11	12/26/2006	0.0121	1800	67.91
LN	1	7	C	9	12/26/2006	0.1165	1780	60.08
ON	1	7	P	7.5	12/26/2006	0.29	1760	57.02
LN	2	7	C	10	01/26/2007	0.1931	1625	62.84
LN	3	7	C	8.75	02/23/2007	0.5589	1500	58.20
LN	3	7	P	7.5	02/23/2007	0.6839	1440	62.71
ON	2	7	P	7	01/26/2007	0.305	1425	58.17
LN	2	7	P	7	01/26/2007	0.3049	1400	60.56
LN	2	7	C	8.5	01/26/2007	0.4855	1350	58.17
LN	3	7	P	5	02/23/2007	0.0261	1350	56.26
LN	4	7	P	5	03/27/2007	0.0431	1350	51.39
LN	3	7	C	8	02/23/2007	0.7938	1250	55.39
ON	1	7	C	8.5	12/26/2006	0.207	1245	59.79
LN	3	7	C	13	02/23/2007	0.077	1200	66.31
ON	1	7	C	8	12/26/2006	0.357	1184	58.06
LN	3	7	C	15	02/23/2007	0.0303	1150	67.87
LN	4	7	C	8	03/27/2007	0.6823	1100	44.43
LN	6	7	P	7	05/25/2007	0.6103	1100	52.17
LN	3	7	P	6.5	02/23/2007	0.2587	1080	58.29
ON	2	7	P	7.5	01/26/2007	0.513	1038	59.25
LN	2	7	C	9	01/26/2007	0.3567	1025	59.85
ON	2	7	C	9.5	01/26/2007	0.26	1021	63.62
LN	1	7	C	8.5	12/26/2006	0.2066	1000	58.02
ON	3	7	C	10	02/23/2007	0.318	987	65.21
LN	1	7	C	8	12/26/2006	0.3566	930	55.72
LN	2	7	C	12	01/26/2007	0.0589	875	67.60
ON	1	7	P	6.5	12/26/2006	0.041	837	55.87
ON	6	7	C	10	05/25/2007	0.375	800	50.01
ON	2	7	C	9	01/26/2007	0.357	770	62.67
LN	1	7	C	10	12/26/2006	0.0366	725	64.06

MARKET COMMENTARY

The natural gas market opened 32.2 cents lower as weather forecasts calling for much milder weather returning to the majority of the country put the bears back in charge. With the majority of the country looking above normal by next week, a major reversal from last week when many forecasts called for the current chilly temperatures to become entrenched in the eastern third of the nation, January natural gas stumbled down the charts below the 8.00 level to a low of 7.78 before settling down 61.6 cents at 7.806.

While crude options saw a quiet trading session, natural gas options saw its most active session in nearly a month as spread activity accounted for nearly 80% of the days volume.

The market's move over the last two sessions sapped out a lot of the speculative interest and the attempted breakout to the upside appears to have failed. Traders will focus on the storage reports and the pace with which the gas in the ground is withdrawn. Next week's report will reflect this cold snap, but

with mild weather forecasted, subsequent draws will not be as quick as a bull would like. The spot month will chop its way back into the familiar range that the December contract spent its tenure as the market again awaits the next breath from Mother Nature. We see support at \$7.65, \$7.50, \$7.31-\$7.28 and \$7.00. We see resistance at \$8.00, \$8.13, \$8.29-\$8.30, \$8.70 and \$9.05.

U.S. Heating Degree Days

Basis Weighted Natural Gas Home Heating

