



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 14, 2006

NATURAL GAS MARKET NEWS

The NOAA said the average temperature will be about 2 degrees F above the average temperature recorded from 1901 to the end of 2000, making this year the third warmest in the U.S. since records began 111 years ago. Weather conditions in 1998 and 1934 were slightly warmer. The warmer-than-average conditions reduced residential energy demand in the U.S. with NOAA estimating consumption about 9% less during the winter and 13% higher during the summer than would have occurred under otherwise normal conditions.

The NYMEX announced that it intends to expand the open outcry trading hours for its energy futures and options contracts, moving the opening time to 9:00 AM from 10:00AM, beginning on February 1, 2007.

PIPELINE RESTRICTIONS

Alliance Pipeline said that effective December 15, tolerance will be changed to -8%/0%, due to linepack position. This will remain in effect until further notice.

Kern River Pipeline said line pack has returned to normal over its entire system.

Texas Eastern Transmission Corp. said that it has scheduled to capacity receipts sourced between Little Rock and Batesville for delivery downstream of Batesville. No increase of receipts between Little Rock and Batesville for delivery downstream of Batesville will be accepted. Tetco has restricted receipts sourced between Mt. Belvieu and Little Rock for delivery outside of that area. No increase of receipts between Mt. Belvieu and Little Rock for delivery outside of that area will be accepted.

EIA Weekly Report

	12/08/2006	12/01/2006	Net chg	Last Year
Producing Region	955	1010	-55	831
Consuming East	1853	1946	-93	1761
Consuming West	430	450	-20	401
Total US	3238	3406	-168	2993

*storage figures in Bcf

Generator Problems

FRCC – FPL Group's 693 Mw Turkey Point #4 nuclear unit ramped up to 92% capacity as it returns from a refueling outage. Yesterday, the unit was operating at 57% capacity. Turkey Point #3 continues to operate at full power.

MAAC – Exelon's 810 Mw Three Mile Island nuclear unit shut from full power today due to grid disturbance.

MAIN – Xcel Energy's 593 Mw Prairie Island #2 nuclear unit restarted and is warming up at 1% as it returns from a refueling. Prairie Island #1 continues to operate at full power.

SERC – Duke Energy's 846 Mw Oconee #1 nuclear unit exited a refueling outage and ramped up to 19% of capacity by early today. Oconee #2 and #3 remain at full power.

TVA's 1,121 Mw Watts Bar nuclear unit has returned to full capacity following its refueling outage. Yesterday, the unit was operating at 95% capacity.

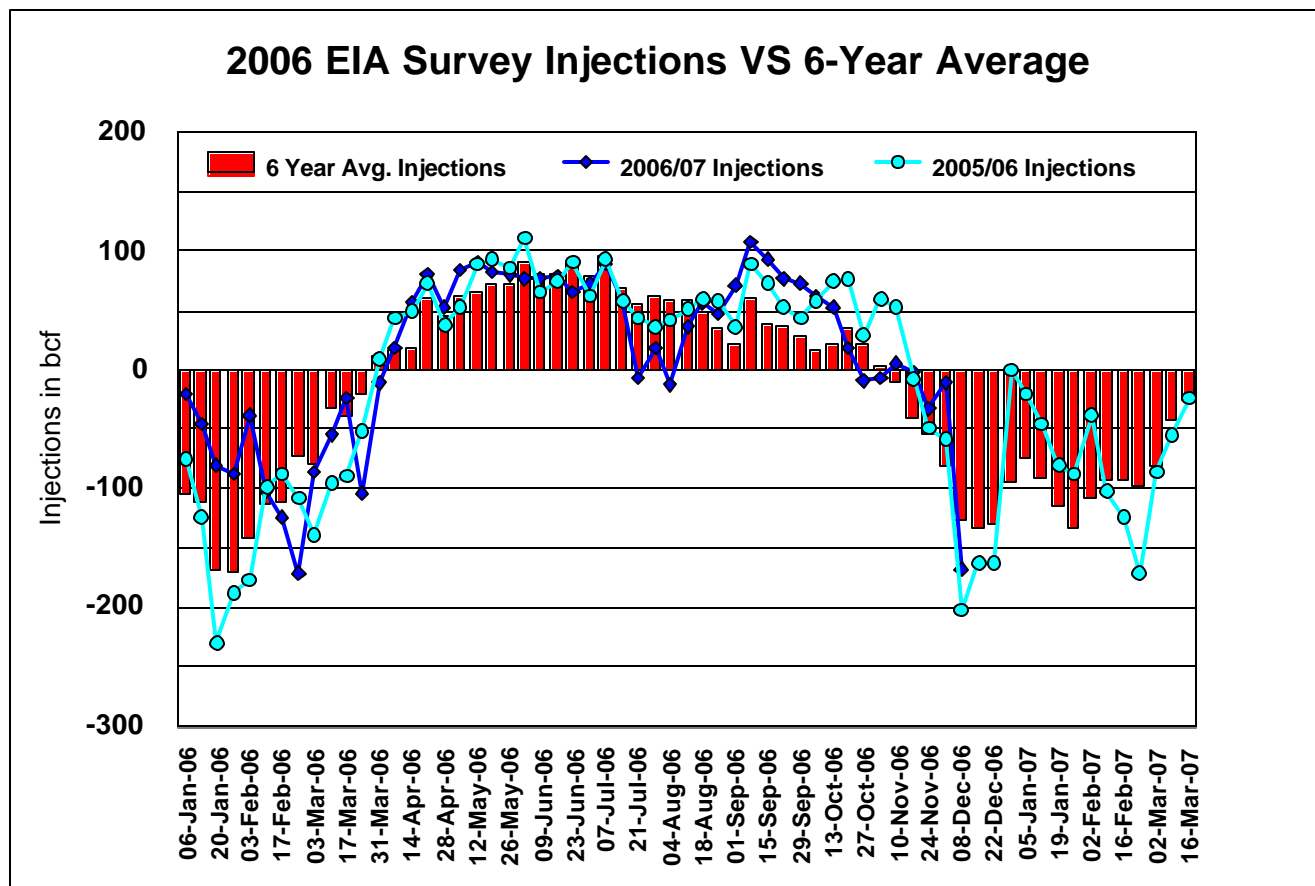
WSCC – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit exited an outage and ramped up to 19% capacity today. San Onofre #2 continues to operate at full power.

The NRC reported that 88,014 Mw of nuclear capacity is on line, down 1.34% from Wednesday, and 4.27% lower from a year ago.

PIPELINE MAINTENANCE

El Paso Natural Gas Company has determined that a pipeline anomaly located between Eunice and Pecos River Stations will require replacement of about 80 feet of pipe. Repair work will begin at 8:00 AM CT December 14 and is estimated to take 12

hours. The reduction in capacity is approximately 200 MMcf/d out of a base capacity of 400 MMcf/d. Based upon the current levels of throughput, impact to service should be minimal.



ELECTRIC MARKET NEWS

The American Wind Energy Association said in a new study that up to 25% of a utility's generation portfolio could come from wind generation at minimal cost. The study was ordered by the Minnesota Legislature in 2005 to evaluate reliability impacts and other factors associated with adding wind generation. The report surmised that Minnesota utilities in the Midwest Independent Transmission System Operator system could add wind generation to make up one-quarter of their retail power sales without sacrificing reliability. According to the report, the total cost for integrating that much wind generation is 0.45 cents/kWh.

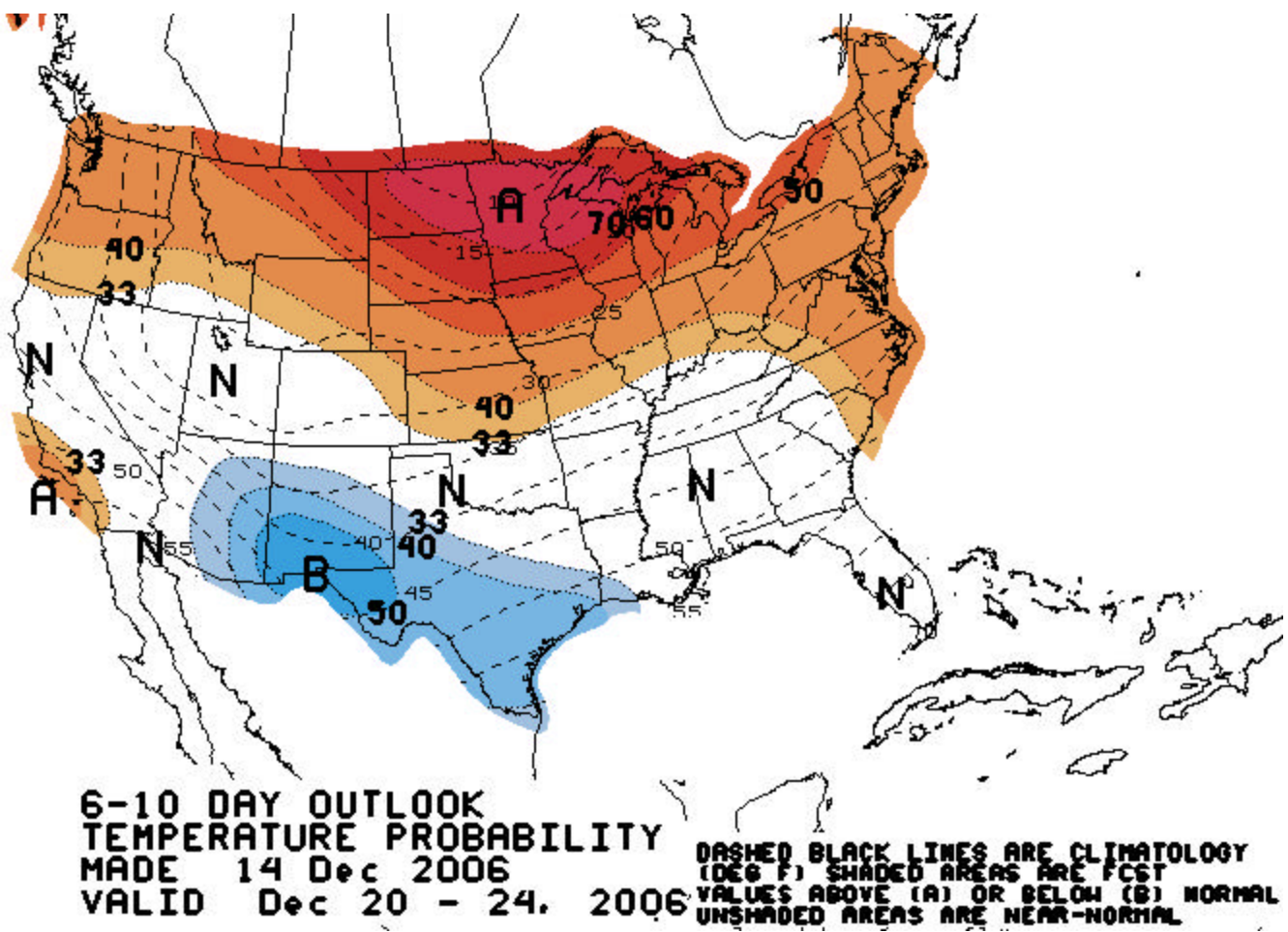
MARKET COMMENTARY

The natural gas market opened a couple pennies higher as it awaited a triple digit draw from stocks. The EIA reported that 168 Bcf was drawn from the ground as a result of last week's cold snap. That figure was at the upper end of the expected range and the market reacted with a quick trip to the day's high of 7.91. However, January natural gas could not translate the large inventory figure into sustained upward

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	695,500	\$7.255	\$0.045	(\$0.300)	\$0.163	(\$0.399)
Chicago City Gate	553,500	\$7.201	(\$0.021)	(\$0.407)	\$0.068	(\$0.484)
NGPL- TX/OK	508,500	\$6.727	(\$0.059)	(\$0.881)	\$0.030	(\$0.953)
SoCal	638,700	\$7.160	(\$0.010)	(\$0.448)	\$0.079	(\$0.572)
PG&E Citygate	581,300	\$7.555	(\$0.007)	(\$0.053)	\$0.082	(\$0.165)
Dominion-South	371,200	\$7.377	(\$0.029)	(\$0.231)	\$0.060	(\$0.320)
Transco Zone 6	200,800	\$7.727	(\$0.123)	\$0.119	(\$0.034)	\$0.161

momentum and attack the 8.00 level. The market dropped through the afternoon moving into negative territory and trading to a low of 7.53. January natural gas finished the day down 11.8 cents at 7.555.

The market got a little excited with the slightly larger than expected number, but with the year-on-year surplus rising, reality set in that we still have a lot of gas in the ground, 3.238 Tcf. With the current mild temperatures, next week report will be wholly bearish and so far according to weather forecasts, the following report will not offer any support. If we continue to get the weather that is forecast, this market will grind lower and potentially test the low of 7.22. The market will remain very weather sensitive and any cold forecast will have this market looking up. We see support at \$7.33, \$7.22, \$7.13, \$7.00, \$6.75, \$6.50 and \$6.25. We see resistance at \$7.87-\$7.88, \$8.00, \$8.13, \$8.29-\$8.30, \$8.70 and \$9.05.



NYMEX Nat Gas Options Most Active Strike for December 14, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	3	7	C	14	02/23/2007	0.0225	5,000	66.48
LN	11	7	C	20	10/26/2007	0.1333	2,883	55.58
LN	5	7	C	15	04/25/2007	0.0261	2,700	55.16
LN	11	7	C	15	10/26/2007	0.3266	2,700	52.68
LN	2	7	P	5.5	01/26/2007	0.018	2,600	54.29
LN	3	7	C	12	02/23/2007	0.0717	2,000	65.31
ON	5	7	C	8.5	04/25/2007	0.549	2,000	48.67
ON	1	7	P	7	12/26/2006	0.096	1,926	55.91
LN	2	7	P	5	01/26/2007	0.0043	1,900	54.29
LN	1	7	P	6.5	12/26/2006	0.0207	1,750	55.37
LN	3	7	C	15	02/23/2007	0.0138	1,700	67.71
LN	4	7	C	12	03/27/2007	0.0659	1,600	54.62
LN	3	7	C	13	02/23/2007	0.04	1,500	65.91
LN	5	7	C	12	04/25/2007	0.101	1,350	52.79
LN	3	7	P	5	02/23/2007	0.0186	1,150	53.22
ON	3	7	P	6	02/23/2007	0.111	1,150	52.43
ON	1	7	C	8	12/26/2006	0.151	1,079	58.14
LN	1	7	P	7	12/26/2006	0.0961	1,010	55.95
LN	5	8	C	20	04/25/2008	0.0356	1,000	38.91
LN	1	7	C	8	12/26/2006	0.1505	860	58.02
LN	4	7	P	5	03/27/2007	0.0348	850	48.72
LN	3	7	C	10	02/23/2007	0.2196	800	62.87
LN	1	7	P	6	12/26/2006	0.0024	760	55.06
ON	1	7	P	7.5	12/26/2006	0.28	711	56.51
LN	1	7	C	8.55	12/26/2006	0.0551	700	59.87
LN	8	7	C	8	07/26/2007	1.0615	700	47.74
LN	11	7	C	8.7	10/26/2007	1.3703	700	47.61
LN	4	8	C	15	03/26/2008	0.1625	650	40.19
LN	5	8	C	15	04/25/2008	0.1194	650	37.01
LN	6	8	C	15	05/27/2008	0.1375	650	36.82
LN	7	8	C	15	06/25/2008	0.1681	650	37.22
LN	8	8	C	15	07/28/2008	0.2284	650	38.88
LN	9	8	C	15	08/26/2008	0.2803	650	39.92
LN	10	8	C	15	09/25/2008	0.3798	650	42.37
ON	1	7	C	8.5	12/26/2006	0.061	638	59.81
ON	1	7	P	8	12/26/2006	0.595	630	58.18
LN	2	7	P	6	01/26/2007	0.0556	600	54.37
LN	2	7	C	10	01/26/2007	0.1016	600	63.60
LN	2	7	P	7	01/26/2007	0.2891	600	56.13
LN	4	7	C	10	03/27/2007	0.1987	600	52.24
LN	2	7	P	6.5	01/26/2007	0.1397	575	55.08
ON	3	7	C	13	02/23/2007	0.04	554	65.91
ON	1	7	C	11	12/26/2006	0.001	550	74.44
LN	1	7	P	8	12/26/2006	0.5947	550	58.12
LN	3	7	C	20	02/23/2007	0.0058	500	82.29
LN	7	7	P	7.5	06/26/2007	0.8591	500	46.92