



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 19, 2006

NATURAL GAS MARKET NEWS

Citigroup lowered its gas producer stock ratings Tuesday because of high natural gas storage levels, current mild temperatures, growing domestic gas production and expectations for more liquefied natural gas imports (LNG). Citigroup producer analyst Gil Lang also cut his first quarter 2007 and second quarter 2007 Henry Hub price forecasts.

El Paso Corporation announced through a wholly owned subsidiary and DKRW Energy that they have received three key environmental permits for their proposed joint venture LNG terminal and pipeline facilities in Sonora, Mexico.

President Bush is slated to sign into law tomorrow a bill passed by the US House and Senate to open about 8.3 million acres of the Outer Continental Shelf in the eastern-central Gulf of Mexico to oil and gas leasing and give the Gulf states of Louisiana, Alabama, Mississippi and Texas 37.5% share of new production revenues.

Natural gas prices in the UK increased after forecasters predicted colder weather that may increase demand and prompt traders to take fuel out of storage. Demand is forecast at 372 million cubic meters in the 24 hour period to 6 am Wednesday. It is higher than last year's demand level of 348.8 million cubic meters. According to the National Grid Plc, total flows of natural gas into the UK increased to a rate of 361 million cubic meters/day, up 2.7 million from Monday's level.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that it has limited operational flexibility to absorb due shipper imbalances. Meter operators, shippers, LMSMA and LMSPA parties are reminded of the requirement to be balanced daily. In order to prevent the issuance of force balance letters to individual parties or the necessity of issuing system wide Balancing Alerts, all LMSMA parties should take immediate action to reduce nominations to their points if meter takes are less than scheduled deliveries. In addition LMSPA parties should flow at scheduled volumes and not create daily due shipper imbalances.

Kern River Pipeline said line pack has returned to normal across the entire system.

Generator Problems

ECAR – FirstEnergy's 1,260 Mw Perry nuclear unit restarted and is operating offline at 4% capacity.

MAAC – Constellation Energy's 825 Mw Calvert Cliffs #1 nuclear unit shut to work on the containment air cooler fan motor. The unit was operating at full power yesterday. Calvert Cliffs #2 continues to operate at full power.

SERC – Duke Energy's 846 Mw Oconee #1 nuclear unit ramped up to 98% capacity today. Yesterday, the unit was operating at 50% capacity after exiting a refueling outage last week. Oconee #2 and #3 continue to operate at full power.

Dominion Resources' 800 Mw Surry #1 nuclear unit reduced output to 73% capacity. Yesterday, the unit was operating at full power. Surry #2 remains at full power.

WSCC – Pacific Gas and Electric's 1,100 Mw Diablo Canyon #2 nuclear unit increased output to 71% capacity. The unit was operating at 54% capacity yesterday after restarting last week. Diablo Canyon #1 remains at full power.

The NRC reported that 91,395 Mw of nuclear capacity is on line, down .47% from Monday, and 3.29% lower from a year ago.

Natural Gas Pipeline Company said that effective until further notice, all Louisiana Line Segments (25, 23 and 24) have limited capacity available for eastbound transport volumes. Limited ITS/AOR and secondary out-of-path transports are available.

Texas Eastern Transmission Corp. said that it has scheduled 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 a number of line sections are in pipeline Capacity Constraint. Penalties will be imposed for all those mentioned below. Line Sections include: Cabin Creek-Dichinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; and Belle Creek-Manning.

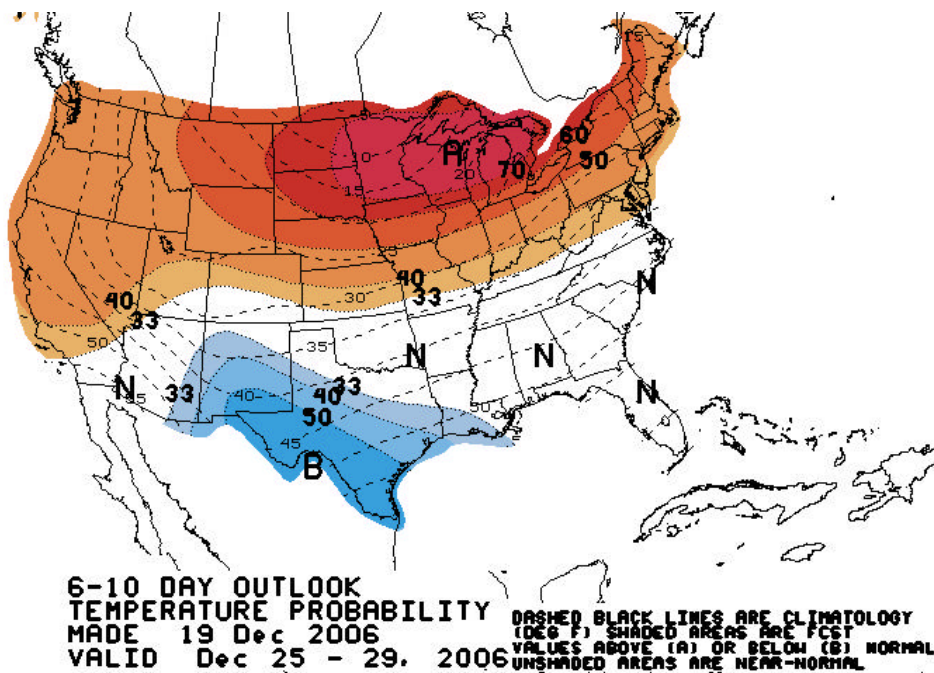
PIPELINE MAINTENANCE

Florida Gas Transmission said that it will be performing maintenance on one of the compressors located at Compressor Station #6 in Orange County, Texas starting on January 22. This outage is expected to last through the end of January. During this work FGT will schedule up to approximately 225 MMcf/d through Compressor Station #6. During normal operations FGT schedules up to 300 MMcf/d.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	513,900	\$6.272	(\$0.343)	(\$0.811)	(\$0.351)	(\$0.524)
Chicago City Gate	672,400	\$6.396	(\$0.297)	(\$0.629)	(\$0.213)	(\$0.475)
NGPL- TX/OK	622,100	\$5.941	(\$0.275)	(\$1.084)	(\$0.191)	(\$0.950)
SoCal	792,000	\$6.590	(\$0.249)	(\$0.435)	(\$0.165)	(\$0.433)
PG&E Citygate	683,900	\$6.881	(\$0.288)	(\$0.144)	(\$0.204)	(\$0.062)
Dominion-South	389,300	\$6.476	(\$0.347)	(\$0.549)	(\$0.263)	(\$0.341)
Transco Zone 6	276,600	\$6.960	(\$0.305)	(\$0.065)	(\$0.221)	\$0.058

ELECTRIC MARKET NEWS

The National Rural Electric Cooperative Association said that while the two largest U.S. regional transmission organizations, the PJM Interconnection and the Midwest ISO, show signs of healthy competition and improved efficiency, they have failed to come to grips with persistent market power concerns and how to promote infrastructure investment.



Forty-two U.S. Senators have written President George W. Bush to urge him to include in the administration's fiscal-year 2008 budget proposal a five-year extension of the production tax credit for renewable energy. The letter stated that it is crucial to the nation's security that it expand and strengthen investment in renewable energy resources. The continued development of renewable energy also will spur significant economic development opportunities, stabilize prices by diversifying the electric generation supply, and help reduce greenhouse gas emissions.

MARKET COMMENTARY

The natural gas market opened 11.5 cents lower below the 7.00 level on continued weakness due to balmy conditions across the country. In overnight trading, the spot contract traded to a low of 6.905, but as the NYMEX opened, the market rebounded to an intra day high of 7.11. January natural gas chopped on either side of 7.00 for most of the afternoon before finishing the session closer to the highs and settling just .008 cents higher than yesterday at 7.083.

The market remains soft, with traders reluctant to bargain hunt too aggressively ahead of the January expiration on December 27 and the holidays. Natural gas was lifted over the 7.00 level early in the session on some short covering, and then again later in the session on the tails of the rallying oil market. Forecasts continue to call for warmer than normal temperatures through the end of the year and into the early part of next year leaving little reason for the bulls to get mixed up in this market. This week's storage report will not provide the psychological support that last week's did, as expectations coming off the mild weather call for a modest draw of 40 to 85 Bcf with an average expectation of a 70 Bcf draw. A figure in this range will arrive well under last year's 168 Bcf pull as well as the five-year average withdrawal of 120 Bcf. We see support at \$6.87, \$6.75, \$6.55, \$6.25 and \$6.00. We see resistance at \$7.20, \$7.40, \$7.87-\$7.88, \$8.00, \$8.13, \$8.29-\$8.30, \$8.70 and \$9.05.

U.S. Heating Degree Days

Basis Weighted Natural Gas Home Heating

