



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 21, 2005

NATURAL GAS MARKET NEWS

El Paso Corporation said that its wholly owned subsidiaries will proceed with two projects – the next expansion at the Elba Island LNG Receiving Terminal near Savannah, Georgia, and the construction of a related Elba Express Pipeline in Georgia – to significantly expand the company's natural gas delivery capabilities in the Southeast U.S. The initial in-service date is expected to be mid-2010 and total expected capital cost of the two projects is approximately \$850 million. The phase III expansion will add 8.4 Bcf of LNG storage, which will more than double Elba's storage capacity to 15.7 Bcf. The Express Pipeline will add 0.9 Bcf/d of send-out capacity, raising Elba's capacity to 2.1 Bcf/d.

Plans to open the Arctic National Wildlife Refuge (ANWR) to oil and natural gas drilling went down in flames Wednesday as Senate proponents failed to override a filibuster of a conference report on the \$453 billion defense appropriations bill that called for refuge access for producers.

A final engineering, procurement and construction (EPC) agreement was announced for the Qatargas 3 liquefaction project, which will bring significant liquefied natural gas (LNG) supply to the United States. The EPC contract marks the final investment decision for the project, which will begin supplying LNG to the U.S. in 2009.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that it has scheduled and sealed nominations flowing through Boyds Creek compressor station. No increases sourced west of Boyds Creek for delivery east of Boyds Creek will be accepted. Furthermore, no due shipper resolution, or creation of due pipe imbalances, will be available east of Boyds Creek. Delivery meter operators are required to flow volumes equal to or less than scheduled volumes. LMSMA parties cannot use undertakes west of Boyds Creek to offset overtakes east of Boyds Creek. In addition, no secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke will be accepted.

Florida Gas Transmission said that its linepack is currently below target levels, and cold weather is forecasted in Florida over the next couple of days. Consequently, it said that there is the potential that FGT may issue an Overage Alert Day on one of the upcoming gas days.

Generator Problems

FRCC— FPL's 839 Mw St. Lucie #1 nuclear unit continued to ramp output and is operating at 48% power this morning. The unit was operating at 30% yesterday after restarting early Monday. St. Lucie #2 continues to operate at full power.

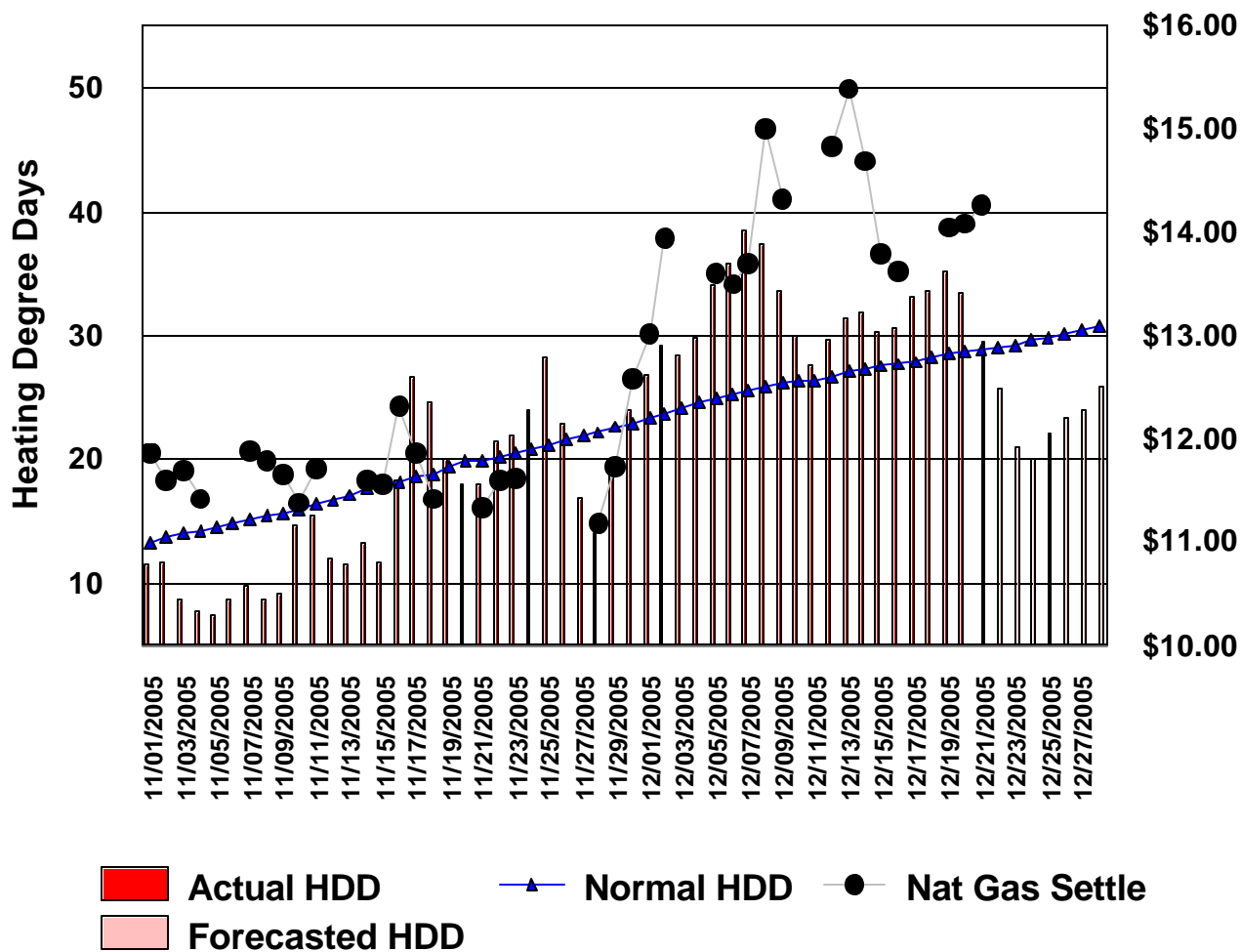
FPL's 760 Mw Turkey Point #3 nuclear unit decreased production to 59% this morning. Yesterday, the unit was operating at full power. Turkey Point #4 continues to operate at full power.

WSCC— PG&E's 1,100 Mw Diablo Canyon #1 and #2 reduced power from full capacity to 24% due to a Pacific Ocean storm that is causing large wave activity near the units.

The NRC reported that U.S. nuclear generating capacity was at 93,047 Mw down 1.54% from Tuesday and up .76% from a year ago.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended December 17 rose 5.8% from the same 2004 week to 81,217 GWh.

U.S. Daily Heating Degree Days Basis Gas Customer Weighted Basis



MARKET COMMENTARY

The natural gas market opened 33 cents lower as prices were softer overnight in anticipation of the oil complex's inventory report. The mixed report, showing a strong build in crude oil, but a significant, yet anticipated withdraw in heating oil, saw prices sag further. Natural gas mirrored crude oil, and sold off to the day's low of 13.63, but as traders began to focus on tomorrow's EIA report, the market rallied back above the 14.00 level and extended yesterday's high. The market remained strong through the end of the session and posted its day's high just before the close, reaching 14.40. January natural gas settled up 19.1 cents at 14.271.

Expectations for tomorrow's EIA storage report range between draws of 150 Bcf to draws of 212 Bcf, with the median expectation of a draw of 170 Bcf. An auction of options by ICAP Energy and the NYMEX suggests implied expectation of a 173 Bcf pull from storage. Basis our models we are looking for a drawdown of 161 bcf. Traders looking ahead to this report today boosted the market to the higher end of the range, as tomorrow's report will surpass both last year's report and the five-year average. But as last week's large 202 Bcf draw

ultimately saw the markets end lower, only a surprise number will have a lasting effect on this market, as longer term weather forecasts continue to dominate. We see resistance at \$14.57, \$14.80 and \$15.60. Further resistance we see at \$15.78. We see support at \$13.63, \$13.38 and \$13.00. Further support we see at \$12.78 and 12.59.