The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132   (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR DECEMBER 27, 2005

NATURAL GAS MARKET NEWS

The U.S. Energy Department reported that the amount of natural gas handled by U.S. processing plants along the Gulf Coast is still 26% below levels seen before Hurricanes Katrina and Rita struck more than three months ago. Active plants are processing about 10.508 Bcf/d, down from pre-hurricane daily flows of 14.286 Bcf/d.

The U.S. NWS reported that total U.S. natural gas heating demand will be nearly 28% below normal, as temperatures in the big Northeast heating market are now 13-23 degrees F warmer than normal.

The U.S. Coast Guard Sector Northern New England said it will review the safety and security issues of liquefied natural gas (LNG) tanker traffic through Passamaquoddy Bay and its approaches to Mill Cove and Split Rock, ME, in conjunction with FERC's permitting process for Downeast LNG's proposed $400 million terminal and Quoddy Bay LLC's $500 million LNG project in Maine.

PIPELINE RESTRICTIONS

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 8inch 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.

Generator Problems

FRCC— Progress Energy Florida decreased production at its 870 Mw Crystal River #3 nuclear unit over the weekend to troubleshoot some transformer issues. The unit is operating at 80% capacity this morning. It was operating at full power on Friday.

NPCC— Entergy Nuclear ramped production to full capacity at its 956 Mw Indian Point #2 nuclear unit over the weekend. The unit was offline at 11% on Friday. Indian Point #1 continues to operate at full power.

SERC— Entergy Nuclear's 858 Mw Arkansas Nuclear #1 again shut after exiting an extended refueling and maintenance outage last week. Arkansas Nuclear #2 continues to operate at full power.

WSCC— Arizona Public Service's 1,270 Mw Palo Verde #1 continues to ramp output and is operating at 32% power this morning. Palo Verde #2 and #3 continue to operate at full power.

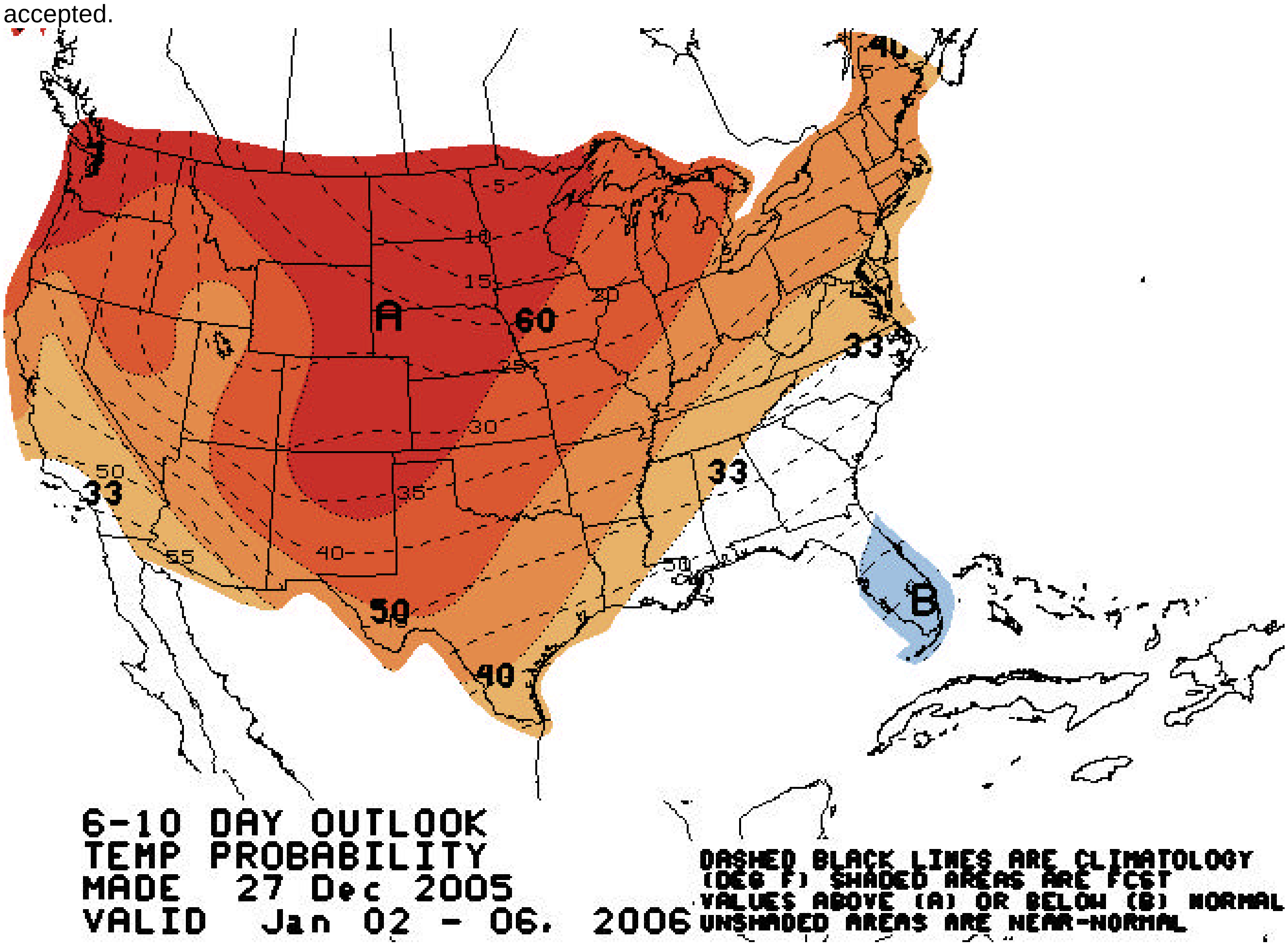
The NRC reported that U.S. nuclear generating capacity was at 94,496 Mw down .13% from Friday and up 3.09% from a year ago.

Kern River Pipeline said that linepack is at a high level, according to an informational posting on their website. There will be no new banking arrangements until line pack returns to normal.

KM Interstate Gas Transmission said that Williston Basin Bridger (PIN 8737) has capacity available for receipt volumes. Based on the level of nominations, IT/AOR and secondary volumes may be scheduled.

Natural Gas Pipeline Company of America said it has limited capacity available for gas going eastbound through the end of Segment 17. Limited ITS/AOR and secondary out-of-path transport volumes are available.

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



ELECTRIC MARKET NEWS

Dynergy said it would pay $370 million to terminate the last power supply contract, or "tolling" agreement, on its books, a move that will eliminate about $755 million in future payments. The company, which has undergone a massive restructuring in recent years and sold assets to help pay off nine money-losing power supply contracts, will record a related fourth-quarter charge of about $360 million, pretax, it said.

MARKET COMMENTARY

The natural gas market opened 1.13 lower today following an 8% slid in prices during the electronic Access overnight session. The market is pressured by forecasts for mild U.S. weather and follow-through technical selling after a 14% slide late last week. The market traded sideways today dipping as low as 10.96 towards the end of the session. On the upside, January natural gas traded as high as 11.22 as it prepares to go off the board tomorrow. With no supportive weather, this market lost 1.261 today to settle at 11.022 with a strong 85,000 contracts changing hands. The upcoming spot February contract was off 1.186 to settle at 11.216.

As long as Mother Nature continues to provide atypically warm temperatures in the heart of winter, the bears will retain control. If January natural gas continues to soften tomorrow and drops below $10.80 that will place the market at pre-Hurricane Katrina levels and a far cry from December 13's $15.378 high. Currently, most weather forecasts are expecting the mild conditions to continue for at least the first two weeks of January, though that is subject change, as is the habit of weather. We see resistance at $11.70, $12.00 and $12.90. We see further resistance at $13.00, $13.70 and $14.00. Downside targets include $10.88, $10.72 and $10.60. Further support we see at $10.08 and $10.00.