



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 8, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that only modest progress was made over the weekend in returning production shut in following the damage to offshore production facilities from Hurricane Ivan. The agency reported that production gains today totaled only 111b/d from Friday's levels, while only 0.6 MMcf/d of natural gas production was returned.

The Climate Prediction Center this morning reported that for the week ending November 6th, it estimated that the nation saw some 97 heating degree-days recorded on a gas home heating customer weighted basis. This was some 10.2% less than normal, but 14% colder than last year. For the current week

Generator Problems

ECAR – The 1,130 Mw Fermi 2 nuclear unit shut on November 6 for a refueling and maintenance outage. The unit was last seen operating at full power on Friday. The unit is scheduled to return to service in 14 days.

MAAC – The 1,100 Mw Susquehanna 1 nuclear unit was taken down to 75% capacity over the weekend to work on a condensate pump. The unit is currently operating at 75% capacity after being at full power on Friday.

The 1,100 Mw Salem Nuclear 1 and 2 reduced production on Sunday due to a solar magnetic disturbance. Unit 1 is running at 77% capacity while unit 2 is at 78% capacity, after both units were running at full power on Friday.

MAPP – The 800 Mw Cooper nuclear facility restarted this morning and is currently running at 20% capacity. The unit was taken offline on October 18 to investigate turbine vibrations.

The 580 Mw Duane Arnold energy center is back to full power today, up 15% on the day. The unit resumed full capacity at 1:58 PM CT today following maintenance.

SERC – The 900 Mw Harris nuclear unit started to exit a refueling and maintenance outage and ramped up to 3% capacity on the day. The unit originally shut on October 16.

The 830 Mw Brunswick 2 nuclear unit is currently operating at 92% capacity. The unit was reduced in power over the weekend to perform a control rod adjustment and various other inspections and maintenance activities.

CANADA – The 825 Mw Bruce A 4 nuclear unit is scheduled to return to service by the end of today. The unit shut on November 6 during a maintenance test on a shutdown system.

The 881 Mw Darlington nuclear units 1 and 4 shut early this morning. A reason and schedule have yet to be disclosed.

The 516 Mw Pickering B 5 unit exited a short-term planned outage which begun on October 29.

The 285 Mw Lakeview 5 coal-fired unit returned to service from a short-term forced outage that began on November 2.

Based on the latest NRC reports, total nuclear generation output this morning reached 75,730 Mw down 1522 Mw or 2.0% from Friday's levels. Total generation was some 5.77% lower than the same date a year ago.

ending November 13th, the CPC estimates that some 134 HDD will be recorded some 7.2% higher than normal and 2.3% colder than the same week a year ago.

Lehman Brothers and Raymond James analysts both agreed that 3Q2004 North American natural gas production continued to decline year on year comparisons, despite an upsurge in drilling activity. Lehman Brothers also estimated that that overall 2004 gas supply in North America should decline by 1.9%, versus it previous forecast of a 1.6% decline due to the shut ins from Hurricane Ivan. The group continued to look for the overall tight supply picture to result in continued strong pricing of natural gas. The group sees a 3% decline in production next year with a 2% decline per year in the period of 2006-2008

Cheniere Energy Inc. today stated it signed agreements with HSBC Securities Inc. and SG Corporate & Investment Banking to arrange for \$741 million in debt financing for building a LNG receiving terminal. The Houston-based company said construction of the Sabine Pass LNG receiving terminal in Cameron Parrish, Louisiana, is expected to begin by the end of the first quarter of 2005.

AEP reported Monday that two separate shareholder derivative cases against the company and individual members of its board of directors were dismissed on Friday. The cases had charged that the defendants failed to maintain adequate internal controls over their natural gas trading operations.

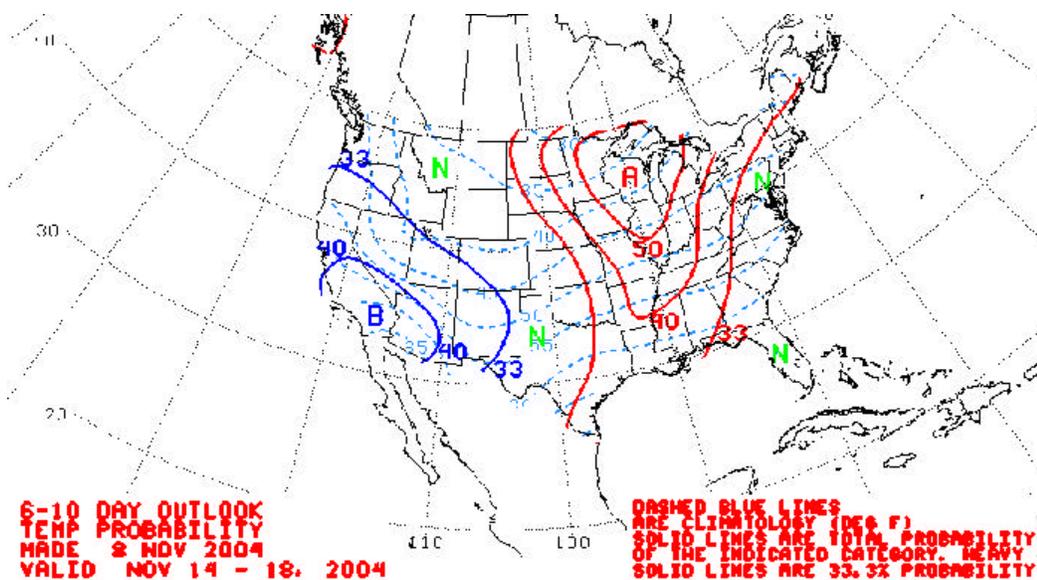
PIPELINE RESTRICTIONS

Southern California Gas Company has declared an Operational Flow Order for today. SoCalGas will limit all nominations to the Transportation Service Access Quantity in the 4th operating cycle.

Northwest Pipeline Corp. said it experienced a minor equipment failure at the Vernal Compressor Station early Friday, which will not allow the use of the existing compressor units including the recently installed mobile compressor. The entire station will be inoperable until replacement equipment can be installed. The replacement equipment has been found, and it is expected that the Vernal compressor station will be returned to service in the evening of Tuesday, November 9. Therefore, the company expects to restore design capacity for gas day November 10. Current scheduled throughput at the

Vernal compressor is approximately 270 MMcf of gas so alternate cuts are expected.

National Fuel Gas said that construction on line N-20 has been ongoing from August 23 and is scheduled to be completed on November 12. Nat Fuel is expecting restrictions on line N-20 that may



effect interruptible transportation and firm transportation with the following receipt or delivery points: TET Bristoria and Equitrans.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company has updated its work schedule for November. It will perform maintenance at the Baker South Compressor on November 9-10, for a 6-hour period each day. The maximum capacity based on current conditions at Point ID 04018 Baker Area Mainline and Point ID 04015 Baker Area Grasslands Area will be approximately 51-52 MMcf for those days. Also, due to maintenance at the Worland Plant slated for 9:00 AM MT to 5:00 PM November 30, there may be a potential capacity restriction in Line Sections 19 and 20. At this time, restrictions to the system are not anticipated. Due to mainline maintenance on Line Section 6 planned to last from this morning to 5:00 PM MT Wednesday, there may be potential restriction in that line section. At this time, restrictions to the system are not anticipated. Due to maintenance on the Lovell to Powell 6-inch line, planned for 5:00 AM MT – 5:00 PM MT November 16, there may be a potential for delivery restrictions in Line Section 21. At this time, restrictions to the system are not expected.

El Paso Natural Gas Company said that the meters at the Transwestern interconnect at Window Rock Station will be out of service, one at a time, on November 10. The capacity through the point will be limited to 200 MMcf/d. Based on recent scheduled volumes through the point, this outage will have no effect on markets.

ELECTRIC MARKET NEWS

Power producer Calpine Corp. stated today that the 250 Mw Goldendale Energy Center in Washington state has begun commercial operations. The combined cycle gas-fired plant is located just north of the Oregon border and about 120 miles east of Portland, Oregon. It will join Calpine's 630 Mw Hermiston combined cycle project, located in Oregon just south of the Washington state border, in serving the Oregon and Washington markets. Calpine also noted it is securing permits for a third combined cycle plant in the area, the 670 Mw Turner Energy Center in Oregon.

The Sacramento Municipal Utility District has joined the Western Electricity Coordinating Council's reliability program so that 93% of the region's load is covered by standardized reliability criteris

MARKET COMMENTARY

The natural gas market continued its dramatic free fall as limited heating needs for natural gas could not overcome the weight of record inventories of natural gas. This market opened lower as weather forecasts, especially for next week continued to point to above normal temperatures for much of the central part of the nation as well as for the U.S. Northeastern states. While natural gas was able to hold above Friday's lows and major support area of \$7.70 through early afternoon, once again as the 1 PM "witching hour" approached selling pressure was finally able to overwhelm support at this level. Stops were elected below \$7.70 and a wave of selling ensued and within 30 minutes prices fell all the way down to \$7.55, the lowest level the December contract has been since October 4th. While prices staged a rather anemic bounce off these lows, selling pressure returned near the close and prices for this winter's contracts settled down near their lows, off 33.9-45 cents. Volume was light to moderate with 68,000 futures traded.

Weather forecasts remain the driving force for this market. While this week has seen a modest upturn in heating demand especially in the Northeast, expectations for significantly warmer temperatures for the period of November 12-22nd is keeping buyer well to the sidelines. As a result this market will continue to see selling pressure until a consensus begins to build that this Indian summer pattern will be jettisoned. Tonight's NWS forecast does not seem to provide any comfort to the bulls, except that the agency provided a rather low confidence level to its 6-10 and 8-14 day temperature outlooks. Some private weather forecasters are calling for temperatures in the Texas area to run by 15-25 degrees below normal by this weekend and hold on for several days. As a result this period coupled with the current cold snap in the East could help support the cash market for the remainder of this

week and possibly lend some support to the futures markets. We see support in this market at \$7.55 followed by \$7.30, \$7.278 and \$7.03. Resistance we see at \$7.935 followed by \$8.20, \$8.28, \$8.505, \$8.681.

Just a reminder that the EIA will release its weekly gas storage report will be released early this week, due to the Veteran's Day holiday. The report is scheduled to be released Wednesday between 12-12:10 pm.