



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 6, 2004

NATURAL GAS MARKET NEWS

The CFTC said today that a unit of Mirant Corp agreed to pay a \$12.5 million civil penalty to settle charges that it gave bogus natural gas price information to industry price reporting services. The agency said that the attempted manipulation by Mirant traders, if successful, could have affected natural gas futures prices on the NYMEX. Mirant did not admit or deny any wrongdoing in settlement of the case.

The Climate Prediction Center this morning estimated for the week ending December 4th, the nation overall saw some 175 heat degree days some 1.7% higher than normal and 4.2% higher than the same period a year ago. For the current week ending December 11th, the agency is forecasting just 138 heating degree-days some 26.2% less than normal and 25.4% less than the same week a year ago.

Texas Gas Transmission announced a binding open season for firm storage service and no-notice service. The company is seeking agreements that support the expansion of the storage capacity of its Midland and Hancock, Ky. Storage fields. Texas Gas projects service to begin November 1, 2006.

Generator Problems

ECAR – Detroit Edison restarted its 1,139 Mw Fermi #2 after its Dec 4th automatic voltage regulator trip. The unit is warming up offline at 2%.

ECOT – TXU Corp will restart its 570 Mw Big Brown #1 coal-fired unit following boiler tube repairs. Its 560 Mw unit #2 started on Dec. 3 following repairs to restore seal water to the vacuum pump.

FRCC – Florida Power and Light increased output 12% over the weekend at its 693 Mw Turkey Point Unit #3, running the reactor at 60%. The unit came back online Dec. 1 following a two-month refueling outage and the replacement of the reactor vesselhead and inspection of bottom mounted instrumentation. Turkey Point Unit #4 remains at full power.

MAAC – PSEG reported that operators had fixed a small reactor coolant leak at its 1150 Mw Salem 1 nuclear unit. The unit has been off line since Dec 3rd due to an unrelated oil spill on the Delaware River. Operators currently are working with the U.S. Coast Guard before restarting the reactor and its sister unit.

AmerGen Energy reduced power at its 786 Mw Three mile Island #1 nuclear unit to 65% of capacity due to a leak on a heater drain pump suction line.

MAIN – Exelon Corp.'s 900 Mw Dresden #3 unit is warming up offline at 1% following a refueling. A cracked generator shaft was also repaired. Work continues on unit #2's generator shaft. The 800 Mw unit shut Nov. 1.

Following a rod pattern adjustment and surveillance testing over the weekend, Exelon Corp. increased power at its 1,144 Mw LaSalle #1 unit. Unit #2 remains at full power.

MAPP – Wisconsin Public Service's 557 Mw Kewaunee unit exited refueling and maintenance and ramped up to 58%.

Nebraska Public Power District is continuing to prepare its 800 Mw Cooper unit for refueling and maintenance outage scheduled to begin Jan. 15 and last 30 days. NRC reported the unit at 93%, down 3%.

To ensure that a repeat of the November 24th NYMEX gas spike does not occur, The American Public Gas Association is urging the US Federal Energy Regulatory Commission to take steps with the Energy Information Association regarding erroneous storage reports. As a result, the American energy consumers will pay near \$1 billion in December alone. APGA also wants EIA to report storage estimates daily and reconsider whether the EIA should report on the final day of trading for any futures contract.

The chairman of the Senate Energy Committee today called for legislative proposals that offer long term solutions to what he called the "looming crisis in natural gas supply and demand.". He has asked industry, government and public interest groups to submit proposals to the committee by the start of the New Year in how to deal with the problem. He cited the recent loss of manufacturing jobs to overseas locations due to high natural gas prices domestically as an example of the growing problem in this market. Meanwhile Congressman Dingell seeks FERC and CFTC review of hedge fund activities in the commodity markets.

Lehman Brothers estimates that oil and natural gas companies will increase their spending on exploration and production activities by 5.7% on average in 2005.

Pipeline Restrictions

With mild temperatures forecasted in Florida for the rest of the week, FGT is alerting customers in the FGT Market Area that there is potential for an Underage Alert Day. FGT will monitor hourly and daily takes. The 1.5 billion cubic feet capacity pipeline stretches from eastern Texas through Louisiana, Mississippi, and Alabama to the southern tip of Florida.

Pipeline Maintenance

El Paso Natural Gas said late Friday that a maintenance project planned to replace controls at the Wenden GE turbine would be postponed until next year but other planned work at the site would be performed on December 8th. It noted that the capacity of the Havasu crossover would be reduced by 70 million cf/d from a base capacity of 680 mmcf/d, for the first two cycles on December 8th and by 25 Mmcf/d for the third and fourth cycles on the day. The company also reported that the Roswell 3 compressor in New Mexico was currently down as operators replaced a turbocharger and to perform a mechanical inspection. As a result the San Juan crossover was reduced by 20 Mmcf/d from a base capacity of 650 Mmcf/d.

Generator Problems - Continued

NPCC – Constellation Energy Group reduced its 1,158 Mw Nine Mile Point #2 unit from full capacity to 74% to perform corrective maintenance and routine testing.

SERC – Duke Energy said today that it hoped to have its 1129 Mw Catawba #1 nuclear unit back on line shortly after tripping off line this weekend due to a problem with a moisture separator reheater. The unit had been running at full power at the time of the trip.

South Carolina Electric and Gas Co. reduced its 966 Mw Summer Reactor from full capacity to just 2%; a reason was not immediately available.

Dominion Energy boosted its 800 Mw Surry #1 by 95% over the weekend to operate at 96%. The unit had shut Oct. 31 for standard refueling outage.

WSCC – Southern California Edison Co.'s 790 Mw Mohave #2 coal-fired unit in Nevada returned to service. SCE decreased output on its 790 Mw unit #1 by 90 Mw.

The California Department of Water Resources decreased its 933 Mw Hyatt-Thermalito hydropower plant by 858 Mw late Sunday following a 653 Mw curtailment early Friday.

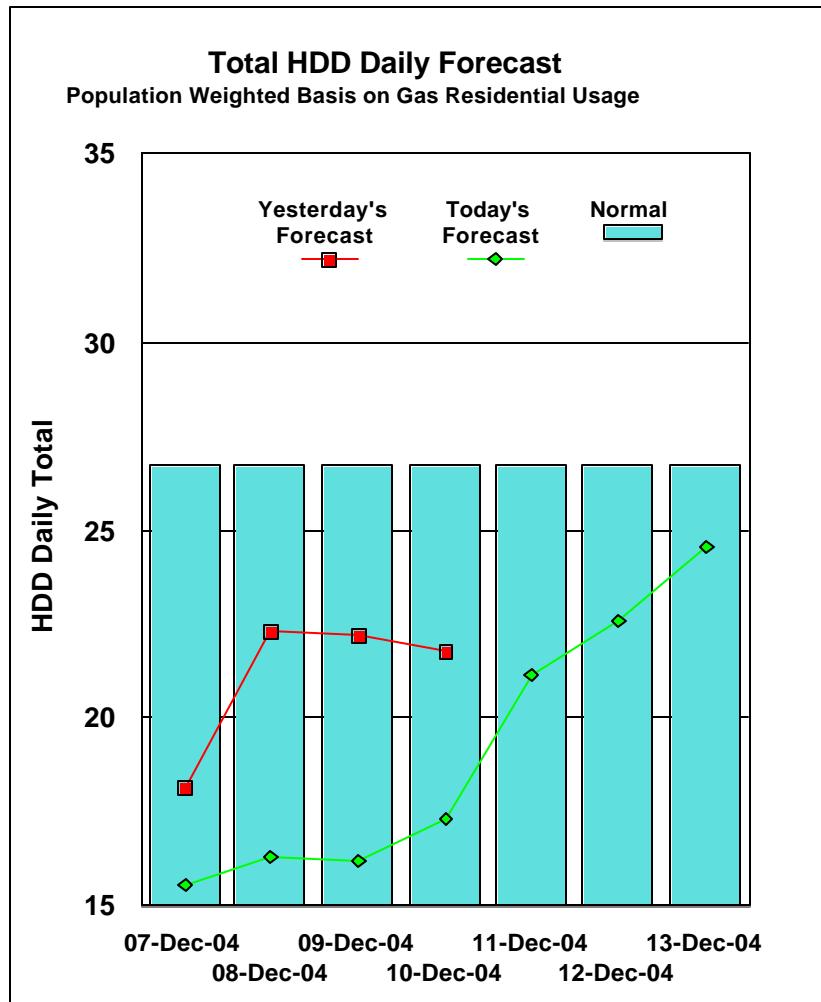
Arizona Public Service stated that its 1,270 Mw #3 unit at Palo Verde was in the process of returning to service following a maintenance and refueling outage. It will be halted at certain levels for testing.

Duke Energy shut its 750 Mw Moss Landing #7 gas-fired unit for about a week. Units #2 and #6 are fully available for service and #1 is operating at about half power while one of its gas turbines remains shut due to compressor failure. Duke expects #1 to be up by late December.

Based on the latest NRC reports, total nuclear generation output this morning reached 87,106 Mw down 214 Mw or .25% from yesterday's levels. Total generation was some 1.07% higher than the same date a year ago.

Cal ISO reported that 10,192 Mw of generating capacity was out of service early Monday, up 265 Mw from Friday.

All operating conditions have returned to normal following the necessary maintenance to correct a vibration problem on the Kinder Morgan Texas Pipeline.



ELECTRIC MARKET NEWS

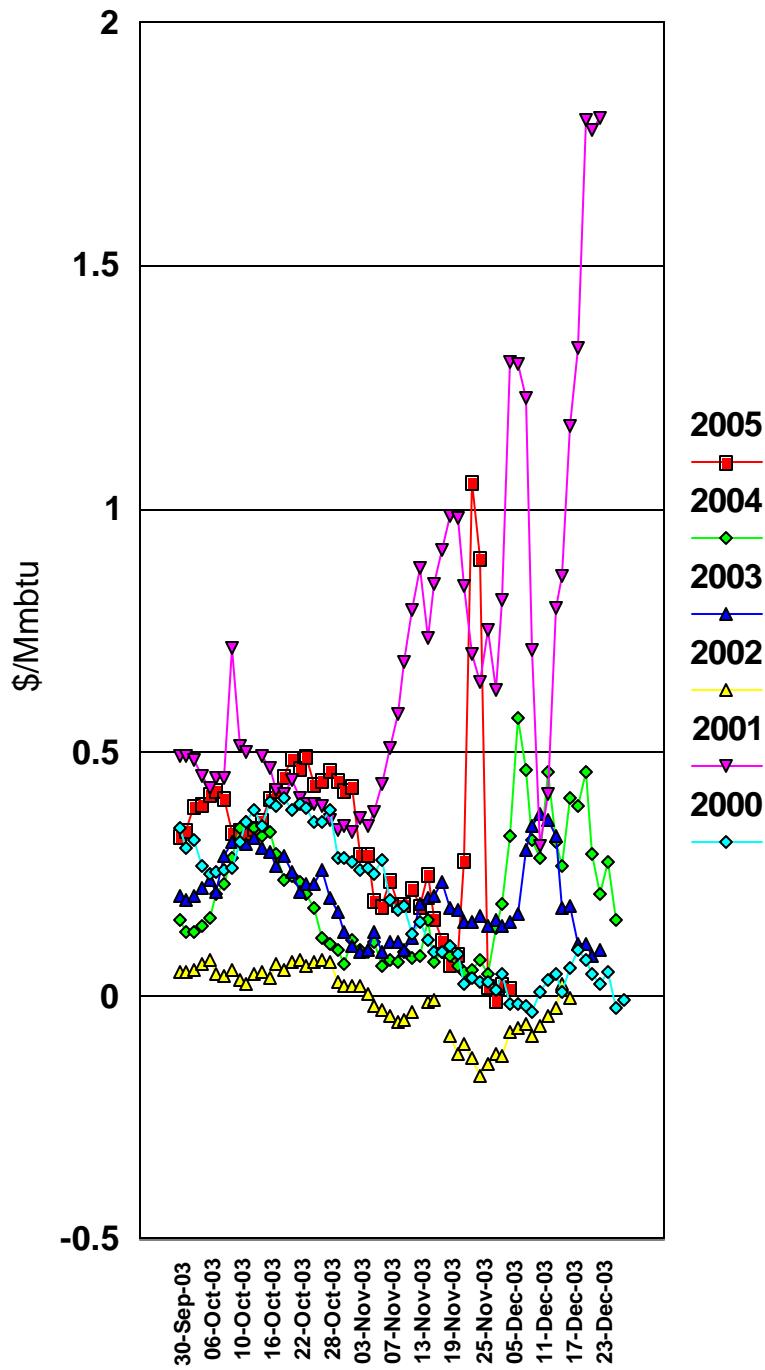
Xcel Energy filed on Friday with the Colorado Public Utilities Commission for an all-inclusive settlement agreement regarding its Least-Cost Plan. The plan would allow Xcel's operating company, Public Service Company of Colorado to move forward with satisfying a resource need of approximately 3,600 Mw of new generating capacity by 2013. To meet this resource need, a combination of competitive bids would be accepted for both fossil-fueled and renewable energy resources, energy conservation programs and a new coal-fired generating unit built by the company. New emissions reduction equipment would be installed on all generating units at the Comanche Generating Station near Pueblo, Colo., including a new 750 Mw unit. The new coal-fired unit near Pueblo would be the first built by Xcel in Colorado since the Pawnee Generating Station in 1981. The total cost of the project is estimated to be \$1.35 billion and is expected to save the customers between \$500 million and \$1.4 billion

The FERC reportedly plans next week to vote out a policy statement that will encourage transmission owners to either join regional transmission operators or completely divest their transmission to a third party. The FERC initially has suggested that it would grant higher rates of return on equity for transmission assets that were operated independently.

MARKET COMMENTARY

The natural gas market opened basically unchanged today and quickly worked a dime higher as some limited buying interest was generated by the calls of some private weather forecasters talking about the long awaited artic air surge was on the horizon and just a week away. But the upside potential for the market was limited given the growing skepticism of many in the market that these calls for an artic outbreak seemed no closer to being a reality than they were a month ago, and as heating demand for the next week remained extremely limited. As a result prices stalled out within the first 30 minutes of trading and quietly slid back down over the next couple of hours to retest the morning's low and opening level at \$6.80. But this level was not breached and as a result prices moved quietly back up again in the afternoon session to set a new intraday high before the close and settle up 12.7 cents

NYMEX Nat Gas Jan-Mar Spread



basis the January contract, the first daily net gain in over a week. Final volume on the day was light with just 49,000 futures traded with more than half the day's activity booked via spreads.

Tonight's NWS 6-10 and 8-14 day temperature outlooks appear to point to this colder than normal outbreak in temperatures building next week in the east and growing or moving westward. As long as oil prices do not collapse we would look for natural gas prices to further build upon the support of the past few days between \$6.69-\$6.80 and attempt to breach the key resistance at \$6.95. Additional resistance we see at \$7.40, \$7.455, \$7.695, \$7.77-\$7.785, and \$7.932. On the down side we see additional support at \$6.505, \$6.46, \$6.31, \$6.02-\$5.96 and \$5.78. We would look to return to bull spread the January – March contracts once again tomorrow possibly at flat to a one cent premium., looking for this spread to move back out toward 20 cents or higher by the end of the month.

