



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 3, 2004

NATURAL GAS MARKET NEWS

El Paso's Southern Natural Gas Co. stated today that nine receipt points east of its Main Pass 298 Station in the Eastern Gulf of Mexico are not ready to accept gas flows for another six months to a year. About 6 weeks after Hurricane Ivan's mid-September rampage, Southern identified those receipt points as tied to producers ChevronTexaco, Royal Dutch Shell, Sun, ConocoPhillips and Pogo. Six more gas receipt points on Southern's South Pass 60 Line will be ready to flow gas by the end of February 2005. Four other points, including Mississippi Canyon 109 and Mississippi Canyon 20, and two additional Main Pass stations probably will have individual return-to-service dates. The company said those dates are yet unknown. All of the 19 receipt points remain under the force majeure and should not flow gas. Yesterday, Southern said 50 receipt points in its Main Pass area are flowing gas. As of last Thursday, 47 of those points moved about 400 MMcf/d, 22% less than had been flowing prior to Hurricane Ivan. The U.S. Minerals Management Service said Tuesday that daily gas volume shut down is 75 MMcf/d. Cumulative lost gas output in the Gulf of Mexico is about 111.01 Bcf.

Generator Problems

ERCOT – The 676 Mw Oklaunion coal-fired power unit expects to shut the boiler. Reasons for the shut-in have yet to be disclosed.

MAAC – The 650 Mw Oyster Creek nuclear unit shut early this morning for a refueling outage, after operating at 58% capacity yesterday. The unit is expected to be shut for one month.

NPCC – The 870 Mw Millstone 2 nuclear unit is running at 95% capacity, down 5% on the day. The unit was reduced in power due to a routine maintenance on a pump. With the pump out of service, there is a reduced flow of water, which causes the minor reduction in power output.

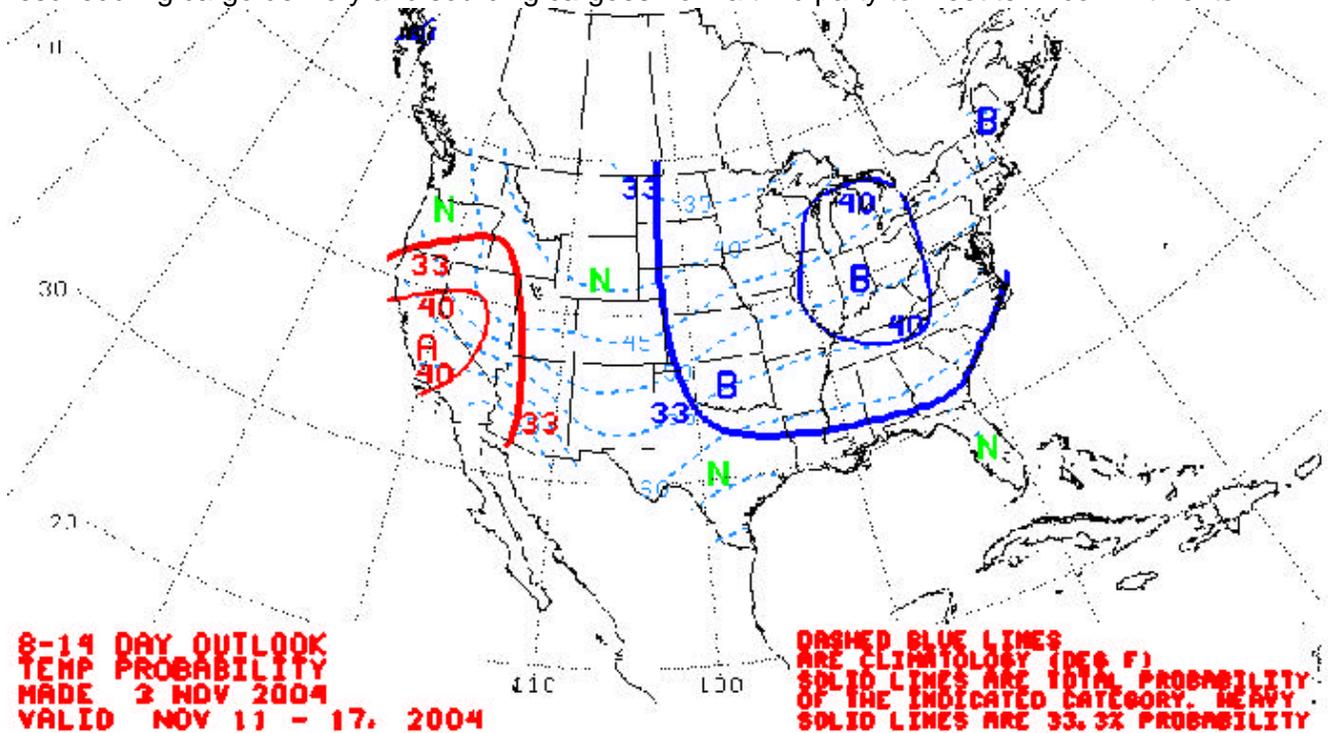
SERC – The 921 Mw North Anna 1 nuclear unit is operating at full power, up 39% on the day. The unit was reduced over the weekend to fix a fan used to cool the conductors.

Based on the latest NRC reports, total nuclear generation output this morning reached 77,234 Mw down 209 Mw or .27% from yesterday's levels. Total generation was some 2.27% lower than the same date a year ago.

The U.S. Minerals Management Service reported today that U.S oil production in the Gulf of Mexico today was running at 87.35% of its normal rate of 1.7 million barrels per day, a slight improvement of 3,374 barrels from yesterday. Natural gas production on the day showed only minor gain of 6 Mmcf/d from yesterday, as 745.98 Mmcf/d remains shut in.

Indonesia is considering cutting its term LNG supplies to Japan, Taiwan and South Korea in 2005 owing to a gas supply shortfall at its Arun and Bontang LNG plants, Rachmat Sudibjo, chairman of Indonesia's upstream regulatory body BPMigas, stated today. LNG supplies from Arun may be reduced by 9-15 cargoes from an initial commitment to supply 76 cargoes next year. While LNG export from Bontang might be cut by 30-35 cargoes from the original plan to supply a total 360 cargoes in

2005, Rachmat said. A team of government officials had left for the three countries to discuss the issue with the buyers. A firm decision on the number of cargoes to be shipped from Arun and Bontang in 2005 is expected within this month. Head of the LNG marketing division of BPMigas, Djoko Harsono, told reporters that besides cutting exports, the government had two other options. These included rescheduling cargo delivery and sourcing cargoes from a third party to meet term commitments.



PIPELINE MAINTENANCE

PG&E California Gas Transmission said that on November 19 it will be performing semiannual maintenance at the Gerber Compressor. Capacity on the Redwood Line is expected to drop to 2,020 MMcf/d or 95% for the day.

ELECTRIC MARKET NEWS

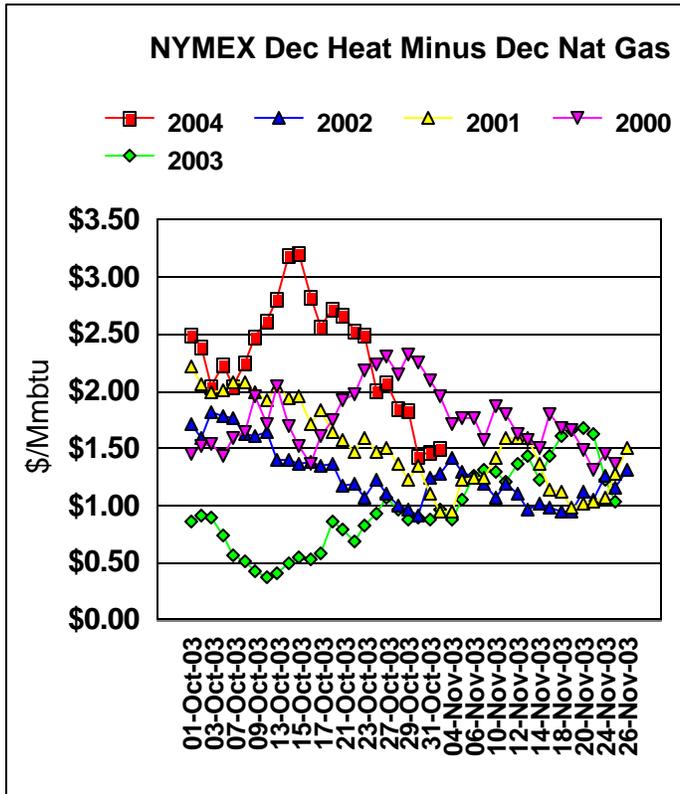
Wisconsin Power and Light Company announced yesterday that it received an order from the FERC authorizing a \$12.2 million interim increase in the company's wholesale electric rates, effective January 1, 2005, subject to refund. The order also established a hearing and settlement judge procedure. Final rates are expected by mid-2005.

Hydro-Quebec Distribution reduced its projected power supply requirements for 2005-2014 due to a forecast increase in wind power, conservation and weaker growth in industrial demand, especially from the aluminum sector. The company reduced its expected sales growth for the period from 1.8% to 1.2%.

MARKET COMMENTARY

Several private weather forecasters this morning released temperature outlooks calling for a significant arctic outbreak moving into the Great Lakes and the Northeast early next week followed by yet another significant cold wave into the Plains and Midwest later next week. This allowed the futures market to open more than a dime better. But prices were dragged lower at mid morning, as oil prices collapsed following the release of oil inventory reports that were perceived by the market as bearish. But as oil prices rebounded late in the morning and surged higher, natural gas values followed along, but in a much lighter trading volume. By the end of the day the market settled up 18.5 cents at its highest level

in a week. Volume though remained moderate at best for the day with just 48,000 lots traded on the day.



Market expectations for tomorrow's storage report appear to be running between a 35-40 bcf injection rate for the week ending October 29th. This would place U.S. storage levels at an all time high. For the same week last year, stocks rose 34 bcf, with the five year seasonal average running at a 24 bcf injection rate. We would place our estimate at 42 bcf given the fact that 1 bcf of USG production was back on line from the prior week, along with the fact that heating needs for the week were some 16% less than the previous week.

We look for weather to continue to be the driving force for this market, even though storage levels are brimming full. We feel though that this market initially will have a hard time being the price leader for any significant move given heating oil's relative close valuation to natural gas and its tighter supply situation. Thus if oil fails to gain a significant lift from the forecasted cold weather in coming days, we feel the rally potential for natural gas

will be limited.

We look for resistance in this market tomorrow at \$8.78, followed by \$8.842, \$8.94-\$8.96 and \$9.078. Support we at \$8.70 followed by the double bottom at \$8.46 and the gap in the daily charts at \$8.35-\$8.38.