



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 12, 2004

NATURAL GAS MARKET NEWS

The FERC said Cheniere Energy Inc.'s Sabine Pass LNG pipeline project will have limited adverse environmental impact, clearing the way for the agency to grant final permission for construction and operation. The company said it expects to begin construction on the facility in the first quarter. Cheniere applied with the FERC on December 22, 2003, to build and operate the pipeline, which will have initial processing capacity of 2.6 Bcf/d. On Tuesday, the company agreed to contract 700 MMcf/d of LNG from the Sabine site to a subsidiary of Chevron Texaco.

The number of rigs searching for oil and gas in the United States fell by 9 to 1,259 last week, oil services from Baker Hughes confirmed today. During the same week last year, there were 1,111. The number of rigs exploring for oil and gas in Canada rose 16 to 448 compared to 423 last year. The number of rigs in the U.S. Gulf of Mexico increased 2 to 93, while last year there were 105. There were 1,139 U.S. rigs searching on land, 98 offshore and 22 inland. The total North American rig count rose 7 to 1,707, while last year it was 1,534. The number of rigs searching for oil in the United States fell 11 to 179, while the number of rigs searching for gas rose 2 to 1,079. There was 1 miscellaneous rig, just like last week. There were 341 directional rigs in the United States, 128 horizontal rigs and 790 rigs exploring vertically. Texas gained 15 rigs to 539, while Oklahoma lost 10 to 158.

Generator Problems

ECAR – The 1,090 Mw D.C. Cook 2 nuclear unit is currently running at 48% capacity, up 20% on the day. The unit reconnected with the grid yesterday after restarting on Tuesday. The plant shut on October 2 for a standard refueling and maintenance outage.

ERCOT – The 675 Mw Pirkey coal-fired power plant will shut-in November 13 for repairs. The unit is expected to be down until November 30.

AEP's 528 Mw coal fired Unit #2 at the Welsh Power Plant was taken down this morning for boiler maintenance for the next several days.

SERC – The 1,129 Mw Catawba 2 nuclear unit returned to full service today, up 4% from yesterday's level. The unit was running at 96% capacity yesterday, after plant operators took it offline a day earlier. Reasons for the reduction were not immediately available.

The 1,100 McGuire 1 nuclear reactor is currently operating at 49% capacity and continues to ascend to full power. The unit returned to service yesterday following repairs to the instrument line when a leak was discovered. The unit shut the morning of October 18.

CANADA – The 840 Mw Bruce B 8 nuclear power unit will return to service today following a brief, unplanned outage on November 10. The unit shut after its turbine cooling water pumps automatically shut down. Also on November 10, the company shut its 825 Mw Bruce A 3 to work on the unit's heat transport system. Units 4, 5, and 7 remain online while unit 6 remains offline for its scheduled inspection program and will likely return to service later this month.

Based on the latest NRC reports, total nuclear generation output this morning reached 78,043 Mw up 638 Mw or .82% from yesterday's levels. Total generation was some 1.98% lower than the same date a year ago.

U.S. oil production in the Gulf of Mexico was up today at 88.18% of its normal rate of 1.7 million bpd, from Wednesday's 87.94%, as output continues to recover after Hurricane Ivan, the U.S. Minerals Management Service reported today. Natural gas production was at 94.48% of the normal 12.3 Bcf/d, up from Wednesday's 94.37%. There was no report yesterday due to the holiday. The report said 200,871 bpd of oil output remained shut, down from 205,054 on Wednesday. Natural gas output totaling 679.16 MMcf/d was still shut, down from Wednesday's 692.36 MMcf/d. Since September 11, a cumulative total of 29.3 million barrels of oil and 118.26 Bcf of natural gas has been shut.

PIPELINE RESTRICTIONS

Texas Eastern Transmission Corp. stated that the 24-inch system between Longview and Fagus has been nominated to capacity. No increases of physical supply will be accepted between Longview and Fagus.

PIPELINE MAINTENANCE

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 fourth operating cycle.

PG&E California Gas Transmission has called a customer specific operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system.

Transcontinental Gas Pipe Line announced that it has received notification that the work required to place the NJN Morgan meter and the LILCO Long Beach meter is now anticipated to be complete by today. However, the material necessary to reinstate service to the PSEG Sayreville meter, PSEG Red Oak Sayreville meter and NJN Sayreville meter is expected to arrive on site November 17, and work will commence immediately thereafter. Service is not expected to return before November 18. Transco declared a force majeure situation in New Jersey due to unscheduled maintenance after finding a leak on its Mainline C Long Beach Lateral in the Sayreville area on November 9.

ELECTRIC MARKET NEWS

TXU Power announced today it was mothballing 8 ageing natural gas-fired electric generating units, which represent 25% of TXU Power's natural gas-fired generation capacity in Texas. The company said this was expected to result in total savings of about \$20 million which had been included in TXU Corp.'s previously announced outlook earnings in 2005 between \$5.65 to \$5.85 per share.

ISO New England Inc., which oversees the electric generation and transmission system for 6 Northeastern states, has asked the U.S. Department of Energy for approval to export electricity to Canada. The department published the firm's application in today's Federal Register, and will take public comment on the request through November 29. Electricity exports from the United States to a foreign country must be approved by the U.S. government to ensure American power supplies will not be impaired. ISO New England said electricity exports to Canada would be part of the normal bulk power transactions it schedules for transmission in the region it oversees, which include Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. The electricity exports to Canada would be transmitted over facilities owned by Maine Electric Power Co., Vermont Electric Transmission Co., and the Joint Owners of the Highgate Project.

MARKET COMMENTARY

The natural gas market opened a couple of pennies stronger this morning in light volume. It appeared locals tried to catch some shorts by surprise and began to push the market higher but their rally faltered once values approached the area of congestions from Wednesday and Thursday at \$7.34-\$7.50. Once a top appeared to be put in this market prices slid back off and settled into basically a 5

cent trading range for much of the afternoon session. But with the late pressure on oil prices natural gas prices set new lows for the day near the close and posted its sixth lower settlement out of the last seven trading sessions. The lack of any significant heating demand just remains a weight around the neck of this market. Volume today was relatively light as is typical for a Friday.

Given that today was an inside trading day for natural gas, the chances are Monday will be a relatively volatile trading session. Given the continued outlook for moderate to warm temperatures for the next two weeks we feel that the chances for Monday's volatility will most likely be towards the downside. We would look for initial support to be found at \$7.15-\$7.13, followed by \$7.03 and \$6.86. Resistance we see at \$7.38, \$7.50, \$7.75 and \$8.02.