



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 15, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that absolutely no progress had been recorded since Friday in bringing back on line production shut in from Hurricane Ivan. Some 200,871 b/d of crude oil production and 679.16 MMcf/d of natural gas production still remained shut in. The agency also noted that starting today it would issue only two updates per week on the status of returning production to service. These reports will be issued Mondays and Thursdays at 2 PM EST. The agency noted that it expects a trend of incremental production gains to be made over the next several months. The agency also noted later in the day that it estimates it will take about another five months for oil and natural gas production in the Gulf of Mexico to return to normal levels.

The Climate Prediction Center this morning estimated that for the week ending November 13th the U.S saw some 126 heating degree days based on a gas home heating customer population weighted basis. This was nearly in line with seasonal demand and some 3.8% less than a year ago. For the current week ending November 20th the agency forecasts 152 HDD, down 18.3% from normal seasonal levels but 2.6% higher than the same week a year ago.

AccuWeather's chief meteorologist

Generator Problems

ECAR – The 821 Mw Beaver Valley 1 nuclear unit restarted this morning and is currently operating at 30% capacity. The unit shut October 18 for a refueling and maintenance outage that included replacing 56 fuel assemblies in the reactor core, as well as other modifications, improvements and inspections. Also, preparations were made for the installation of three new generators and a new reactor vessel head in 2006.

The 1,090 Mw D.C. Cook nuclear unit 2 is currently running at full power, up 52% from Friday's level. Having shut October 2 for a standard refueling and maintenance outage, the unit restarted October 9, reconnected with the grid the next day and resumed full power by Sunday.

ERCOT – The 750 Mw Monticello 3 coal-fired unit over the weekend to reduce vibration on a fan. The fan rotor will be inspected, which may require maintenance cleaning by abrasive blasting.

NPCC – The 870 Mw Millstone 2 nuclear unit resumed to full power over the weekend. The unit was scaled back to 90% capacity earlier this month for routine maintenance on a pump. With the pump out of service, there is reduced flow of water, which causes the minor reduction in output.

SERC – The 1,100 Mw McGuire 1 nuclear unit was back to full power this morning. The unit was operating at 45% capacity on Friday after a work outage last week. The unit shut on October 18.

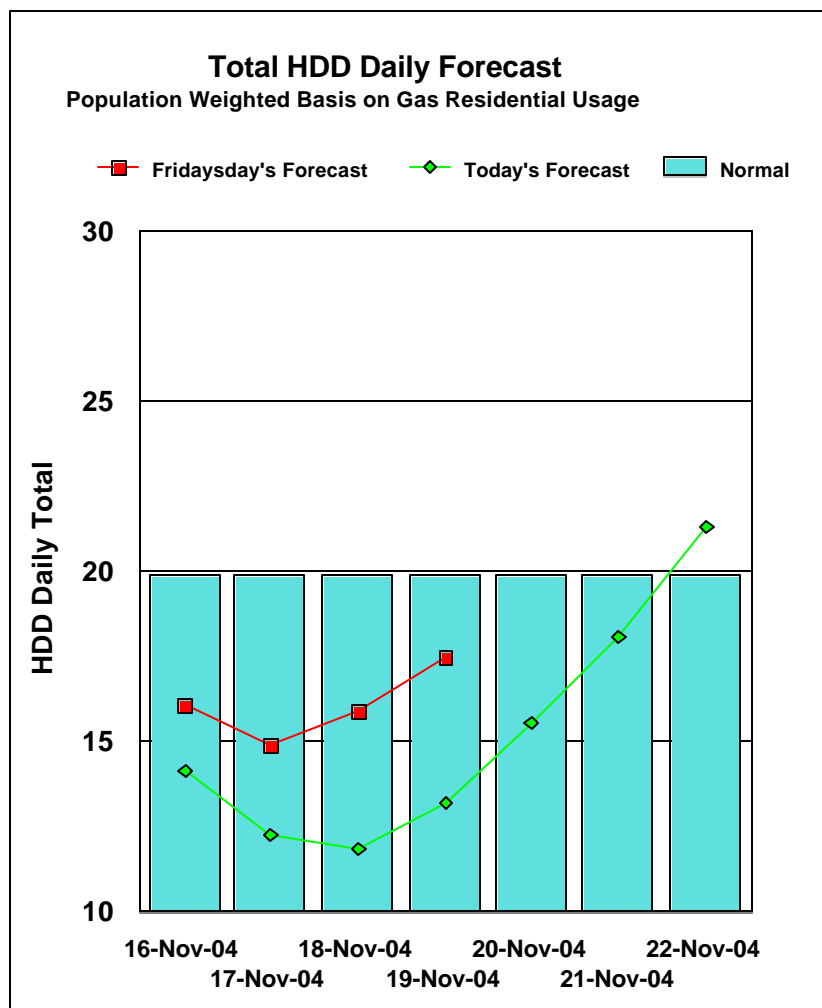
CANADA – The 881 Mw Darlington units 1 and 4 returned to service early this morning. Both units shut on November 8 for a short-term maintenance outage.

The 490 Mw coal-fired power Nanticoke units 1 and 8 shut over the weekend. Unit 1 shut for a planned outage while unit 8 shut in a forced outage.

Based on the latest NRC reports, total nuclear generation output this morning reached 79,552 Mw up 1509 Mw or 1.9% from Friday's levels. Total generation was some .06% higher than the same date a year ago.

continued to call for a colder than average winter heating season with the potential of heavy blizzards, but felt that this winter would only be a couple of degrees below normal.

NOAA reported late this morning that it expects the El Nino pattern in the Pacific Ocean to result in warmer than average weather for most of the U.S. West and the northern and central Great Plains. It also looks for this patter to provide colder than normal temperatures for the Gulf Coast, Southeast and Mid-Atlantic states. The outlook was contained in the latest comment from the Climate Prediction Center on the El Nino/Southern Oscillation Cycle released this morning. The NOAA is scheduled to release its monthly and seasonal weather forecasts on Thursday.



New Jersey Natural Gas has filed its second request in less than five months for a rate increase. The company is seeking to institute a 5% increase effective December 1st.

Excelerate Energy's Louisiana Energy Bridge is scheduled to receive its first LNG cargo in about three months. The company said its deepwater port is nearly complete and the first of its three specially designed Korean-made LNG vessels will be launched on January 14, approximately 1 month behind schedule.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission has called a system-wide 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.

Questar Pipeline Company said that during recent maintenance at the Red Mesa compressor station, it

discovered a mechanical problem that must be fixed. To facilitate the work, Questar Southern Trails will reduce capacity to 60 MMcf in cycles 1 and 2 on gas day November 16. Capacity will return to 80 MMcf in cycle 3 same gas day.

Natural Gas Pipeline Company of America stated that ANR South Joliet #2 is at capacity for deliveries. Therefore, increases to ITS/AOR and secondary firm transport volumes are at risk of not getting scheduled.

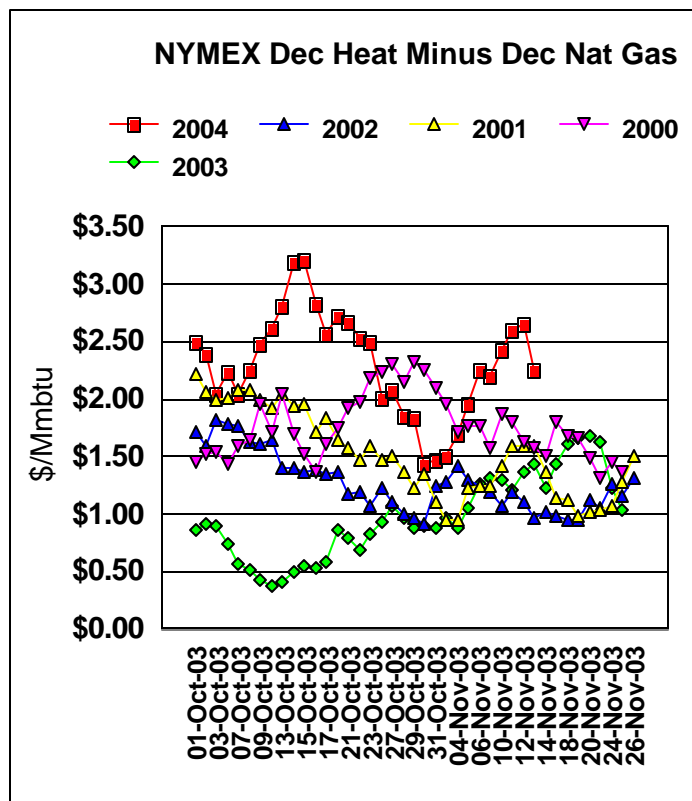
Colorado Interstate Gas Company said because of warmer than expected weather conditions in its market area, CIG is anticipating limited ability to handle imbalances caused by variations between scheduled receipts and deliveries and actual gas flow. Therefore, CIG is declaring a Strained Operating Condition for the transmission system to be effective at the beginning November 16 and

remaining in effect until further notice. During the effective period of the Strained Operating Condition, shippers should anticipate that CIG will require all transportation transactions to be in balance between receipts and deliveries, and all shippers should maintain close contact with their suppliers and markets.

PIPELINE MAINTENANCE

Westcoast Energy has updated its schedule for pipeline work in November. For its field service operating areas, Westcoast said that in the Fort St. John Field Services region, a 10-hour outage is scheduled for November 16 at the Petro Canada Parkland Plant #1. Meanwhile, no events are scheduled for Fort Nelson, Fort St. John, or the Grizzly Valley Area for this week. For next week, the company plans to perform maintenance at the Fort St. John region. On the morning of November 23, the company said it plans to replace the Rigel PCRTU, which should result in limited impact. From 8:00 AM MT November 23 to 4:30 PM MT November 25, Westcoast plans to conduct a Fire and Gas Upgrade at the Rigel Station, which is expected to impose little impact. Beginning 8:00 AM PT November 22 and lasting until 4:30 PM MT November 24, Westcoast will also conduct a 7,500-hour period of inspection and maintenance at Stoddart ME#1, which should cause no impact. From 8:00 AM PT November 22 to 4:30 PM MT November 24, the company will conduct mechanical repairs and hot alignment to the Beg Jedney ME#1. No impact is expected. Beginning 8:00 AM PT November 29 and lasting until 4:30 PM MT November 30, the company will complete a 10,000-hour inspection and maintenance at Kobes ME#1. No impact is expected.

Alliance Pipeline announced routine inspections will require the Whitecourt Unit 2 compressor to be offline for 8 hours starting at 9:00 AM MT on November 17. Station capacity will be lowered to 23.4 MMcf/d. In addition, routine inspections require the Gold Creek compressor to be offline for 8 hours starting at 9:00 AM MT on November 18. Station capacity will be lowered to 28.4 MMcf/d.



Gulf South Pipeline Company said it will be performing scheduled maintenance on the Waveland Field 12-inch, FPL 2 today and continuing for 5 days through November 19. Due to this maintenance Gulf South said that force majeure conditions on FPL 2 will affect its ability to provide service to several locations.

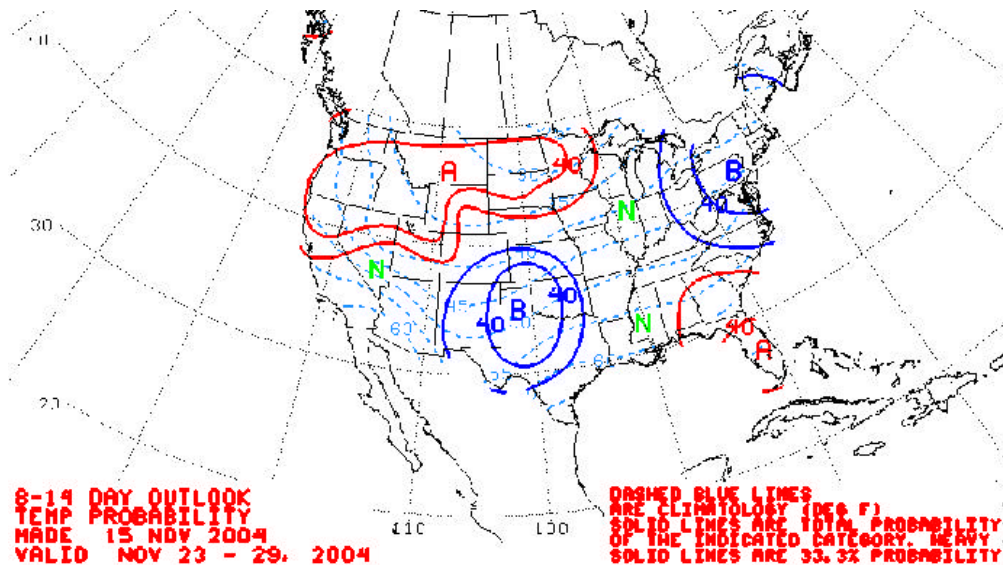
Southern Natural Gas Pipeline Company said that it has completed its investigation into the possible cracking in the valve cap area of compressors at the Muldon Storage Facility. Based on the results of this investigation, and previous knowledge gained from 2001, it is Southern's determination that these compressors are suitable for service as is and will not require additional inspections or actions at this time. Although early testing indicated the possibility of cracking in the valve cap area, supplemental testing did not validate these indications to be cracks. At this time, Southern does not anticipate having to schedule any further maintenance in connection with this issue.

ELECTRIC MARKET NEWS

According to the latest Lazard Asset Management figures show that hedge funds equity investment in the U.S. power sector rose by \$2.6 billion in the twelve months ending June 30th to \$6.6 billion. But due to rising share prices, that still amounts to only about 3% of the total investment by funds.

MARKET COMMENTARY

The natural gas opened under pressure this morning as the weather forecasts coming out of the

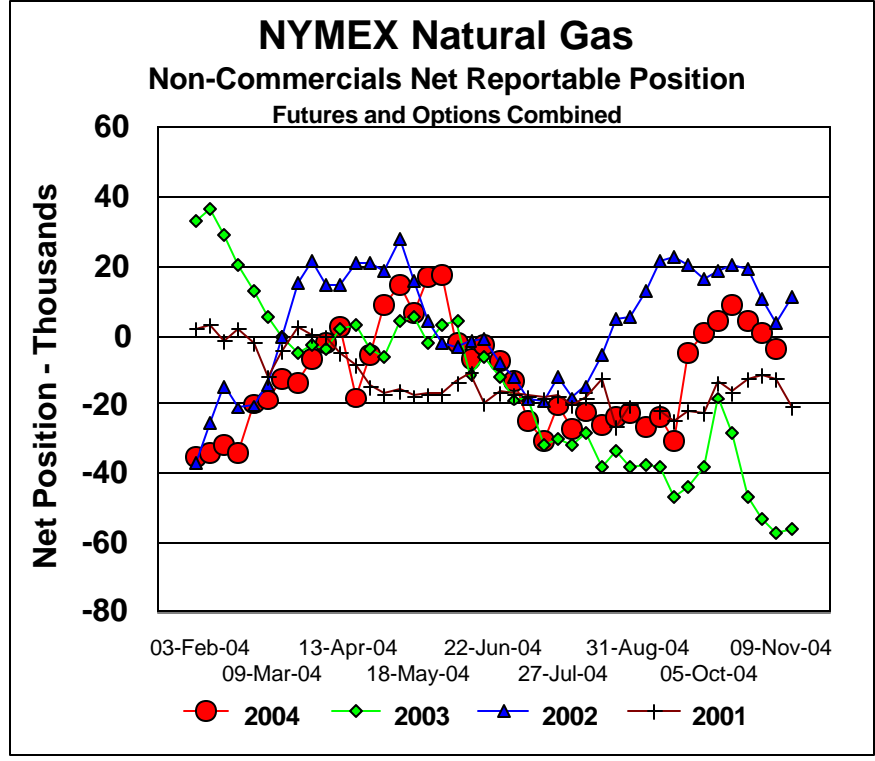


National Weather Service this morning for the next week and from them last night for the 6-10 and 8-14 day outlooks were relatively bearish as above normal temperatures were seen enveloping much of the nation. As a result prices gapped lower this morning basically in line with the weaker values posted earlier in the morning on Access.

Within the first hour of trading prices quietly drifted down and set the day's low at \$6.98, basically in line with the lows set on Access this morning. But the market failed to breach these levels and as a result some light short covering pushed values back to opening levels and by lunch time values had drifted high enough to back fill the gap from the morning's lower opening. But as oil prices pushed to new near term lows over lunch natural gas failed to significantly follow them lower instead sitting in a quiet 10-cent sideways range. But shortly after 1 PM in relative light volume the natural gas market was able to breach resistance at Friday's low of \$7.15 setting off some short covering by the floor. Prices received an additional boost once some minor resistance from Friday's afternoon congestion at \$7.27 was breached with prices gaining even more momentum when Friday's high of \$7.38 was broken late in the session. Final volume on the day though was rather light given a nearly 50 cent rally from the morning's lows and the market posting an outside trading session, that could be seen as a key reversal. Volume in the futures market was estimated at 58,000 contracts traded.

This market is anxiously searching for any news of winter like heating demand. While it was initially pressured this morning by the NWS 8 day temperature outlook which continued to point to warmer than normal temperatures across the nation, traders grabbed hold of the faintest of nuggets of bullish weather news during the day; the latest El Nino update released late this morning as well as comments from one of the lead forecasters from Accuweather which said he saw cold temperatures beginning to return next week and into the following week. (Interestingly though Dow Jones failed to report that he continues to note the difficulty in making intermediate term forecasts due to conflicting models.) Even tonight's NWS temperature outlook, while at first glance appearing a bit more supportive than Sunday night's temperature forecast still does not show any significant dome of arctic air moving in place. NWS forecasters noted that there remains a lack of consensus between their various forecasting models and they assigned a below average confidence level to these forecasts. We therefore feel that natural gas will see price pressure return to this market tomorrow as short term cash markets will continue to feel the pressure of limited demand at a time of bulging storage, that is

backing up gas not only into pipelines but is also begun restricting gas receipts from producers. We therefore would look for prices to reverse today's price rally and once again come under pressure. We



see support starting tomorrow at \$7.27 followed by \$7.21 and \$7.15. More distant support we see at \$6.98 followed by \$6.86, \$6.79-\$6.76 and \$6.505. Resistance we see at \$7.46,\$7.50 followed by \$7.65, \$7.925 and \$8.22.

Tonight's Commitment of Traders Report showed that non-commercials moved back to a net short bias of the natural gas for the first time in seven weeks.