



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 29, 2004

NATURAL GAS MARKET NEWS

Today, the EIA declined to say whether it might revise data issued last week showing an unexpectedly sharp fall in the U.S. natural gas inventory. U.S. natural gas traders were taken by surprise last Wednesday after the EIA data showed natural gas stocks fell by 49 Bcf, much more than a widely expected decline of about 10 Bcf based on mild weather. Some traders said they expect last week's data to be revised when the EIA publishes its next report on Thursday.

Generator Problems

ECAR – The 1,090 Mw Cook 2 nuclear unit is currently warming up offline at 8% power.

ERCOT – The 575 Mw Big Brown 1 coal-fired power unit will restart tomorrow after repairing a boiler tube leak. The unit was shut on November 28. The 553 Mw Sandow 4 coal-fired power unit returned to full service on November 27 following a maintenance outage. The 560 Mw WA Parish 7 coal-fired unit restarted on November 28 following work on the main turbine thrust bearing.

MAAC – The 1,100 Mw Salem 1 nuclear unit is currently operating at 82% capacity. The unit down powered yesterday afternoon to work on the circulating system.

The 650 Mw Oyster Creek nuclear facility boosted output back to full power. The unit restarted November 23 after shutting November 3 for refueling.

The 1,150 Mw Susquehanna 2 nuclear unit is currently running at 95% capacity. The unit had been operating at full power prior to yesterday's work on the circulating water system.

MAIN – The 518 Mw Point Beach 2 nuclear unit returned to full power on Friday, November 26. The unit restarted November 24 after being taken offline on November 19 to repair a small steam pipe leak.

The 545 Mw Kewaunee nuclear unit stopped during start-up because the safety injection accumulator isolation valves closed and the breakers locked off. The unit on shut October 11 for a refueling outage.

MAPP – The 530 Mw Prairie Island 1 nuclear unit boosted production and is running at 98% capacity. The unit restarted November 23 after shutting September 13 for refueling and maintenance.

NPCC – The 1,040 Mw Indian Point 2 nuclear unit is back to operating at 97% capacity, after the reactor tripped offline prior to the weekend.

SERC – The 1,215 Mw Vogtle 2 nuclear unit returned to full power over the weekend. The unit restarted November 23 after automatically tripping shut on November 20.

The 1,100 Mw Browns Ferry 3 nuclear unit restarted over the weekend and is operating at 94% power. The unit automatically scrambled shut on November 23 due to a turbine trip.

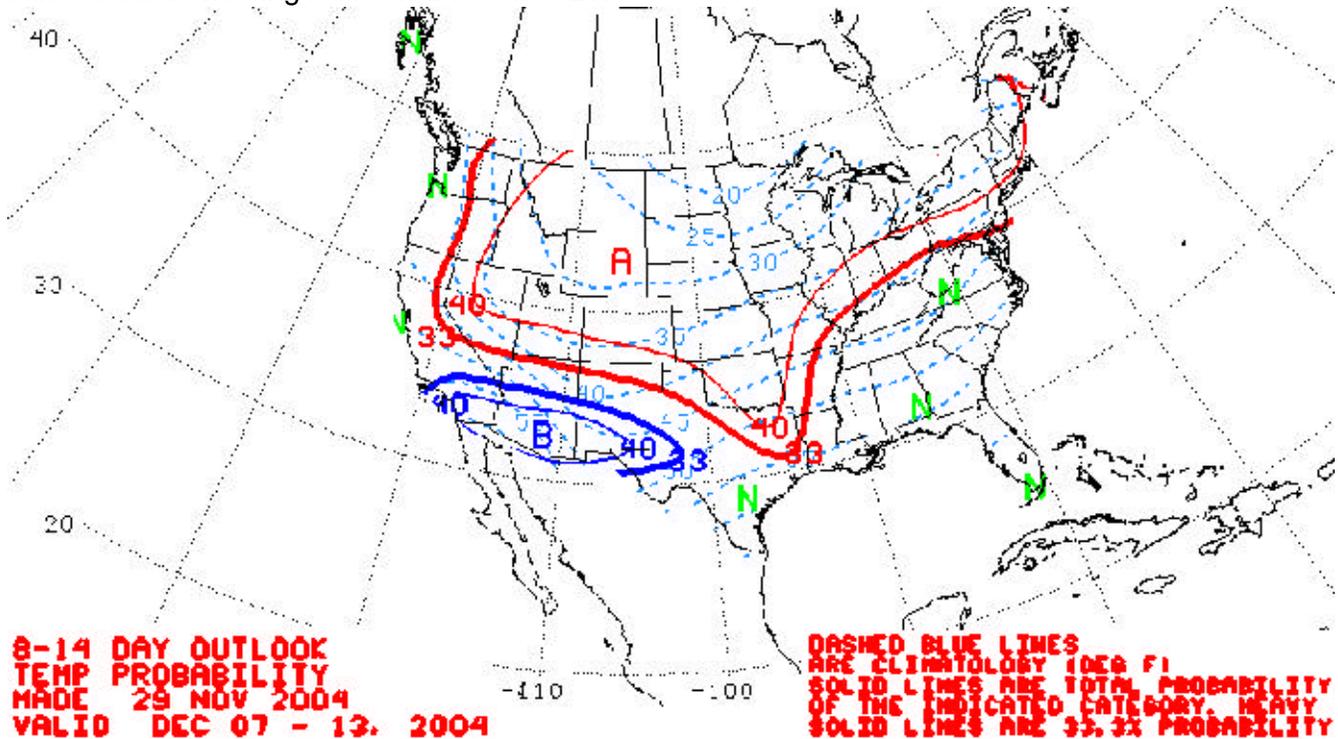
The 693 Mw Turkey Point 3 nuclear unit stopped start-up on November 29 due to a dropped control rod. A return scheduled has yet to be disclosed.

SPP – The 966 Mw River Bend 1 nuclear unit returned to full capacity over the weekend. The unit restarted November 19 after begin taken offline October 21 for a planned refueling outage.

WSCC – The 480 Mw Alamos gas-fired power units 5 and 6 were curtailed in power early today. Unit 5 was curtailed by 235 Mw and unit 6 by 245 Mw. Both units were at full power late Sunday. The 320 Mw Etiwanda 4 gas-fired power unit shut early today for planned reasons.

Based on the latest NRC reports, total nuclear generation output this morning reached 85,494 Mw up 3,721 Mw or 4.6% from Wednesday's levels. Total generation was some .27% higher than the same date a year ago.

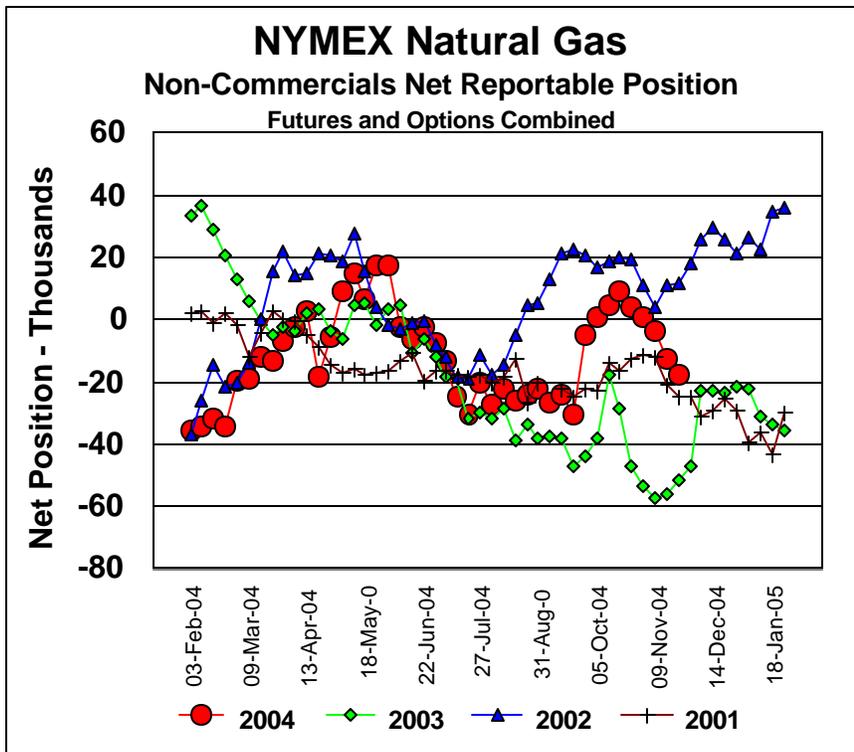
The Texas Railroad Commission set December 2004 natural gas production allowables for prorated fields in the state to meet market demand of 18.3 Bcf. That represents a decrease of 11.3 Bcf when compared with actual production of 29.6 Bcf in December of last year. In setting the December 2004 allowable, the Commission used history production figures from December 2003 and producer forecasts for December 2004 demand, adjusting figures to account for well capability, new wells and other factors. Texas gas storage reported by the Commission for October 2004 is 343.6 Bcf compared with 307.9 Bcf in October 2003. The November 2004 gas storage estimate is 346.3 Bcf. Gas well gas from prorated fields accounts for 7% of total gas well production in Texas. Preliminary statewide production reported for September 2004 is 27.8 million barrels of oil and 365.8 Bcf of gas well gas. The next statewide hearing is set for December 21.



According to the Minerals Management Service, there was no change in the amount of crude oil and natural gas production that remained shut in during the past week. It reported that the amount of crude still shut in stood at 196,222 bpd while the amount of natural gas shut in stood at 678.4 mmcf/d.

Dover Petroleum Corp. recently updated its Colorado/Wyoming assets. The company announced the commencement of the construction of the natural gas gathering pipeline across federal lands in Colorado. The pipeline is being built to transport the natural gas Dover's Colorado/Wyoming assets are expected to produce.

Baker Hughes reported that for the short week ended November 24, the total rig count in the United States increased 17 rigs to a total of 1,251 rigs, while still up 138 rigs from the 1,113 counted during the same week in 2003. In Canada, Baker Hughes reported that the rig count added 18 rigs to a total of 462 rigs for the weekly period while raising 28 rigs from the 434 total reported during the corresponding week in 2003. The North American rig count increased by one rig to 1,713 for the week ended November 24, while increasing 166 rigs from the 1,547 total seen during the same week a year ago. Baker reported 1,130 rigs were on land, 19 were in inland waters and 102 were located offshore. Land rigs were down 11 on the week. Inland water rigs and offshore rigs were each off 3 for the week.



The Climate Prediction Center estimated that for the week ending November 27th, the US saw 137 heating degree days based on a gas home heating customer population weighted basis, up from 107 during the previous week. It is however down 13.3% from last year's level and down 13% from normal. For the week ending December 4th, it forecast 175 HDD, down 1.7% on the year.

Five former natural gas traders, who had worked at El Paso, Dynegy and Reliant Energy were indicted today by federal prosecutors for reporting bogus trades to industry newsletters to affect the price of natural gas.

Duke Energy reported that it will

resume operations Tuesday at two of the three storage caverns that were taken out of service this summer due to an explosion and fire at the Moss Bluff Storage facility.

PIPELINE RESTRICTIONS

Southern Natural Gas Pipeline Co. said it has experienced an unscheduled outage at the Bienville Compressor Station in north Louisiana. Based on the best information available at this time, Southern anticipates the unit returning to service sometime today.

Natural Gas Pipeline Company of America said that ANR South Joliet #2 is at limited capacity for deliveries. Therefore, limited increases to ITS/AOR and secondary firm transport volumes are available.

PIPELINE MAINTENANCE

Kern River Gas Transmission Company said that the Goshen Meter expansion and modification has been completed and is currently in-service. This new capacity has been reflected in Rapids II and is available for shipper nominations and operator confirmations. The new receipt design capacity is 422 MMcf/d and the delivery design capacity is 367 MMcf/d.

Gulf South Pipeline Company said it is performing unscheduled maintenance on Index 8 effective immediately and continuing until further notice. The operating pressure will be reduced during this maintenance. Capacity through Index 8 could be reduced by as much as 20 MMcf/d. The affected area is located in Texas.

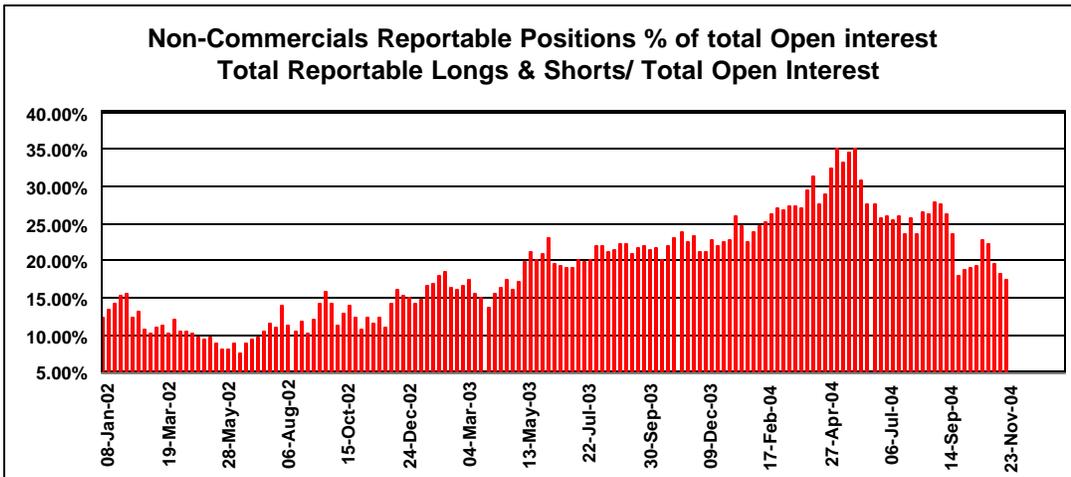
Alliance Pipeline stated that the Wimbledon Compression Station will be offline for 24 hours starting at 9:00 AM MT on November 30. This outage is to perform a "critical inspection." Authorized overrun will be affected but will be determined at a later time.

Williams' Northwest Pipeline today filed an application with the FERC requesting authorization to construct and operate an estimated \$333 million project to replace natural gas capacity on its system in western Washington.

ELECTRIC MARKET NEWS

American Electric Power in its filing with the FERC, claimed that the agency's November 17th order eliminating the through-out rates for sales between MISO and PJM could cost the utility up to \$35 million over the next 18 months. The utility said that it believed that these intr-RTO lost revenues would be recovered when it joined PJM on October 1st. It noted that by disallowing this recovery the utility would be "significantly" worse financial shape than if it had waited to join PJM at a later date.

Arizona Public Service said today that it expects to have its 1270 Mw Palo Verde #3 nuclear unit back in service by this weekend. The unit had been expected to be back in service this past weekend, but during the start-up process it was decided that additional checks should be made to some valves in the reactor system.



MARKET COMMENTARY

The natural gas market opened lower this morning as traders returning from the long Thanksgiving holiday were met with short-term warmer forecasts. In addition many private weather forecasters were also backpedaling from their December forecasts, which had been calling for significantly colder temperatures. Instead prospects for zonal flow in the jet stream over the coming two weeks appeared to be pointing towards above normal temperatures especially over the eastern half of the nation. The market initially held some minor support above \$8.075, which was a 50% retracement of the up move from Wednesday, but after the first 30 minutes of trading this support was breached and prices tumbled down to \$7.785 over the next 15 minutes setting the low for the day. The market then moved into a sideways trading pattern for the remainder of the day as the price volatility of the past two trading sessions seemed to exhaust the market, and forced traders to the sidelines in search of reason and sanity. Final volume was very light with just 44,000 futures contracts trading on the day, as the market posted its first inside trading session since November 16th.

We would look for this market to remain on the defensive, at least over the next several days as weather and high stocks continue to weigh on this market. The market though we feel will not fully embrace these bearish weather forecasts, as traders remain uncertain if last week's EIA storage report will be repeated again this week or will show an official or unofficial revision.

We would look for this market to retest support today at \$7.785. Additional support we see at \$7.70, \$7.66, \$7.47, \$7.45 and \$7.28. Resistance we see at \$7.90, followed \$8.075, \$8.22, \$8.28 and \$8.415. Further resistance we see at \$8.71 and \$9.007.

The CFTC reported today that for the week ending November 23rd non-commercials increased their net short positions by 5,000 contracts in its combined futures and options report and by 8500 lots in its futures only report. The shift towards a more bearish outlook by this group though has not come primarily through new positions but rather a liquidation of longs. Non-commercials in fact have continued to decrease their overall position in the market for the fourth week in a row, and as a result this group has seen their gross total position in the natural gas market fall to its lowest level since May 2003.