The Windham Group

Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR NOVEMBER 30, 2004

NATURAL GAS MARKET NEWS

The NYMEX announced today that it was raising margins for its natural gas futures, Henry Hub swap futures and e-miNY futures contracts effective the close of business Wednesday, December 1st. The margins on the first two months in the natural gas futures contract will increase by 13% to $11,475 for customers. Margins on the third month contract will increase by 3.4% to $10,125, but customer margins in the fourth through sixth month contracts will decline by nearly 22% to $7425. Margin changes in the swap and e-miNY contracts were equal on a percentage basis to the futures contract changes.

Williams said Tuesday that in addition to its previously announced estimate of 2.7 Tcf of proved natural gas reserves, its probable and possible reserves now stand at roughly 4 Tcf. The company also noted that its average daily production in E&P has increased 18% since the beginning of 2004. The company plans to spend some $500-$575 million next year in exploration and production area, a 26% increase over 2004 levels.

Personal spending helped drive the U.S. economy in the 3rd quarter with economic growth jumping to 3.9% against 3.3% in the 2nd quarter. The figure published on Tuesday represents a revision upwards from earlier estimates of 3.7% GDP growth. The Bureau of Economic Analysis said the accelerating pace of growth for gross domestic product was because of increases in personal consumption, which rose 5.1%, and by increases in equipment and software output, exports, government spending, and residential fixed investment.

Generator Problems

ECAR – The 1,090 Mw Cook 2 nuclear unit exited an outage and returned to full capacity early this morning. The unit was operating at 8% power yesterday.

MAAC – The 1,150 Mw Susquehanna 2 nuclear unit returned to full power early this morning. Yesterday, the unit was running at 73% capacity.

The 1,100 Mw Salem 1 nuclear unit is currently operating at full capacity, up 18% on the day. The unit was scaled back to 82% capacity on Sunday to work on the plant's circulating water system.

SERC – The 693 Mw Turkey Point 3 nuclear unit failed to restart this morning after a control rod dropped. This event occurred on November 28 while performing Low Power Physics Testing after refueling.

WSCC – The 320 Mw Etiwanda 4 gas-fired power unit shut early this morning. The unit was last seen operating at full power.

The790 Mw coal fired Unit #! At the Mohave power plant went off line Monday afternoon.

CANADA – The 881 Mw Darlington 4 nuclear unit exited an outage early today. The unit shut for the outage on November 29.

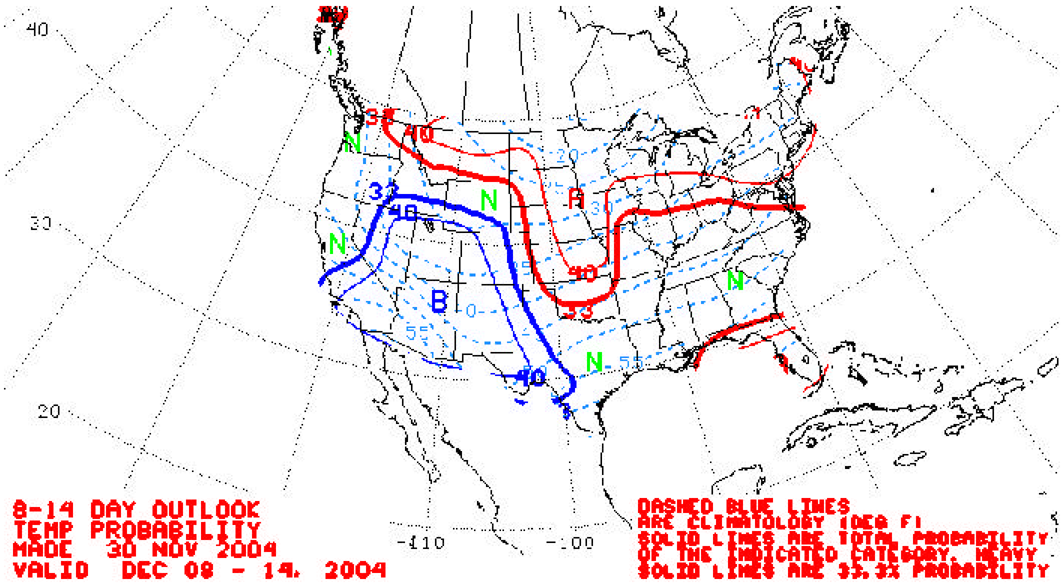
Based on the latest NRC reports, total nuclear generation output this morning reached 87,087 Mw up 1,593 Mw or 1.9% from yesterday's levels. Total generation was some 1.53% higher than the same date a year ago.

Cal Iso reported that 11,009 Mw of generating capacity was off line this morning, up 1,064 mw from Monday.

According to a new survey conducted by NUS Consulting Group, the average price for retail natural gas has risen by 4.3% during the period between September 2003 and September 2004. The highest prices were found in Texas and New Jersey, while Illinois and California customers saw the lowest rates.

PIPELINE RESTRICTIONS

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.



Transcontinental Gas Pipeline stated that its system imbalance has returned to a manageable level and it is expected that market area loads will return to normal levels. Consequently, Transco will return to a 4% tolerance at pooling points, though Transco will balance the aggregation and dis-aggregation nominations prior to the conclusion of the ID2 cycle. Additionally, Transco will permit park and loan activity under Rate Schedule PAL on an operationally available basis and will accept excess injection requests.

PIPELINE MAINTENANCE

A unit of Williams filed an application yesterday with the FERC requesting authorization to construct and operate an estimated $333 million project to replace capacity on its Northwest Pipeline in western Washington. The previously announced Capacity Replacement Project involves the abandonment of 268 miles of 26-inch pipeline between Sumas and Washougal, Washington, and the construction of approximately 80 miles of 36-inch pipeline in four sections along the same pipeline corridor. Pending FERC approval, construction on the project will primarily occur in 2006, with an in-service date of November 2006.

Southern Natural Gas Pipeline Co. said the unit that experienced an unscheduled outage at Bienville Compressor Station in Louisiana on November 28 has been repaired. Capacity west of Bienville has returned to normal.

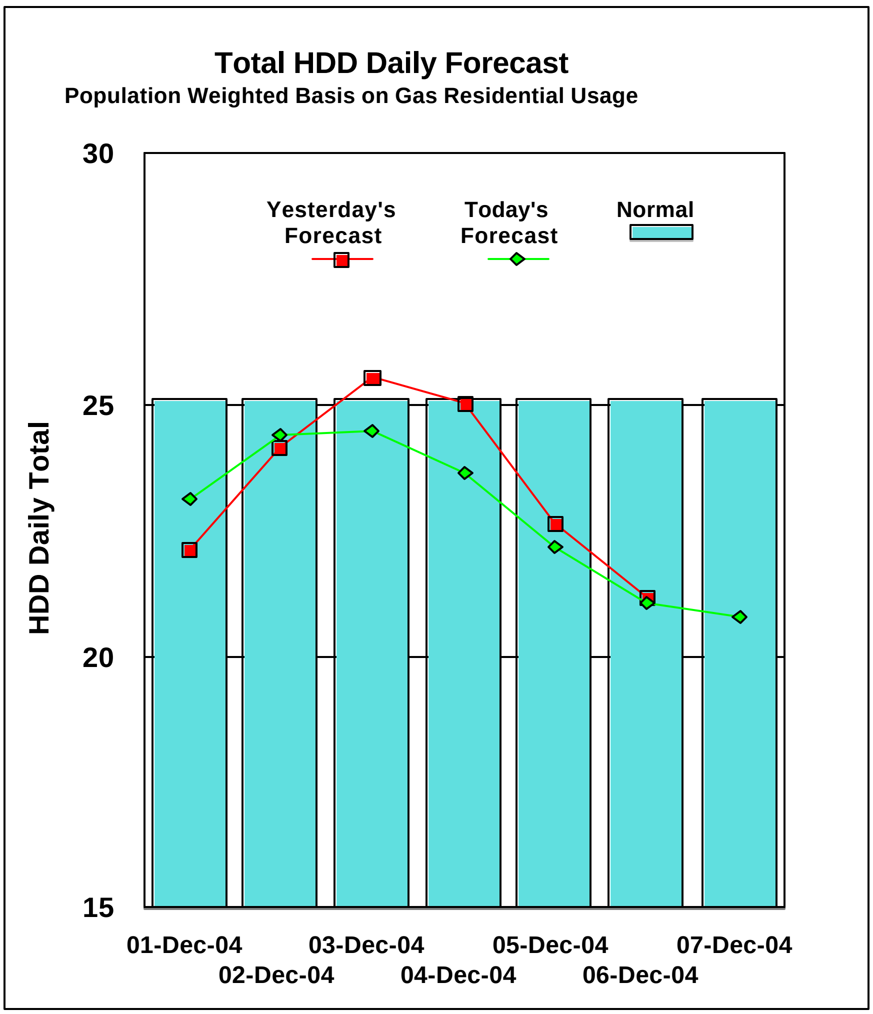
Panhandle Eastern Pipe Line Company said that Department of Transportation road crossing work on the Hansford 200 Line will begin December 2. The work had been previously scheduled to start November 30. During this outage, the capacity through Hansford will be reduced by 125 MMcf/d. The estimated completion date for this work is December 4.

PG&E California Gas Transmission has scheduled a boroscope at the Tionesta Compressor K-1 from December 7-8. PG&E anticipates capacity on the Redwood Line to slip to 2.100 MMcf, or 98% of capacity on December 7, and 2,075 MMcf/d or 97% of capacity on December 8.

ELECTRIC MARKET NEWS

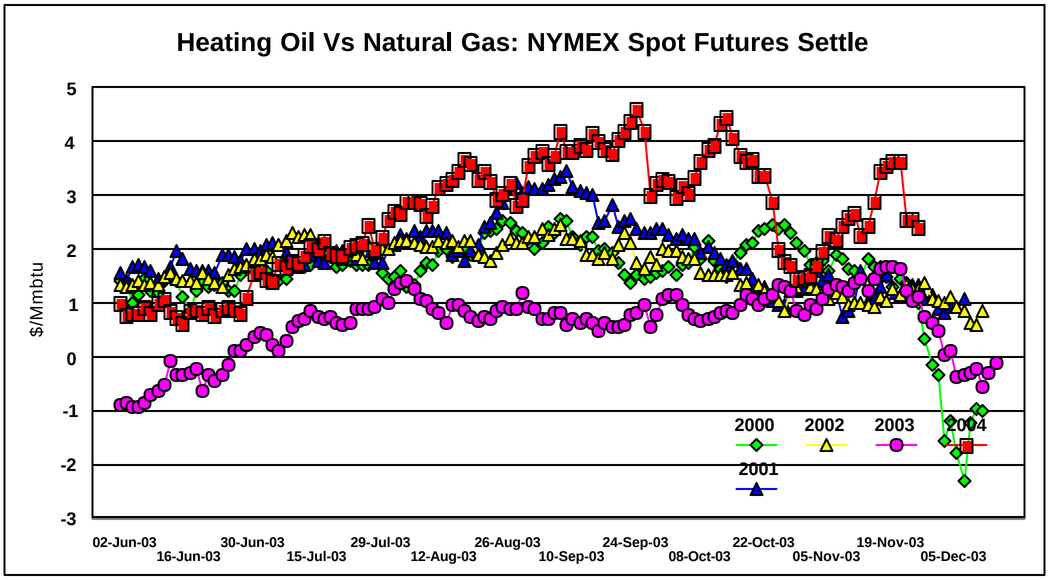
Yesterday, Dominion Virginia Power closed on the purchase of an approximately 80 Mw, wood-burning electric generating facility in Pittsylvania County, Virginia. Multitrade of Pittsylvania County, L.P. owned the 2-unit facility. Before this transaction, power from this facility was sold to Dominion Virginia Power under a 25-year power purchase contract. Dominion's purchase results in an estimated after-tax charge of approximately $30 million to $40 million and reduces Dominion's pre-tax capacity payments to non-utility generators by approximately $16 to $20 million per year for the period 2005-2018. The savings have been included in Dominion's current earnings guidance.

The Chicago Climate Futures Exchange confirmed today that its futures contract on sulfur dioxide emissions allowances would begin trading on December 10th. Exchange officials said that recent volatility and the wide bid-ask spread in the OTC market has created a "profound need to hedge and a need for price discovery." Prices of emission allowances have nearly tripled this year. The contracts will be listed on the electronic platform of the IPE. Each contract will be for 25 tons of sulfur dioxide emission allowances.



The Cato Institute released a report today in which it noted that efforts to restructure retail power markets largely has failed to deliver on the promise for reduced electricity costs to consumers and has contributed to problems in the industry. It recommended that these efforts should be abandoned in favor for a "more aggressive deregulation" that would not mandate the separation of generation, transmission and distribution functions, but rather return to vertically integrated utilities with adoption of real-time pricing. The group felt that real time pricing by utilities could reduce peak demand, improve generation efficiency and can be accomplished under traditional regulatory structures.

Calpine Corporation has signed a letter of intent with GE Energy for the joint construction of the world's first power plant based on the 60-hertz version of GE's most advanced gas turbine technology, the H system. The announcement was made today at Power-Gen International 2004. The H system is the most efficient, gas turbine combined-cycle design available to the power industry, providing superior fuel economy and environmental performance. The new facility will be based on 2 GE 107H combined-cycle systems, which will provide a total plant output of more than 775 Mw. The new plant is expected to enter commercial operation in the spring of 2008. The project site has yet to be announced. GE will purchase the project development rights from Calpine and will finance, own and operate the facility. Calpine's Energy Services group will market electricity from the facility under a long-term marketing arrangement with GE. Under the agreement, Calpine will sell the power through a variety of long, intermediate and short-term contracts. Calpine will have an option to purchase the plant and become the sole owner and operator of the facility, following an extended period of GE ownership.



MARKET COMMENTARY

The natural gas market today gapped lower and basically never looked back. The continued poor prospects of any significant heating demand over the next couple of weeks appeared to weigh on the market as well as growing belief that the EIA will revise last week's storage report. Some whispers circulated in the market that one major pipeline had over reported withdrawals by 20 bcf. Prices reached their low of the day shortly after midday, as prices had not only totally erased the gains from Wednesday but set new near term lows, levels not seen since September 28th. While prices did retrace much of the morning's sell off in the afternoon session, the volume was relatively light during this rebound and prices still settled at their lowest level in a week. Final volume was estimated at just 51,000 futures contracts for the day.

We feel that based on tonight's latest 8-14 day bearish temperature forecast fom the National Weather Service, this market will still see selling pressure again tomorrow and as a result we would look for the $7.401 price level (the gap in the daily charts from September 28th) as the initial downside target. We see additional support at $7.28 followed by a gap at $7.18-$7.125, $7.10, $7.07 and $6.93. Resistance we see at the gap created today at $7.75-$7.785, followed by $7.903 and $8.055. More distant resistance we see at $8.207 and $8.28. We also would recommend that we should probably take our lumps on the Jan-Feb and Jan March spread positions that we had recommended buying early last week on the basis on bullish weather forecasts. We feel that this market will see these spreads squeezed in the next few days and possibly offer an opportunity to return at better levels later this week or next when weather forecasts may show some hope of true winter weather.