



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 2, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported today that since Monday some 42 Mmcf/d of natural gas production that has been shut in since Hurricane Ivan returned to service. But some 635.77 Mmcf/d of production still remains shut in from the aftermath of that storm.

EIA Weekly Report

	11/26/2004	11/19/2004	Net chg	Last Year
Producing Region	966	964	2	888
Consuming East	1910	1915	-5	1824
Consuming West	423	425	-2	383
Total US	3299	3304	-5	3095

The EIA storage report today did contain the widely anticipated revision to last week's storage number from a 49 bcf draw down to only a 17 bcf decline. The EIA said the report had been significantly revised due to "a resubmission of data from one or more respondents". Meanwhile an industrial customer group called for a change to daily storage reporting. The EIA though defended its processing of storage data. It noted that its current policy regarding revisions was set after an extensive public comment period, in that no unscheduled revisions would be released but included in the next scheduled release of weekly data. EIA also noted that it would not investigate the firms submitting the revised data, saying the EIA "...is not an investigative agency". Late in the day Dow Jones reported that employees at ANR Pipeline Company were the source of the error of last week's misreported storage number. "it was just someone who put in a typo" said Sandy Myers of ANR Pipeline. "it was just when someone was posting our storage number, and it had a big effect."

Generator Problems

CANADA – OPG's Lakeview 6 and Lambton 4 coal fired units shut for short term unplanned work

ECAR – Detroit Edison restated its 1139 Mw Fermi #2 nuclear unit and was warming up the unit offline, currently at 3% of capacity. The unit has been off line since November 8th.

MAPP – NPPD's 800 Mw Cooper nuclear unit is preparing for a refueling and maintenance outage scheduled to begin on January 15, 2005. The unit has begun coasting down and is at 98% capacity this morning.

FRCC – FPL's 693 Mw Turkey Point nuclear unit #3 reconnected to the grid and was running at 28% of capacity. The company had been trying to restart the unit from its recent maintenance outage beginning on Sunday.

WSCC – APS reported today that its 740 Mw Unit #4 at the Four Corners coal fired generating plant was in the process of ramping back up this morning. The #5 sister unit was expected to be restarted Thursday evening. At one point all five generating units were shut on Tuesday due to an apparent breaker fault.

AES' 290 Mw Unit #3 at the Huntington Beach natural gas fired power station in California returned to service early Thursday. Unit #4 at the station though remains off line.

The California Department of Water Resources increased the potential power output of its 933 MW Hyatt-Thermalito hydropower plant by some 90 Mw but still some 442 of capacity remained off line.

Based on the latest NRC reports, total nuclear generation output this morning reached 87,320 Mw up 199 Mw or 23% from yesterday's levels. Total generation was some 1.79% higher than the same date a year ago.

The Vice President for Global Gas LNG at ConocoPhillips said today that he expected only four to nine LNG terminals of the some 50 planned terminals will gain final regulatory approval.

**Canadian Gas Association
Weekly Storage Report**

	26-Nov-04	19-Nov-04	28-Nov-03
East	247.3	248.0	258.7
West	220.9	222.5	186.4
Total	468.3	470.4	445.1

The U.S. Commerce Department reported today that U.S. factory orders were up 0.5% on a seasonally adjusted basis, due in part to higher demand for military aircraft. The market place had been looking of a 0.3% gain. Excluding military orders though, factory orders would have been flat on the month, after declining 0.6% in September.

Alaska's governor today estimated that the proposed natural gas pipeline could begin delivering natural gas to the lower 48 states by 2012-2014. He noted that the state is still considering becoming a major equity partner in the pipeline. Meanwhile a DOE official said today that an open bidding season for capacity on the pipeline could begin in early February 2005.

The EIA estimates that with the Tokyo Electric Power Company reopening 16 out of 17 nuclear reactors, some two years after they had been shutdown as a result of a scandal over falsified safety reports, that more LNG will find its way back onto the world market. During the closure of these units TEPCO was the largest global buyer of LNG in the world. In the fiscal year ending March 31st, TEPCO imported some 2.55 bcf/d of LNG a 12% increase over the year prior. As a result EIA is looking for an increase in spot LNG available for import to the Unites States this winter and through 2005.

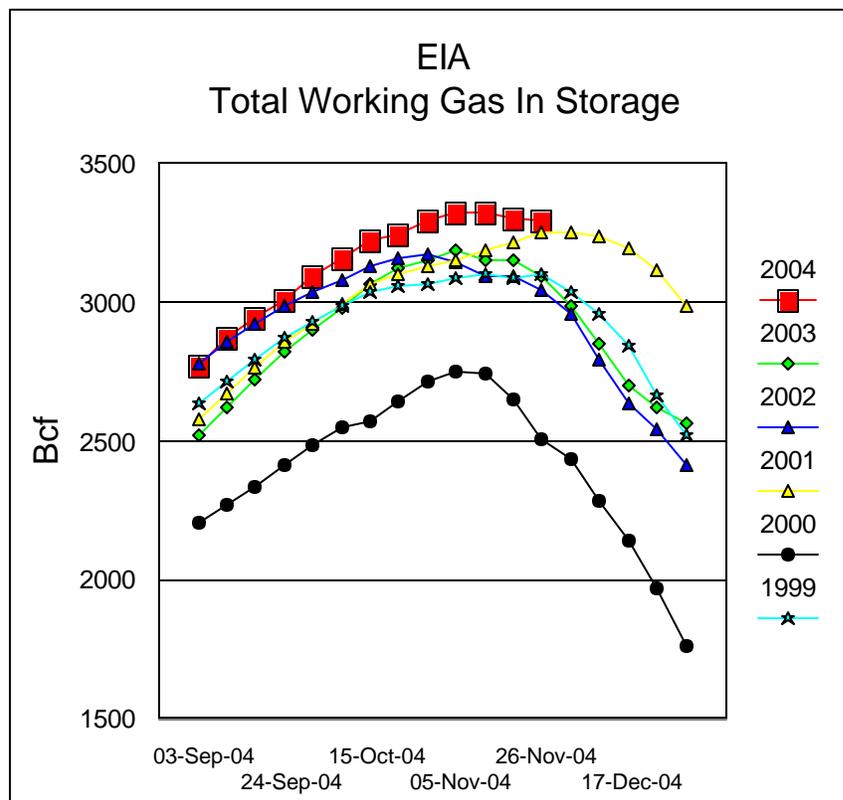
A report issued by Standard & Poors today noted that due to maturing production basins in the U.S, and rising production costs, natural gas prices given demand should be sustained at above \$4 per mcf. As a result this should support a permanent growth market for LNG in the U.S.

PIPELINE RESTRICTIONS

Westcoast Energy said that the DEGT pipeline system is experiencing low linepack conditions. If further drafting continues the company may have to adjust account availabilities to bring drafted accounts back into line.

NGPL reported that it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas. It also noted it is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 and through Station 801.

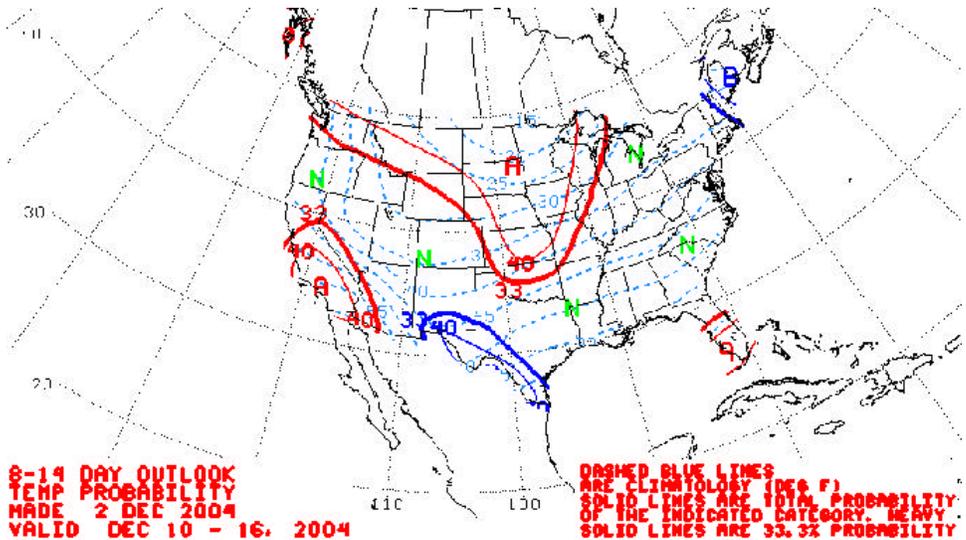
El Paso Natural Gas said its Unauthorized Overpull Penalty Situtation will continue due to the fact that the Washington Ranch



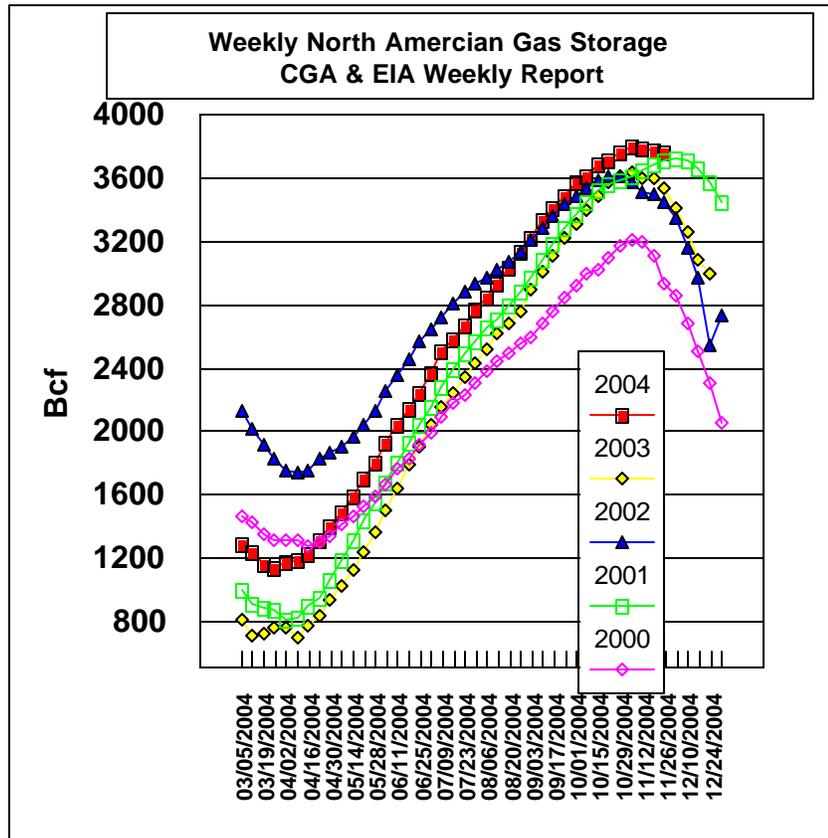
storage facility is currently on maximum withdrawal.

PIPELINE MAINTENANCE

Southern Natural Gas Pipeline reported it has experienced yet another unscheduled outage at its Bienville Compressor Station in northern Louisiana. As a result of this outage a reduction in interruptible receipt capacity west of Bienville may be required on the intraday cycle for today and until further notice and receipt points west of point will experience higher than normal pressure.



Tennessee Gas Pipeline said it will install a tee-tap assembly on the Raymondville line in Willacy County, Texas to facilitate a new meter connection. The work is expected to take some eight hours and is planned to be done between December 15-17th. Physical flow will be suspended at some 15 meters during the work.



ELECTRIC MARKET NEWS

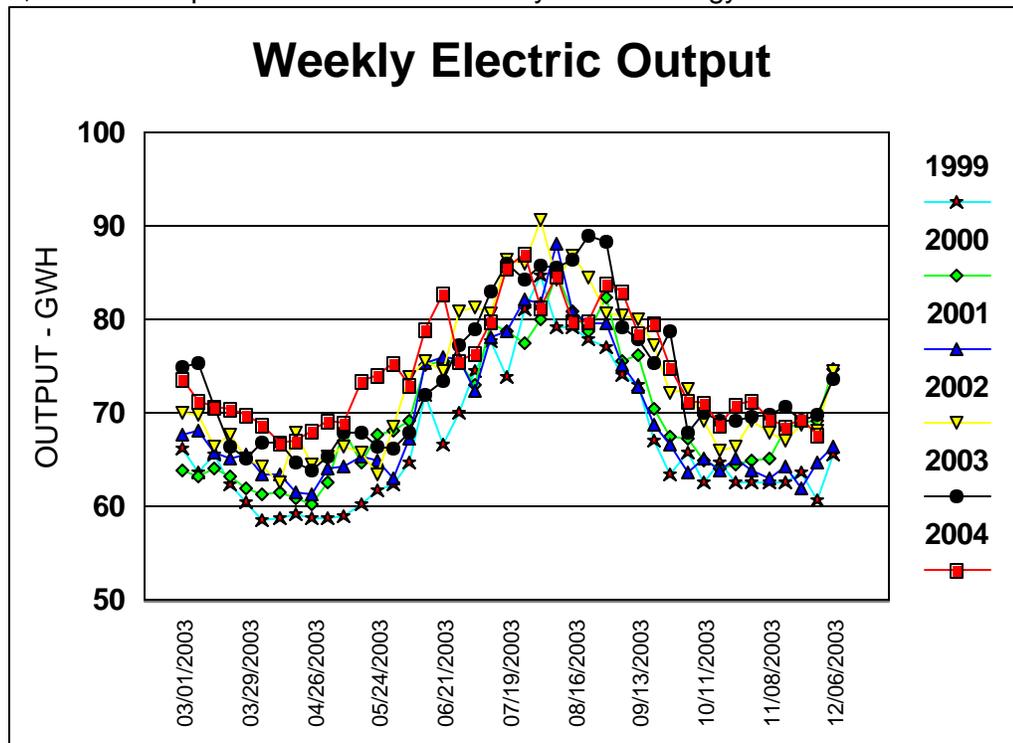
The Edison Electric Institute reported that for the week ending November 27th, electrical production in the continental U.S stood at 67,661 Gwh, down 2.54% from the prior week and off some 3.17% from the same week a year ago. For the first 48 weeks of this year electrical production has been running some 1.8% higher than the same period a year ago.

Wisconsin Public Service and Dairyland Power Cooperative signed an agreement in which Dairyland will acquire a 30% ownership share in the Wesson 4 power plant currently under construction near Wausau, Wisconsin. The agreement will give Dairyland at least a 150 Mw share of the plant.

NRG Energy announced today that it has completed the sale of its 1160

Mw Kendall Generating Station near Minooka, IL to LS Power Associates, LP.

The Midwest Independent Transmission System Operator announced today that Great River Energy has been integrated formally into the RTO and that MISO continues to note it is on target for a March 1, 2005 start up date for real-time and day-ahead energy markets.



Direct Energy, a subsidiary of Centrica Plc, announced today that it has entered into a binding agreement to acquire all interests in TECO Energy's Frontera Generation LP. Frontera owns the 477 Mw gas fired Frontera Power Station in south Texas.

We Energies said it plans to appeal a court decision overturning a construction permit for its 1230 Mw coal fired power plant. The

court on Monday overturned the Wisconsin PSC 2003 approval to proceed with the plants. The company warned that if construction does not begin by the end of the spring of 2005 all its construction contracts would need to be renegotiated, and thus possibly driving the costs of the \$2.15 billion project up by another 12%.

MARKET COMMENTARY

The natural gas market opened a couple of pennies lower this morning as forecasts of continued poor heating demand continued to overhang this market. But the EIA storage report was the central event that this market waited for this morning, and it did not disappoint those looking for volatility. Even though the market seemed to be expecting at least a 22 bcf revision in last week's storage report, the even larger revision and the smaller than expected draw down for this market contained in this morning's report just instantly vaporized any bulls from this market. The market quickly dropped down to \$6.80 and in some 40 minutes had fallen another 11 cents to set the day's lows at \$6.69. This was the lowest level the January contract had seen since September 21st. While prices did rise off these lows, and rally back some 16 cents, the damage had been done and prices effectively moved sideways for much of the remainder of the session contained in 15 cent trading range. Final volume was estimated at 80,000 contracts.

It will be interesting to see if today's sell off was prompted by major long liquidation or in fact new shorts flooding into the market. Open interest changes this week have been relatively modest in the restricted trading volume leading up to today's session. Trading on Wednesday had resulted in only 688 lots decline in total open interest, following on the heels of two daily gains of 3086 and 1368 lots.

Tonight's intermediate term weather forecast from the NWS did not appear to offer much support to the bulls as normal to above normal temperatures seemed to envelop the vast majority of the nation in the 8-14 day time period. A few private weather forecasters though continue to cling to the concept that a pattern change is forth coming at the middle of this month, but the heralding of this claim remains rather subdued.

Therefore it looks like any rallies in this market for the near term will be viewed as selling opportunities by convention wisdom in the market place, as current storage numbers are running some 204 bcf above last year and a stunning 331 bcf above the five year average. We would look for support in this market to initially be found at \$6.80, followed by \$6.69-\$6.67, \$6.505, \$6.58 and \$6.308. More distant support is seen at \$6.02-\$5.98. Resistance we see at \$6.90-\$6.95, \$7.00, \$7.46, \$7.695, \$7.785 and \$7.932.

The revision to last week's storage numbers has improved our correlation between heating degree-days to storage levels changes by nearly 5.5%. In addition if one factors in the fluctuations in domestic production returning from the USG in recent weeks the correlation can be improved by another 0.5%. This correlation study is shown below.

