



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 8, 2004

NATURAL GAS MARKET NEWS

The NYMEX announced today that it was changing the margins and spot month assessment fees on some of its natural gas basis and index swap contracts at the close of business today. Margins on the spot month and second month Alberta gas basis swap futures will remain unchanged but customer margins for the third through twelfth month contracts will decline by 20%, while margins on the 12th month and beyond will increase by nearly 59%. Spot month assessments will increase to \$1350 from \$135 for customers. Margins on the Houston Ship Channel basis swap will increase for customers from \$101 to \$270 for the spot month. Margins on all other months will increase by 34% for customers with spot month assessments increasing from \$135 to \$1350 for customers. Additional changes were made to the Chicago basis swap, San Juan, Socal, Transco Zone 6, Northwest Pipeline-Rockies, Panhandle, Michcon, Permian, Texas Eastern Zone M-3, Columbia Gas, PG&E Malin, PG&E city gate, NGPL-OK, ANR, NGPL-Mid-Contient, Nothern

Generator Problems

ECAR – Detroit Edison boosted its 1,139 Mw Fermi #2 by 29% to 51% following an auto voltage regulator trip over the weekend. #2 was at 22% yesterday.

ERCOT– TXU Corp reports it will restart its 570 Mw coal-fired Big Brown #1 Dec. 9-10 following boiler tube repairs. TXU shut the unit Dec. 7.

FRCC – Florida Power and Light reduced its 693 Mw Turkey Point #3 by 35% to 59%. FPL said a condenser leak is the reason for the reduction, and they don't have a schedule for return. The unit was running at 94% yesterday, and the #4 unit remains at full power.

FPL announced it will shut down its 839 Mw St. Lucie #2 for refueling in January.

MAAC – Exelon increased output 15%, returning its 875 Mw Three Mile Island #1 unit to full capacity. The unit was reported at 85% yesterday and 65% Monday. Reason for the initial reduction was not available.

MAIN – Exelon continued warming up its 900 Mw Dresden #3, boosting production 11% to 19%. #3 was restarted Monday following refueling, which began Oct. 26. The unit was warming up offline at 8% yesterday. Dresden #2 is offline while a turbine vibration is investigated.

NPCC – Constellation Energy returned its 1,158 Mw Nine Mile Point #2 to full power following a planned down power for quarterly testing and minor repairs. Nine Mile Point #1 continues operating at full power.

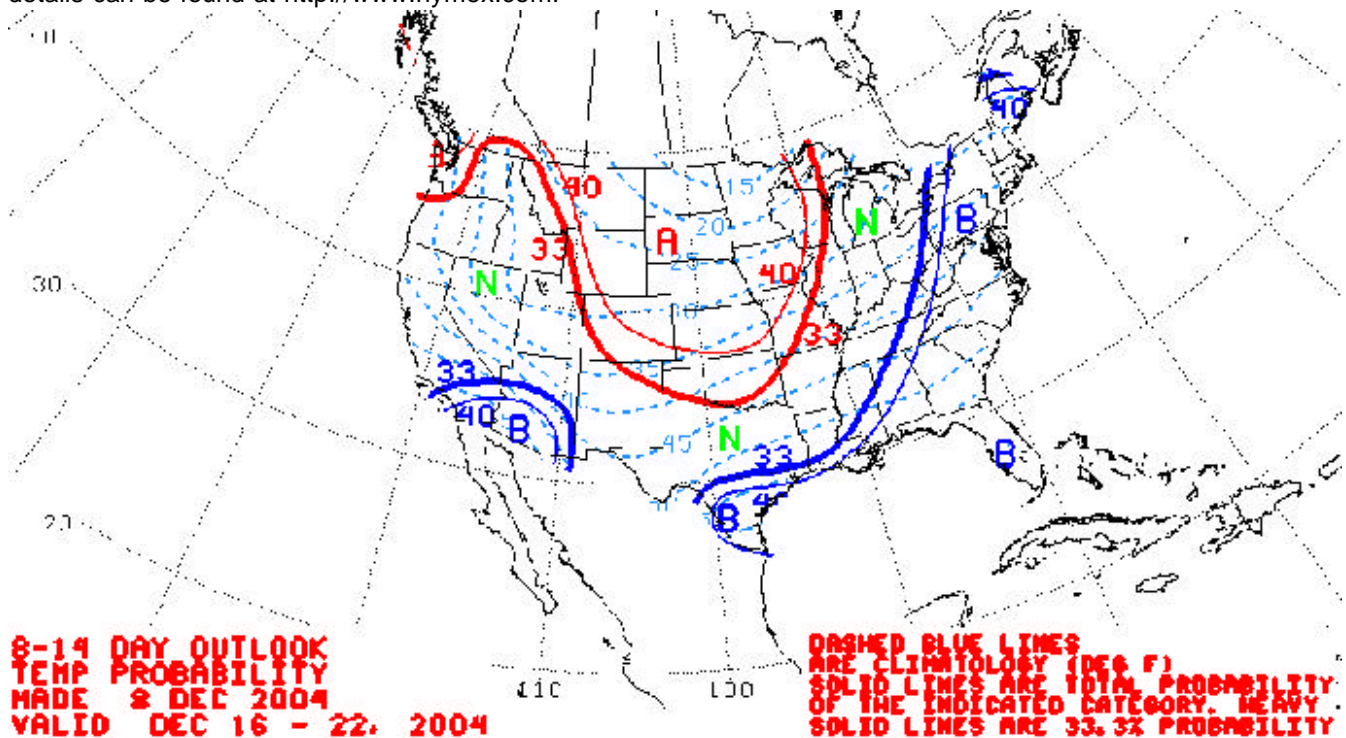
SERC – Duke Power boosted its 1,129 Mw Catawba #1 93% to full capacity. The unit was warming up offline yesterday at 7% after tripping offline Monday due to increased moisture separator reheater levels. The Catawba #2 remains to operate at full capacity.

WSCC – Duke Energy returned its Moss Landing natural gas-fired 750 Mw units #6 and #7 to service following planned maintenance. All units at Moss Landing are available for service; with unit #1 operating at about half power while one of its gas turbines remain shut to fix a compressor failure.

Arizona Public Service boosted power at both of its 1,270 Mw Palo Verde #1 and #3 units, returning #1 to full power and continue warming up #3 to 19% as it comes back online following a scheduled refueling. #1 was operating at 92% yesterday for unknown reasons. Palo Verde's #2 continues operation at full power.

The NRC reported that U.S. nuclear generating capacity was at 86,344 Mw today up 1.9% from yesterday.

Natural, Dominion, CIG, Waha, Tetco, and Henry Hub index swap For a complete listing of the changes and details can be found at <http://www.nymex.com>.



Shell Canada has reported a "major" natural gas discovery near Calgary. Initial test data of the well indicates it being capable of a restricted flow rate of 30 million cubic feet a day through existing 3.5-inch tubing. Seismic evaluation, pressure and well data suggest the sight to contain 500-800 billion cubic feet of original raw gas. Tests show the raw gas to be composed of 60% methane and 35% hydrogen sulphide. Shell holds 75% of the well, and the remaining 25% is held by Mancal Energy. Being one of the largest gas discoveries in western Canada in recent years, economic benefits will crucial to both Shell and the province of Alberta. Shell expects the well to be tied-in to nearby sour gas processing facilities and producing by mid-2005.

Dominion has increased its storage capacity for LNG at Dominion Cove Point in Maryland. On-site storage is has increased from 5 billion cubic feet to 7.8 billion cubic feet of natural gas. The new tank will hold 135,000 cubic meters of LNG, approximately 2.8 Bcf. Dominion stated that the increased storage will provide shippers with additional flexibility to provide natural gas to the Mid-Atlantic and Northeast year-round. Future expansion in Maryland is scheduled for 2008, which would increase output capacity from 1 Bcf per day to 1.8 Bcf per day, and storage capacity from 7.8 Bcf to 14.6 Bcf.

The Energy Information Administration announced it would take public input concerning the policy for issuing revisions to the weekly natural gas inventory data. Energy traders criticized the agency for waiting to issue a revision on Dec. 2 for a report published on data for the week ending Nov. 19. The EIA made the revision on Dec. 2 in accordance with the current policy, which was established in Nov. 2002. The head of the agency said today that "...recent events indicate a need for EIA to again seek public input regarding possible improvements in the current revision policy for the weekly gas storage survey. Once we have this input, we will be positioned to implement any changes to revision policies that are needed to serve the public interest."

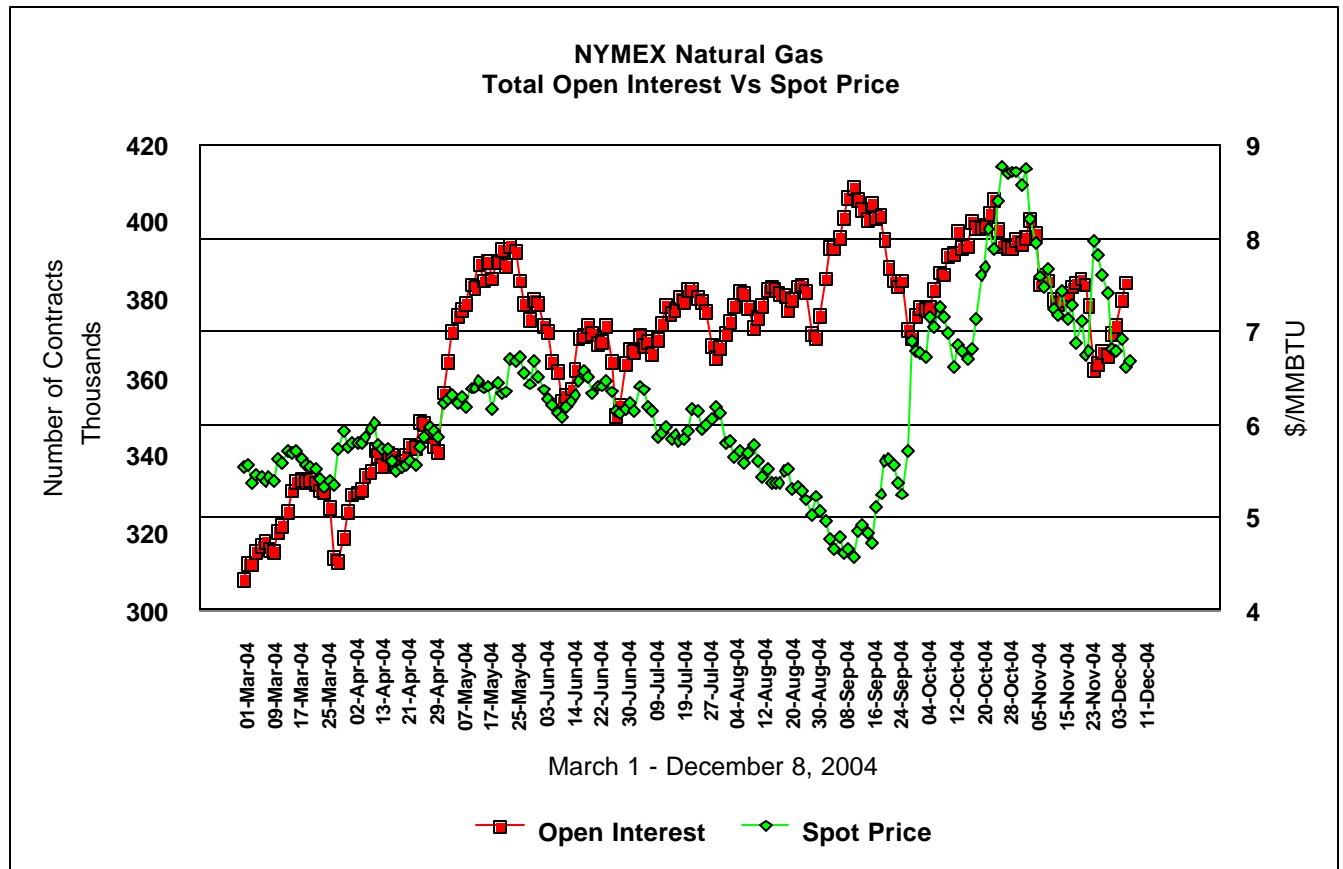
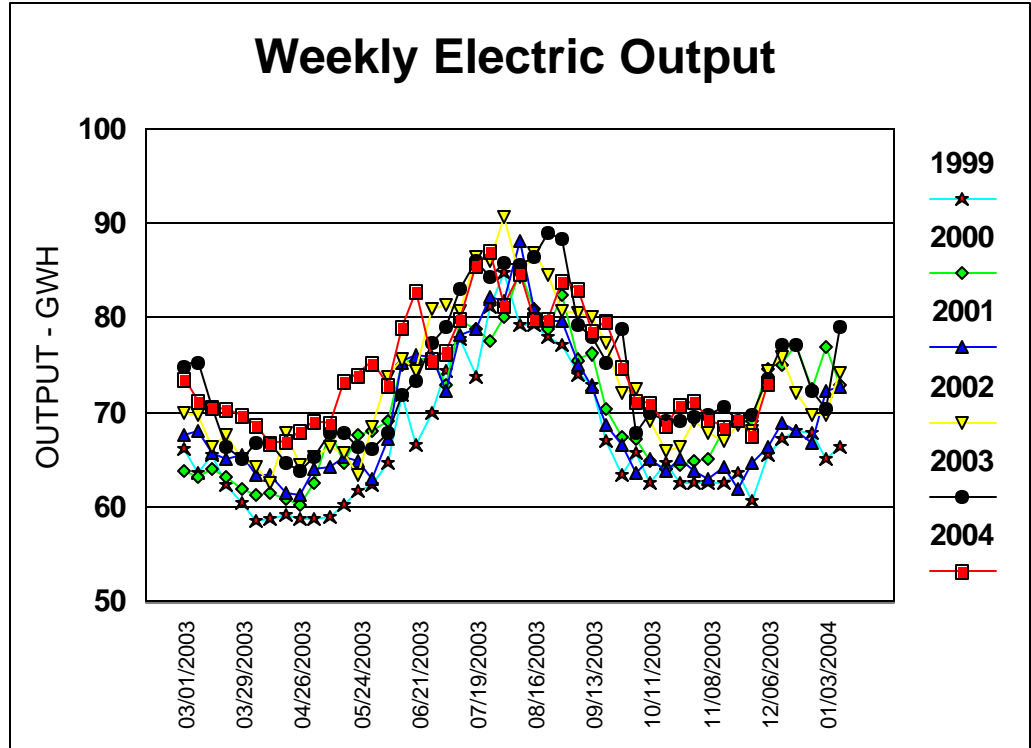
PIPELINE RESTRICTIONS

Westcoast Energy reports that is pipeline system is experiencing low line pack conditions due to various production upsets. The line pack is expected to drop below 2,650 million cubic feet per day by the end of today.

Natural Gas Pipeline Co said it is at capacity for gas received upstream of Compressor Station 155 in Wise County, TX in Segment 1 going northbound. NGPL is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 and through Compressor Station 801.

PIPELINE MAINTENANCE

Alliance Pipeline has delayed the start-up of its Tampico Compression Station in Illinois for inspection. Overrun will be impacted Dec. 9 and is set at 14%.



ELECTRIC MARKET NEWS

The Edison Electric Institute issued its U.S. weekly power output stating that electricity production in the continental U.S. for the week ending Dec. 4 rose by 8.4% from the previous week as it reached 73,352 Gwh. But when compare to the same week a year ago this demand was some 0.55% lower.

ENVIRONMENTAL NEWS

An independent panel issued a report to help soothe the bitter partisan energy debate in Congress. The National Commission on Energy Policy is striving to improve the nation's energy security while reducing the threat of climate change. In the commission's report, "Ending the Energy Stalemate: A Bipartisan Strategy to Meet America's Energy Challenges," the panel, made up of environmentalist, energy industry executives, academics and former government staffers, call for a mandatory program to reduce the release of carbon dioxide and other greenhouse gases. The report recommends site specific limits on greenhouse gas emissions, causing disapproval from the White House, which favors voluntary programs to reduce emissions and has opposed the Kyoto Accord stating it is unfair because it would put strict limits on the U.S. and other industrialized nations and not on countries like China and India. In its report, the panel states it would halt greenhouse gas emissions rules by 2015 if trading partners fail to impose similar programs. In addition, the panel cited the need for stiffer fuel efficiency requirements for cars and trucks. The group also encouraged helping companies build a \$20 billion pipeline to bring natural gas from Alaska to the lower 48 states.

MARKET COMMENTARY

The natural gas market opened lower this morning in sympathy with lower oil prices and as near term heating demand remained poor. Prices started the day session basically at where they went out on the Access session, but rallied higher shortly into the session following oil prices higher after the market reacted positively to the oil inventory report. But the natural gas rally stalled out as prices basically retraced some 50% of this week's sell off and returned to the resistance level recorded yesterday afternoon. The market then proceed to sell off as profit taking took prices back towards price levels recorded in the first half hour of trading. For much of the afternoon prices moved in a relatively tight sideways trading pattern before seeing a late session rally that allowed prices to settle higher only for the second time out of the last eight trading sessions. Final volume on the day was estimated at 64,000 futures contracts with half booked via spreads.

The NYMEX reported at midday that open interest in the natural gas market at the close of business Tuesday increased by 4407 lots, for the fourth consecutive daily gain and the sixth daily increase out of the last seven. This has to be seen as new shorts continuing to flood into this market, as prices have fallen by over two dollars during this period.

Market expectations for tomorrow's EIA storage report appear to be running between a 40-95 bcf draw down, with market consensus falling around a 70 bcf decline. Our estimate comes in slightly lower looking for a 62-67 bcf decline. For the same week last year, total storage fell by 111 bcf while the five-year seasonal average has seen a weekly decline of 82 bcf.

We feel the weather forecasts tomorrow will set the tone for the market in front of the storage report. This evening's NWS 8-14 day temperature outlook though did not appear as promising for the bulls as last night's outlook given the smaller size of below normal temperatures in the east and the larger section of above normal temperatures across the mid section of the nation, but the NWS did note that their confidence factor in their 8-14 day period remained below average. Some private weather forecasters though continue to look for significantly colder temperatures next week through the mid section of the nation and eastward. We feel that tomorrow's report will need to come in at either less than 60 or greater than 75 in order to cause an impact on this market. We still are willing to stay with our bull spread position in the January-March, given our belief that the winter is not yet over on December 8th. We see support tomorrow at \$6.505, \$6.425 and \$6.394. More distant support we see at \$6.308 and \$5.96 and \$5.78. Resistance we see at \$6.76-\$6.80, \$6.95, followed by \$7.05, \$7.20, \$7.39 and \$7.50.

Total HDD Daily Forecast

Population Weighted Basis on Gas Residential Usage

