



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 10, 2004

NATURAL GAS MARKET NEWS

Panhandle Energy completed the first phase of work on its Trunkline LNG terminal near Lake Charles, La. Delayed shipments are now being accepted. A spokesman for Panhandle said the LNG terminal can deliver up to 1.2 billion cubic feet a day of gas. The first phase of expansion included installing a new storage tank, pumps and vaporizers, totaling \$137 million. Panhandle already has licensing to begin a second phase comprising of an increase in its capacity to send out gas to 1.8 billion cubic feet a day. The total cost for the two phases is \$255 million and phase two is scheduled to begin in early 2005. Also, Panhandle is installing reworked second-stage pumps Christmas week, limiting the amount of gas the terminal can put out to 850 million cubic feet a day. More reworked pumps will be installed in Feb.-Mar.

Rigs searching for oil and gas rose year on year. The number of rigs in the U.S. rose by 5 to 1,250 last week, oil services firm Baker Hughes reported today. Last year, there were 1,109 during the same week. The number of rigs in Canada exploring for oil and gas rose 41 to 500 compared to 485 last year. Breaking the figures down, the number of rigs in the U.S. Gulf of Mexico rose 3 to 101, the same as last year. In the U.S., 1,122 rigs searching on land, 108 offshore and 20 inland. The total North American rig count rose 46 to 1,750, while last year it was 1,594. In the U.S. the number of rigs searching for oil rose 178, while the number searching for gas stayed at 1,070. Texas lost 13 rigs to 533 and Oklahoma gained 6 to 147.

The private weather forecasting service, EarthSat said today that while they had lowered their estimate for heating degree days this winter by 0.2%, due for the most part to the warmer than expected November, it still looked for heating needs this winter to run some 4.3% higher than last year. It is estimating this winter to reach 3910 HDD versus 3750.5 HDD recorded last year. A normal winter heating season sees some 3861 HDD. The group was expecting a warmer western U.S. next week,

Generator Problems

ERCOT– Xcel Energy's 360 Mw coal-fired #2 unit in Texas is expected to shut Monday for planned maintenance and return to service Wednesday following the repairs.

MAAC– AmerGen Energy's 786 Mw Three Mile Island #1 nuclear unit is back at full power after being reduced late Thursday to 22% to repair a faulty cap on a tubing instrument.

MAIN – Exelon boosted production 45% at its 900 Mw Dresden #3 nuclear unit to 71% as it returns from refueling. Dresden #2 is offline while a turbine vibration is inspected.

Nuclear Management Co.'s 575 Mw Kewaunee plant ramped production 10% to 65% capacity as it returns from a refueling.

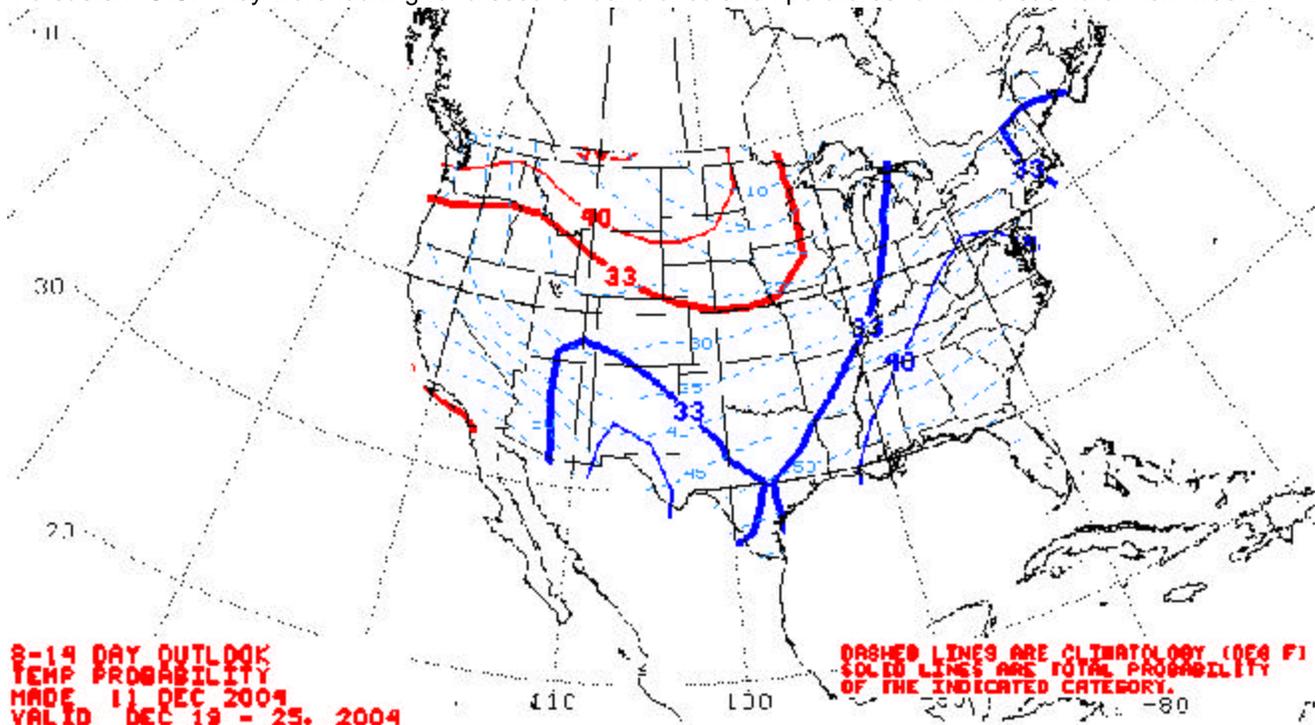
SERC – South Carolina Electric and Gas Co increased power 95% to 98% capacity at its 966 Mw Summer nuclear reactor. The unit was offline at 3% yesterday for unknown reasons.

WSCC – Arizona Public Service ramped output 27% up to 70% of capacity at its 1,270 Mw Palo Verde #3 nuclear unit. Yesterday, #3 was at 43% as it exits a refueling outage. Palo Verde #1 and #2 continue to operate at full power.

Reliant Energy's 775 Mw #2 unit at the Ormond Beach gas-fired plant was taken offline late Thursday and remains off through Friday.

The NRC reported that U.S. nuclear generating capacity was at 87,191 Mw today up .98% from yesterday.

but colder weather for the east as the jet stream begins to move south, and bring with it colder Canadian air for the eastern U.S. They were looking for a second round of cold temperatures to hit the east later next week.



PIPELINE RESTRICTIONS

Natural Gas Pipeline Co of America is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Florida-Jefferson are at capacity. NGPL is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 (Segment 14) and through Compressor Station 801 (Segment 15).

Texas Eastern Transmission Corp.'s Monroe Line has been nominated to capacity. No physical increases can be accepted from the following meters: Gulf South West Monrow, Reliant Energy West Monroe, and Duke Energy Field Services – Ouachita Parish, La. Also nominated to capacity, receipts between Mount Belvieu in STX and Fargus in M1 24-inch, including zone ETX.

PIPELINE MAINTENANCE

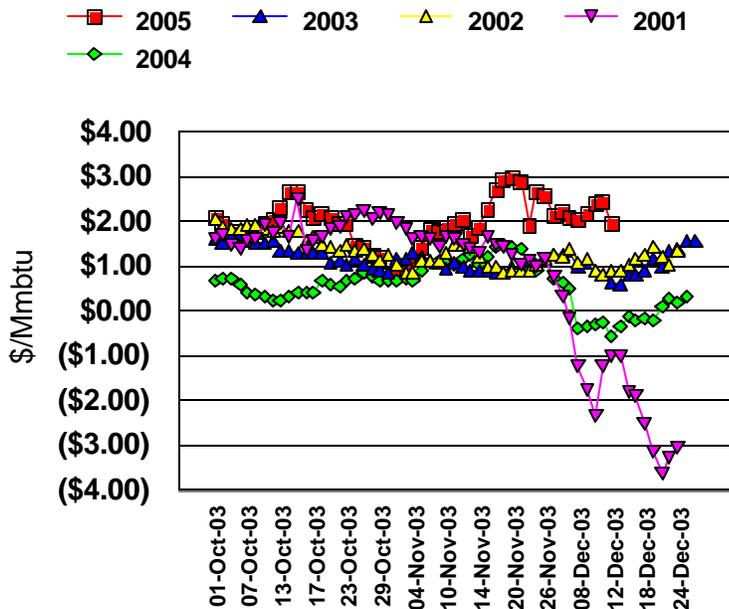
Gulf South Pipeline Co. said it began unscheduled maintenance on its Marksville Compressor Station Unit #2 continuing until further notice. Capacity through the Marksville Compressor Station could be reduced as much as 150 MMcf/d.

Westcoast Energy said that it has been successful at resolving the issues with the line heater and restoring flow to the acid gas injection well at the Kwoen Gas Plant. Westcoast anticipates no further issues. Work continues however on the K100 inlet compressor and Westcoast expects the unit to be back online Dec. 11.

ELECTRIC MARKET NEWS

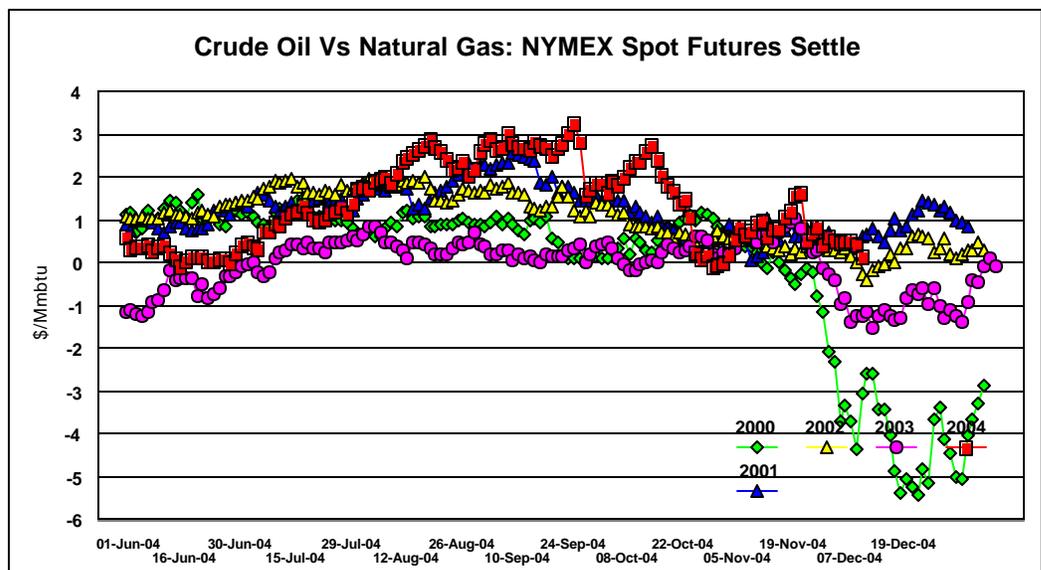
TransCanada Corp. announced that it will purchase hydroelectric generation assets in New England with a total generating capacity of 567 Mw. The deal comes to \$505 million in cash, but it is subject to the sale of the 49Mw Bellows Falls hydroelectric facility to the Vermont Hydroelectric Power Authority, which will result in a \$72 million reduction in purchase price. The assets of the deal include generating systems on two rivers in New England: the 484 Mw Connecticut River system in New Hampshire and Vermont and the 83 MW Deerfield River system in Massachusetts and Vermont. These systems include 13 dams with 41 hydroelectric generating units. On a 10-year average, the generating systems produced approximately 1.4 million Mw hours of electricity. The Town of Rockingham has an option agreement with USGen New England, an affiliate of TransCanada to purchase the

NYMEX Jan Heat Minus Jan Nat Gas



market was relatively quiet and stable, as it posted a typical light volume Friday inside trading session. The market opened better this morning helped in part by supportive weather forecasts that were showing next week to be a bit cooler than forecasted earlier this week. Natural gas prices also received a boost from the oil market, which saw higher oil prices overnight generated by the initial reports of OPEC production cuts. But as oil prices began to erode at midday as sellers returned to the market after the final OPEC production communiqué was released, natural gas prices grudgingly were dragged lower. But by the end of the day natural gas prices were off basically a nickel why crude oil prices were off nearly \$2.00 per barrels and heating oil was some 7 cents lower. As a result natural gas nearly returned to price parity to crude oil for the first time since early November. Final futures volume was estimated at 56,000 contracts.

Early expectations for next week's EIA storage number appear to be running between a 35 bcf to 72 bcf decline. Our estimate falls in between a 59-62 bcf draw down, given the past week has seen heating degree day totals some 8.5% less than the previous week. This would mean that working gas storage levels could be some 350 bcf higher than a year ago. It also interesting



Bellows falls Facility for \$72 million. If this deal closes, TransCanada's acquisition will exclude that facility and the purchase price will be reduced to \$433 million.

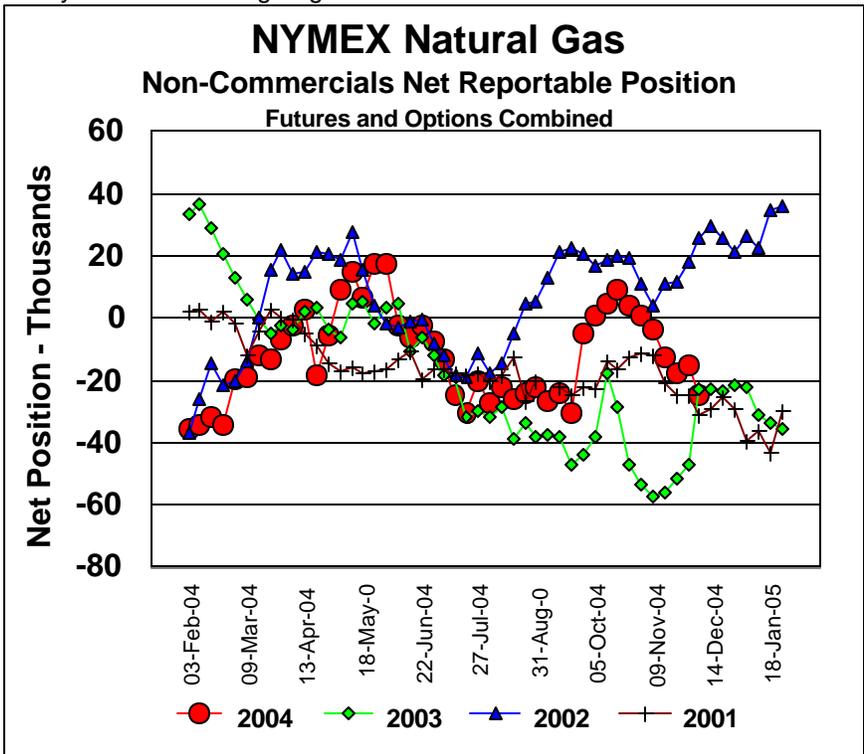
U.S. ECONOMY

The Economic Cycle Research Institute's weekly leading index (WLI) rose to 133.0 for the week ending Dec. 3 compared with an upwardly revised 132.4 in the previous week. The report showed that the rise was due to an increase in mortgage applications that was partly offset by more people filing for initial jobless benefits. The index's annualized growth rate, which smoothes out weekly fluctuations, rose to .4% from .2% in the prior week. ECRI said after months of decline, the weekly leading index has leveled off, indicating more stable economic growth for the short term. They reinforced that softness continues in the manufacturing sector.

MARKET COMMENTARY

While the oil markets embarked on a rather wild roller coaster ride today, the natural gas

that this past week's report which showed an 88 bcf decline is clearly demonstrating a different supply/demand picture of the natural gas market, since for the same reporting period last year saw a 111 bcf decline with a nearly identical heating degree total for the same week.



This afternoon's Commitment of Traders Report showed for the week ending December 14th non-commercials increased their net short position by 10,000-13000 contracts on the week, and their largest net short position since the summer and before the impacts and effects of Hurricane Ivan on the natural gas market.

Weather, weather and weather will be the crux for the energy markets next week. Even the oil markets will take its lead from these forecasts and it will be a critical week for the energy markets pricing for the remainder of the month and possibly the remainder of the winter. We still feel that the market has overreacted in believing winter is over but if this weather does not return this coming week, we feel the inventory overhang in the natural gas market

will bury pricing for the near term. We see support at \$6.80-\$6.75 followed by \$6.70, \$6.54-\$6.50. More distant support we see at \$6.31, \$6.02 and \$5.96. Resistance we see at \$7.03, \$7.10 and \$7.36. Addition resistance we see at \$7.62, \$7.77-\$7.785. \$7.875 and \$8.065.

