



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 21, 2004

NATURAL GAS MARKET NEWS

Steven Smith Energy Associates said today that assuming normal weather through January, and barring any major oil supply disruption during this period, natural gas prices should trade within a range of \$5.50-\$6.00 per Mmbtu for February Henry Hub bid week prices.

Aquila announced today that it was exiting a power purchase agreement or toiling agreement in Batesville, MS and terminating another long term prepaid natural gas supply contract. The company said both agreements were a drain on its liquidity and dropping these contracts fit in its ongoing repositioning program aimed at exiting the energy merchant business.

Congressman Markey said today that the results of a federal study on the risks of LNG are "very sobering and...should give everyone reason to make certain that we do not build new LNG facilities in or near a densely populated area.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Co. of America said that it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Texas Gas-Lowry 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 said that receipts along line 40-B have been restricted to zero because of damage to line 40-B and the Main Pass System. Elsewhere, the Monroe Line has been nominated to capacity, and not physical increases can be accepted from the following meters: 71000-Gulf South West Monroe, 72568-Reliant Energy West Monroe, and 72614-Duke Energy Field Services-Ouachita Parish, La. Also, receipts in zones STX and ETX have been nominated to capacity.

Algonquin Gas Transmission said that it has restricted all AO/IT and a portion of priority 3 nominations flowing through the Southeast compressor station. Incremental nominations flowing through this compressor station will be accepted only on priority 1 firm No-Notice contracts. No due shipper gas is available on the system.

PIPELINE MAINTENANCE

El Paso Natural Gas Co. released their January maintenance schedule. In the San Juan Basin, Rio Vista 3 turbine will be down for mechanical inspection Jan. 24 and 25, limiting the scheduled volumes at IEXCPT37 and

Generator Problems

MAPP –Nebraska Public Power District reduced power 4% to 89% as it prepares its 800 Mw Cooper nuclear unit for a refueling and maintenance outage on Jan. 15.

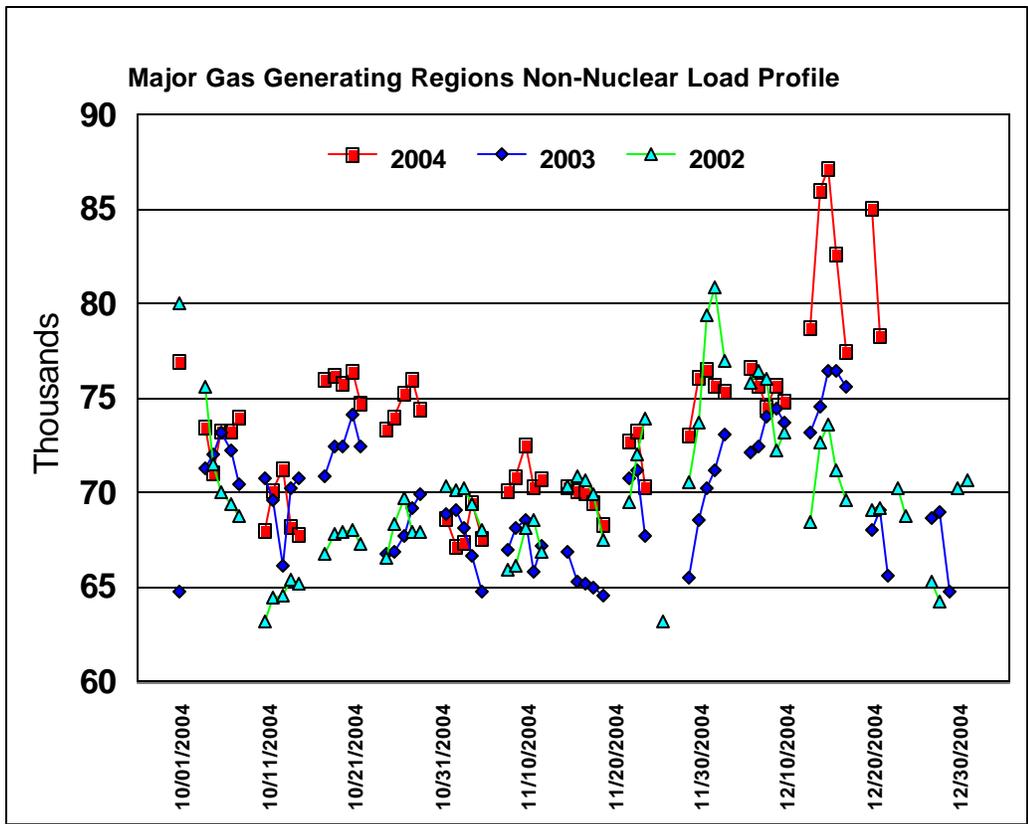
SERC – Progress Energy reduced power 7% to 92% at its 830 Mw Brunswick nuclear unit #1. No reason was given for the reduction. Brunswick #2 is operating at 96%.

WSCC – Pacific Gas and Electric decreased its 1,100 Mw Diablo Canyon #1 17% to 83%. The unit was reduced for scheduled testing and is expected to return to full power later this evening.

AES Corp. returned its 480 Mw Alamosa gas-fired unit #6 to service. The unit was shut Dec. 8 for planned reasons. Alamosa #2 and #4-7 are available for service.

The NRC reported that U.S. nuclear generating capacity was at 92,359 Mw today down .18% from Monday.

IGCNMX37 to a total of 50 MMcf/d, a reduction of 100 MMcf/d from full capacity. On the North Mainline, Window Rock 4A compressor will be down for mechanical inspection Jan. 10 through 13. Flagstaff Station will be down for quarterly maintenance Jan. 18. Leupp 1D turbine will be down for mechanical inspection Jan. 19 and 20. Window Rock 7A turbine will be down for mechanical inspection Jan 24 and 25. The North Mainline capacity will be reduced by the following approximate amounts: Jan. 10-13, 20 MMcf/d; Jan. 18, 85 MMcf/d; Jan. 19-20, 40 MMcf/d; Jan. 24-25, 30 MMcf/d. On the Havasu Crossover, Wenden B turbine will be down for mechanical inspection Jan. 4 and 5, reducing the capacity by 95 MMcf/d from a base of 680 MMcf/d. On the South Mainline, Guadalupe Station will be down to replace scrubber filters Jan. 10 and 11. Casa Grande B turbine will be down for mechanical inspection Jan. 10-12. Line 2000 will be out of service between Afton and Lordsburg stations to make piping modifications at Florida station Jan. 17-20. Florida Stations will be down to complete piping modifications associated with Line 2000 Jan. 21.



KM Interstate Gas Transmission said it is anticipating significantly colder weather in the Nebraska and Kansas Market area. Therefore, effective today and until further notice, KMIGT requests that shippers match their supply nominations to the anticipated increase in on-system loads with consideration of the below constraints. Otherwise, KMIGT may issue a Directional Notice to maintain the operational integrity of its pipeline.

Panhandle Eastern Pipe Line Co. said that in order to properly schedule daily pipeline

operations to meet all customer requirements during these cold weather conditions, shippers will be required to adhere to Tariff requirements of their specific rate schedules' limitations for takes for all delivery points east of Tuscola. This limitation will be in effect for seven days or until weather conditions allow the pipeline to remove this restriction. Hourly deliveries of rate schedules EFT and EIT, flows will be limited during any hour of the gas day to one-sixth of the gas nominated at the delivery point. Also, rate schedule FT limits flow during any hour of the gas day to one-twenty-fourth of the gas nominated at the delivery point.

Tennessee Gas Pipeline's 526A-600 line has shifted and must be re-aligned. The line will be taken out of service Jan. 28 – Feb. 10. The following meters will be out of service during the outage: 010484 South Pass 6, 010488 Main Pass 69B, 010609 Southeast Pass, 010628 Delta Duck, 010989 Garden Island Bay, 011099 Raphael Pass, 011435 Garden Island Bay, 011706 Main Pass 75, 011724 South Pass 60, 011765 South Pass Dehyd, 011901 Red Fish Bay, 020657 Main Pass 69A, and 020888 Main Pass 69 Fuel.

TransColorado said that the force majeure issued Dec. 13 has been lifted, and repairs to the Whitewater Compressor Station have been completed. Volumes scheduled will be up to the full capacity through Segment 210.

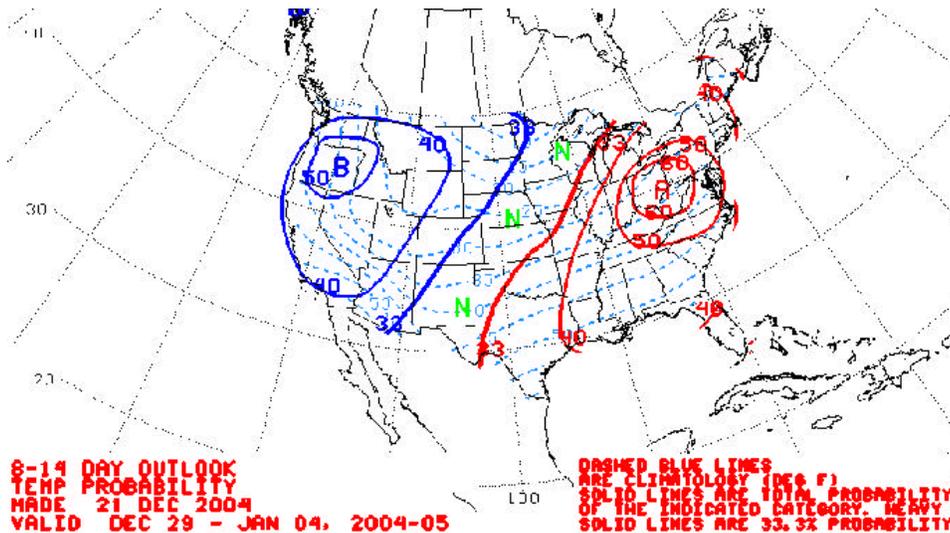
Westcoast Energy in Vancouver, BC, said current high line pack conditions on the DEGT mainline are expected to continue. Producers upstream should expect field pressure to remain higher than normal.

ELECTRIC MARKET NEWS

Dominion Energy asked the Public Service Commission of Wisconsin to reconsider its decision regarding the sale of Kewaunee Nuclear Power Plant after the commission voted 2-1 on Nov. 19 to deny the sale of Kewaunee from Wisconsin Public Service Corp., and Wisconsin Power and Light. Dominion announced it would pay \$220 million in cash for the 545 Mw single-unit station. The commission spelled three specific issues in its Dec. 16 written order, and Dominion believes their reply answers those issues. Dominion's new motion would grant WPS and WP&L the right of first refusal to repurchase Kewaunee in any future sale on the same terms and conditions as another company. Also, Dominion will return to WPS and WP&L any excess ratepayer funds contained in the qualified decommissioning trust fund upon final completion of all decommissioning activities at the power station for distribution to their customers. In addressing the final issue, Dominion will increase the total level of guaranties to WPS and WP&L. These new conditions are being added to the seven already introduced for the commission to consider.

Mirant announced that it will reduce emissions from its 1,100 Mw oil and natural gas fired plant in Sandwich, Mass. This is the first power plant in Massachusetts to undertake early emission reductions as part of the State's effort to achieve the toughest air emission standards in the U.S. In agreement with the Massachusetts

Department of Environmental Protection, and a coalition of Cape Cod environmental leaders, Mirant will reduce sulfur dioxide emissions by approximately 75% and emissions of nitrogen oxides by approximately 46%. Mirant's target date for the reduction is September 30, 2006.



MARKET COMMENTARY

The natural gas market gapped lower again this morning as most weather forecasters continued to see temperatures moderating

again next week as the latest arctic air surge in the upper Midwest today pushes quickly east and exits the main heating regions by the end of the week. In addition the NWS also saw current heating demand this current week slightly less severe than had been forecasted yesterday, which also helped to place the bulls on defensive yet gain. But the lack of trading interest today with just 45,000 futures traded showed that traders were unwilling to step forward into this market and establish new positions in front of Thursday's inventory report. As a result prices remained fairly well centered in a sideways 13 cent trading range, the smallest trading range since December 8th. Prices did finish near the upper end of this trading range by day's end and as a result cut in half the day's net losses as well as backfilling the gap from this morning's lower opening.

The market current appears to be looking for Thursday's storage report to show a draw down of around 110-115 bcf. Based on our calculations that the nation during the reporting period saw just 172 HDD on the week, we would estimate a storage draw down of just 92-95 bcf. This projection even takes into consideration the loss still of some 4 plus bcf on the week of USG offshore production in the wake of Hurricane Ivan. Given that last year saw a 151 bcf decline and the five year seasonal average decline is some 111 bcf, we feel that if our projection is realized it will send this market lower once again and retest support at the \$6.50 level.

But we continue to look for this market to stay within a \$6.70-\$7.00 trading range in front of Thursday's storage report and as a result would look at possibly purchasing a January put on any rally towards the \$7.00 price level tomorrow, barring any significant change in the weather. This option tonight settled at 9.4 cents. We see support

tomorrow at \$6.78 followed by \$6.70, \$6.54, \$6.505-\$6.495, \$6.43 and \$6.308. Resistance we see at \$6.97 followed by the gap at \$7.16-\$7.26, \$7.40 and \$7.55.