



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR DECEMBER 28, 2004

NATURAL GAS MARKET NEWS

According to private weather forecasters, temperatures will turn milder through the weekend in central and eastern US. Accuweather said Tuesday will be the last day of the cold snap, with southwest flow bringing warmer air into the regions. Meanwhile, Meteorlogix said that a mild weather pattern is expected for most of the central and eastern US through January 3.

Stone Energy Corp. has agreed to buy 35,000 net exploration acres in the Williston Basin of North Dakota and Montana for \$85 million. The acquisition includes proved reserves and a minimal amount of oil production.

El Paso Corp. has reached a \$46.4 million settlement with the State of Arizona over the state's pending litigation from the western energy crisis in 2000 and 2001. The settlement ensured that El Paso will be committed to helping Arizona's energy situation, with a \$3.4 million grant for the state's Low-Income Energy Assistance Program. The settlement also includes El Paso investing approximately \$43 million for capital projects designed to improve interstate pipeline service in Arizona and conserve water in the state. Also, El Paso agrees to accelerate \$30 million in already-planned pipeline integrity expenditures.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Also, all Louisiana Line segments 25, 23, and 24 are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf – Chalkley (PIN 11295) are at capacity today. 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 due to damage to line 40B and the Main Pass System, receipts along line 40B have been restricted to zero, and short pools have been force balanced. The Monroe Line has been nominated to capacity. Receipts in M1-24 have been nominated to capacity.

Generator Problems

ECAR – First Energy Nuclear boosted power 35% at its 1,260 Mw Perry nuclear unit to operate it at 60%. The unit is coming back from an automatic scram on Thrus.

ERCOT – TXU Corp shut its 565 Mw Monticello #2 coal-fired unit to repair a boiler tube leak.

FRCC – FPL ramped its 693 Mw Turkey Point #4 by 41%, returning it to full power. The unit restarted yesterday after being taken offline Saturday for a declining vacuum in the main condenser. Turkey Point #3 is currently at full power.

MAAC - The US NRC will likely not allow Public Service Enterprise Group Inc to restart its 1,100 Mw Hope Creek nuclear unit in New Jersey until at least January 5. The NRC said it would meet with the company to discuss the results of an NRC special inspection of Hope Creek in response to a steam line failure and shutdown with complications that occurred on October 10.

WSCC – Sempra Energy's 549 Mw natural-gas fired Elk Hills power plant returned to service after shutting late Monday.

The NRC reported that U.S. nuclear generating capacity was at 91,666 Mw today up .24% from Monday.

East Tennessee said that the following restrictions will be lifted today: secondary receipts out of path upstream of station 3104, secondary receipts out of path upstream of station 3205, secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke, secondary deliveries on the Johnson City lateral, secondary deliveries on the Kingsport lateral.

Algonquin Gas Transmission said that due to cold weather forecasts, no due shipper gas is available. In addition, AGT has restricted all forward haul interruptible flow and approximately 11% of priority 3 nominations flowing through Stony Point. No incremental nominations flowing through Stony Point will be accepted, except for no notice firm service.

Panhandle eastern Pipe Line Co. said that its operational alert, effective since Dec. 20 will expire today. For the past week, Panhandle has urged customers to properly schedule daily pipeline operations and limit takes for all delivery points east of Tuscola.

Tennessee Gas Pipeline said that due to improved operation conditions, it is lifting the operation flow order Action Alert in effect for zones L, 1, 2, 3, 4, 5, and 6 effective today.

PIPELINE MAINTENANCE

Alliance Pipeline said that repairs of the mechanical difficulties experienced at the Morinville compression station have been completed and the station returned to service yesterday at 9:45pm MT

El Paso Natural Gas continues in an Unauthorized Overpull Penalty situation. The Washington Ranch storage facility in New Mexico is currently on maximum withdrawal. To insure system integrity, El Paso will place limits on scheduled volumes at interconnects that are under performing.

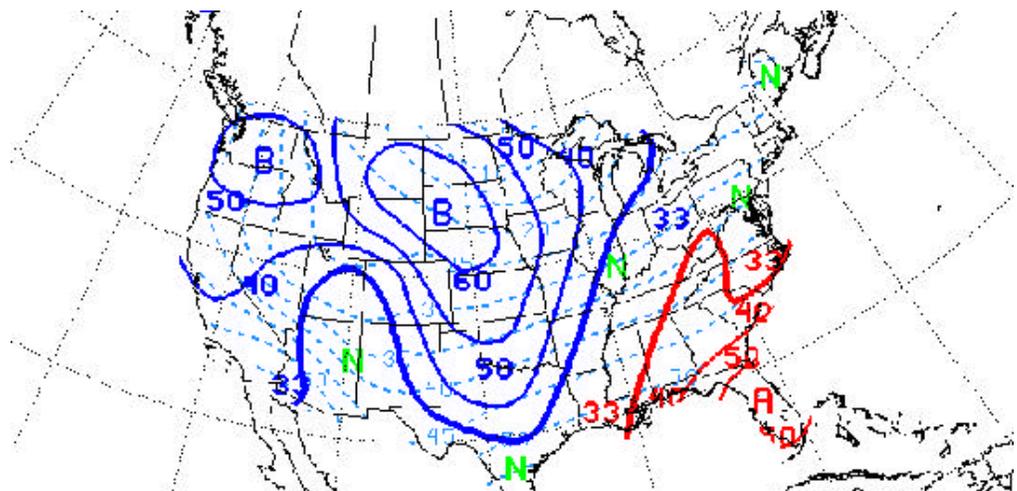
ECONOMIC NEWS

The Consumer Confidence Index ended the year on a high note, breaking a down-trend since August by rising to 102.3 in December, up from November's 92.6.

MARKET COMMENTARY

Natural gas opened a penny higher than yesterday's settlement of \$6.16 and retraced some Monday's losses. Similar to the oil complex, the natural gas market posted an inside trading day as it failed to find the momentum to breach Monday's trading range even ahead of the January natural gas contract's expiration at the close. The market quickly traded to \$6.25 before it rallied to \$6.33. However as the market failed to test Monday's high amid the continuing weather reports calling for moderating temperatures into next week, it erased some of its gains and remained rangebound ahead of the dosing range. The expiring January contract later posted an intraday high of \$6.34 before some selling pushed the market back to its low of \$6.16. It however settled in positive territory at \$6.213, up 5.3 cents following five consecutive days of losses. Meanwhile the February contract settled up 11.6 cents at \$6.341 after it too posted an inside trading day. Volume in the natural gas market was lighter with only 59,000 lots booked on the day.

The natural gas market will likely continue to trade



**8-14 DAY OUTLOOK
TEMP PROBABILITY
MADE 28 DEC 2004
VALID JAN 05 - 11, 2005**

**DASHED BLUE LINES
ARE CLIMATOLOGY (DEG F)
SOLID LINES ARE TOTAL PROBABILITY
OF THE INDICATED CATEGORY. HEAVY
SOLID LINES ARE 33.3% PROBABILITY**

in its recent range ahead of Thursday's release of the EIA natural gas storage report. The February natural gas contract is seen finding support at its low of 6.27 followed by 6.20. More distant support is however seen at 5.90. Meanwhile resistance is seen at its high of 6.44 followed by 6.51 and 6.69, where it would backfill Monday's opening gap.