



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 5, 2005

NATURAL GAS MARKET NEWS

Delek Resources and Maxim Resources announced that they have entered into a multi-well joint venture agreement to drill in North Dakota. The initial program is for one well with an option on another three wells. The operator will be Quantum Operators, a Delek affiliate. The target is the Lodgepole Formation; the average Lodgepole completion has an estimated recovery of 1,000,000 barrels and 500 mmcf, with the larger ones having as much as 4,000,000 barrels and 1 bcf.

Canadian Superior Energy said it has commenced its winter 2005 drilling program in Western Canada, with wells planned in Northwest Alberta in the east Ladyfern and Windfall areas. Canadian Superior's VP said, "these wells have the ability to add significant natural gas production and natural gas reserves to Canadian Superior's Western Canadian operation base.

McMoRan Exploration said that on Dec. 30 it established production from the Deep Tern C-2 well at Eugene Island Block 193 at an initial rate of approximately 17 MMcf/d. The Deep Tern G2 well was drilled to a total measured depth of 20,731 feet. Co-Chairman of McMoRan said "the Deep Tern Discovery was brought on production less than two months after reaching total depth in the well. This project is an excellent example of how existing infrastructure adds significant value to discoveries in out deep shelf exploration activities.

Pioneer Natural Resources Company shut its Canyon Express natural gas system in early Dec. due to a leak in the methanol delivery system. The leak was located on Jan. 1, and repairs are expected to take about 30 days. Pioneer's share of net gas production from Canyon Express was averaging approximately 90 MMcf/d before being shut. The impact to the company's fourth quarter average daily production is expected to be approximately 5,000 barrels oil equivalent, leaving total production for the quarter at the lower end of Pioneer's forecasted production range of 190,000 to 205,00 Barrels oil equivalent per day.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said Florida-Jefferson is at capacity for deliveries. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going

Generator Problems

ECAR – First Energy returned its 1,260 Mw Perry to full capacity by increasing it 5%.

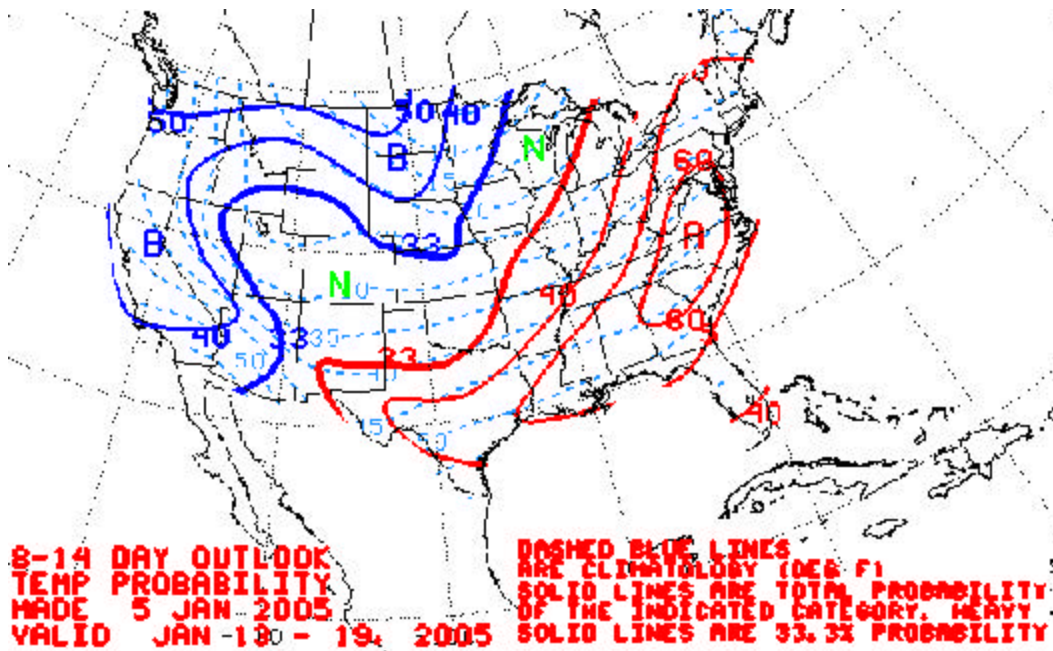
FRCC – FPL continues to increase output at its 839 Mw St. Lucie #2, reporting the unit at 68% capacity up 14% from yesterday. The unit is returning from a manual scram.

MAAC – Exelon's 1,110 Mw Peach Bottom #2 dipped to 73%. The unit was at full power yesterday. Peach Bottom #3 continues to operate at full power.

NPCC – Ontario Power Generation shut its 881 Mw Darlington #1 for a short-term forced outage. The unit was available yesterday. All the other Darlington units are available for service.

SERC – Duke Energy ramped its 846 Mw Oconee #3 up to 60% of capacity. The unit was operating at 18% yesterday as it comes back from a refueling outage. Oconee #1-2 continue to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 93080 Mw today up .27% from Tuesday.



northbound. 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.

Texas Eastern Transmission Corp. said that the Monroe Line has been nominated to capacity. Receipts in STX, ETX and M1-24 have been nominated to capacity. No physical increases of

receipts between Vidor and Fagus will be accepted.

Algonquin Gas Transmission said that nominations for deliveries to Tennessee Gas Mendon have exceeded the receipt nominations at Mendon, a physical receipt point. AGT has restricted the delivery nominations to match the level of receipts. AGT has also restricted approximately 13% of priority 3 nominations flowing through Stony Point compressor station.

Gulf South Pipeline Co. said that Based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions today for Longview-Palestine 8-inch – Index 11 in Texas.

Panhandle Eastern Pipeline Co. said that due to the lack of availability of compression at Cashion, nominations through the BISO9 segment will be limited to 110 million cubic feet as of yesterday. The affected area is located in Oklahoma.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Co. said that line sections 2, 3, 4, 24 and 7 could be affected by unscheduled maintenance at the Dickinson Plant. However, the company does not anticipate any restrictions to the system due to this maintenance.

Florida Gas Transmission recently updated its schedule of maintenance projects for January. On Jan. 17 FGT will be performing compressor unit maintenance on one of the units at station #3 in zone #1. The work will take about 3 months, 150 MMcf/d will be scheduled through station #3 as opposed the normal 225 MMcf/d. On Jan. 10 compressor unit maintenance will be performed on one of the units at station #77 in zone #1 for four days. 90 MMcf/d will be scheduled as opposed to 130 MMcf/d. On Jan. 13, FGT will perform pipeline maintenance on the 24-inch mainline between compressor stations #6 and #7 in zone #1, lasting about one day with 200 MMcf/d scheduled as opposed the normal 467 MMcf/d. Station piping maintenance also continues at FGT Station 11 and is expected to continue through Jan. 8 with 2,050 MMcf/d scheduled as opposed to 2,200 MMcf/d. On Jan. 8, a scrubber installation will take place at station #11, completing the piping maintenance there. During the installation, FGT scheduled 1,500 MMcf/d compared to the usual 2,200 MMcf/d. On Jan. 24, FGT will be performing pipeline maintenance on the 18- and 22-inch East White Lake lateral lines upstream of station #75. The maintenance will take approximately 4 days and 250 MMcf/d will be scheduled as opposed to 650 MMcf/d during normal operation.

El Paso Natural Gas Co. said that its Wendon B mechanical inspection will be confined to Jan. 5 only. Therefore, the capacity of the Havasu Crossover will be returned to 680 MMcf/d effective Cycle 3, Jan. 4. The Havasu Crossover capacity will be reduced by 95 MMcf/d to 585 MMcf/d for gas day Jan. 5.

ECONOMIC NEWS

The December non-manufacturing ISM index increased for the 21st month in a row, posting 63.1% for the month of December. Any number over 50 suggests expansion, and December saw the fastest rate of increase since July. The employment component, crucial to the health of the economy, also increased, as did imports, exports and prices.

The minutes from the FOMC December meeting were released yesterday, and they suggested worry about inflation for last month. Some Fed governors were pushing to raise interest rates faster than originally planned, citing the weakness of the dollar, high oil prices, high budget and trade deficits and especially inflationary pressures. Analysts were divided about whether the Fed might actually step up the pace of rate increases in months ahead. But the minutes left little doubt that policy makers have abandoned any thought of pausing in their march to higher rates, with analysts predicting federal funds rate to climb to 3.5% or higher by the end of 2005.

ENVIRONMENTAL NEWS

U.S. Wind Farming has entered into an agreement to acquire the proprietary technology of Environmental Combustion Technologies, to coat the propellers, nacelles and transformers of wind turbines with a specialized Continuous-Filament Basalt Fiber and Ceramic Resonance Composite Dielectric Coating. This coating is totally impervious to ultraviolet radiation and corrosion ensuring zero maintenance for these components during the 30-year life span of the wind turbine.

MARKET COMMENTARY

Natural gas closed down today after it retraced some of yesterday's bullish push, as the inventory figures for heating oil and gasoline put pressure on the markets. At the open, natural gas rallied to post its high of the day at \$5.95. However the succumbed to the will of the oil markets as it chopped down to its low of \$5.76 following the release of the oil inventory reports showing larger than expected builds in product stocks. The natural gas market later recovered from its sell off and chopped back and forth in a range between \$5.80 and \$5.85, as traders await the release of the EIA storage report. The market settled the day at \$5.833, down 6.9 cents. Volume in the natural gas market remained light with 51,000 lots booked on the day.

We continue to look for a draw of 149-159 bcf in Thursday's EIA storage report. Meanwhile, most in the market appear to be looking for a draw of 135 bcf to 140 bcf. On average over the past five years, inventories have fallen by about 118 bcf during the same week.

The market on Thursday will mostly be driven by the release of the EIA storage report. Technically, the market looks oversold and will be well supported especially if the report does show a draw above the prevailing market expectations. The market is seen holding support at its lows of \$5.77, \$5.71, \$5.62, \$5.38-\$5.30, \$5.255. Meanwhile resistance is seen at \$5.95, \$5.99, \$6.10. More distant resistance is seen at \$6.44-\$6.51, \$6.665 and \$6.89.