The Windham Group

Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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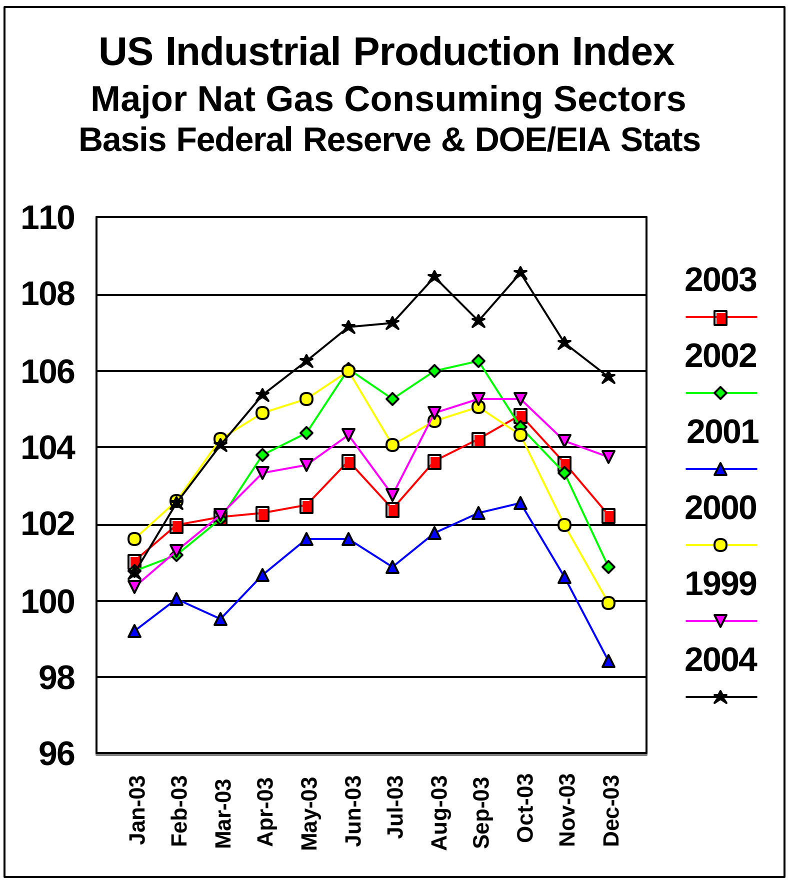
POWER MARKET REPORT FOR JANUARY 14, 2005

NATURAL GAS MARKET NEWS

U.S. Industrial Production rose a more-than-expected .8% in December and was up 4.1% for 2004, the best annual showing in four years. Capacity Utilization also rose more than expected to 79.2%, the highest level since Jan. 2001. For 2004, Capacity Utilization of 78% was the highest since 82% in 2000. For the key natural gas consuming industries, industrial activity on a non-seasonally adjusted basis was down 0.82% from November but up 3.52% from December of 2003.



Generator Problems

ECAR— FirstEnergy will shut its 925 Mw Davis-Besse nuclear unit on Jan. 17 for scheduled inspections of major equipment and routine maintenance. The unit will return to service in early February.

MAPP— Nebraska Public Power reduced output 3% to 80% at its 800 Mw Cooper unit in anticipation of a refueling outage scheduled for Jan. 15 and to last 30 days.

NPCC— Entergy Nuclear reduced output 30% to 70% at its 534 Mw Vermont Yankee unit.

SERC— Southern Nuclear's 838 Mw Hatch #1 unit increased output 62% to operate at 86%. The unit is returning from a repair outage. Hatch #2 is running at 95%, one percent down since yesterday.

Southern Nuclear's 1,215 Mw Vogtle #1 ramped power to 98% capacity from 27% yesterday. Vogtle #2 continues to operate at full power.

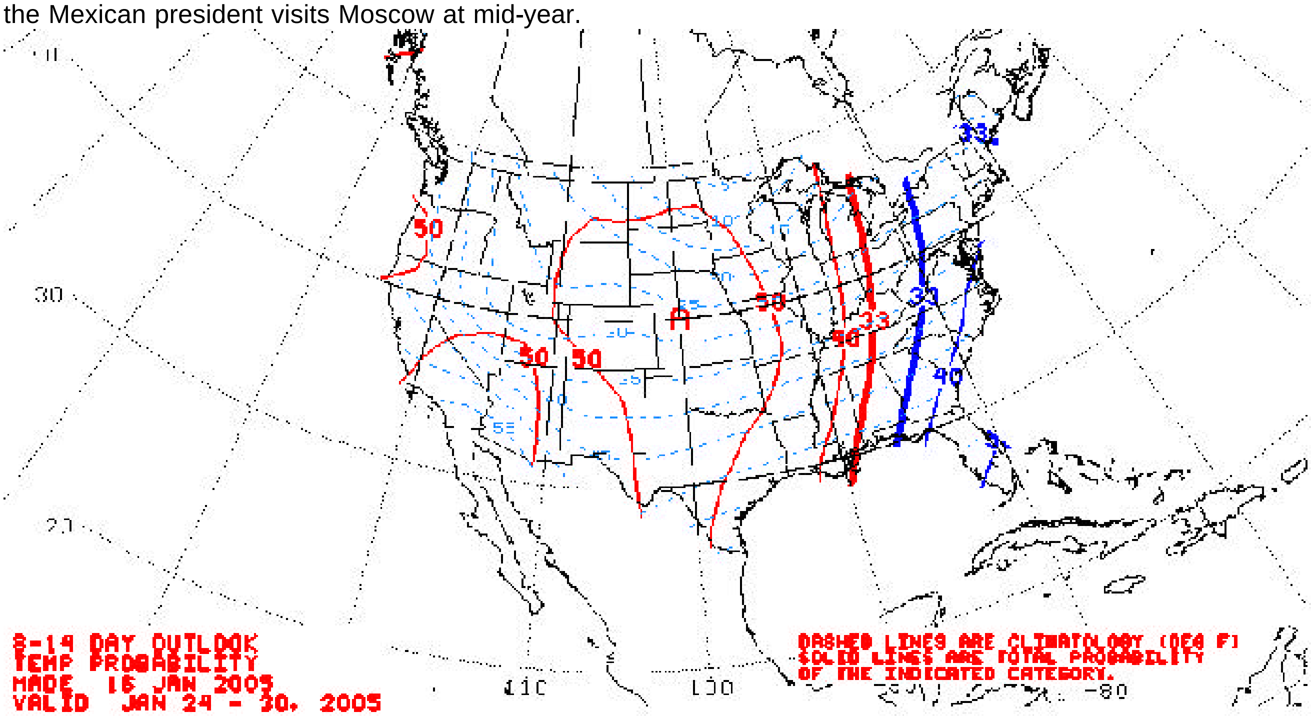
The NRC reported that U.S. nuclear generating capacity was at 91886 Mw today up 1.32% from Thursday.

Pipe Needle LNG Co. said that its has cancelled its open season for 150 MMcf of LNG storage capacity, originally scheduled to run from Jan. 5-Feb. 7.

Baker Hughes reported that the total number of rigs searching for oil and natural gas increased by 16 to 1,258 in the week ending January 14th. The number of rigs searching for oil increased by 5 to 172 while the number of rigs searching for natural gas increased by 21 to 1,084.

Alaskan oil producers said that Wednesday's announcement of a $150 million tax increase on North Slope oil production may dampen their enthusiasm for participating in the construction and operation of a proposed North Slope natural gas pipeline. The Alaskan governor's office played down the these fears by noting that informal talks were proceeding with producers on the pipeline project and that the two issues were not linked in anyway.

Gazprom said Friday that it is looking at plans to intensify its cooperation with Mexico, in order to pave the way for supplies of Russian LNG to reach North American markets. These plans could be better defined by the time the Mexican president visits Moscow at mid-year.



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. 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.

Texas Eastern Transmission said that the Monroe Line has been nominated to capacity. Receipts in STX and ETX have been nominated to capacity, no physical increases of receipts will be accepted between Vidor and Little Rock

East Tennessee Natural Gas is issuing restrictions due to forecasts of cold weather. ETNG anticipates the following restrictions affective 9:00am ET: no secondary receipts upstream of station 3104; no secondary receipts upstream of station 3205; and no secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke. ETNG will also implement its Maximum Allowable Delivery Service.

Algonquin Gas Transmission said that nominations for gas flowing through Stony Point compressor station have been nominated to capacity.

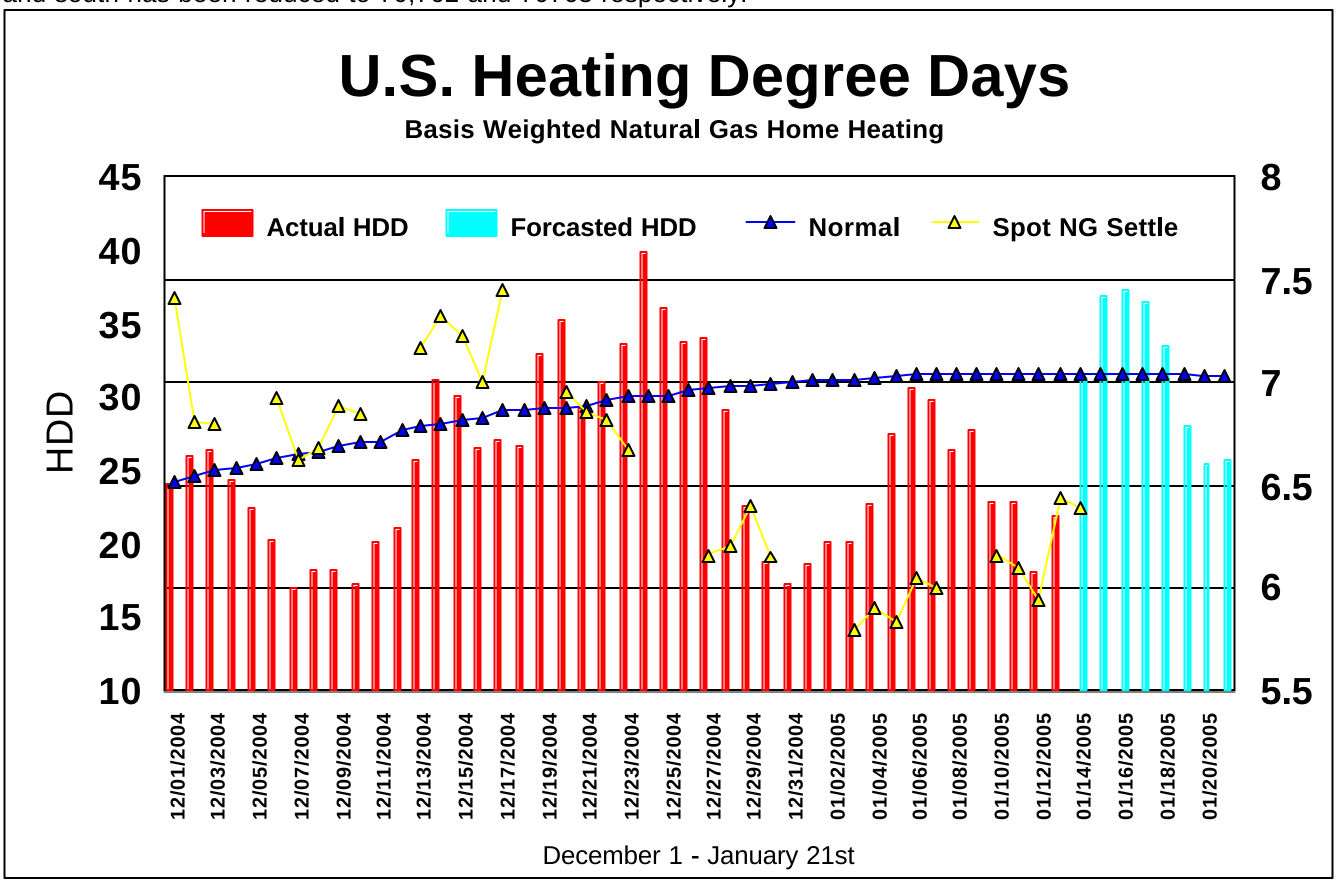
ANR Pipeline said that due to expected temperatures close to zero-degrees in Wisconsin, it is declaring an "Extreme Condition," which will lower the Swing Percentage from 10% to 5%. Also, ANR is not allowing any unauthorized Overrun flow. All receipts and deliveries, excluding ETS and FTS-3 services in the state of Wisconsin be at a uniform hourly flow rate over a twenty four hour period or 1/24th of the scheduled volume. ETS and FTS-3 shippers are required to be at an hourly flow of 1/16th and MHQ respectively.

Northern Natural Gas, said it is calling a System Overrun Limitation day due to forecasted minimum temperatures of below zero in the Zone A/B/C/D/E/F.

KM Interstate Gas Transmission said that effective today and until further notice, based on the current level of nominations and the expected capacity through segments 45 and 730, scheduling reductions may be necessary due to ongoing maintenance at the Casper Compressor. Authorized overrun, interruptible flow and secondary out of path volumes are at risk of not being scheduled.

Panhandle Easter Pipeline said that due to cold weather, gas flows will be limited during any hour of the day to one-sixteenth of the gas nominated at the delivery point. Also, rate schedules FT and IT flow will be limited during any hour of the gas day to one-twenty fourth of the gas nominated at the delivery point.

Williston Basin Interstate Pipeline said that cold weather has prompted the possibility of an OFO today and this weekend, while other factors prompted non-critical restrictions on some lines. Williston Basin is notifying all shippers and controlling parties that a system wide critical situation exists, and all physical receipts and/or deliveries must be at a level equal to shippers scheduled quantities for the gas day. Also, the MAOP has been lowered on a portion of the pipeline in Line Section 5. Therefore, the maximum capacity of Line Section 5, north and south has been reduced to 70,762 and 70763 respectively.



PIPELINE MAINTENANCE

Gulf South Pipeline said it is performing unscheduled maintenance on its Carthage Compressor Station Unit #7. Capacity through the Carthage Compressor Station could be affected by as much as 24 MMcf/d

Williston Basin Interstate Pipeline said due to unscheduled maintenance at Hardin Plant, deliveries in Line Section 16 and 17 may potentially be affected by approximately 5 MMcf/d.

ELECTRICITY MARKET NEWS

TECO Energy said that one of its subsidiaries has signed an agreement to sell Commonwealth Chesapeake Co., the owner of the Commonwealth Chesapeake Power Station in Virginia, to an affiliate of Tenaska Power Fund for $89 million. The Commonwealth Chesapeake Power Station is a 315 Mw oil-fired, simple-cycle peaking power plant.

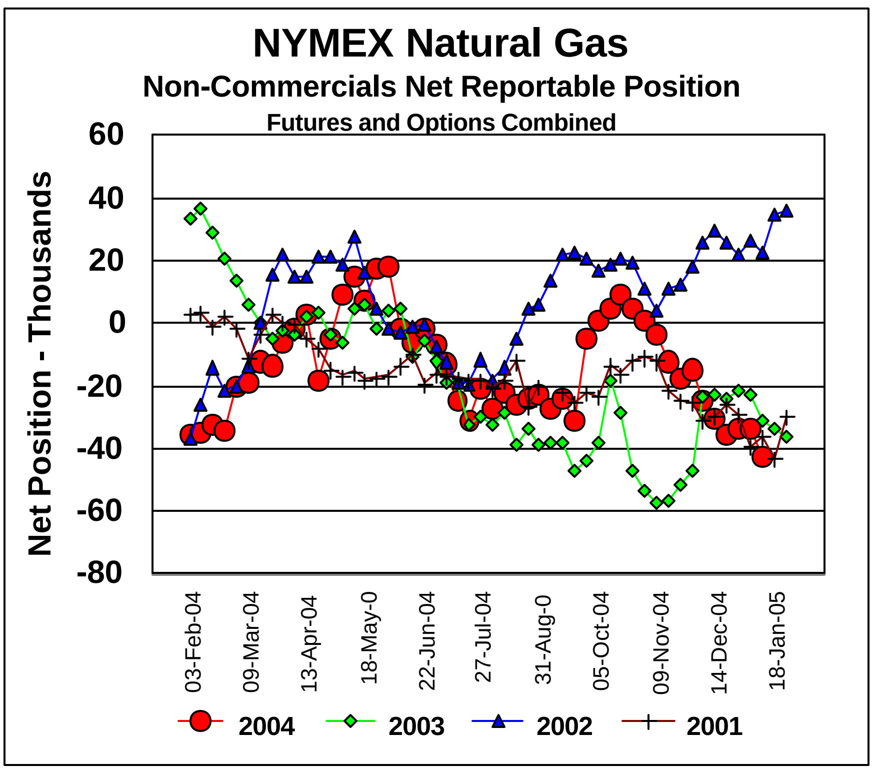
The Massachusetts Energy Facilities Siting Board unanimously approved NSTAR's plan to build a new 18-mile underground transmission line that will increase the region's energy options and ensure electric reliability. Construction of the 345 kV transmission line is scheduled to begin in the spring, and aims to begin service by June of 2006. The new line will ease existing transmission bottleneck by connecting Greater Boston's electric infrastructure to an abundant supply of electricity in Southeastern Massachusetts and Rhode Island, and further ensure reliability for all of New England.

California officials late Friday reported they had reached a $749.7 million proposed settlement with Mirant Corp. to resolve allegations of manipulating wholesale energy prices during the western energy crisis of 2000-2001.

The US court of Appeals Friday struck down a 2002 order by the FERC approving an automated mitigation procedure that allows the NYISO to reduce bids power suppliers submit to sell electricity in an effort to eliminate market power. The court ruled that the FERC failed to show that the program does not "wreak substantial harm by curtailing price increments attributable to genuine scarcity that could be cured only by attracting new sources of supply." Suppliers had appealed the FERC ruling in 2003 saying that the procedure, which can automatically reduce suppliers bids when prices exceeded $150 Mwh, were unnecessary in a market that the ISO and FERC both agreed was "workable competitive" and by cutting price increases that are attributable to scarcity, and thus the program was deterring new suppliers from entering the market.

MARKET COMMENTARY

The natural gas futures market appeared to take a breather today, as it posted lightest trading volume day of this week, just 56,000 contracts, in the pre-holiday shortened trading session. While some regional spot prices were higher on the day, led by the eastern markets, given the arrival of winter temperatures in these areas once again, futures prices actually stagnated posting its first inside trading session since December 10th. It appeared that traders were content to hold their futures position priced at these levels and await updated weather forecasts at the start of the week on Tuesday.



Tonight's Commitment of Traders Report did surprise us though as it showed non-commercials had increased their net short position during the period ending January 11th by 7249 lots in the futures only report and by 8,761 contracts in the combined futures and options report. This coupled with open interest continuing to grow in the past couple of days seems to show that this group has not been forced out of some of their speculative short positions as we thought, given the recent price increases, but rather had added to it. As a result while we feel the fundamentals do not warrant $6.50 gas prices, we feel that this speculative short position held by theee funds could be an explosive factor in this market if in fact cold weather does establish itself beyond this weekend in the eastern half of the nation. As a result we feel that one can only play the short side of this market via the purchase of puts, not the outright sale of futures, given the threat of a rapid price explosion to the upside if the commodity funds decide to abandon their positions. The last time non-commercials held such a large net short position in both futures and options was back on the period ending December 2nd. Over the following seven days the price of natural gas jumped over $2.00 as this group reduced their short position by over 52%. This is the type of freight train we do not want to be caught in front of, as it coming scream up the tracks!

We see resistance at $6.52 and $6.55 on Tuesday followed by $6.63 and major resistance at $6.67-$6.69. If this key point is taken out then we see resistance next at $6.89, $6.97 and $7.24-$7.40. Support we see at $6.30, $6.27, $6.185 and $6.10-$6.01. More distant support we see at $5.91, $5.83, $5.71 and $5.38-$5.30.