



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 19, 2005

NATURAL GAS MARKET NEWS

The Federal Energy Regulatory Commission approved Questar Pipeline Co.'s \$54.6 million expansion of its natural gas pipeline system in northeastern Utah and northwestern Colorado. The expansion would transport an additional 100 MMcf/d. The project includes 19 miles of new pipeline in Carbon County, Utah and several new compressor stations to pull the additional gas.

Conoco Phillips announced that it has submitted an application to the U.S. Coast Guard for the construction of a new offshore LNG regasification facility in the Gulf of Mexico. The proposed Beacon Port Clean Energy Terminal is planned to be located in federal waters, 56 miles south of the Louisiana mainland. The facility will offload LNG from carriers, store and regasify the LNG, then make the natural gas available through a system of pipelines for delivery to consumers in Louisiana and beyond. Conoco anticipates a throughput capacity of 1.5 Bcf/d. Construction could begin in late 2006 and will take approximately four years, with the first shipment of LNG being delivered in 2010.

Shell plans to shut down its Mars tension leg platform late in the first quarter to replace the flexjoints on both its oil and natural gas export lines. Repairs are scheduled to begin March 17 and last 14 days. Mars currently produces 150,000 barrels of oil and 160 million cubic feet of gas per day.

TransCanada Corp said today that it will develop a \$200 million natural gas storage facility near Edson, Alberta. The facility would have a 50 Bcf capacity and would connect to TransCanada's Alberta system.

FERC staff reported today that 90% of the 190 natural gas and electric transmission providers that are subject to the expanded standards of conduct governing their relationships with affiliates are now in compliance with agency Standards of Conduct requirements.

Generator Problems

ECAR— First Energy's 1320 Mw Perry nuclear unit is expected to be restarted within the week, operators said today. The plant has been offline since January 6th.

MAIN— AmerGen Energy decreased output at its 950 Mw Clinton nuclear station by 28% to operate the unit at 27%. No reasons were given for the power down.

MAAC— PSEG's 1,100 Mw Hope Creek nuclear unit started to exit an outage and ramped up to 3% of capacity by early today. The unit shut Oct. 10, a couple of weeks before the schedule start of a planned refueling outage, when a steam line failure and shutdown with complications.

SERC— Duke Energy's 1,129 Mw Catawba #1 nuclear unit returned to full power early today. Yesterday, the unit was operating at 61% of capacity to fix a seal leak in a feedwater pump. Catawba #2 continued to operate at full power.

Entergy Nuclear returned its 966 Mw River Bend nuclear unit to full power after the unit unexpectedly scrambled shut Jan. 15 due to indications and alarms of a generator field ground fault. The unit was operating at 97% yesterday after restarting Jan. 16.

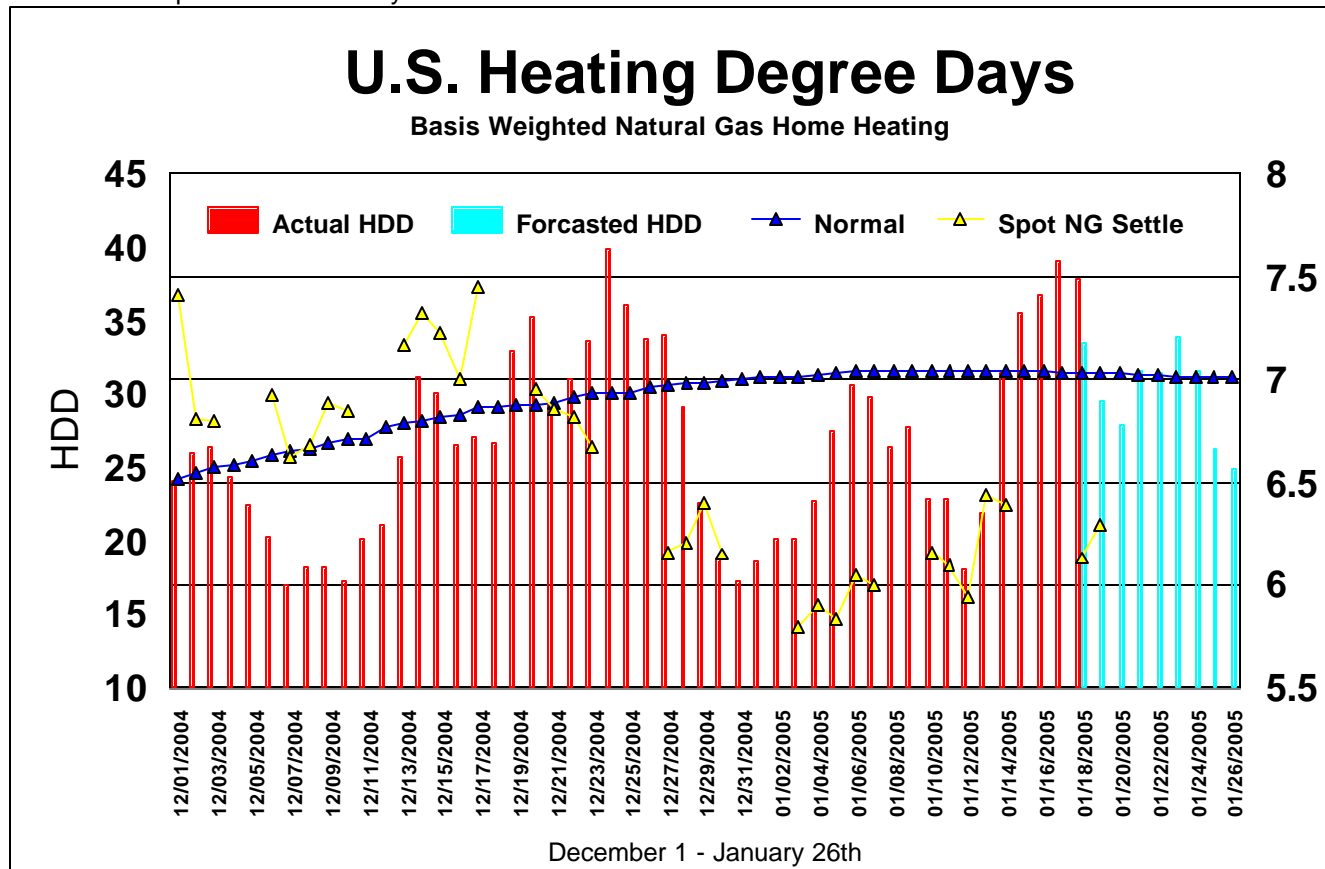
WSCC— The 549 Mw Elk Hills gas fired plant in California went off line earlier today, after running at reduced loads yesterday.

The 750 Mw gas fired unit #1 at the Ormond Beach facility was off line today.

The NRC reported that U.S. nuclear generating capacity was at 90534 Mw today up .29% from Tuesday.

PIPELINE RESTRICTIONS

Texas Eastern Transmission said that the Monroe Line has been nominated to capacity. Tetco has restricted a portion of secondary nominations flowing through the Batesville compressor station. Also, receipts in STX and ETX have been nominated to capacity. Tetco will force balance short pools if necessary to maintain system balance and operational reliability.



Algonquin Gas Transmission said that as weather forecasts continue to predict strong demand across its system, all shippers and point operators are reminded to carefully review demands for gas and schedule gas consistent with daily needs and to tender and receive gas consistent with confirmed nominations. If imbalances are limited, restrictions will not be needed. For today, AGT has restricted a portion of priority 3 nominations for gas flowing through the Stony Point compressor station.

Florida Gas Transmission said that due to high demand and low temperatures, it is issuing an Overage Alert Day at 25% tolerance for today.

Gulf South Pipeline said that based on initial review of nominations, NNS demand, and other factors affecting its system, Gulf South said it may be required to schedule available capacity and implement scheduling reductions for several points: Tyler 12-inch; Palestine 8-inch; and Dallas 18-inch.

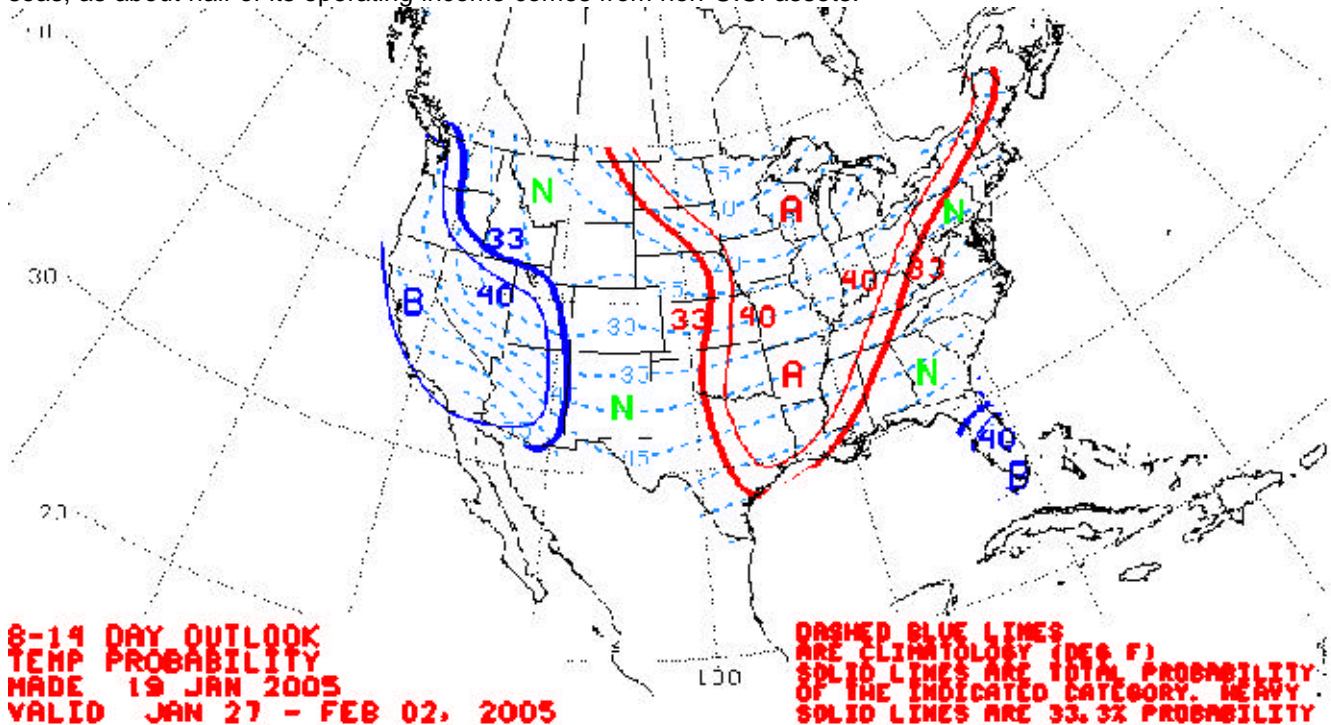
PIPELINE MAINTENANCE

Alliance Pipeline said that Irma Compression Station in Alberta will be offline for 6 hour starting at 9:00am MT on Jan. 20 to perform maintenance.

ELECTRICITY MARKET NEWS

Mirant filed its proposed Plan of Reorganization and Disclosure Statement, getting the ball rolling on the company's intent to emerge from chapter 11 by mid-year. The plan details the structure of the company, and how the claims of creditors and stockholders are to be treated. The Disclosure Statement contains information

for creditors and stockholders to make informed decisions when exercising their right to accept or reject the company's plan. If the court finds the Statement adequate, those entitled to, will vote on the plan. Marce Fuller, Mirant president and ceo, said "we believe this Plan allows Mirant to emerge as a stronger, more competitive company capable of managed growth and re-listing on a major stock exchange." Under the plan, Mirant said that debt would be reduced by more than \$5 billion. Mirant is also looking at the possibility of reincorporating over seas, as about half of its operating income comes from non-U.S. assets.



Some concerns about possible power congestion along the AC Pacific Interie come Thursday were expressed in the Cal Iso market today. Southbound capacity on the AC line is due to be limited to 2950 Mw for peak hours Thursday, down from 4100 Mw Wednesday. The DC intertie remains shut and is not due to reopen until Friday evening.

Florida Power and Light Co. announced that it has chosen a route for a new power line that will bring additional electricity to northern and central areas of Martin County and strengthen the overall electric grid. The new 138 kV transmission line will connect an existing substation near U.S. highway 1 and Indian Street to an existing substation located near U.S. highway 1 and Jensen Beach Boulevard. Community feedback was incorporated for detailing the route of the new line. With population expected to grow in Martin County, the new line will be able to meet increased demand.

Southern Co. announced that it has signed a long-term wholesale power agreement with Flint Energies, where Southern Co. is responsible for serving all of the capacity and energy needs of Flint Energies. Southern has been supplying Flint since June 2002 and under this new agreement, which began Jan. 1 will require Southern to supply an additional 200 Mw of capacity.

ENVIRONMENTAL NEWS

The Federal Energy Regulatory Commission proposed regulations that would remove barriers to wind-generated electricity while helping to ensure continued reliability of the national power grid. This proposal further simplifies the interconnection process, reducing time and costs, to ensure the consumer gets the best competitive price. The proposal also includes certain technical requirements that transmission providers must apply to interconnection service for wind generation plants in addition to the standard interconnection procedures.

MARKET COMMENTARY

The natural gas market today appeared to take a pause from yesterday's hectic sell off and retraced approximately 38% of yesterday's sell off, as traders found themselves torn between strong short term demand for gas for heating and generation needs and the prospects for moderating temperatures as we move into next week and beyond. As a result while the market finished up 15 cents on the day it posted its second inside trading session out of the last three trading sessions, as traders appeared to be treading water while they awaited the EIA storage report and a clearer picture of heating demand moving into the end of January and into February. This uncertainty seemed to be reflected in the NWS 8-14 day forecast released this evening which while appearing bearish still left a high degree of uncertainty given the below average level of confidence in this forecast by government forecasters. The significantly lower trading volume today of just 62,000 futures contracts, also reflected traders apathy towards this market today.

We remain bearish overall on this natural gas market. The inability to establish any significant and prolonged heating demand for natural gas across the nation as a whole and the growing seasonal overhang of inventories on this market we feel will only spell a disaster for prices as this heating season moves towards its conclusion. There is a significant amount of gas that will be forced to move out of storage by April ^{1st}, and without a significant cold spell it will result in a potential collapse in spot prices as marketers are forced to work these inventories off in coming weeks.

We continue to look for \$6.35-\$6.40 to act as initial resistance, with additional resistance at \$6.68-\$6.69, followed by \$6.89 and \$6.97. Support we see at \$6.15 followed by \$6.08-\$6.05, followed by \$5.83 and \$5.71. Given tonight's oil market sell off following the release of bearish oil inventory stats we feel that this price pressure will also spill over to the natural gas market and prevent any further price gains in front of Friday's inventory report.