



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 28, 2005

NATURAL GAS MARKET NEWS

Energy Partners Ltd. reported three exploratory successes along with two non-commercial projects. EPL drilled the South Timbalier 41 #4 to a vertical depth of 17,375 feet and encountered 160 feet of apparent oil and natural gas pay in six intervals, with production expected in the second half of 2005. EPL also drilled the Vermilion 237 #1 as a straight hole to a depth of 8,900 feet and encountered apparent natural gas pay in a single zone, with production expected in the second half of 2005. EPL also drilled the South Marsh Island 109 #A-5 well to a vertical depth of 9,325 feet and encountered apparent natural gas pay in a single interval, with production expected in the first half of 2005. At West Cameron 242, EPL drilled the #1 well as a straight hole to 8,778 feet, but the well did not encounter commercial natural gas. Likewise, an exploratory well at East Cameron 346, #A-12 was drilled to its proposed depth and was determined to be non-commercial.

Generator Problems

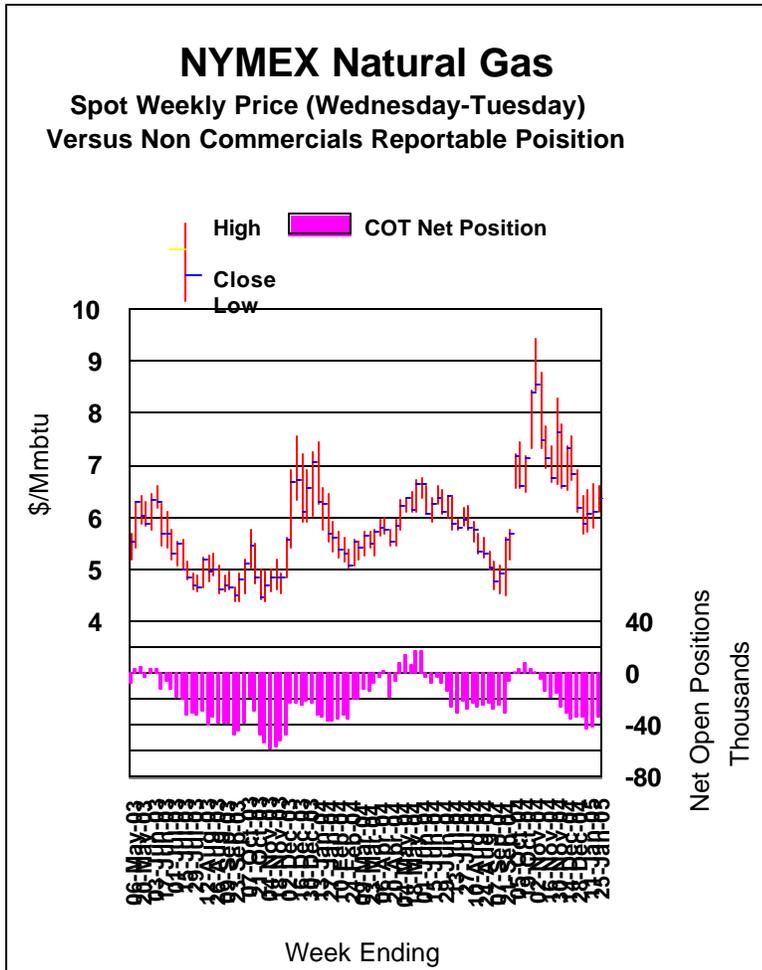
MAAC— Exelon's 1,143 Mw Limerick #2 was reduced to 85% yesterday to replace a pressure switch in the steam system, and has been returned to full power.

The NRC reported that U.S. nuclear generating capacity was at 90333 Mw today down .10% from Thursday.

Sempra LNG has signed a Heads of Agreement that provides Tractebel LNG North America with up to one-third of the processing capacity of Sempra LNG's Cameron LNG receipt terminal under development near Lake Charles, La. Under the proposed agreement, Sempra LNG would sell Tractebel LNG 325-500 MMcf/d of throughput capacity. Cameron LNG terminal is scheduled to be finished in 2008 with an initial capacity of 1.5 Bcf/d.

Berry Petroleum has closed its previously announced acquisition of Yuma County, Colorado, Niobrara natural gas assets from J-W Operating Co. The acquisition consists of a 52% working interest ownership in approximately 130,000 gross acres and over 650 producing gas wells concentrated in 20 productive fields in northeastern Colorado, as well as 100% ownership in certain gas compression and transportation assets. Current net production is approximately 8.8 MMcf/d and the company estimates net proved reserves to be approximately 87 Bcf. The adjusted purchase price of \$105 million will be financed by bank borrowings under the company's existing credit facility.

The Idaho Public Utilities Commission is seeking public comment through March 1 on Avista Utilities request to have the \$62.5 million purchase price of Coyote Springs #2 natural gas power plant included in the base from which customer rates are computed. Adding the Coyote Springs #2 plant to Avista's rate base would add \$3.23 million to the company's revenue requirement, or 1.9% above current rates. Adding the plant to base rates would not increase customer rates because Avista proposes to reduce its current power cost adjustment surcharge by 1.9%. A long-range plan completed by Avista in 2003 identified the need for the company to acquire about 149 average megawatts from natural gas sources to meet customer demand in 10 years. Acquiring the plant is consistent with the company's long-term plants.



Baker Hughes said that the total rig count in the U.S. declined seven rigs to a total of 1,256 rigs, while gaining 172 rigs from the 1,084 counted during the same week in 2004. In Canada, the rig count dipped two rigs to a total of 546 rigs for the weekly period, while gaining nine rigs from the 585 total reported during the corresponding week during 2004. The North American rig count declined nine rigs to 1,850 for the week ended today, while gaining 181 rigs from the 1,669 total seen during the same week last year. It said the number of rigs searching for oil increased by 8 to 185 while the number of rigs searching for natural gas fell by 25 to 1,059.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said it 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.

Texas Eastern Transmission said that the Monroe Line has been nominated to capacity. Receipts on the Castor Line between Castor and Sharon in zone ETX have been restricted to capacity. STX and ETX have been restricted to capacity, and

therefore no physical increases of receipts will be accepted between Mont Belvieu and Little Rock, and no PAL Parks are available in STX and ETX, or M1-24 and M2-24.

East Tennessee Natural Gas said that due to colder weather, it anticipates implementing the following restrictions today: No secondary receipts out of path upstream of station 3104; No secondary receipts out of path upstream of station 3205; And no secondary deliveries downstream of station 3313 on the 8inch 3300 line between Rural Retreat and Roanoke.

Algonquin Gas Transmission said peak operating conditions are continuing on its system. AGT has no operating flexibility to support deliveries in excess of scheduled quantities, or receipts below scheduled quantities. 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. AGT believes that if shippers and point operators limit due pipe imbalances to 2% or less, the necessity of enforcing restrictions can be avoided. AGT will take further actions if necessary to protect the system. For today, AGT has restricted all AIT-1 and a portion of priority 3 nominations for gas flowing through the Hanover compressor station.

KM Interstate Gas Transmission said it is at capacity for deliveries east of and including PIN 9703 (SSC Glavin) on its Pony Line due to operational conditions. This includes portions of Segment 800 and all of Segments 850 and 900. The affected area is located in Kansas.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing scheduled maintenance on Index 293 and 293-11 in Plaquemines Parish, Louisiana beginning Feb. 1 at 7:00 AM ET and continuing for 3 days. The following SLN will be affected by the scheduled maintenance: SLN 000031 NOPSI City Gate #4 Station.

National Fuel Gas said that emergency leak repair on Line N-20, between Three Rivers/Equitrans Stations and the Texas Eastern/National Fuel interconnect at Bristora Station began yesterday at 2:00 PM ET and will end today at 8:00 PM ET. The company expects no reduction of receipts or deliveries at these points as a result of the work.

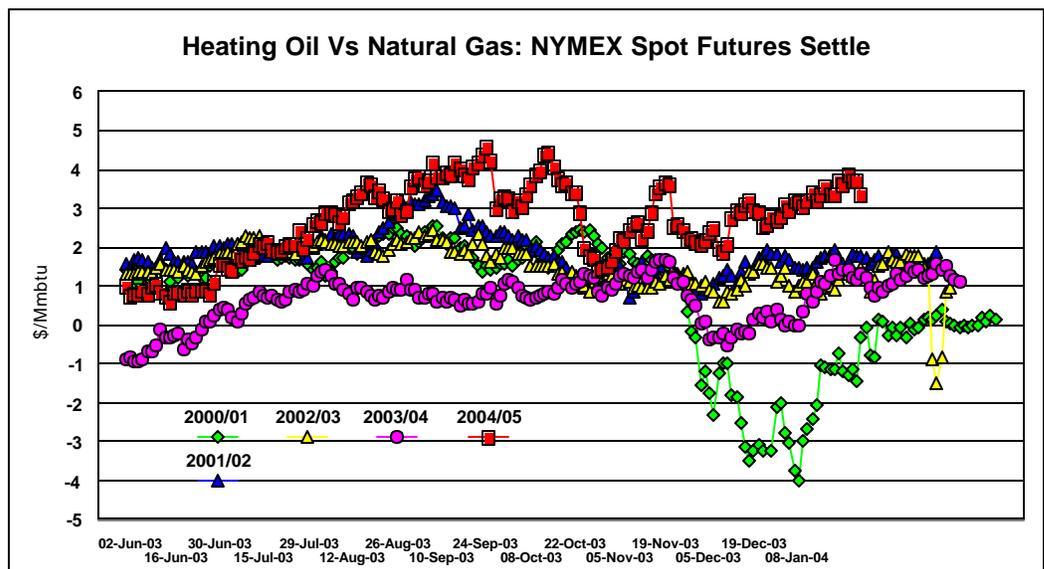
El Paso Natural Gas Co. made the following updates to its maintenance projects for the month of February. In the San Juan Basin, the Rio Vista 3 turbine at Bondad will be down for mechanical inspection February 22-23, limiting the total scheduled volumes for IEXCPT37 (DRN #216656) and IGCNMX37 (DRN #46792) to a total of 50 MMcf/d from a base capacity of 150 MMcf/d. On the North Mainline, the Hackberry 1 turbine will be down for mechanical inspection February 8-9. Leupp 1A compressor will be down for mechanical inspection February 14-16. The North Mainline capacity will be reduced 65 MMcf/d Feb. 8-9, and 25 MMcf/d Feb. 14-16 from a base capacity of 2,351 MMcf/d. On the Havasu Crossover, the Dutch Flat 1 turbine will be down for mechanical inspection Feb. 14-15, followed by a Dutch Flat 2 inspection Feb. 16. The Havasu Crossover capacity will be reduced by 20 MMcf/d Feb. 14, 65 MMcf/d Feb. 15, 35 MMcf/d Feb. 16 from a base capacity of 680 MMcf/d. On the South Mainline, the Casa Grande station will be down for annual DOT inspections Feb. 7, with individual units being down on Feb. 8-9. Pecos River 2 turbine will be down for mechanical inspection Feb. 7-10. El Paso C station will be down for annual DOT inspections Feb. 8-9. El Paso D station will be down for annual DOT inspections Feb. 15-16. Cornudas C station will be down for annual DOT inspections Feb. 16-17.

ELECTRICITY MARKET NEWS

Pepco said it set an unofficial record winter peak demand today as customers awoke to frigid temperatures and pushed up thermostats to combat the chill gripping the region. Customers demanded 5,440 Mw of electricity topping the previous winter peak of 5,393 Mw set Jan. 23, 2003.

The California Public Utilities Commission approved electricity programs for summer 2005. The PUC authorized funding to the utilities to complete advanced metering installations for customers with monthly demand over 200 kW, enabling the large customers to participate in any of a variety of programs that the PUC approved. The programs include critical peak pricing, demand bidding, demand reserves partnership, both a commercial and a residential 20/20 program, commercial and residential air conditioner cycling and/or smart thermostat programs, and education, awareness and outreach. With these programs, PUC estimates that the additional demand response capacity available to the utilities statewide this summer will be approximately 600 Mw, of which 400 Mw is estimated to come from the 20/20 programs.

The Consumer Energy Council of America's Transmission Infrastructure Forum published a report that aims to inform the energy industry how to be more socially responsible and conscious of the little, and not so little people. The report found that coordinated regional planning, consumer input in decision making, clearly established



jurisdictional boundaries between federal and state regulators, and mandatory reliability standards are critical elements to ensure that the nation's energy needs are met. If something is not changed, an energy crisis or blackout may happen again. The report outlines three basic principles, do no harm, provide choices for the customers, and embrace innovation, as the transmission grid is the backbone of our nation's economy. CECA recommends that Congress increase appropriated funds for research, development and demonstration of new transmission system technologies that will improve the reliability and security of the transmission system. Charles A. Acquard, executive director of the National Association of State Utility Consumer Advocates, said "this report on the evolving bulk power transmission system refocuses the discussion on the primary purposes of the grid, to provide power more reliably and more economically for the benefit of consumers."

MARKET COMMENTARY

The natural gas market ended in negative territory once again amid the sharp sell off in the oil complex. The natural gas market was also pressured by the moderating weather forecasts for next week. Similar to the oil market, the natural gas market gapped lower from \$6.335 to \$6.22 and quickly sold off to a low of \$6.15. It has retraced nearly 62% of its move from a low of \$5.77 to a low of \$6.72. However the market later bounced off that level and partially backfilled its gap as it traded to \$6.28 and settled in a sideways trading pattern. The March natural gas contract later breached its resistance and posted an intraday high of 6.30 before settling down 9.3 cents at \$6.259. Volume in the natural gas market was lighter today with 67,000 lots booked on the day.

The natural gas market is likely to remain under pressure early next week amid the still high inventory levels and the moderating weather forecasts. The National Weather Service 8-14 day forecast still called for normal to above normal temperatures for the northern third of the country while below normal temperatures are forecast for the south. Technically, the natural gas market is seen finding resistance at \$6.30 to \$6.335, followed by more distant resistance at its previous high of \$6.64, \$6.67 and \$6.75. Meanwhile support is seen at its low of \$6.15, \$6.133, \$6.08 and \$5.83-\$5.81.

Tonight's Commitment of Traders report showed that non-commercials in the natural gas market cut their net short positions from 55,490 contracts to 45,653 contracts in the week ending January 25th. The combined futures and options report also showed that non-commercials cut their net short positions from 40,181 contracts to 33,605 contracts on the week.

