



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 3, 2005

NATURAL GAS MARKET NEWS

EIA Weekly Report

	01/28/05	01/21/05	Net chg	Last Year
Producing Region	648	692	-44	592
Consuming East	1155	1290	-135	1053
Consuming West	279	288	-9	250
Total US	2082	2270	-188	1894

Avalon Gold Corporation reported potential gas at its recently acquired 13,189 acres in the Uinta Basin, Utah. The prospect stands at 4.2 Tcf of recoverable gas. Assuming total coal thickness of up to 250 feet, the company expects 74.2 Tcf of gas per township to have been generated within the deep basin-centered gas-prone wedge of sediments. 10% of this amount or 7.42 Tcf per township is deemed recoverable from the Emery-Starpoint and Ferron shore-face sandstones. With Avalon's 13,189-acre leasehold, 4.2 Tcf is recoverable assuming a 10% recovery factor. The assumption is that none of the gas generated in the area has escaped above the water-gas contact of the basin-centered accumulation, and that the Emery-Starpoint and Ferron sandstones are the major gas reservoirs.

PetroQuest Energy reported that it produced a company-record 14.2 Bcf equivalent last year, a 47% increase over the 9.6 Bcf produced in 2003. Approximately 65% of 2004's production was natural gas. The company ended 2004 with 101.4 Bcf of proved oil and gas reserves, with 78% being natural gas, and 45% was located in long-lived basins. This is a 22% increase year-to-year for proved reserves. PetroQuest noted that it had a 97% drilling success rate during 2004 with 17 exploration and 15 development wells. The company plans to drill more wells in 2005 than in the past 4 years.

Canadian Gas Association

Weekly Storage Report

	28-Jan-05	21-Jan-05	30-Jan-04
East	137.0	159.0	131.6
West	105.6	116.0	97.1
Total	242.6	275.0	228.7

Delaware's environmental agency denied BP's application to build an off-loading pier for a proposed LNG terminal. The planned 1.2 Bcf/d terminal actually is planned across the state line at Logan Township, N.J. But the Delaware State Department of Natural Resources and Environmental Control determined the pier fell within Delaware's Coastal Zone Act, which bars "heavy industry" in the vicinity. BP has until Feb. 20 to appeal the decision and is reviewing its options.

Generator Problems

ERCOT— TXU shut its 1,150 Mw Comanche Peak #1 nuclear unit to repair a leaky valve, a return schedule was not provided. The unit was at full power yesterday. Comanche Peak #2 remains at full power.

MAAC— PSEG increased power at its 1,049 Mw Hope Creek nuclear unit by 7% to 76% today, as it continues to come back from an outage. The unit restarted Jan. 19.

Exelon shut its 1,110 Mw Peach Bottom #2. The unit was taken off line yesterday to replace a safety relief valve. No comment was made as to how long the work would take. Peach Bottom #3 continued to operate at full power.

SPP— Wolf Creek Nuclear Operating Corp. ramped output to 17% at its 1,167 Mw Wolf Creek nuclear plant. The unit restarted yesterday after being shut Jan. 23 to probe the origins and extent of a water leak in the main generator.

The NRC reported that U.S. nuclear generating capacity was at 90597 Mw today down .20% from Wednesday.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that it is at capacity for gas received on the Arkoma Line (Segment 16). Florida Gas Vermilion is at capacity. ANR South Joliet #2 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 northbound. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes.

Texas Eastern Transmission said that STX and ETX have been restricted to capacity, and therefore no physical increases of receipts will be accepted between Vidor and Little Rock, and no PAL Parks are available in STX and ETX.

East Tennessee Natural Gas said it has scheduled all requested nominations sourced west of Topside Junction for delivery east of this location except for a portion of secondary out-of-path nominations. No increases sourced on the 3100 and 3200 lines for delivery east of Topside Junction will be accepted. No due shipper resolution, or creation of due pipe imbalances, will be available east of Topside Junction. Delivery meter operators are required to flow volumes equal to or less than scheduled volumes. LMSMA parties cannot

use undertakes west of Topside on the 3100 or 3200 lines to offset overtakes east of Topside Junction.

Algonquin Gas Transmission said it has restricted all AIT-1 and a portion of priority 3 nominations for gas flowing through the Stony Point compressor station. No increases for transportation flowing through Stony Point except for primary no notice nominations will be accepted. In addition, no due-shipper nominations will be accepted.

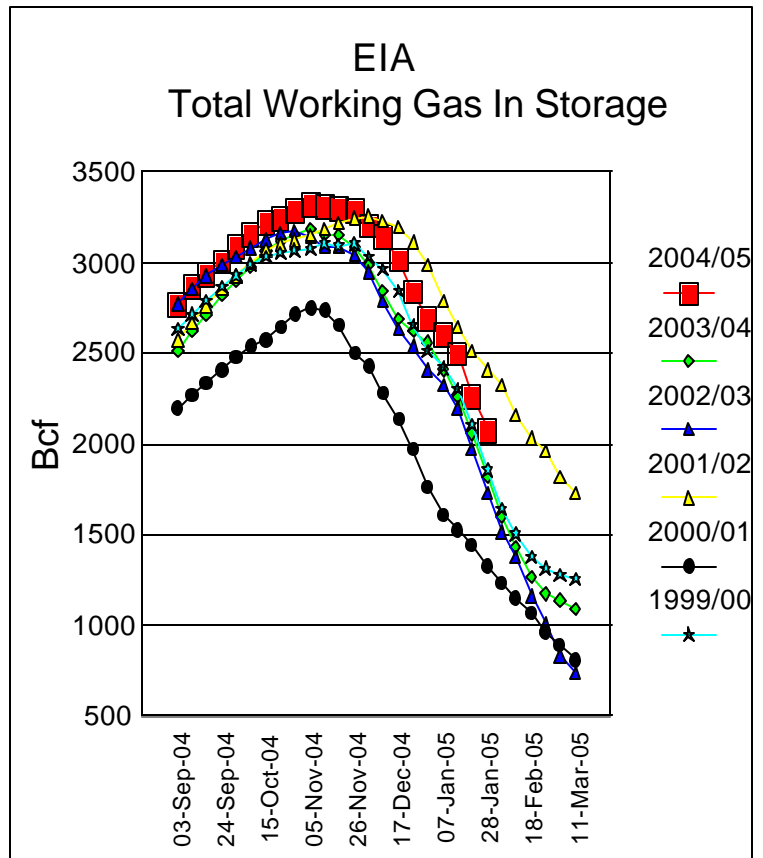
Florida Gas Transmission said that due to high demand and low temperatures, it is issuing an Overage Alert Day at 25% tolerance for the day.

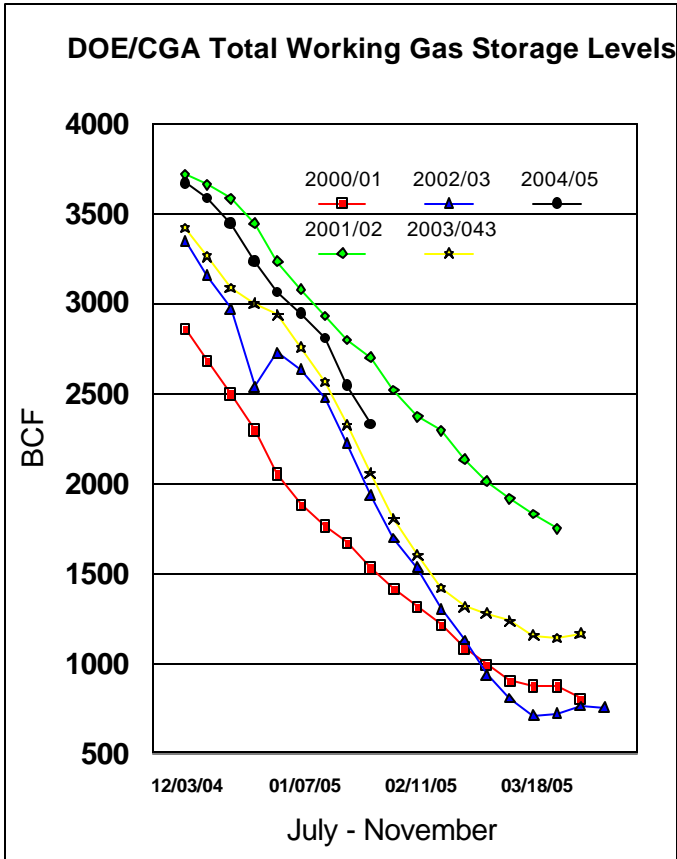
PIPELINE MAINTENANCE

Iroquois Gas Transmission System said that it is experiencing mechanical problems and lower pipeline pressures. It has requested that point operators to be at or below their scheduled volumes. No allocations or curtailments are anticipated. For the interim there will be no Due Shipper gas or IT available.

ELECTRICITY MARKET NEWS

The Edison Electric Institute said sensible multi-emission legislation along the lines of the Clear Skies Act would reduce power plant emissions and improve air quality faster and more cost-effectively than continued regulation under current law. In a statement submitted to the Senate Environment and Public Works Committee, EEI noted that, as of 2002, the U.S. electric power sector has reduced emissions of sulfur dioxide by 40% and nitrogen oxides by one-third. Despite enormous increases in electricity use and economic growth. The controls to reduce SO₂, NO_x and particulate matter currently are reducing mercury emissions by about 40%. According to EEI president Tom Kuhn, "sensible multi-emission legislation would require the electric power industry to reduce emissions of SO₂, NO_x and mercury by an additional 70% from 2002 levels, yielding the largest single capital investment in air pollution controls in the nation's history." The precise requirements of new EPA regulations likely would not be known for several years, legislation would establish mandatory emissions requirements immediately, allowing power companies to start implementing new requirements sooner than under continued





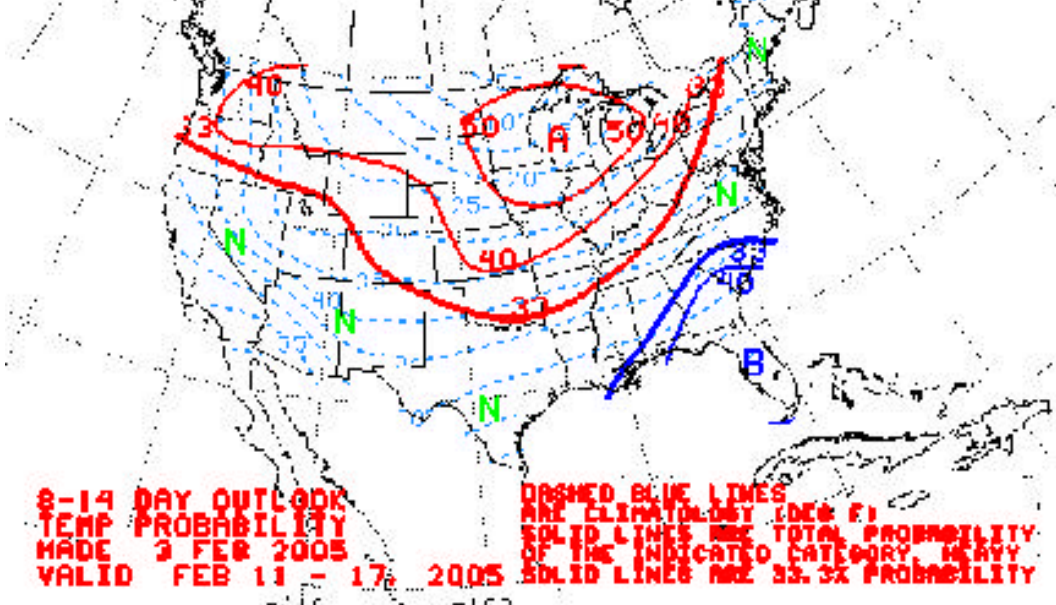
piecemeal regulations. The current system is virtually impossible for electric generators to clearly understand what requirement will be in place for their plants at any point in the future. This system threatens the reliability and affordability of our nation's electric supply, putting more pressure on natural gas supply and delivery systems that already are yielding gas prices of great concern to the nation's residential, commercial and industrial users. Therefore, multi-emission legislation is the best way to speed air quality improvements, while maintaining a diverse mix of fuels for generating electricity and keeping costs low for consumers.

American Transmission Co. is forced to move a portion of the Arrowhead-Weston project in Douglas County onto private land, as the Douglas County board voted against negotiating with ATC for the use of the county land. ATC disagrees with the board's position, believing that the line should be built on public land when possible. In response, ATC will begin working with the Public Service Commission to re-route the 2.5 miles of the project onto private land, and begin the condemnation process for the use of the 2.5 miles of county-owned land, hoping the courts will allow ATC to condemn the county for the use of its land to avoid re-routing onto private land. The state regulators have approved the project twice, and people across the state and in the communities that

will host the line say they support it, as the project has been identified as vital for electric reliability and economic growth. The Arrowhead-Weston project is expected to be in service in mid-2008.

MARKET COMMENTARY

The natural gas market opened slightly lower at \$6.35 and quickly posted its intraday high of \$6.38. However the market, which traded to a low of \$6.325 ahead of the report, breached that level and tumbled to an intraday low of \$6.08 following the release of the EIA natural gas inventory report. The market sold off sharply in light of the report showing a smaller than expected draw of 188 bcf. Most in the market has been looking for a draw of over 200 bcf. The natural gas market however bounced off its low and settled in a sideways trading pattern during the remainder of the session. It traded within a range from \$6.08 to \$6.17 and settled down 22.7 cents at \$6.149, the lowest settlement seen since mid-



January. Volume in the natural gas market was better today with over 74,000 lots booked on the day.

The natural gas market is seen remaining pressured as today's EIA inventory report continued to show that the total working gas storage level was still significantly above the previous years' levels. This coupled with the less than supportive weather forecasts which continue to show normal to above normal temperatures for most of the country will keep the market pressured. The early withdrawal estimates for next week's storage report are ranging from 150 bcf to 192 bcf compared with a 227 bcf draw seen last year.

Technically, the market is seen finding initial support at its low of \$6.08 followed by \$5.83-\$5.81, \$5.77 and \$5.71. Meanwhile resistance is seen at \$6.17, \$6.233, \$6.28, \$6.327 and \$6.38. More distant resistance is seen at its previous high of \$6.48.