



ENERGY RISK MANAGEMENT

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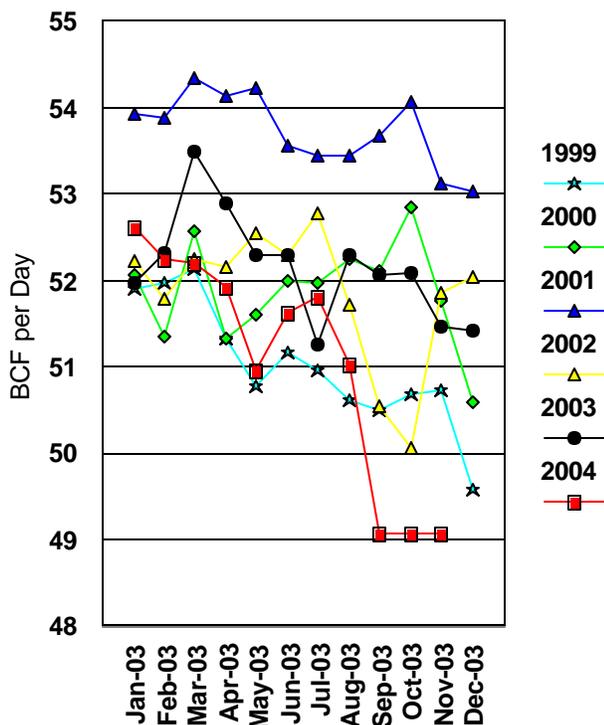
POWER MARKET REPORT FOR FEBRUARY 4, 2005

NATURAL GAS MARKET NEWS

According to Baker Hughes, the number of rigs searching for oil and natural gas in the US fell by 8 to 1,248 in the week ending February 4. The number of rigs searching for natural gas fell by 10 to 1,049.

The EIA yesterday released its monthly natural gas report and it showed that domestic production of natural gas in November remained unchanged for the third month in a row at 49.1 bcf/d. This level of production was some 4.7% less than the same time a

U.S. Natural Gas Production



Generator Problems

ECAR— FirstEnergy ramped its 1,260 Mw Perry nuclear unit 8% to operate it at 76%.

ERCOT— TXU's 1,084 Mw Comanche Peak #1 nuclear unit is back on line at 21% today, after repairing a leaky valve. Comanche Peak #2 continues to operate at full power.

MAAC— PSEG decreased its 1,049 Mw Hope Creek nuclear unit 1%, holding it at 75% output after restarting Jan. 19.

SERC— Dominion Energy took its 810 Mw Surry #1 nuclear unit off line last night and is operating it at 2% for a brief planned maintenance outage. Surry #2 remains at full power.

SPP— The 1,235 Mw Wolf Creek nuclear unit ramped up to 93% of capacity today. The unit was operating at 17% yesterday after exiting an outage earlier in the week.

WSCC— Southern California Edison said its 1,070 Mw San Onofre #2 nuclear unit automatically tripped offline yesterday due to a unit auxiliary transformer trip. San Onofre #3 remains at full power.

One of the 510 Mw units at Duke's Moss Landing natural gas-fired station returned to service today. The unit shut Feb. 3 for unplanned reasons.

The NRC reported that U.S. nuclear generating capacity was at 88931 Mw today down 1.84% from Thursday.

year ago. Net imports were also down on the month, standing at their lowest level since 1998 at 7.9 bcf/d, or 6% less than the same time last year. Domestic consumption of natural gas in November was estimated at 58.4 bcf/d some 0.6% less than the same time a year ago. This decline was registered in the residential, commercial and electric utility sectors, which saw gas

consumption off 2.2%, 5.8% and 0.3% respectively from year ago levels. Industrial demand for gas though was up an impressive 3.0% over year ago levels.

According to a report due to be released by the American Gas Foundation later this month, prices for natural gas in the U.S. could more than double and reach \$13.76 by 2020 if the government fails to expand natural gas supplies through improved land access for drilling, backing the Alaska Gas Pipeline and supportive regulations for the building of LNG terminals.

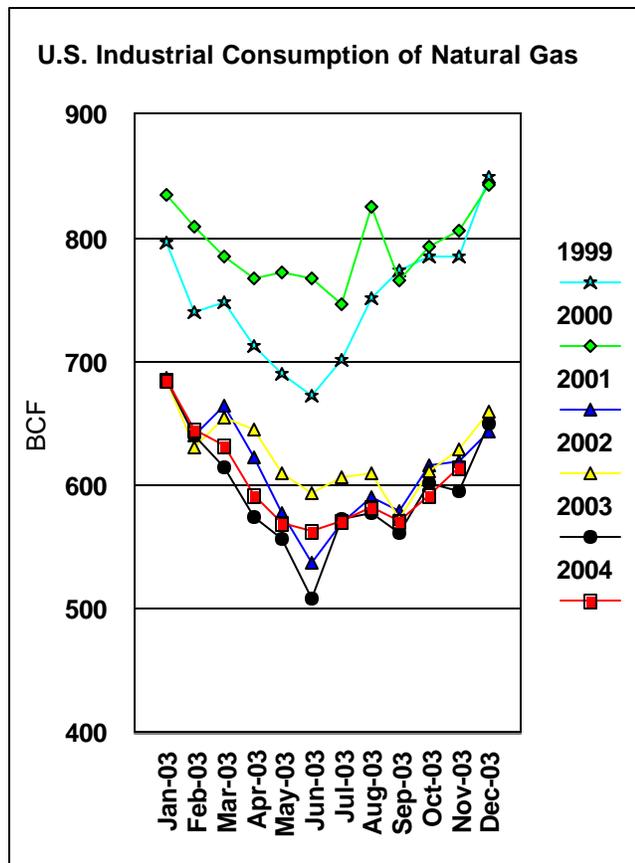
The head of the EIA said Thursday that he expects LNG imports impact on prices will be felt by no later than 2010 and that they will put considerable downward pressure on the currently inflated natural gas prices.

Delaware's environmental agency Thursday rejected BP's application to build an LNG receiving pier to serve a proposed LNG facility along the Delaware River.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that Florida Gas Vermilion is at capacity. Deliveries to Columbia Gulf-Chalkley are at capacity today. 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. Nominations delivering downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke have been scheduled to capacity.

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

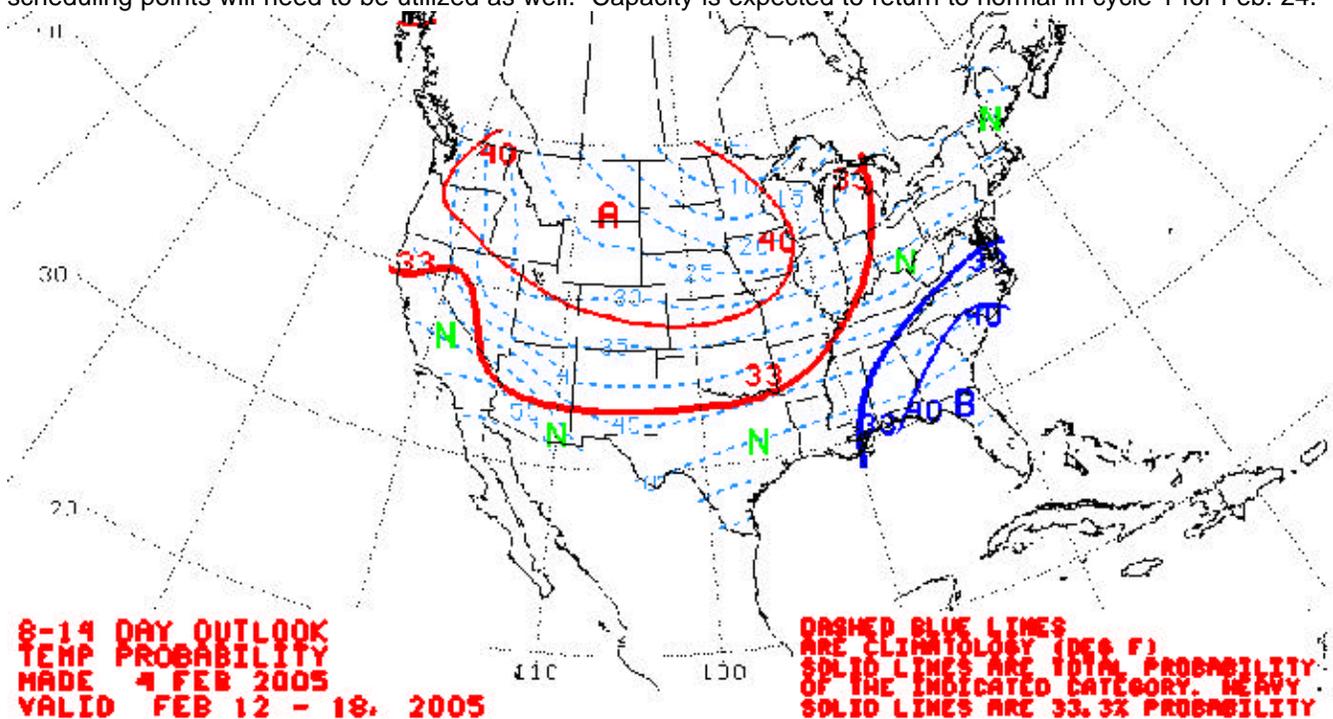
Natural Gas Pipeline Company of America said it has adjusted its unit inspection on Compressor 346 in Segment 24. The maintenance is still scheduled to start Feb. 15, but the scope of this project has changed. Instead of replacing Unit #3 at this time, NGPL will perform 4000 hour inspection on each of the 3 units on 3 different days:

Feb. 15-Inspect Unit #1; Feb. 17-Inspect Unit #2; and Feb. 21-Inspect Unit #3. On these days, Station 346 in Cameron Parish, Louisiana will be limited to only two units for a partial gas day, and interruptible flow, authorized overrun and secondary out-of-path transports in Segment 24 will be unavailable. No impact is expected to scheduling primary or secondary in path transports in Segment 24.

El Paso Natural Gas Co. said that the Laguna Station will perform compressor maintenance on individual units, on at a time, on Feb. 10, reducing the capacity of the San Juan Crossover by 15 MMcf/d.

Gulf South Pipeline said it will be performing scheduled pigging maintenance on Index 391 (Longview 20-inch) from Longview, Texas to Carthage, Texas beginning today and continuing for 6 days through Feb. 9.

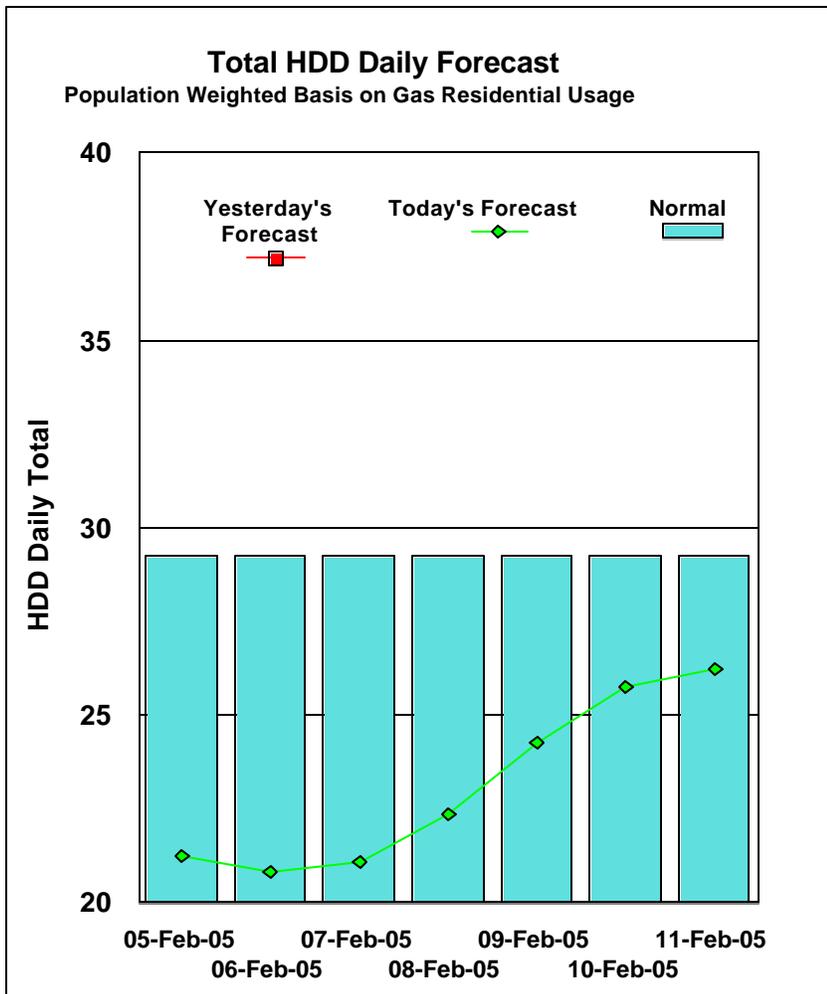
Questar Pipeline Co. said that on Feb. 22-23, it will be performing maintenance at the Fidler compressor station. As a result, Questar will reduce nominations on its Southern system by reducing the ML 80 scheduling point to 210 MMcf/d in all cycles for these gas days. Based on current nominations, flexed nominations will be reduced by approximately 30%. As nominations are realigned it is possible that the ML 104, West Fidler and Rifle scheduling points will need to be utilized as well. Capacity is expected to return to normal in cycle 1 for Feb. 24.



ELECTRICITY MARKET NEWS

U.S. Senator Maria Cantwell (Democrat-Washington) plans to ask the Senate Governmental Affairs Committee to investigate whether the U.S. Federal Energy Regulatory Commission has obstructed justice in its ongoing review of Enron's activities during the 2000-01 Western energy crisis. Cantwell plans to ask the committee to investigate FERC and the fact that they are not doing their job in upholding the Federal Power Act. She also wants to make sure FERC improves their process on conflicts of interest. According to Cantwell, FERC allows Enron to walk all over its ratepayers, and her constituents and others want to void power supply contracts with Enron.

Wisconsin Administrative Law Judge William S. Coleman issued a decision affirming the Wisconsin Department of Natural Resources Jan. 2004 issuance of an Air Pollution Control and Construction Permit for We Energies' expansion of the Oak Creek Power Plant. In the decisions, Coleman found that the DNR did not err on any of the grounds raised by the opponents. The court found that the analysis done by the DNR complied with all the applicable requirements of state law. Alternative sites, sizes, production processes and environmental control techniques were properly considered in the analysis. Environmental and social costs were weighed against the



benefits of the project. Opponents of the decision are likely to request a rehearing from the DNR or appeal this decision to Circuit Court.

PSEG announced today that it is halting further development of its proposed Cross Hudson Project. The company also has notified the New York Power Authority of its intention to withdraw its bid submitted in response to the Authority's Request for Proposal for 500 Mw of new energy and capacity. The Cross Hudson project had the potential to deliver more than 500 Mw of energy and capacity into New York City via a generator lead linking an existing PSEG Power generating unit in Ridgefield, N.J. to a Con Edison substation on W. 49th street in Manhattan. A portion of the line would have been embedded in the Hudson River. But PSEG cannot pursue this project as they are "exposed to significantly increased development costs as well as ongoing uncertainties," according to Frank Cassidy, PSEG Power president.

Peoples Energy Resources Power Generation group announced today that it has received final approval for the COB Energy Facility from Oregon's

Energy Facility Siting Council. This is the first such approval for a new natural gas-fueled power generation plant since 2002. The COB Energy Facility is a 1,150 Mw plant located near the Oregon/California border, selected to serve both the Pacific Northwest and northern California. This approval wraps up three years of effort, involving Oregon's Department of Energy, Department of Justice and Water Resources.

Texas Attorney General Greg Abbott announced 23 indictments from a Williamson County grand jury looking into criminal activities of five former top managers and one associated contractor at ERCOT's office in Taylor. The indictments cap a five-month investigation by the AG into a complex internal network of "shell" security and computer contracting companies that billed the non-profit organization more than \$2 million for "work" often done by nonexistent or even dead employees. ERCOT is an independent grid system not under the jurisdiction of the FERC but of the state's Public Utilities Commission, and these criminal activities raise question as to whether or not that is enough.

The EPA Office of Inspector General issued a report saying that additional analyses of mercury emissions are needed before the EPA finalizes its rules for coal-fired electric utilities. The EPA is developing a Maximum Achievable Control Technology (MACT) standard for mercury that would result in national emissions of 34 tons annually, instead of basing the standard on an unbiased determination of what the top performing units were achieving in practice. The report also found that EPA's rule development process did not comply with certain Agency and Executive Order requirements, including not fully analyzing the cost-benefit of regulatory alternatives and not fully assessing the rules impact on children's health.

Con Edison Co of New York Inc completed repairs on a fire damaged power cable in Manhattan and will soon start upgrading another cable. The transmission line and related equipment at a substation were damaged on

December 8, curtailing the flow of electricity within the city by about 800 megawatts. The fire delayed the company's planned upgrade of another power line between Westchester County and Manhattan from December to February. It plans to start upgrading work from February 5-April 19.

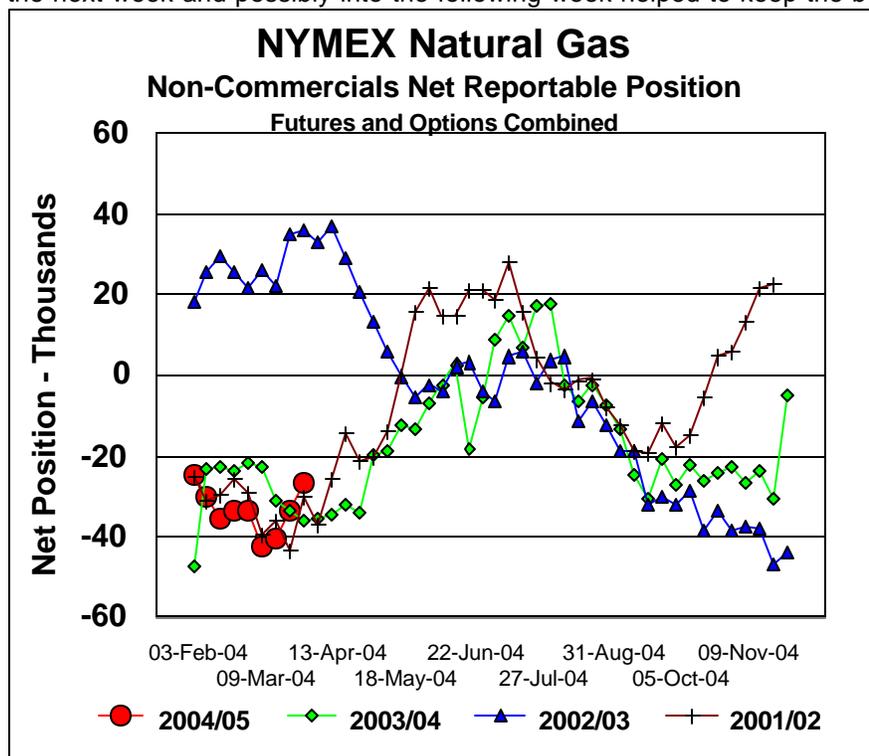
TransEnergy U.S. said today that the Cross Sound Cable has resumed full operation of the 330 Mw power cable running under Long Island Sound between New York and Connecticut, after meeting recent environmental requirements. The cable had been shut down for the past four months, while the company was forced to rebury the line to be in compliance with environmental permits.

Exelon Corp and Public Service Enterprise Group Inc said they would sell 2,900 Mw of fossil fuel power generating capacity in order to meet regulatory requirements for the planned merger. The companies also stated they would transfer control of 2,600 Mw of nuclear capacity.

The EIA reported today that U.S. coal production during the week ending January 29th reached 21,192,000 tons, up 1.5% from the previous week and up 1.45% from the same week a year ago.

MARKET COMMENTARY

The natural gas market today remained basically on the defensive as the outlook for moderate temperatures over the next week and possibly into the following week helped to keep the bulls at bay. While prices slowly eroded throughout the day, a late surge of selling on the close helped to push values through yesterday's low and reach \$6.05, the lowest price level since mid January in the March contract before rebounding slightly and settling at \$6.096, off more than a nickel on the day. Traded volume though was extremely light, with just 47,000 futures changing hands, the smallest daily volume of the year so far.



This evening's Commitment of Traders Report showed that non-commercials reduced their net short positions in the natural gas market by over 15,000 futures contracts, basis the futures only report and by over 7100 lots in the combined futures and options report, for the period ending February 1st. While these net changes were dramatic, some of the contraction of positions could have been the result of options

and futures expiration within the reporting period.

We continue to feel though that the bears will remain in control of this market next week. Given the continued large overhang of stocks, and the forecast for warmer than normal temperatures throughout much of the nation, there appears only one direction for prices to go and that is downward. We would look for the \$6.00 price barrier to be the initial target for the bears followed by \$5.91, \$5.83-\$5.81 and \$5.71. Resistance we see at \$6.20 followed by \$6.365 and \$6.44, \$6.55 and \$6.69.