



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR FEBRUARY 7, 2005

NATURAL GAS MARKET NEWS

Congressman Dingell today said that despite claims from the FERC, CFTC and the NYMEX that hedge funds participation in the natural gas futures market is helping to boost liquidity in the market, his office would continue to closely monitor this group's participation since many critics still look at this group's activity as amplifying price swings and has potentially harmed gas customers.

Raymond James Energy Research today released their latest price estimates for oil and natural gas. They estimated that 2005 will see crude oil prices average out at \$44 per barrel with natural gas prices averaging \$7.25 per mcf.

The Climate Prediction Center this morning estimated that the U.S. saw some 194 heating degree-days on a gas home heating customer weighted basis for the period ending February 5th. This was some 3.7% higher than had been forecasted at the start of last week.. But despite the slightly colder than expected weather, heating demand on the week was still 10.2% less than normal and 22% less than the same week a year ago. For the current week ending February 12th, the CPC is forecasting that the nation as a whole should see just 178 HDD, some 14.4% lower than normal and 18.7% less than the same week a year ago.

Baker Hughes Incorporated said that the

Generator Problems

ECAR— FirstEnergy increased output 20% since Friday at its 1,260 Mw Perry nuclear unit. The unit is currently operating at 96% capacity.

Detroit Edison restarted its 1,139 Mw Fermi nuclear unit this weekend, reconnecting it to the grid and increasing output to 44%. The unit was shut Jan. 24 to repair a cooling water leak.

ERCOT— TXU's 1,150 Mw Comanche Peak #1 nuclear unit is back at full power. The unit was at 21% Friday to repair a leaky valve on the secondary, non-radioactive side of the plant. Comanche Peak #2 remains at full capacity.

MAAC— Exelon restarted its 1,116 Mw Peach Bottom #2 nuclear unit this weekend after a planned maintenance outage, increasing output to full power. Peach Bottom #3 remains at full power.

PSEG continues to increase output at its 1,049 Mw Hope Creek nuclear unit, raising production 7% to operate at 82%. The unit is coming back from a refueling and maintenance outing.

MAIN— Exelon shut its 1,163 Mw LaSalle #2 nuclear unit for a planned refueling outage, LaSalle #1 remains at full power.

SERC— Southern Nuclear Operating Co. shut its 883 Mw Hatch #2 for a planned refueling outage. Hatch #1 remains at full power.

SPP— Wolf Creek Nuclear Operating Corp. ramped output to full power at its 1,167 Mw Wolf Creek nuclear plant.

WSCC— Southern California Edison increased its 1,123 Mw San Onofre #2 to 15% and is expected to reconnect to the grid later in the day. The unit tripped offline Feb. 3 due to an electrical fault. San Onofre #3 continues to operate at full power.

Canada – OPG's 535 Mw Lennox 3 oil and gas fired unit was taken off line today along with the 285 Mw coal fired Lakeview #2 unit. Both units are expected back in service by next Monday.

The NRC reported that U.S. nuclear generating capacity was at 89760 Mw today up .93% from Friday.

international rig count for Jan. was 860, down nine from last month, and up 58 from Jan. 2004. The International offshore rig count for Jan. was 234, down 14 from last month, and unchanged from a year ago. The U.S. Rig count for Jan. was 1,255 up nine from last month and up 154 from a year ago. The Canadian rig count for Jan. was 550, up 110 from last month and down 4 from a year ago. The worldwide rig count for Jan was 2,665, up 110 from last month, and up 208 from a year ago.

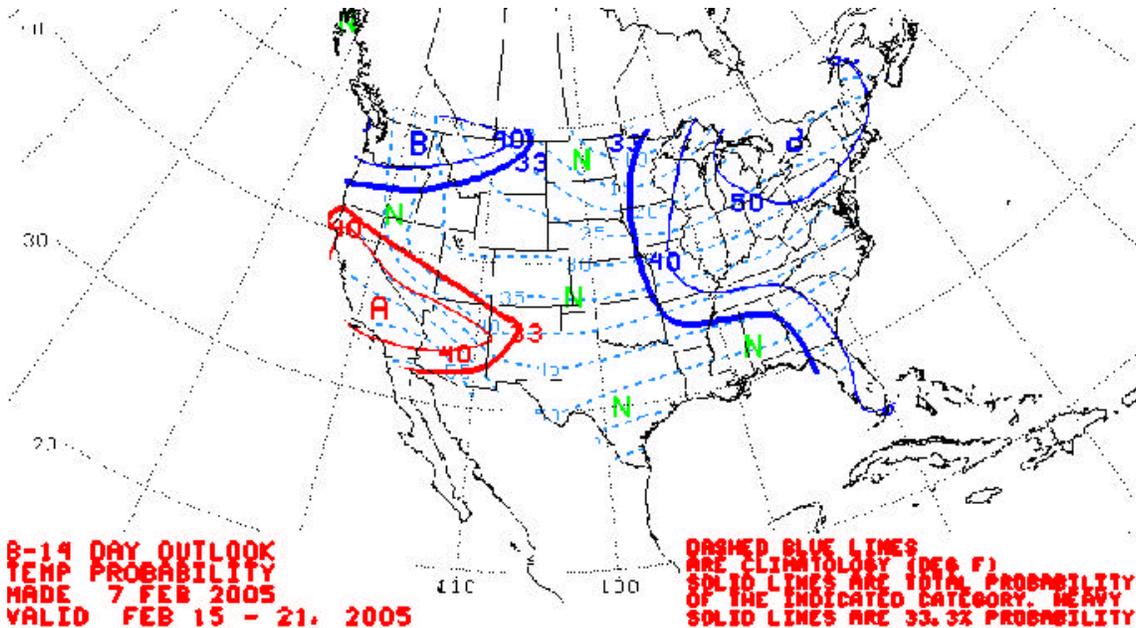
Apollo Resources International announced that it has completed the acquisition of OGC Pipeline, which owns a series of pipeline segments located in Oklahoma, with most of the lines concentrated in the northeastern and south-central areas of the state, and some of which extend into areas of north Texas. Apollo plans to utilize the pipeline assets to gather natural gas, develop gas production in adjoining areas along the pipelines, and develop other opportunities within certain segments of the approximately 1,800 miles of right-of-ways. Since OGC had entered into a Revenue Sharing Agreement with Cimarron Transportation, a Texas-based natural gas gathering company, Cimarron will be responsible for reactivating, operating and maintaining approximately 150 miles of the OGC pipelines acquired by Apollo, and Cimarron will also be responsible for purchasing, gathering and marketing natural gas on behalf of itself and Apollo.

The FERC staff has given environmental approval to Gulf South Pipeline Company to construct three new injection/withdrawal wells and 2.37 miles of associated pipeline at its Jackson Gas Storage facility in Rankin County, MS.

The Bush administration today noted that its new budget calls for federal funding for oil and natural gas research to decline by 14% to \$491 million in fiscal year 2006. Electricity research would be cut by 17% to 84 million. The DOE though will be seeking to double spending on funding to develop cleaner burning coal technologies to \$160 million.

PIPELINE RESTRICTIONS

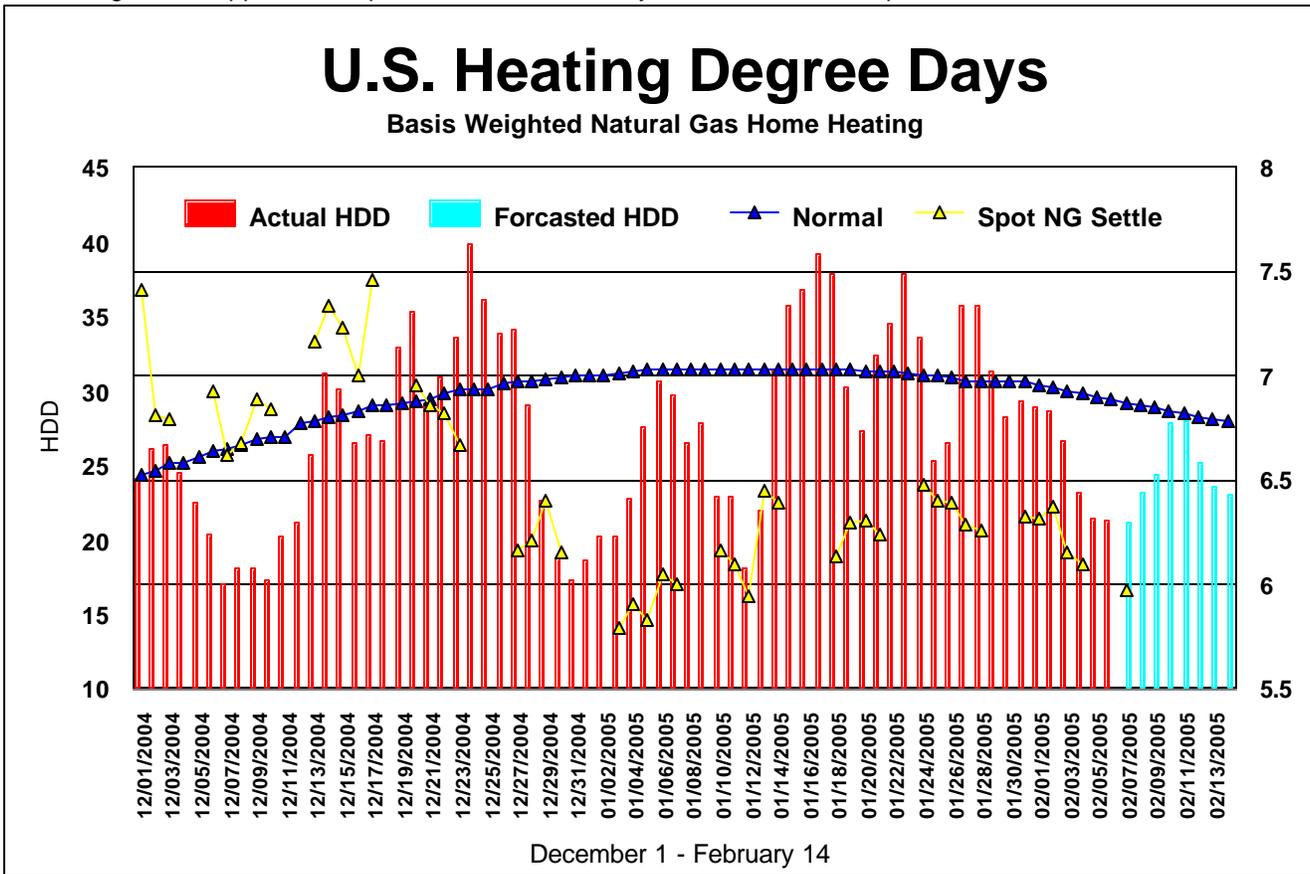
Texas Eastern Transmission said that STX and ETX have been restricted to capacity, and therefore no physical increases of receipts will be accepted between Vidor and Little Rock, and no PAL Parks are available in STX and ETX.



East Tennessee Natural Gas said it has scheduled all requested nominations sourced west of Flatwoods for delivery east of this location except for a portion of secondary out-of-path nominations. No increases sourced west of Flatwoods

for delivery east of Flatwoods will be accepted. No due shipper resolution, or creation of due pipe imbalances, will be available east of Flatwoods. Delivery meter operators are required to flow volumes equal to or less that scheduled volumes. LMSMA parties cannot use undertakes west of Flatwoods to offset overtakes east of Flatwoods.

Kern River Gas Transmission said that line pack levels have increased and are once again posted as high. It further urges its shippers and operators to take delivery of their scheduled quantities.



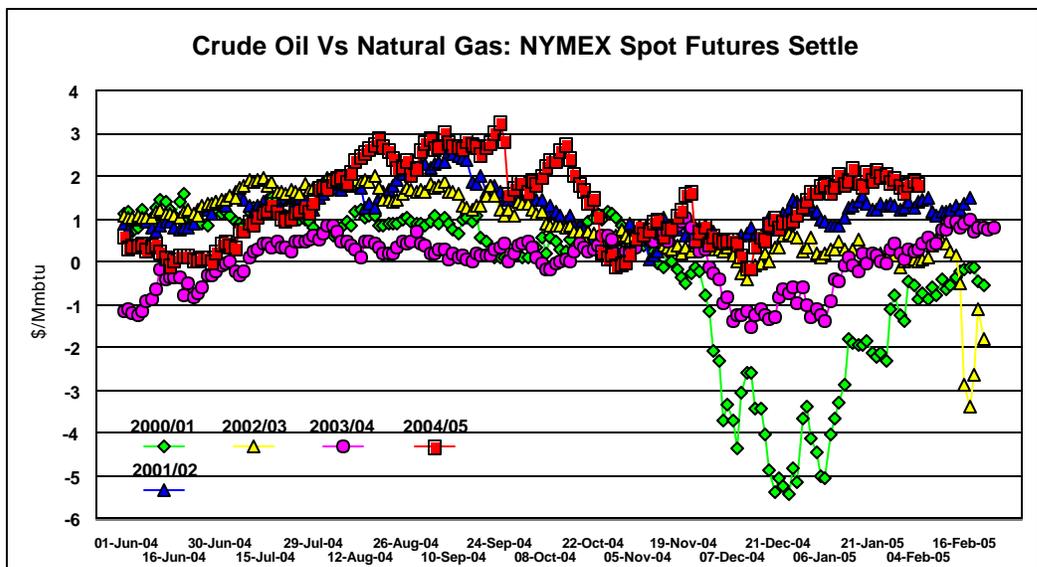
PIPELINE MAINTENANCE

Alliance Pipeline said that the Gold Creek Compressor will be offline for five hours starting at 9:00 AM MT on Feb. 10 for a routine inspection. Station capacity will be lowered to 33.7 MMcf/d. The Gold Creek Compressor is located in Alberta.

ELECTRICITY MARKET NEWS

The U.S. Federal Energy Regulatory Commission sent Congress a request for \$220.4 million for the fiscal year 2006 budget, up from a \$210.4 million request for the fiscal year 2005.

The Bush Administration Monday said it plans to propose legislation that would gradually



raise electricity rates charged by federal power marketing administrations, such as BPA and the Western Area Power Administration, to price levels that are closer to average market rates. The administration noted that the

GAO recently had said that these agencies rates are “artificially low because taxpayers across the nation have borne some of the PMAs’ costs. Thus the general taxpayer has helped subsidize the cost of PMA power purchased by electricity wholesalers.”

The California Public Utilities Commission is studying the possibility of establishing regulations that would set limits on power plant emissions of green house gases like carbon dioxide. The CPUC will hold a conference on February 23rd to begin identifying “best practices” regulated companies can take to save energy and cut emissions.

FirstEnergy Corp. will issue a report on certain environmental activities, including plans to respond to future environmental requirements. Since enactment of the Clean Air Act, the company has spent more than \$5 billion on environmental protection for its 13,400 Mw generating capacity in Ohio, Pennsylvania, and New Jersey. Since 1990, FirstEnergy has reduced emissions of sulfur dioxide by 58% and emissions of nitrogen oxides by 69%. In addition, the company has been involved in more clean-coal technology research projects than any utility in the country.

MARKET COMMENTARY

The natural gas market today finally moved back below the \$6.00 price level for the first time since January 12th basis the spot and March contract, as limited heating demand for natural gas over the next week kept the bulls at bay. But as the day progressed private weather forecasts appeared to point towards the return of winter by next week. As a result the declines in the oil markets seemed to have a greater impact on natural gas prices, as natural gas losses through the day seemed to lag behind the declines in the heating oil and crude oil markets. While trading volume today was improved over Friday’s levels, it still was moderate at best with just 61,000 contracts booked on the day.

Tonight’s NWS 8-14 day forecast appeared to confirm the supportive private weather forecast for the return of colder temperatures as it showed below normal temperatures returning to much of the eastern half of the nation as well as the Pacific Northwest. While we continue to look for lower prices as a result of the overhang of inventories on this market, we feel any significant decline in natural gas prices might not be unlocked until Thursday’s EIA storage report. Current market expectations are for a 120-190 bcf decline in stocks. For the same week a year ago stocks dropped 227, with the five-year seasonal decline of 165 bcf. Our estimate would come in at a 167 bcf decline.

We would look for this market to see support tomorrow again at \$5.95 followed by \$5.83-\$5.81 and \$5.71. Resistance we still see at \$6.08-\$6.10 followed by \$6.20-\$6.215, \$6.295, \$6.365 and \$6.48.