



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 9, 2005

NATURAL GAS MARKET NEWS

A federal appeals court ruled that the U.S. FERC overstepped its authority in a 2002 order that reasserted Natural Gas Act jurisdiction over the Williams gas Processing-Gulf Coast facilities. The court said FERC's ability to reassert jurisdiction in such cases was limited to dealing with abuses directly relegated to the affiliate's relationship with an interstate pipeline, tying gathering services to interstate transportation services or cross-subsidization between the affiliates. FERC agreed that it had exceeded its authority and ordered Transco to remove the related gathering rate and rate schedule from its tariff.

Algerian Sonatrach sold 2.5 Bcm of LNG to the U.S. in 2004, representing 10% of its total LNG exports, compared with 1.4 Bcm in the first nine months of 2003. The company attributed the rise in exports to the U.S. in 2004 to an agreement signed with Norway's Statoil in Dec. 2003 to deliver 1 Bcm/y of LNG in a three-year deal to supply the U.S. Cove Point regasification terminal. Sonatrach exported a total of 25 Bcm of LNG in 2004.

FERC issued a final rule under the Alaska Natural Gas Pipeline Act that outlines how companies can bid for use of the national Alaska pipeline. The commission's new rule aims to prevent companies that build the pipeline from being able to discriminate against potential shippers. FERC's rules will govern the so-called "open season" for shippers to bid for transportation rights on the new Alaskan pipeline. The open season process is intended to allow non-discriminatory access while, at the same time, ensuring sufficient economic certainty to support the construction of the pipeline.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that

Generator Problems

ECAR— Detroit Edison ramped output the final 22% to return its 1,139 Mw Fermi #2 nuclear unit to full power.

ERCOT— TXU restarted its 565 Mw Monticello #2 coal-fired station yesterday following an outage that occurred earlier in the day. The boiler tripped during tuning of the boiler controls.

MAAC— Exelon ramped output at its 1,110 Mw Peach Bottom #2, to operate it at 94% of capacity. The unit was at 64% yesterday following a planned control rod pattern adjustment. Peach Bottom #3 continues to operate at full power.

NPCC— Entergy Corp.'s 951 Mw Indian Point #2 nuclear unit dpped to 73% today. The unit was at full power yesterday. Indian Point #3 continues to operate at full power.

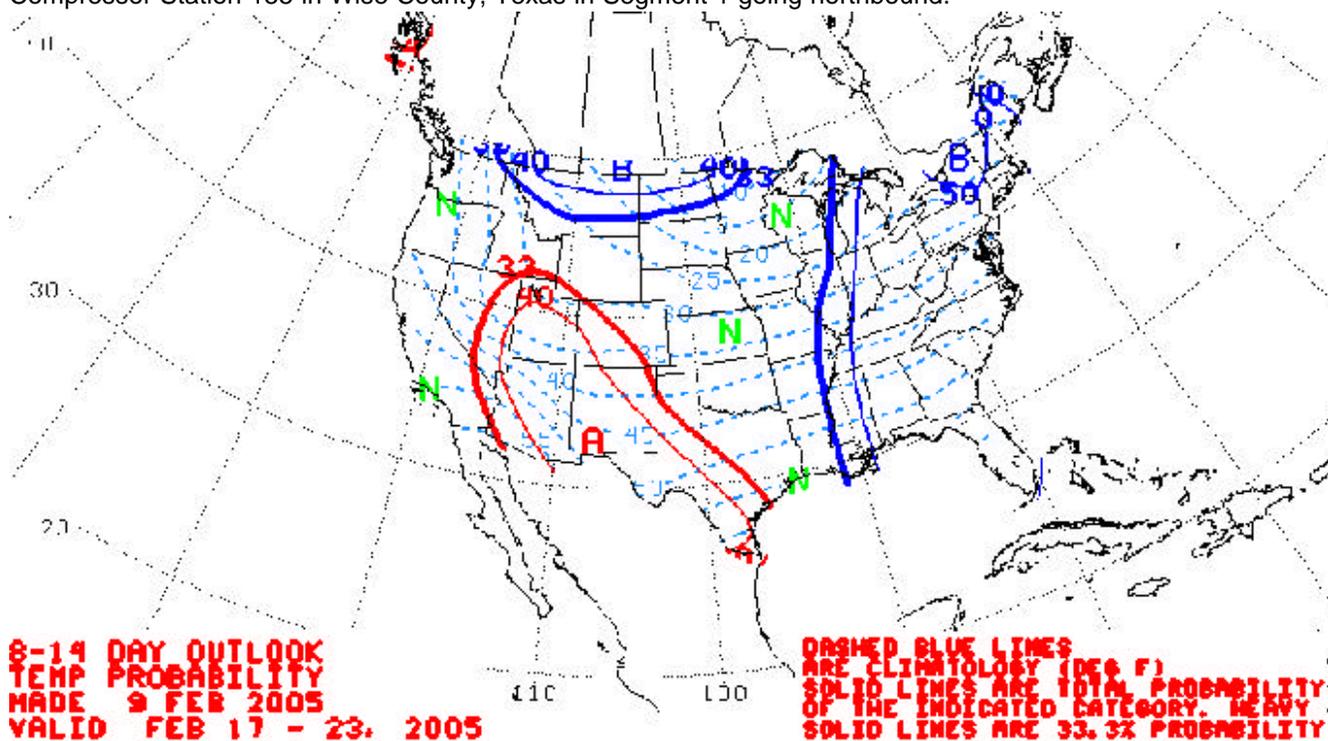
SERC— Dominion Energy restarted its 810 Mw Surry #1 nuclear unit this morning, warming it up offline at 7%. The unit had to cancel a start Monday. Surry #2 remains at full power.

WSCC— Arizona Public Service expects to shut its 1,270 Mw Palo Verde #1 nuclear unit due to the loss of normal and alternate power to safety bus. The unit was operating at 53% early today, down from full capacity yesterday. Palo Verde #2 and #3 continue to operate at full power.

Edison International's 1,123 Mw San Onofre #2 nuclear unit ramped up to 97% of capacity. Yesterday the unit was operating at 22% after exiting an outage. San Onofre #3 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 89892 Mw today up .24% from Tuesday.

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.



Texas Eastern Transmission said that STX and ETX have been scheduled to capacity. TABS-1 pools in STX that were long have been force balanced. No increases between Mount Belvieu and Little Rock for delivery outside of this area will be accepted. In addition, no PAL Parks are available in STX and ETX.

East Tennessee Natural Gas said due to weather forecasts that show cold temperatures across its entire system for tomorrow, ETNG anticipates implementing several flow restrictions. There will be no secondary out of path receipts upstream of station 3104; no secondary out of path receipts upstream of station 3205; and no secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke.

Km Interstate Gas Transmission said that effective immediately and until further notice, Cheyenne Plains Scott has capacity available for received volumes. Depending on the level of nominations, interruptible flow, authorized overrun, secondary out-of-path and secondary in-path volumes may be scheduled.

Florida Gas Transmission said that due to near freezing temperatures in Northern Florida forecast for Thursday night and Friday morning, there is the potential it will issue an Overage Alert Day.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that maintenance at Rio Vista 3 that was scheduled for Feb. 22-23 was actually completed yesterday. Scheduled volumes through the station were down, and presented the opportunity to do the work with no impact to throughput.

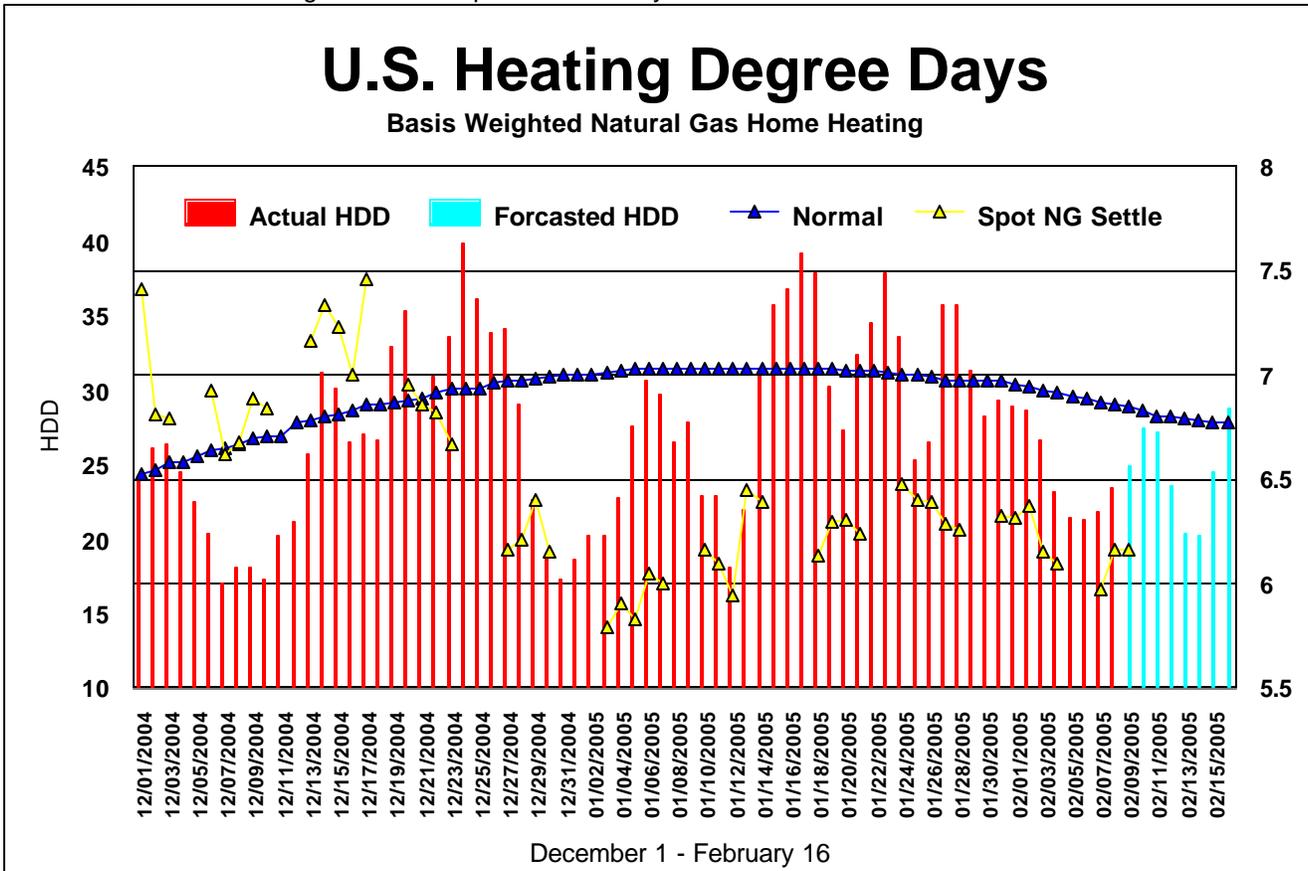
Westcoast Energy said that it successfully restored power to Train 3 at the Pine River Gas Plant. The Plant lost power before yesterday's gas day. However, Train 3 has now stabilized throughput and the plant inlet pressure in dropping.

ELECTRICITY MARKET NEWS

Electricity production in the continental U.S. for the week ended Feb. 5 was flat to the same 2004 week at 76,700 GWh, according to the Edison Electric Institute. The South Central U.S. showed the largest year-on-year percentage increase in output, rising 7.7% to 10,969 GWh. The West Central U.S. showed the largest year-on-

year percentage decrease in output, falling 5.2% to 6,474 GWh. So far this year, production totaled 457,557 GWh, up .4% from last year.

Texas New Mexico Power made a settlement with customers from Friendswood to La Marque, and these people may see their rates go down 9.3%. A merger between Texas New Mexico Power and Albuquerque-based PNM Resources could also mean a \$6 million reduction in the company's cost structure because of the elimination of duplicated business expenses, as the amount power line owners are allowed to charge is based, in part, on operating costs. The rate reductions are part of an agreement PNM Resources reached with the Public Utility Commission of Texas and a coalition of Texas cities, including Dickinson, Lewisville, La Marque, Fort Stockton and Friendswood. An attorney for the cities said the reduction started with an investigation into the fairness of Texas New Mexico Power's delivery rates. The rate reduction will remain in place for two years, while the additional \$6 million savings would take place over two years.



The Board of Trustees of the North American Electric Reliability Council unanimously agreed to adopt a comprehensive set of reliability standards for the bulk electric system. The new standards incorporate the existing NERC operating policies, planning standards, and compliance requirements into an integrated and comprehensive set of measurable reliability standards. The new standards will apply to all entities that play a role in maintaining the reliability of the bulk electric system in the U.S. and Canada. NERC developed these reliability standards using its American National Standards Institute-accredited standards development process.

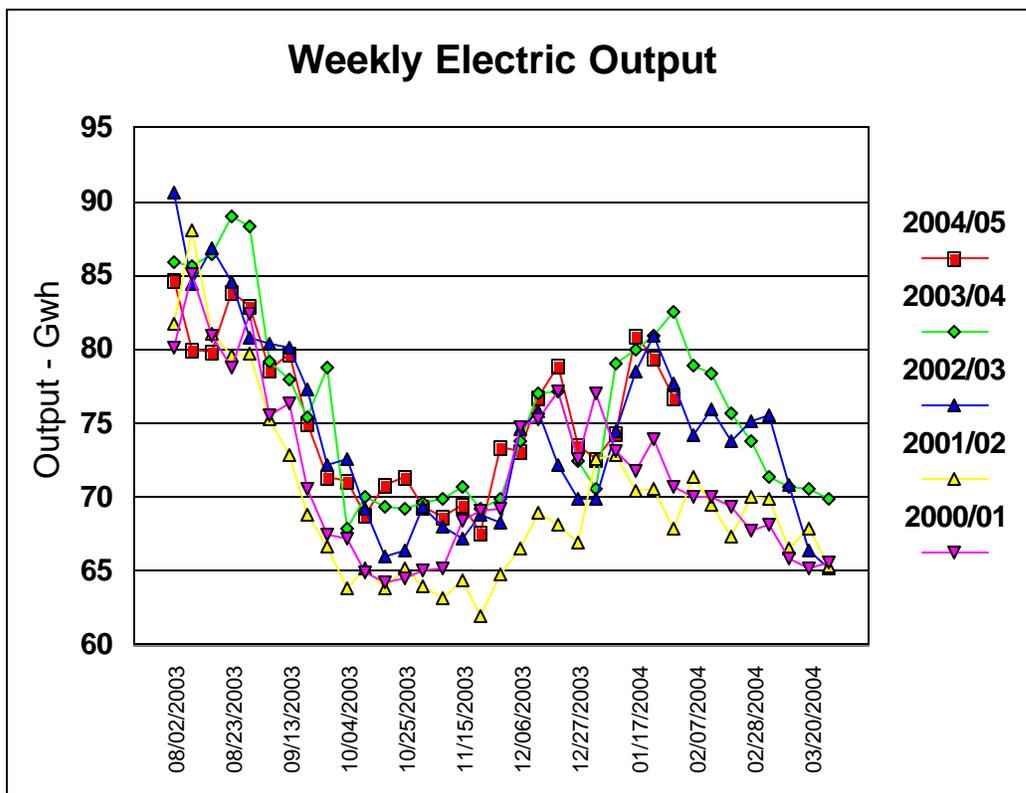
Dominion Virginia Power closed on its purchase of a 181 Mw, combined-cycle electric generating facility in Roanoke Rapids, N.C. from Panda-Rosemary L.P. Dominion paid \$40.2 million in cash and assumed the facility's long-term debt and associated costs of about \$60.5 million. The power station consists of two dual-fuel combustion turbines and a steam turbine and typically operates during periods of high electricity demand.

Alternate Energy Corp. has completed the second phase of its backup power initiative with the final testing of its beta version demonstration Hydrogen Production Unit. Last week, the HPU successfully powered the company's recently converted internal combustion engine (ICE) with its low-cost, on-demand hydrogen. AEC has been

focused on the building of ICE and fuel cell generator sets to demonstrate to investors and potential customers AEC's hydrogen fuel production capability. The next step is to shrink the components into a transportable size to ensure ease of demonstration. This is one of the last steps in bringing AEC closer to revenue generation.

MARKET COMMENTARY

The natural gas market today seemed to be caught between two opposing forces as short-term bearish weather forecasts seemed to be offset by bullish temperature outlooks for the latter half of this month. As a result of the offsetting nature of



these forecasts, it appeared that the natural gas market floated along on the wake of price movements in the oil markets, as traders awaited tomorrow's EIA Storage Report for natural gas before finding possibly a new price trend. While the market rallied this morning higher in sympathy with oil prices its rally stalled out as prices reached the \$6.25-\$6.26 level, and began to erode as oil prices headed lower during the late morning. While prices did stabilize and bounce off apparent support at \$6.10 several times in the early afternoon, a late rally in the oil markets helped natural gas to claw its way back and close on either side of unchanged by the close. Volume was surprisingly good for the day prior to a storage report with over 72,000 futures traded.

This evening's NWS 8-14 day temperature outlook map appears to be more in sync with its written forecast comments, than last night. Forecasters continue to note with a high level of confidence that for the 6-14 day period a deep trough centered north of Hudson Bay is forecast to dominate the northeast quadrant of the continental U.S. during the period. This trough will result in below normal temperatures over much of the eastern U.S. as it amplifies during the period. Private weather forecaster, Weather 2000 today noted that the remainder of February should see colder than normal days far outnumber the warmer than normal days. While Accuweather forecasters continue to call for below normal temperatures for the second half of February, they modified their stance slightly today by noting that this period will not be the coldest outright period of this heating season, but rather post the largest below normal temperature deviation from normal.

Market expectations for tomorrow's storage report appear to be centering around a 160-170 bcf decline in gas inventories. We continue to look for a 168 bcf decline. Last year saw a 227 bcf decline while the five year seasonal average shows a 165 bcf weekly decline.

Our price outlook remains unchanged from yesterday. We continue to look for any rally above the \$6.50 price level as a scale up selling opportunity. We see initial resistance at \$6.22 tomorrow followed by \$6.295, \$6.376, \$6.48 and \$6.69. Support we see at \$6.10, \$6.01, \$5.97-\$5.95. More distant support we see at \$5.83-\$5.81 and \$5.71.

