



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 11, 2005

NATURAL GAS MARKET NEWS

Williams confirmed Friday that it had received approval from the FERC to construct an expansion on its Transco natural gas pipeline in New Jersey. The \$13 million project will provide an additional 105 million cf/d of firm natural gas transportation service to South Jersey Gas and its customer base. Construction is expected to begin this summer and be completed by November 2005.

Baker Hughes reported today that for the current week the number of rigs searching for oil and gas in the United States rose by 32 to 1280 rigs. The number of rigs search for natural stood at 1086, up 27 from last week.

Analysts at Energy and Environmental Analysis said today that they estimate that U.S. natural gas production in 2004 did not fall as much as some analysts have recently been reporting. They place the decline at a 1-1.5% decline on the year.

An Alabama jury reached a verdict against ProLiance Energy, a company co-owned by Vectren. The verdict awarded the gas utility department of Huntsville, Alabama \$8.2 million in compensatory damages and \$25 million in punitive damages. ProLiance is expected to appeal. The litigation arose when natural gas prices spiked during the winter of 2000-2001. When Huntsville was unable to pay the higher prices, ProLiance allowed them to modify their contract and spread the payment of the higher costs over an extended period. Huntsville later contended that its utility manager lacked authority to sign the modification, and filed suit against ProLiance contending that it had defrauded Huntsville.

Generator Problems

ECAR— FirstEnergy reported its 935 Mw Davis-Besse nuclear unit back at full power. The unit was at 32% yesterday for scheduled inspections and routine maintenance.

FRCC— FPL started to prepare its 839 Mw St. Lucie #2 nuclear unit to exit a refueling outage, when while the unit was in hot standby, engineers discovered and started repairs on two reactor coolant system leaks. The repairs should be completed by the end of the day and the unit should be back online some time next week. St. Lucie #1 continues to operate at full power.

MAAC— Exelon Corp.'s 1,112 Mw Peach Bottom #3 dipped to 36% of capacity this morning. The unit is currently at 39% after a problem with one of the plant's reactor recirculation pumps was discovered. The unit was operating at full power yesterday. Peach Bottom #2 continues to operate at full power.

NPCC— Entergy ramped output 13% to 86% at its 1,040 Mw Indian Point #2 nuclear unit. A reason for the initial scale back on Wed. was not available. Indian Point #3 continues to operate at full power.

SERC— Duke Power's 846 Mw Oconee #1 nuclear unit is ramping back to full power this morning after heading down for a technical specifications-required outage late yesterday. Oconee #2 and #3 continue to operate at full power.

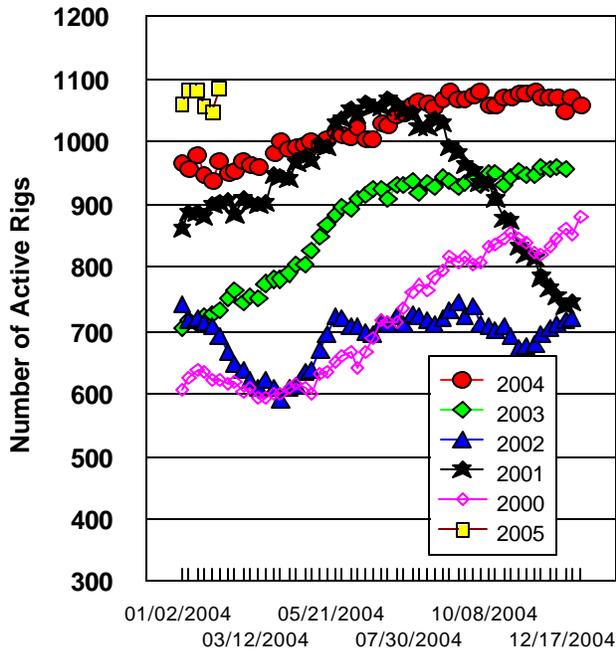
WSCC— Pacific Gas and Electric increased its 1,087 Mw Diablo Canyon #1 nuclear unit 1% to operate the unit at 51%. The unit cut output Feb. 8 to clean out the ocean water intake tunnel on the secondary side of the plant. The unit is not expected back at full power until Feb. 13. Diablo Canyon #2 is operating at full power.

Canada – OPG's 515 Mw Pickering 5 nuclear unit went off line Thursday and is expected to remain off line until early summer.

The NRC reported that U.S. nuclear generating capacity was at 89114 Mw today up .01% from Thursday but down 1.85% from a year ago.

Active Natural Gas Rigs

Source: Baker Hughes Rig Count



PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that 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 it has been scheduled to capacity in STX and ETX. No increases will be accepted between Mont Belvieu and Little Rock for delivery outside of this area. In addition, requests for PAL parks will not be accepted in STX or ETX.

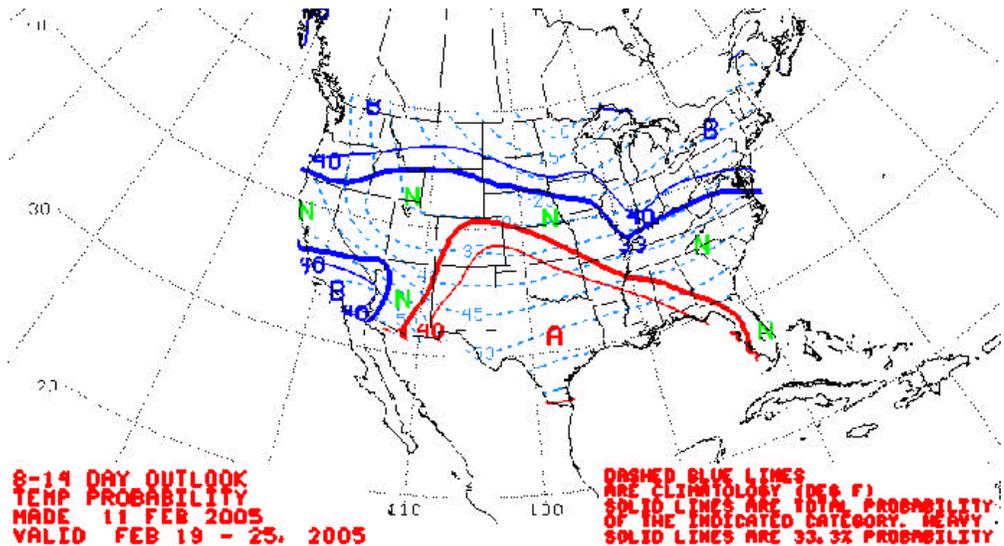
East Tennessee Natural Gas said due to weather forecasts that show cold temperatures across its entire system for tomorrow, ETNG anticipates implementing several flow restrictions. There will be no secondary out of path receipts upstream of station 3104; no secondary out of path receipts upstream of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

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

PIPELINE MAINTENANCE

Gulf South Pipeline said that it completed pigging maintenance on Index 391-29 (Entergy Marshall 12-inch) and Index 391 (Longview 20-inch) from Longview, Texas to Carthage, Texas.

Westcoast Energy said a portion of the 16-inch Beg Pipeline has been taken out of service downstream of the Beg Jedney compressor station to repair an anomaly that was discovered earlier Feb. 10. This has caused some operational issues with the Beg Jedney Booster Station and Westcoast is working to keep that station online. While they sort out the issues with that station, upstream customers on the 10-inch Tommy, 16-inch Beg and 20-inch Jedney will see higher pressures.

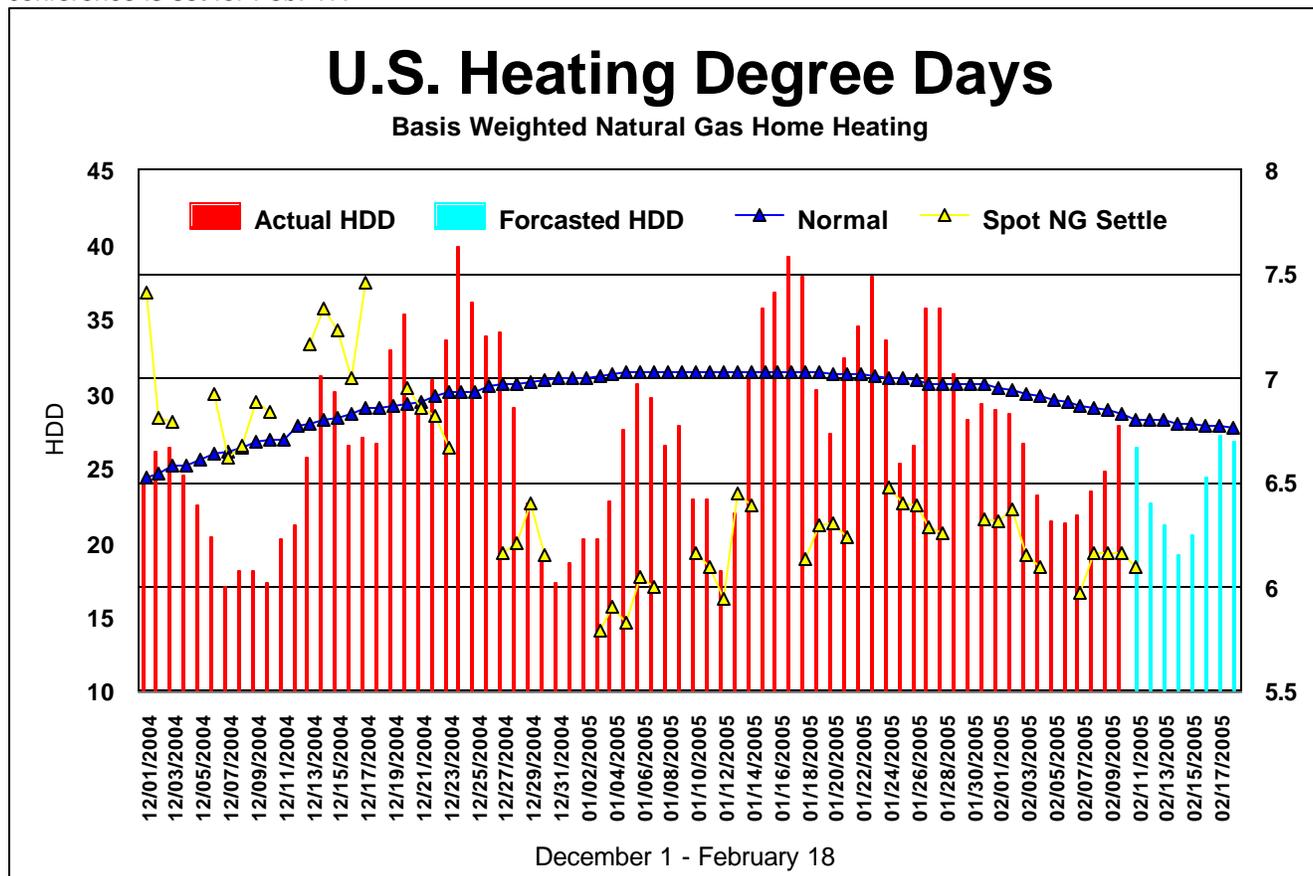


ELECTRICITY MARKET NEWS

The NYMEX launched eleven new electricity swap futures contracts today:

- | <u>Symbol</u> | <u>Contract</u> |
|---------------|--------------------------------|
| UM ----- | Northern Illinois Hub Monthly |
| UD ----- | Northern Illinois Hub Daily |
| VM ----- | AEP-Dayton Hub Monthly |
| VD ----- | AEP-Dayton Hub Daily |
| JP ----- | PJM Off-Peak |
| KB ----- | NYISO A Off-Peak |
| KH ----- | NYISO G Off-Peak |
| KK ----- | NYISO J Off-Peak |
| UO ----- | Northern Illinois Hub Off-Peak |
| VP ----- | AEP Dayton Hub Off-Peak |
| KI ----- | ISO New England Off-Peak |

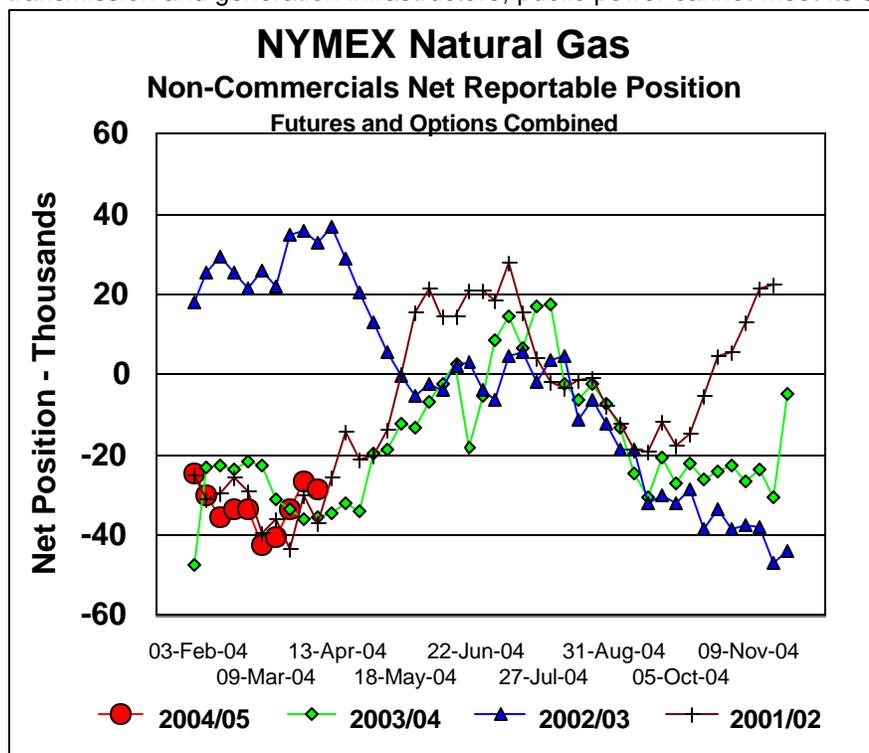
Former Duke Energy Trader, Brian Lavielle, pleaded guilty to falsifying the company's books, and will cooperate with prosecutors against two former co-workers. Lavielle said his former supervisor asked him to break up November 2001 power trades into smaller portions when entering them into the company's books. He was indicted in April along with Duke executives Timothy Kramer and Todd Reid in a scheme prosecutors allege was designed to artificially inflate power trading volumes and increase their own bonuses. For 2001, the indictment said, Kramer received a \$4 million bonus, Reid a \$5 million bonus and Lavielle a \$340,000 bonus. A pretrial conference is set for Feb. 17.



Nevada Power Co. and its parent co. Sierra Pacific Resources, along with the Colorado River Commission and the Southern Nevada Water Authority, have agreed to work under a cooperative business accord. The agreement will not affect any of the entities' autonomy, but rather will provide more reliability, efficiency and value in the delivery of essential water and power services to the public. By the agreement, Nevada Power will enter into a long-term agreement to operate SNWA's interest in Silverhawk Power Plant. In exchange, the SNWA will receive a firm energy supply at a predictable price. SNWA will retain its 25% ownership in the plant. Nevada

Power will also provide energy scheduling and balancing services to the SNWA and CRC. Nevada Power will collaborate with the SNWA to facilitate requested energy load departures for the SNWA and its member agencies under existing law. Regular meetings will be held with senior management to coordinate issues.

Hearings continue in Washington, as Alan H. Richardson, President and CEO of the American Public Power Association testified to the Energy and Air Quality Subcommittee of the House Energy and Commerce Committee. Richardson and the APPA continues to support the goal of ultimately passing comprehensive energy policy legislation, though he urged the subcommittee to exercise caution when addressing many of the bill's provisions because "much of the language may indeed be past its shelf life and in need of retooling." He recommended that the FERC use its existing authorities to help achieve a wide range of components of a truly competitive marketplace. He also urged that the Securities and Exchange Commission continue to enforce market power protections contained in the Public Utility Holding Company Act. Richardson concluded, "Because infrastructure is so critical to the future of the electric utility industry in general, and public power systems specifically, APPA can only support legislative initiatives that support our members' commitment to maintain existing infrastructure and to enhance their ability to develop needed new infrastructure. Without adequate transmission and generation infrastructure, public power cannot meet its service obligations."



AEP on Thursday asked the PJM Interconnection LLC, to evaluate the feasibility of three potential sites for a proposed 1200 Mw clean coal power plants the company wants to build along the Ohio River. The company estimates that the facilities would cost between \$1.5 - \$1.9 billion. The cost of these plants would run some 20% more than the cost for a traditional coal fired plant. Due to the high cost of the facilities the plants would not be built as merchant facilities and as a result the company is seeking assurances that it would be able to recover the cost of building the facilities.

MARKET COMMENTARY

The natural gas market this morning started out on a bearish path, as prices gapped lower. It appeared that limited short term demand for gas, given limited heating demands

for the next week has been able to keep the bulls at bay despite nuclear generation levels recently running some 1-2% below year ago levels due to some unplanned maintenance. While prices remained on the defensive throughout the morning, sellers were unable to push prices back below the \$6.00 level and as oil prices bounced back a bit in the afternoon so did natural gas values, and by the close, prices basically finished near their opening levels down around a nickel. Natural gas trading activity though remained moderate again today with 71,000 futures traded.

This afternoon's Commitment of Traders Report appeared to show that the non-commercials for the week ending February 8th, appeared to put a halt to their prior three week slide in reducing their net short position in natural gas and actually modestly increased their net short position by 1400-1800 contracts depending on which report you look at.

While the inability of this market to significantly move lower this week given the poor heating demand for natural gas, does make us a bit cautious, but we remain firm in our belief that prices should once again move below the \$6.00 price barrier. We look for possibly the next two EIA storage reports to show a decline in storage of

approximately 100 bcf each week and as a result even if the second half of this month does turn colder it will be too little too late to save prices from coming under pressure, especially in the front two contracts. We see the \$6.02-\$5.99 area as critical support to start the week, followed by \$5.83-\$5.81 and \$5.71. Resistance we see initial resistance at today's gap at \$6.115-\$6.14 followed by \$6.27-\$6.295, \$6.376, \$6.48 and \$6.69.