



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 16, 2005

NATURAL GAS MARKET NEWS

The NYMEX has made margin rate changes for Natural Gas Futures, Henry Hub Swap Futures, and Natural Gas e-miNY Futures Contracts. The changes go into effect Thursday Feb. 17, 2005 (close of business). For Natural Gas, the first two months non-member customer initial margin will be reduced from \$9,450 to \$7,425. For the third month, non-member customer initial margin will be reduced from \$8,100 to \$6,413. For the Henry Hub Swap Futures, the first two months non-member initial margin will be reduced from \$2,363 to \$1,856. For the third month, non-member initial margin will be reduced from \$2,025 to \$1,603. For the Natural Gas e-miNY Futures, the first two months non-member initial margin will be reduced from \$4,725 to \$3,713.

The Federal Energy Regulatory Commission said eight new LNG receiving terminals should appear in the U.S. by 2010. Pat Wood, chairman of the FERC, agreed with the generally held notion that most of the regasification facilities would be located on the U.S. Gulf Coast. He said he expects LNG to more than replace depleted domestic natural gas production, meaning some new pipeline and storage will be needed to serve inland markets. Currently, more than 50 new regasification terminals are on the drawing board for North America.

FERC told Congress it should have sole authority for approving terminals that process imported LNG. The U.S. will have to significantly boost its imports of super-cooled LNG over the next 15 years to keep up with growing natural gas demand, mostly from new power plants that will be fueled by gas. In order to speed up the approval of the new facilities that will be required to handle the LNG imports, the FERC said Congress should

Generator Problems

ERCOT— American Electric Power will start the 580 Mw Pirkey coal-fired unit Feb. 15-19 following a maintenance outage.

AEP will shut the 528 Mw Welsh #2 coal-fired unit Feb. 17-21 to perform maintenance on the boiler and precipitator.

Texas Genco's 766 Mw Limestone #2 coal-fired unit will shut for planned repairs on Feb. 17-19.

FRCC— FPL reconnected its 839 Mw St. Lucie #2 to the grid and ramped output to 30%. St. Lucie #1 remains at full power.

SERC— Tennessee Valley Authority restarted its 1,100 Mw Browns Ferry #3 nuclear unit, ramping output to 42% capacity. The unit automatically scrambled shut from full power Feb. 11 due to an output breaker trip causing a load reject. Browns Ferry 2 continues to operate at full power and was not affected by the trip.

Entergy continued to ramp output at its 1,207 Mw Grand Gulf #1 nuclear unit, operating the unit at full capacity. The unit was at 56% yesterday after exiting a weekend outage.

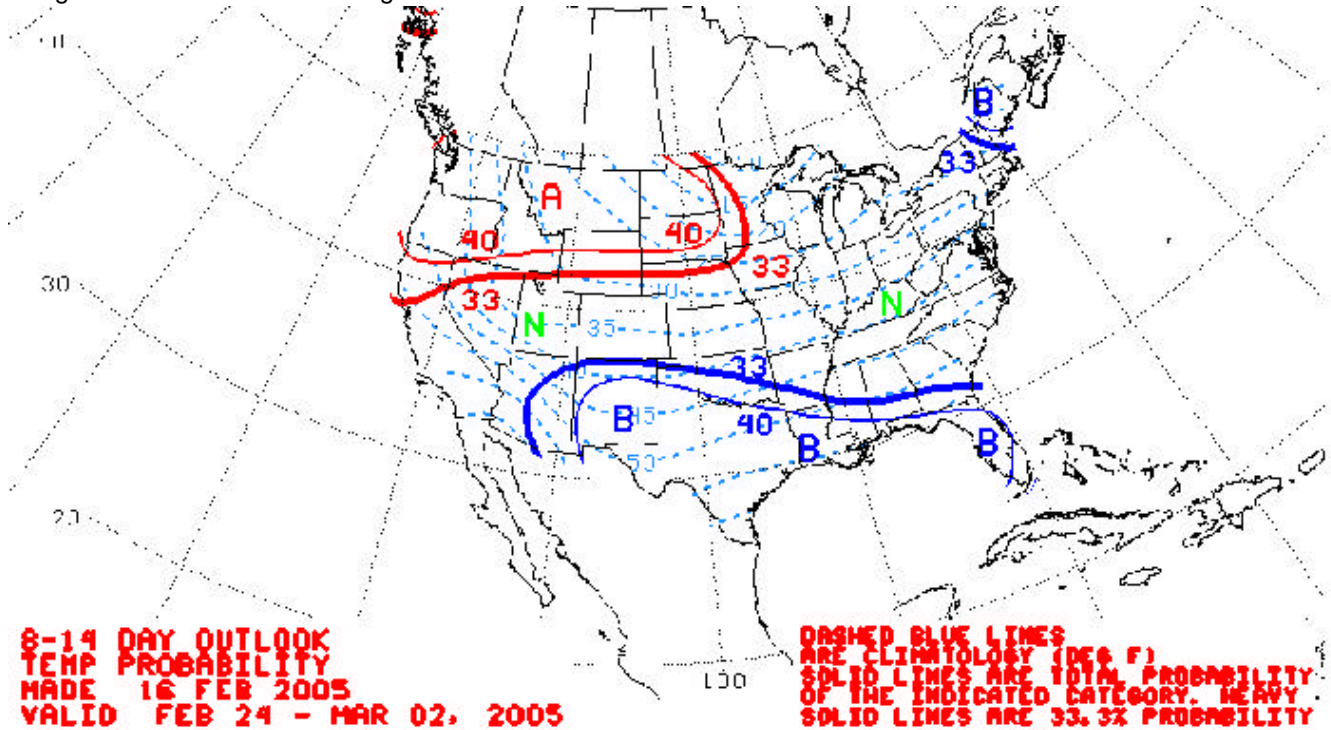
Entergy decreased output at its 966 Mw River Bend nuclear unit by 15%, operating the unit at 85% due to a gas sampler in the system showing "degrading conditions." Certain equipment in its circulating water system is being inspected.

WSCC— Southern California Edison reported its 1,070 Mw San Onofre #2 nuclear unit offline, as the unit entered a technical specifications required outage. San Onofre #3 remains at full power.

APS' 1270 Mw Palo Verde #1 nuclear unit is expected to return to service this weekend operators said today.

The NRC reported that U.S. nuclear generating capacity was at 88,859 Mw today up 0.64% from Tuesday and down 2.36% from a year ago.

include language in a pending energy bill to give FERC the authority to review and approve the plants. Mark Robinson, director of FERC's Office of Energy Projects, believes Congress should make it clear that FERC is the lead agency for all environmental reviews of LNG facilities and that other federal and state agencies looking at such projects must cooperate with FERC. California and other states don't like that approach and want a say in LNG facilities that impact their citizens at the local level. Some environmentalists and consumer advocates have urged state officials to fight LNG projects planned for populated areas because of safety concerns, particularly in a time of possible terror attacks against U.S. energy facilities. California and FERC are in court fighting over the siting of an LNG terminal in Long Beach.



Tractebel LNG Trading said it had signed a deal with Yemen LNG to purchase 2.5 million tonnes of LNG a year. Supply is expected to begin in 2009 for a period of 20 years and will require 4 ships. The LNG supply will come from a new liquefaction plant in Bal Haf, Yemen. Yemen LNG is also in agreements to sell 2 million tonnes to Total Gas and Power Ltd., to be shipped to the U.S. Another 1.3-2 million tonnes is to be sold to Kogas in Korea.

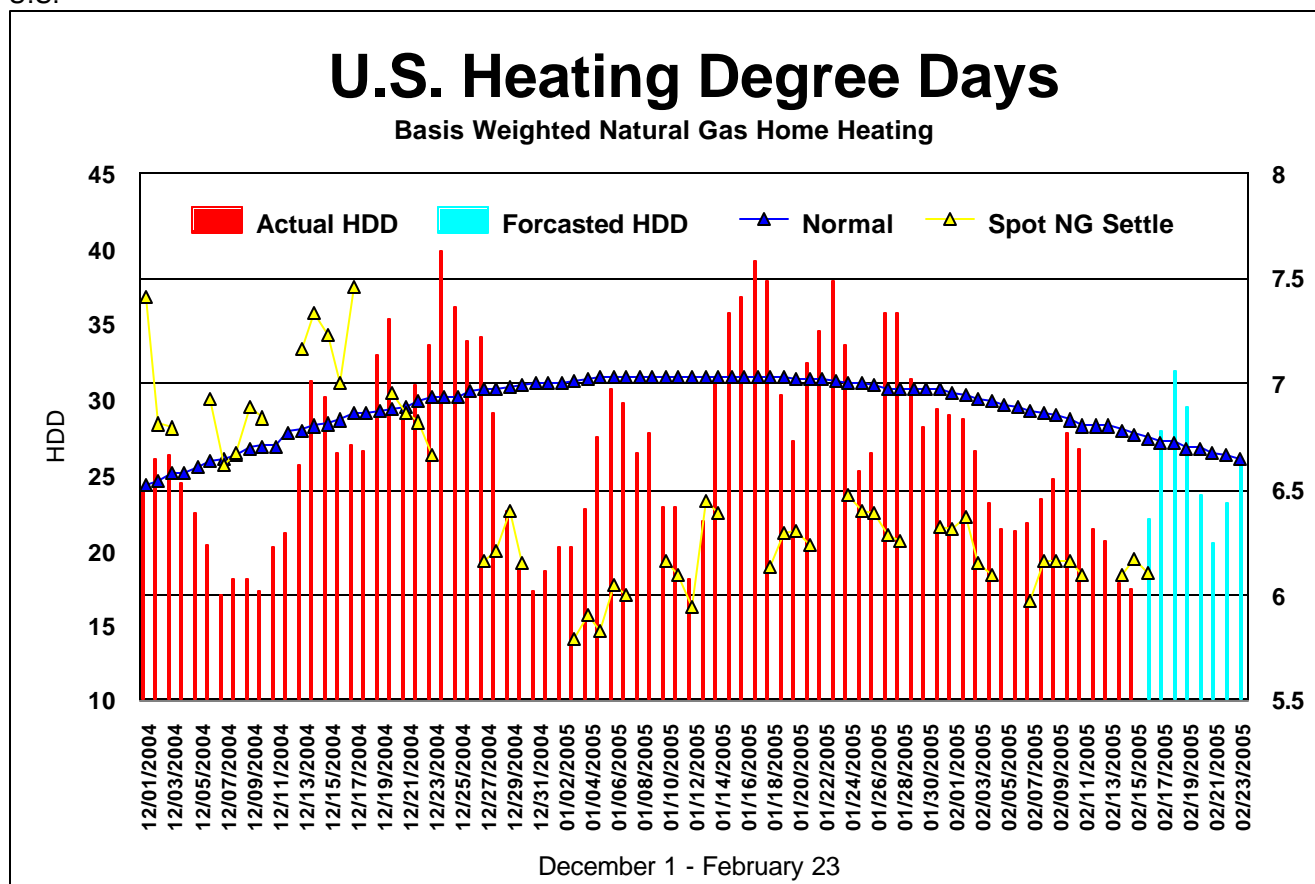
The FERC chairman said today that completing the Alaskan natural gas pipeline is key to increasing domestic gas supply. He also estimated that the nation should have at least eight new LNG facilities by 2008, but without the addition of Alaskan supply, LNG alone can not meet the demands of future U.S. gas needs.

Excelerate Energy said today it had lifted its first cargo of Malaysian LNG on Monday and is expected to be delivered it to the company's new buoy-based deepwater port offshore of southwestern Louisiana by March 17th.

Magnum Hunter Resources disclosed today that its total proved reserves at Dec. 31, 2004 were comprised of 1.01 Tcf equivalent, 610.1 Bcf of which was natural gas and 66.1 MMBbls of which was crude oil and natural gas liquids. Approximately 730.7 Bcf, or 73% of the total, of the company's year-end 2004 total proved reserves were classified as proved developed, with approximately 275.9 Bcf, or 27% of the total, classified as proved undeveloped. The company's 2004 year-end total proved reserves of 1.01 Tcf represents a 20% increase over the 838.4 Bcf of total proved reserves reported during the same period a year ago. Magnum Hunter's calendar year 2004 production estimate of 80.4 Bcf (70% natural gas) represents a 10% increase over the company's 2003 production of 73.1 Bcf (68% natural gas).

EnCana Corp.'s proved natural gas reserves rose 24% through drilling and acquisitions in 2004 as it divested conventional crude oil properties. EnCana's North American gas reserves totaled 10.5 Tcf at the end of last year, up from 8.4 Trillion from a year ago. Gas sales rose 16% to nearly 3 Bcf/d, about 172 million of that

represented production from assets acquired from the acquisition of U.S. Rockies gas producer Tom Brown Inc. EnCana replaced 286% of its gas production with new reserves. EnCana has spent the last several months honing its portfolio of assets to concentrate on long-life natural gas and oil sands reserves in Canada and the U.S.



PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that ANR South Joliet #2 (PIN 904758) is at capacity for deliveries. Gas received on the Arkoma Line (Segment 16) is at capacity today. NGPL is also 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.

PIPELINE MAINTENANCE

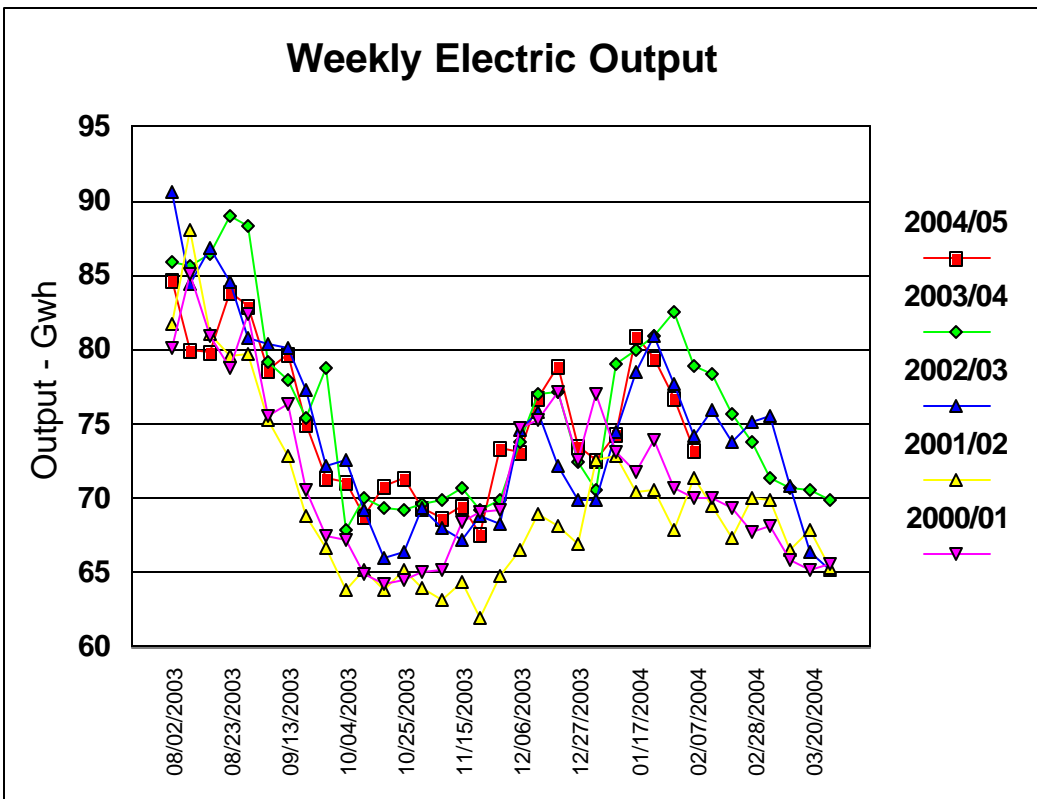
Colorado Interstate Gas Company will perform the following maintenance for the month of March. At King Compressor Station: in Wyoming one unit will be out of service March 1-24. Capacity through the station will be reduced to 100 MMcf/d. In Utah none of the planned maintenance is expected to impact service. At the Watkins Compressor Station in Colorado, annual Department of Transportation ESD system checks will be performed on March 9 at 8:00 AM MT for 6-8 hours. At the Kit Carson Compressor Station, two units will be out of service March 1-31. The station will also be out of service March 14-18. Capacity through the station will be reduced by 60.0 MMcf/d, and Kit Carson to Lakin capacity will be reduced by 25 MMcf/d. At the Springfield Compressor Station, one unit will be out of service March 1-31. In addition, one unit will be out of service March 6-13. The Lakin Compressor Station in Kansas will be out of service March 1 starting at 8:00 AM CT for 12 hours for tie-ins. Volumes from Lakin Master Meter and Lakin PEPL will go to zero during this outage. Nominations will be kept whole during this time. At the Morton Compressor Station, one unit will be out of service March 1-31.

Gulf South Pipeline said it will be performing scheduled maintenance on Index 293 and 293-11 in Plaquemines Parish, Louisiana beginning today at approximately 7:00 AM ET and continuing for three days. Point 000031 NOPSI City Gate #4 Station will be affected by the scheduled maintenance.

Williston Basin Interstate Pipeline Company said that it has posted maintenance on Unit #11 at the Little Beaver Plant. The maintenance was originally scheduled for March 1-2 and has been rescheduled for March 2-3. Due to Maintenance on Unit #11 at the Little Beaver Plant, the capacity at current conditions for Point ID 04018 Baker Area Mainline will be affected by approximately 5 MMcf on March 2 and by approximately 1.667 MMcf on March 3.

ELECTRICITY
MARKET NEWS

The Edison Electric Institute said electricity production in the continental U.S. for the week ended Feb. 12 fell 3.1% from the same 2004 week to 73,259 GWh. The South Central U.S. showed the largest year-on-year percentage decrease in output, dropping 8.4% to 9,904 GWh. The Pacific Northwest showed the largest year-on-year percentage gain in output, rising 2.5% to 3,176 GWh. For the first seven weeks of the year, production totaled 530,816 GWh, off .1% from last year. For the 52 weeks ended Feb. 12, production rose 1.6% from the corresponding period in 2004 to 3,849,446 GWh.



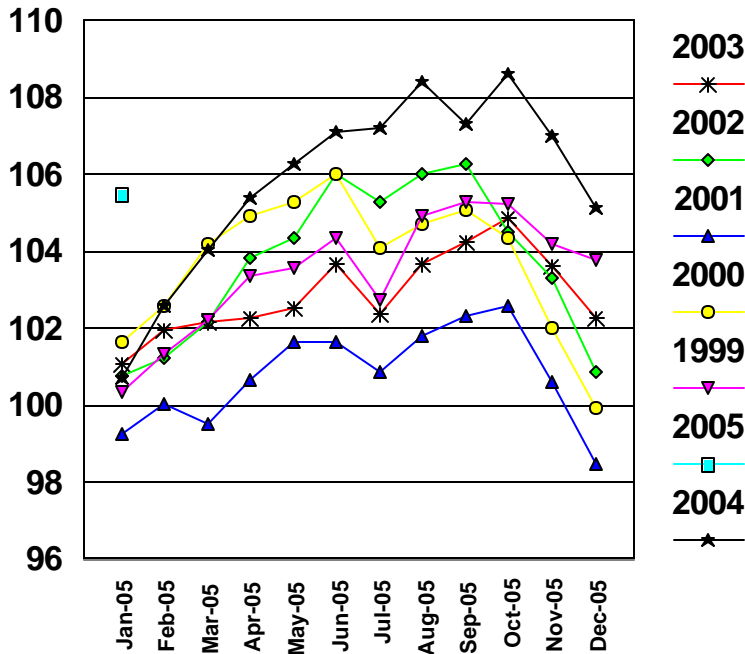
The American Public Power Association and the National Rural Electric Cooperative told the Securities and Exchange Commission that they should not approve American Electric Power's acquisition of Central and South West Corp. APPA and NRECA said the acquisition violates provisions of the Public Utility Holding Company Act, and would signal "the end of meaningful enforcement of the Act and herald the re-formation of the vast holding companies that Congress determined were likely to lead to the abuse of economic power to the detriment of consumers, investors and the public."

Consol Energy reports that its Buchanan Mine, located near Keen Mountain, Va., experienced a large rock fall behind its longwall mining section on Feb. 14. While caving behind the longwall is a normal part of the mining process, the size of this cave-in created a large air pressure wave that disrupted ventilation and also caused an ignition of methane gas in the area. All employees working underground at the time were immediately evacuated without serious injury, and normal operations were suspended. In 2004, Buchanan Mine produced 4.4 million tons of coal, primarily metallurgical-grade, for domestic and export customers. Buchanan mines the Pocahontas #3 coal seam, utilizing three continuous mining machines and one longwall system. Coalbed methane gas also is produced at the mine. Currently 3.5 MMcf/d of production has been curtailed because of the idling.

New Jersey utility regulators today approved the results of two Internet auctions worth some \$4.6 billion to secure about 8,000 Mw of wholesale electricity for residential and commercial customers. The auction will result in a small price increase for a third of the power, customers will use over the next three years starting on June 1st. The state ran two descending clock auctions at about the same time, one for hourly priced service for large industrial and commercial accounts and another for fixed price service for residential customers and small

commercial accounts. The winning bidders in the fixed price auction included BP, Pepco, Constellation Energy, Morgan Stanley, PSEG, Northeast Utilities and Suez. Winners of the hourly priced auction included Constellation, Dominion Resources, DTE Energy, Edison International, PPL Corp and PSEG.

US Industrial Production Index Major Nat Gas Consuming Sectors Basis Federal Reserve & DOE/EIA Stats



The chairman of the U.S. Senate Environment and Public Works Committee offered a new version of the Bush administration-backed "Clear Skies" bill to regulate pollution from coal-fired power plants. The revised bill contains the creation of an EPA program to monitor for potential mercury "hot spots." The new version also moves up by two year, to 2016, the deadline for achieving a stated 70% cut in emissions. The bill will have trouble getting out of committee, as democrats predict that the revisions would not be enough to avoid a deadlock when the committee votes.

Duke Energy Corp. submitted a filing with FERC arguing that its Duke Power unit does not have the ability to unfairly influence wholesale electricity prices in its market. Duke attorneys said that Duke Power does not have the ability to exercise market power because the uncommitted load in the market can be met at least four times over by competitive, available generation not owned by Duke. Duke requested that it be permitted to continue to set electricity process based on market rates.

ECONOMIC NEWS

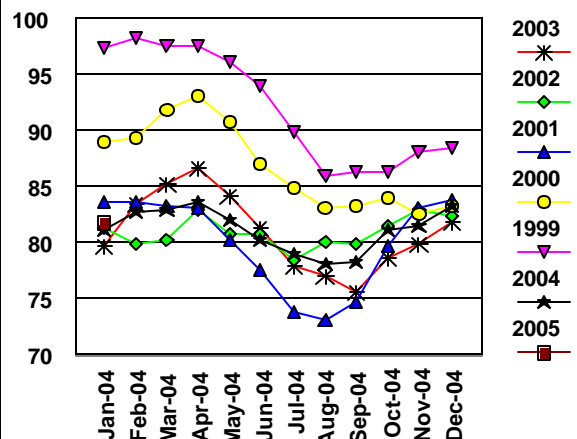
U.S. industrial production was flat in Jan. as warm weather dampened demand for heating, but manufacturing output remained healthy. The Federal Reserve said relatively warm Jan. weather contributed to a 3.0% drop in utilities' output, which dragged overall industrial production lower. In addition, mining output declined .3% in the month. Output at factories, the largest component of industrial production, rose .4% in Jan. matching its Dec. gain. Manufacturing capacity use rose to 78%, the highest rate since Dec. 2000. Overall capacity utilization fell to 79% from 79.1% in Dec., reflecting weaker readings in both mining and utilities. While the flat industrial production result undershot Wall Street forecasts for a .3% rise, analysts said underlying strength in manufacturing signaled more interest rate tightening may lie ahead.

MARKET COMMENTARY

The natural gas market started the day on the defensive, as some forecasters continued to moderate their temperature outlook for next week. Prices eroded further following the release of bearish oil inventory reports. It appeared that natural gas prices were ready to challenge the \$6.00 price level once again as gas prices tumbled to their lows of the day. But by as oil prices stabilized at mid morning, so did natural gas prices, and as oil prices

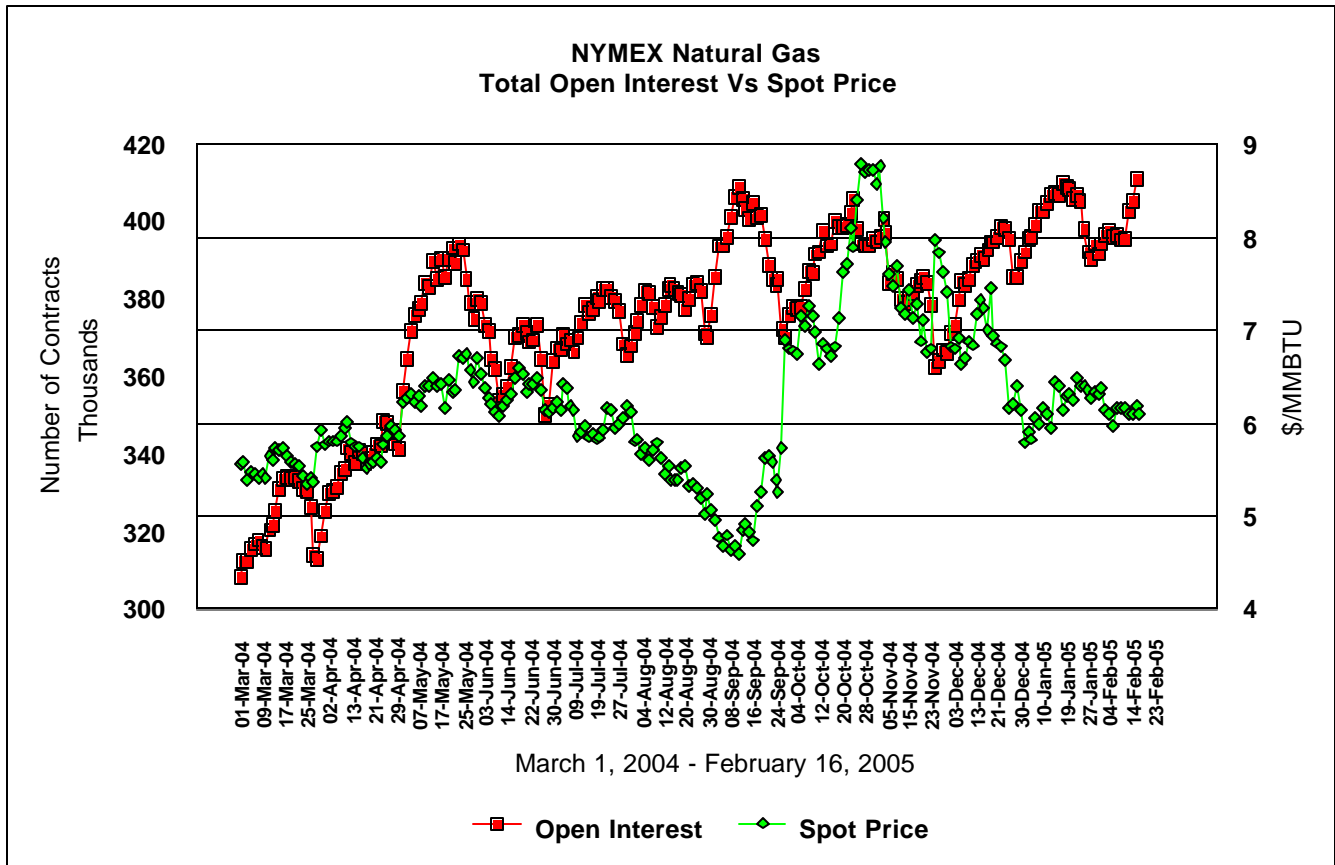
US AG Chemical Sector Production

Basis Fed Reserve Industrial Production Report



rallied back and returned to posting net gains on the day, natural gas prices grudgingly retraced most of the day's losses, finishing the session off only 5-6 cents. Final estimated futures volume was placed at 73,000 contracts.

The NYMEX reported this afternoon that open interest yesterday increased for the fourth consecutive session, sending total open interest to its highest level since February 2003. The vast majority of this gain came in the April-September contracts, which grew by nearly 5,000 contracts on the day and since the start of the month, these contracts have seen total open interest grow by 32,576 lots while total open interest has grown by only 19,235 lots.



Market expectations for tomorrow's EIA storage report appear to be running between a 105-115 bcf draw down. An auction of options on the outcome of the EIA gas storage report by ICAP Energy and NYMEX appears to point to an expectation of a 108 bcf decline. The same week a year ago saw a 187 bcf drop and the average of the past five years for the same week shows a decline of 149 bcf. We still continue to look for a decline of 98 bcf.

While improved heating demand has finally returned to much of the eastern half of the nation today, we continue to look at the expected moderation of temperatures after this weekend and beyond will continue to keep the bulls on the defensive and allow the March contract to challenge the \$6.00 price level as we approach the contracts expiration next week. We continue to look for support in this market at \$6.02-\$6.00 followed by \$5.95, \$5.83-\$5.81 and \$5.71. Resistance we see at \$6.20, \$6.27, \$6.48 and \$6.69.