



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR FEBRUARY 18, 2005

NATURAL GAS MARKET NEWS

The New York Mercantile Exchange announced that seven new natural gas basis swap futures contracts will debut late Monday for the Tuesday trading date. The futures contracts are based on the differential between the prices reported by Platts Inside FERC Gas Market Report and the Exchange floor-traded natural gas futures contract. The new contracts and their trading symbols are: ANR Louisiana basis swap futures (ND); Kern River, Wyoming basis swap futures (NV); Questar basis swap futures (TA); Tennessee 500 Leg basis swap futures (NM); Tennessee Zone 0 basis swap futures (NQ); Texas Gas, Zone SL basis swap futures (TB); and Trunkline, LA basis swap futures (NU).

Baker Hughes said the number of rigs searching for oil and gas in the U.S. rose by 15 to 1,295 in the week ended Feb. 18. The number of rigs exploring for oil and gas in Canada remained at 589 compared to 574 last year. The number of rigs in the U.S. Gulf of Mexico rose two to 100, while last year there were 99. There were 1,160 U.S. rigs searching on land, 107 offshore and 28 inland. The total North American rig count rose 15 to 1,884, while last year it was 1,688. The number of rigs searching for oil in the U.S. rose 4 to 197, while the number of rigs searching for gas rose 10 to 1,096.

Generator Problems

ERCOT— American Electric Power's 690 Mw Oklaunion coal-fired power station shut Feb. 17-18 due to the failure of a protection device.

AEP's Welsh #2 will be shut from Feb. 18 to March 30 to repair plant equipment and perform maintenance on boiler and precipitator including emissions control equipment.

TXU Corp.'s 750 Mw Martin Lake #3 coal-fired unit shut Feb. 17-18 to repair a boiler tube leak, and will likely exit the outage on about Feb. 20.

STP Nuclear Operating Co. returned its 1,280 Mw South Texas #2 unit to full power early today. Yesterday the unit was operating at 28% capacity after exiting a maintenance outage. South Texas #1 continues to operate at 93% capacity as it coasts down for a refueling outage in early March.

FRCC— FPL continued to ramp its 839 Mw St. Lucie #2 nuclear unit, increasing production to 90% power early today. The unit was at 55% power yesterday. St. Lucie #1 remains at full power.

MAAC— Exelon's 1,179 Mw Limerick #1 nuclear station shut early today to conduct some summer readiness maintenance on the unit. The unit was operating at full power yesterday. Limerick #2 dipped to 92% capacity as it coasts down for a refueling outage in late February.

MAPP— Nebraska Public Power District's 756 Mw Cooper nuclear unit started to exit a refueling outage and ramped up to 2% of capacity offline early today.

NPCC— Entergy Corp.'s 684 Mw Pilgrim nuclear unit dipped to 63% of capacity early today for a rod pattern exchange but is beginning to increase power. The unit was operating at full power yesterday.

SERC— The Tennessee Valley Authority decreased output at its 1,100 Mw Browns Ferry #3 to 78%, down 7% on the day. Browns Ferry #2 is operating at 99%.

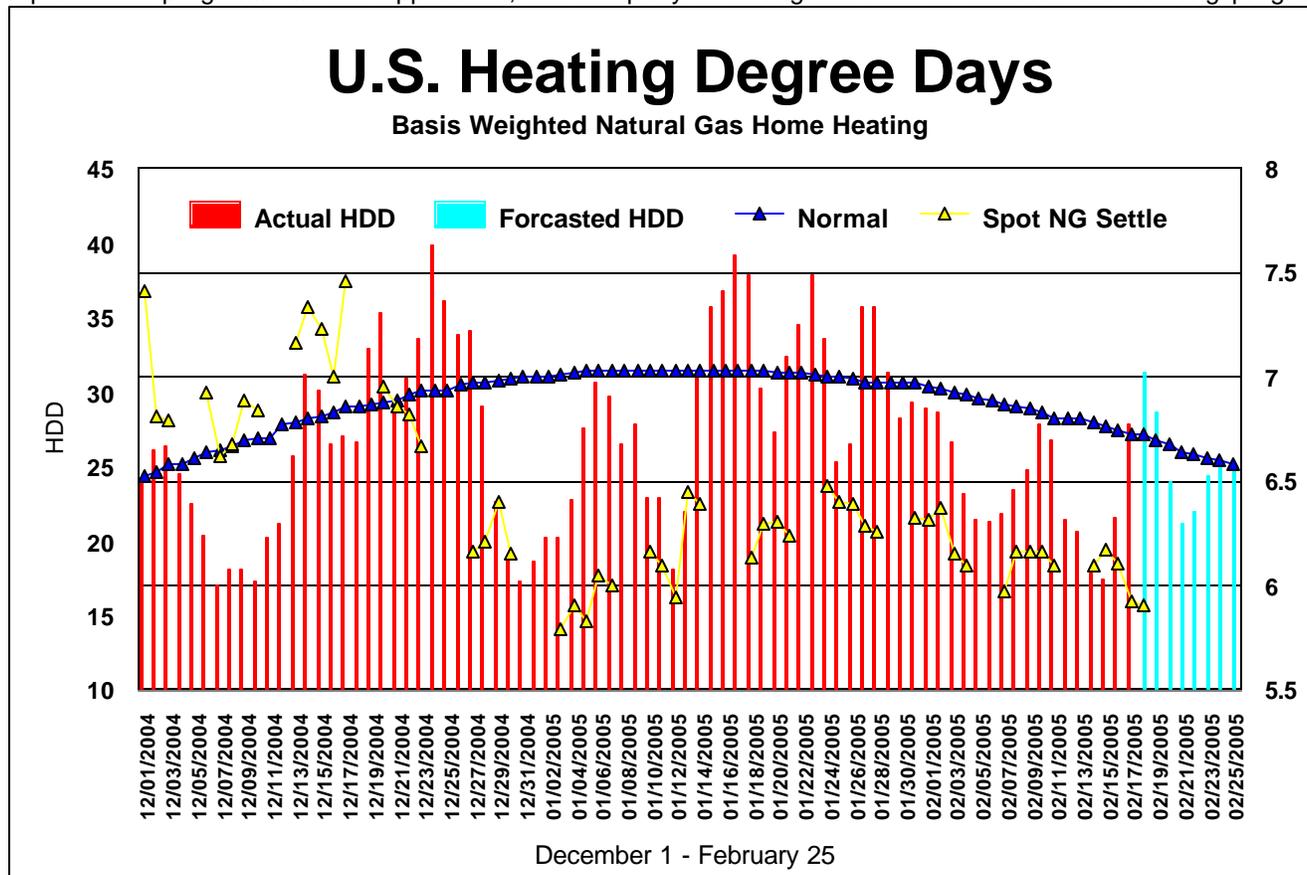
WSCC— The 790 Mw Unit #1 at the Mohave coal fired power plant in Nevada was back in service Friday morning.

The NRC reported that U.S. nuclear generating capacity was at 88,210 Mw today down 0.34% from Thursday and down 1.71% from a year ago.

Demand for heating fuel in the U.S. Northeast and Midwest is expected to rise through early March as a stretch of slightly colder-than-normal weather arrives, according to several private forecasters. EarthSat is expecting below normal to normal for the Northeast and Midwest, with this weekend being cold, and next weekend will be colder than normal. Accuweather said "this colder weather pattern is likely to persist into next week, and...may continue right into March."

Rhode Island's governor Thursday called on the FERC to reject KeySpan's plans to convert its existing 600,000 barrels storage terminal in Providence, into a LNG import terminal. The governor called the potential destruction that could occur to the city of Providence, in case of a terrorist attack to the facility too great to warrant the project. Meanwhile the GAO has agreed to a request by several House lawmakers to further investigate the potential for terrorist attacks on tankers carrying LNG and LPG in U.S. harbors, as well as reviewing the efforts and plans of governmental and private sectors in improving security.

The Union Light, Heat and Power Company said that it will file with the Kentucky Public Service Commission to seek a base rate increase of \$14 million, or approximately 7% in annual revenues, for natural gas distribution service, effective fall of 2005. Currently, ULH&P's rates include approximately \$4.5 million annually for the replacement program. In this application, the company is asking the PSC to continue the tracking program



because it allows the increasing costs to be phased into rates incrementally rather than all at once. The gas main replacement project was initiated to improve the reliability and safety of the gas distribution system. Through 2004, ULH&P has replaced approximately 90 miles of cast iron and bare steel pipe, or about 40% of the ole mains in its system. This program has reduced gas leaks repaired in the ULH&P system by more than 45%. For a residential customer using 10,800 cf/m, the requested increase would result in a total monthly bill of \$130.74 compared with the current bill of \$120.30.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said it 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 it has scheduled to capacity at West Monroe. No physical increases can be accepted from the following locations: 71000-Gulf South West Monroe, 72568-Reliant Energy West Monroe, and 72614-Duke Energy Field Services.

East Tennessee Natural Gas said due to weather forecasts showing cold temperatures across its entire system, ETNG anticipates implementing several 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.

Algonquin Gas Transmission said it has scheduled all nominations for today, and these nominations have put the AGT system at capacity for nominations flowing through Stony Point compressor station. No increases for transportation flowing through Stony Point will be accepted except for primary no notice nominations. No due-shipper nominations will be accepted.

Tennessee Gas Pipeline said that effective today, due to reduced nominations, Tennessee will accept nomination increases for all services pathed to Leidy Meters 005030 and 005031.

Northwest Pipeline Corp. said capacity at Green River North will be lowered to 333 MMcf/d, which is the design capacity effective gas day Feb. 19. Northwest has been accommodating requests to cover schedule through Green river as a customer service when operationally feasible. However, due to receipt point nomination patterns it is necessary for Northwest to reinstate Green River North to its design capacity in order to sustain operational integrity. Utilizing receipt points located north of Green River to deliver gas north or taking receipt gas purchased south of Green River to delivery points off the south end of their system are possible alternatives.

ELECTRICITY MARKET NEWS

In an update on the Midwest ISO, Ron McNamara, chief economist and vice president of market management reiterated that the Midwest ISO will be ready to go online April 1. FERC approved the Midwest ISO as the nation's first Regional Transmission Organization, in 2001 for monitoring electric reliability throughout an area encompassing more than 96,000 miles of interconnected high voltage transmission lines in 15 states and one Canadian province. Midwest ISO has been working to implement a more centralized method of dispatching generation and though it will be ready by March 1, they are delaying till April 1 to allow their market participants to polish their systems. McNamara explained that utilities across the Midwest ISO footprint are individually responsible for dispatch and ultimately making sure the lights come on, and as of April 1 the Midwest ISO will assume the responsibility of dispatching all market participants in a centralized hub located in Carmel, Indiana. McNamara said, "We are going to make sure, essentially, that not just an individual utility's generation and load is in balance, but that all loads and generation for those 15 states are in balance at the cheapest possible cost."

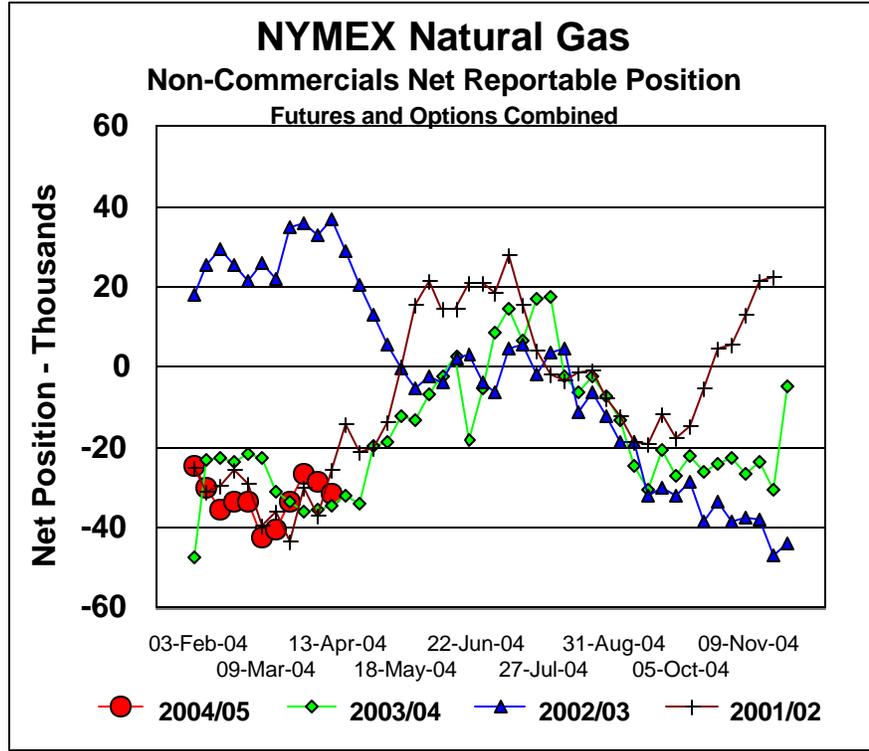
FERC announced that they are assigning two staff members to the commission's office in Folsom, California. This effort is part of the Commission's broader outreach efforts to foster and aid in the development of efficient, vibrant and robust energy markets. FERC also has staff assigned to the Midwest ISO, and the Southwest Power Pool.

MARKET COMMENTARY

The natural gas market today appeared to take its holiday a day early. The market posted only a six and a half cent trading range, its smallest trading range in the March contract since October 15th. Despite the arrival of stronger heating demand across the Midwest and Northeast and the prospect of the next seven days seeing heating demand for natural gas to run some 15% higher than the past week and some 7.7% better than even two weeks ago, it was not enough to allow the March contract to even settle in positive territory, despite strong gains made on the day by the oil markets. Final volume was estimated at just 55,000 futures traded.

Given that today was an inside trading session that increases the possibility for Tuesday to be a volatile trading session, in our minds. We would continue to look for the bears to take control of this market heading into

expiration and as a result we would look for the support at the \$5.85-\$5.81 levels to eventually be breached sending prices back down to the \$5.75-\$5.71 level, at which point we feel that one should be exiting shorts. We



see minor resistance at \$5.955 and \$6.00, with key resistance at \$6.146. Additional resistance points we see at \$6.195, \$6.27, \$6.48 and \$6.69.

Tonight's Commitment of Traders Report for the period ending February 15th, shows that non-commercials are in no rush to exit the net short positions in natural gas. In fact they increased their net short position by over 3300 contracts in the combined futures and options markets, and by 4600 contracts in the futures market alone.