



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 22, 2005

NATURAL GAS MARKET NEWS

Because of the Presidents Day Holiday, The EIA will release natural gas storage statistics at 2 PM ET on Thursday February 24.

The NYMEX told the EIA it wants major revisions to the government's weekly data on natural gas inventories released on Monday mornings when the U.S. energy futures market is open. The NYMEX also said that the public should be notified two hours in advance that a revision is coming. The EIA gave no indication of how soon it would announce its new policy.

Natural gas utility AGL Resources said it has up to 1.1 Bcf of working gas storage available for contract at its Jefferson Island storage facility in Erath, Louisiana. The facility, located near Henry Hub, the NYMEX delivery point, consists of two salt dome gas storage caverns with 10 Bcf of total capacity and about 7.3 Bcf of working gas capacity. The facility has a 720 Bcf/d withdrawal capacity and 240 Bcf/d average injection capacity and has the ability to interconnect with 8 natural gas pipelines including direct access to the Henry Hub via the Sabine Pipeline.

El Paso Corp., said its proved reserves totaled 2.2 Tcf at the end of the year. Drilling results were down in the beginning of the year, but improved later in the year, resulting in additions of 205 Bcf. El Paso had 173 Bcf of negative reserve revisions that were largely performance-driven.

FERC staffers have determined in a draft report that BP could build its proposed LNG terminal in New Jersey without greatly harming the environment. BP subsidiary Crown Landing filed its project with FERC in Sept., proposing to build an LNG import terminal on the shoreline of the Delaware River in Logan Township, N.J. The facility would be able to store up to 9.2 Bcf of natural gas, and deliver about 1.2 Bcf/d into existing pipelines.

Generator Problems

ECAR— First Energy's 1,235 Mw Perry nuclear unit shut for a month-long refueling and maintenance outage.

ERCOT— American Electric Power's 690 Mw Oklaunion coal-fired unit shut due to the loss of voltage regulation. The unit will restart as soon as practicable.

San Antonio's City Public Service will shut the 585 Mw JK Spruce coal-fired power station on Feb. 23-March 21 for an overhaul.

FRCC— FPL's 839 Mw St. Lucie #2 nuclear unit is back at full power today. The unit was at 90% Friday. St. Lucie #1 remains at full power.

MAAC— Exelon Corp.'s 1,179 Mw Limerick #1 nuclear unit exited a planned maintenance outage and ramped up to 70% of capacity. Limerick #2 dipped to 87%, down from 92% as it coasts down for a refueling outage expected to begin in late February.

MAIN— AmerGen Energy's 1,026 Mw Clinton nuclear unit dipped to 29% of capacity early today and is operating offline to work on some pipes in the condenser. On Friday the unit was operating at 96% of capacity.

Wisconsin Public Service's 539 Mw Kewaunee nuclear unit shut early today. On Friday the unit was operating at full power.

MAPP— Nebraska Public Power Districts's 756 Mw Cooper nuclear unit exited a refueling outage and returned to full power by early today. On Friday the unit was operating at 2% as it started to exit the outage.

Xcel Energy's 522 Mw Prairie Island #1 nuclear unit shut early today. On Friday the unit was operating at 98% of capacity. Prairie Island #2 continues to operate at full power.

BP wants to see FERC approval this summer so it can start up the facility commercially sometime during fourth quarter 2008.

The Climate Prediction Center today reported that for the week ending February 19th there was some 171 heating degree days recorded on a gas home heating customer weighted basis. This was 12.8% warmer than normal and 19% warmer than the same week a year ago. The CPC is forecasting the current week ending February 26th to have some 181 HDD. This would be 2.2% warmer than normal but 5.8% colder than the same week a year ago.

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. All Louisiana Line segments (25, 23, and 24) are at capacity for eastbound transport volumes.

PIPELINE MAINTENANCE

Southern Natural Gas said that it had been notified that Enterprise Operating Partners has experienced an unscheduled outage at its Toca 1 processing plant. At this time, the duration of the outage is unknown. Southern's field personnel are working to bring Southern's dehydration facilities online to mitigate the impact of the Toca 1 plant outage on gas quality. Additionally, Southern will be blending via storage withdrawals at TGP-Toca to the extent operationally feasible. However, Southern does expect that a richer gas stream will reach the market area, primarily on the south system, over sometime today or tomorrow.

El Paso Natural Gas Co. said that the Mojave Pipeline's Topock Station will be down for annual Department of Transportation inspections on March 8 for approximately five hours. During the outage, there will be no flow into Mohave from TOPEPNG or TOPTRNS. At the conclusions of the maintenance, flow will resume and normally scheduled volumes should be delivered by the end of the gas day.

El Paso Natural Gas released its schedule of maintenance projects for the month of March. On March 4, valve maintenance at Blanco will require NO FLOW from Williams Milagro (IMILAGRO) or Transwestern (INWPLBLA) for four hours, beginning at 8:00 AM MT. When flow resumes at approximately noon, INWPLBA will be limited to a total scheduled volume of 375 MMcf/d for the remainder of the day. On the North Mainline, Hackberry 2 turbine will be down for overhaul March 8-31. Mojave Station will be down for annual DOT inspections March 8 for approximately five hours. During the outage, there will be no flow into Mojave at DMOJAVE. At the conclusion of the maintenance, flow will resume and normally scheduled volumes should be delivered by the end of the gas day. Window Rock 1B compressor will be down for turbocharger repairs March 9-10. Window Rock 3A compressor will be down for mechanical inspection March 14-17. Mackberry Station will be down for annual DOT inspections March 17. Line 1204 will be down to install new pigging facilities between Hackberry Station and Franconia Junction March 24-25. The North Mainline capacity will be reduced at Hackberry by the following approximate amounts from a base Hackberry capacity of 2,163 MMcf/d: March 8-16-60 MMcf/d; March 17-190

Generator Problems

NPCC— Entergy Corp's 684 Mw Pilgrim nuclear unit returned to full power early today. On Friday, the unit was reduced to 60% for a rod pattern exchange.

Constellation Energy restarted its 470 Mw Ginna nuclear unit an has since increased output to full capacity, after the unit tripped from full power Feb. 16 due to a turbine trip.

SERC— Entergy Corp's 978 Mw River Bend nuclear unit shut early today. The unit was operating at 85% of capacity on Friday.

Duke Power Co. restarted its 846 Mw Oconee #3 nuclear unit and is running the unit at 19%. The unit shut Feb. 16 to conduct repairs to a steam leak in the Main Steam System.

The Tennessee Valley Authority returned its 1,100 Mw Browns Ferry #3 nuclear unit to full capacity this morning.

TVA shut its 1,121 Mw Watts Bar nuclear unit for a refueling and maintenance outage.

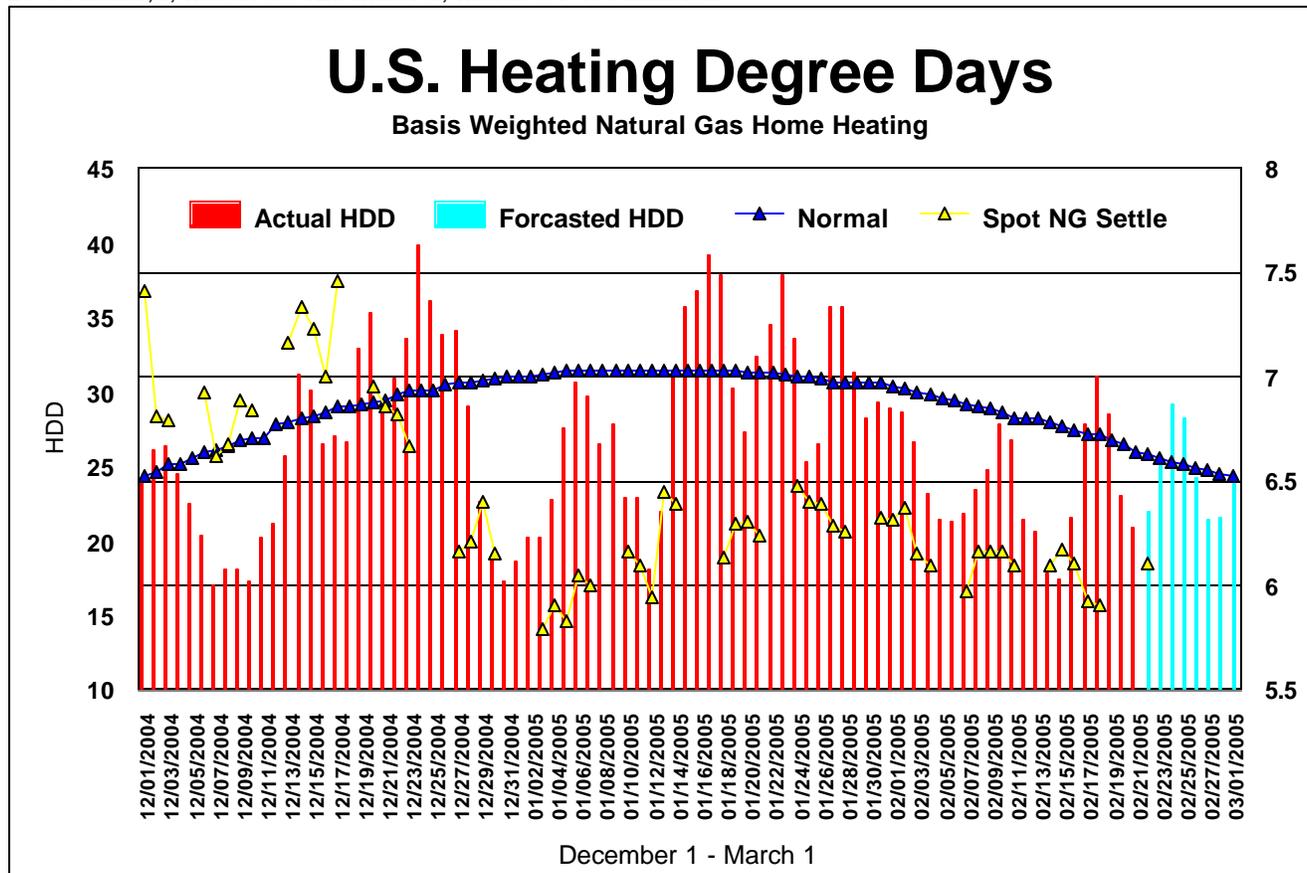
WSCC— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit exited an outage and returned to full power early today after fixing a failed breaker that feeds off-site power into the plant. Palo Verde #2 and #3 continue to operate at full power.

Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit is expected to return to service on March 5. The unit was shut on Feb. 15 as a valve in the cooling water system was only partially opening. San Onofre #3 continues to operate at full capacity.

Intermountain Power Agency's 820 Mw Intermountain #2 coal-fired unit returned to service late Monday. The unit shut Feb. 14 for a planned maintenance inspection.

The NRC reported that U.S. nuclear generating capacity was at 87,479 Mw today down 0.83% from Friday and up 1.96% from a year ago.

MMcf/d; March 18-23-60 MMcf/d, March 24-25-500 MMcf/d; March 26-31-60 MMcf/d. On the San Juan Crossover, the Belen 1 turbine will be down for mechanical inspection March 28-29, reducing the capacity of the San Juan Crossover by 25 MMcf/d from a base capacity of 643 MMcf/d. On the Havasu Crossover, the Hackberry 2 turbine overhaul will cause a reduction of capacity on March 8 through 31. Alamo Lake Station will be down for annual DOT inspections March 30, with Alamo Lake 2 Turbine remaining down through March 31. The Havasu Crossover capacity will be reduced by the following amounts from a base of 670 MMcf/d: March 8-29-50 MMcf,d; March 30-125 MMcf/d; March 31-100 MMcf/d.



Kern River Gas Transmission Co. updated its maintenance schedule for the Month of March. On Feb. 28-March 4 Kern River will complete the required annual test of the Emergency Shut Down system and the annual maintenance at Goodsprings Compressor Station. Kern River is estimating an impact of up to 100 MMcf/d to interruptible transportation. On March 7-11, Kern River will complete the annual test of the Emergency Shut Down system and the annual maintenance at Veyo Compressor Station. Kern River is estimating an impact of up to 161 MMcf/d to interruptible transportation. On March 11, Kern River will complete a valve change out at the PG&E Daggett interconnect, causing a 12-hour meter station outage. Capacity will be limited to 200 MMcf for the day. On March 16-17, Kern River will complete the required annual test of the Emergency Shut Down system and the annual maintenance at Fillmore Compressor Station. Kern River is estimating an impact of up to 220 MMcf/d to interruptible transportation. March 22, Kern River will complete the required annual test of the Emergency Shut Down system at Salt Lake Compressor Station. On March 23-April 1, Kern River will complete the required annual maintenance at Muddy Creek Compressor Station. On March 29-30, Kern River will complete the required annual test of the Emergency Shut Down system and the annual maintenance at Elberta Compressor Station. Kern River is estimating an impact of up to 107 MMcf/d to interruptible transportation.

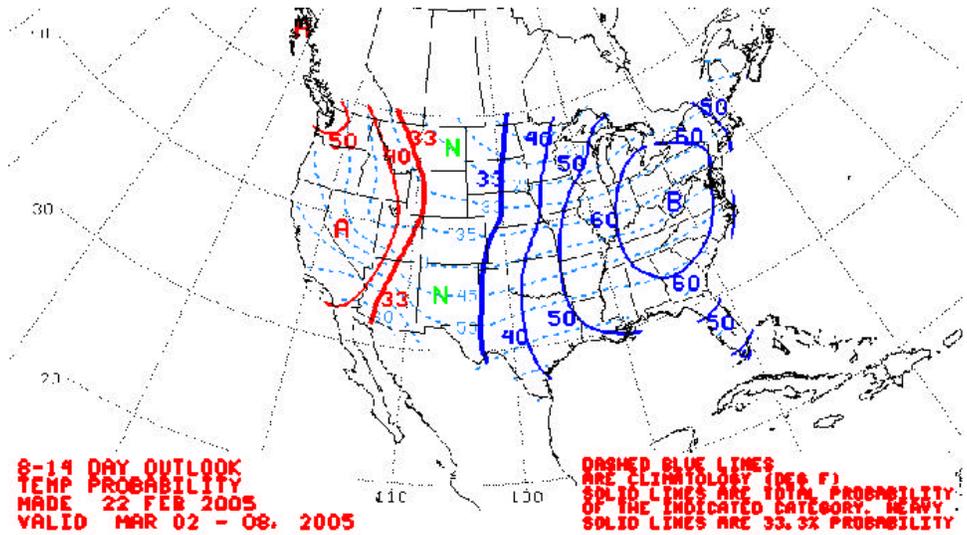
ELECTRICITY MARKET NEWS

The Nuclear Regulatory Commission proposed to lower the annual fee it levies on U.S. nuclear power plants by \$216,000, to \$3.067 million per reactor. The NRC is one of the few government agencies that is almost completely self-funded. By law the NRC must recover \$538 million, of 90%, of its budget for the 2005-spending

year that ends Sept. 30. There are 104 nuclear reactors licensed by the NRC in the U.S., with several reactors on the same site. Nuclear power plants supply about 20% of the electricity generated in the U.S.

Duke Energy, which has said it needs to get bigger to survive in the competitive U.S. wholesale power market, is aiming eventually to control 50,000 Mw, more than five times the 9,900 Mw it now owns.

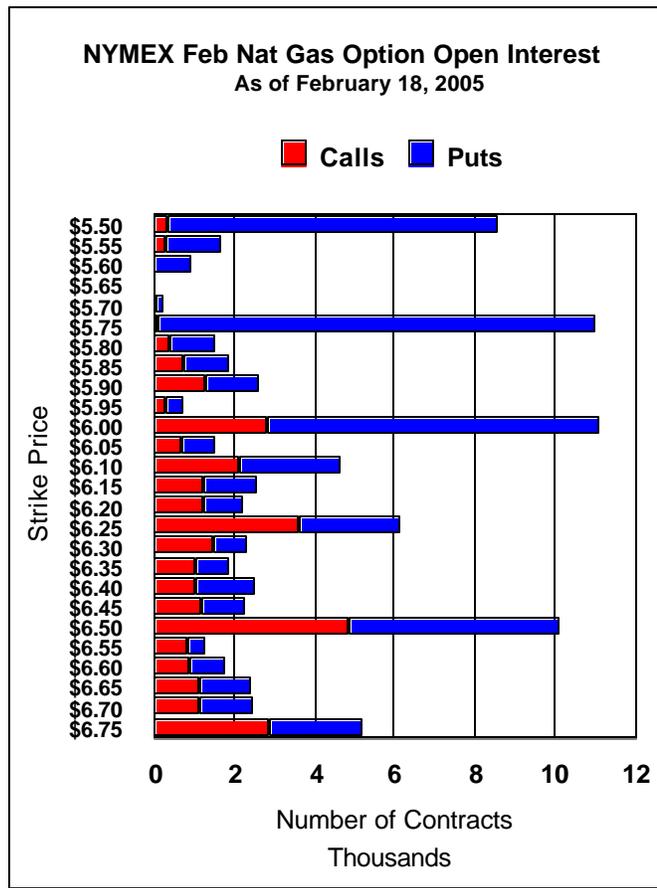
Texas State Senator Troy Fraser has introduced a bill that would require an additional 3,000 Mw of wind and other renewable generating to be developed in the state by Jan. 2015. Under existing Texas law, 2,880 Mw of renewable capacity must be in operation by Jan. 2009, so Fraser bill would set a new goal of 5,880 Mw for Jan. 2015, as well as establish a nonbonding "target" of 10,880 Mw of renewable capacity by Jan. 2025.



MARKET COMMENTARY

The natural gas market today appeared to take a back seat to the oil markets. Despite the significantly higher opening in the oil markets driven by supportive weather forecasts from both the government and private weather forecasting services, the natural gas market opened only modestly better and then failed to convincingly break above the \$6.00 price barrier until mid afternoon, as crude and heating oil price premiums over natural gas grew to levels not seen since October of last year. Despite the flat price ending the day up for the first time in four trading sessions, the March April spread continued to weaken and settling at new lows at a 11.8 cent differential. Not a ringing endorsement for the start of a new bull market. Final volume on the day was estimated at just over 80,000 futures traded, of which 45% were booked via spreads.

We continue to look at the overhang of stocks in the natural gas market as anchor holding prices from floating away significantly to the upside, despite the rally in the oil markets. While we feel that the \$5.71-\$5.75 area is probably where the March contract should expire later this week, if the bullish frenzy in the oil markets does not subside that may not become a reality. Therefore if oil prices try to remain pegged near \$50 plus dollars we would look for natural gas prices to most likely expire more around the \$6.00-\$6.20 level. We see initial resistance tomorrow at \$6.12, followed by \$6.20, \$6.27, \$6.48 and \$6.69. Support we see at \$6.00 followed by \$5.95, \$5.90, \$5.85 and \$5.71.



Tomorrow is option expiration day for the March natural gas options. Upon looking at existing open interest it would seem to make the case for prices to settle tomorrow near \$6.00 if not make a run for the \$5.75 area.

