



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 7, 2005

NATURAL GAS MARKET NEWS

Cheniere Energy crossed a major hurdle toward building a LNG terminal in Texas when it received a positive final environmental impact statement from FERC. The commission recommended approval of the project once appropriate mitigating measures to limit environmental impact on the Corpus Christi area are taken. Cheniere expects final FERC approval later this year and for construction to start in the third quarter of 2005. The proposed terminal will have an initial gas processing capacity of 2.6 Bcf/d. Cheniere is also building terminals at Sabine, Louisiana, and Cameron, Louisiana, and is a partner in another terminal under construction at Freeport, Texas.

The Climate Prediction Center this morning reported that they estimate that for the week ending March 5th, the nation saw some 191 heating degree-days on a gas home heating customer weighted basis. This was some 11% colder than normal and 56.6% colder than the same week a year ago. For the current week ending March 12th, the CPC is looking for 153 HDD, some 4.4% less than normal, but still 2.1% colder than the same week a year ago.

The FERC today has approved a request by Northern Star natural Gas LLC to begin an early review of its proposed Pacific Northwest LNG and associated pipeline project.

ELECTRICITY MARKET NEWS

Dynegy will invest \$321 million to cut emissions from its Illinois coal-fired plants over the next five years under a settlement announced with U.S. regulators. Dynegy said the settlement resolves a 1999 dispute with the U.S. EPA and the U.S. Department of Justice related to maintenance, repair and replacement projects at the company's Baldwin Energy Complex in Illinois. Included in the settlement is the previously planned conversion to low-sulfur Powder River Basin coal at its Vermilion

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Monticello #3 coal-fired unit shut and returned to service twice over the weekend. On March 4, an electro hydraulic fluid leak in the turbine control system caused the boiler to trip, and after repairs the unit returned to service March 4-5. On March 6, the unit again tripped due to another electro hydraulic fluid leak in the turbine control system. The unit returned to power on March 6.

TXU Corp.'s Big Brown Steam electric station tripped early today while at load due to loss of primary processor for boiler feed pump speed control. Maintenance activity in the boiler may possibly cause reentrainment of fly ash resulting in brief episodes of opacity. The unit is due back in service March 7, around 3 PM.

Texas Genco's 646 Mw WA Parish #5 coal-fired station in Texas will return to service on March 7-8 following an unplanned boiler tube leak repairs. The unit shut March 5.

MAIN— AmerGen Energy Co.'s 1,026 Mw Clinton nuclear unit ramped up to 84% capacity early today. On Friday the unit was at 55% capacity after exiting a work outage last week.

MAPP— Xcel Energy's 569 Mw Monticello nuclear station shut March 5 for a refueling outage. The outage is expected to last one month. On Friday the unit was operating at 87%.

SERC— Entergy Corp.'s 978 Mw River Bend nuclear unit exited an outage and ramped up to full power early today. The unit shut Feb. 28 to fix two valves in the feed-water system.

Progress Energy shut the 900 Mw Brunswick #2 nuclear unit March 4 for a refueling outage, expected to last one month. On Friday the unit was operating at 82%. Brunswick #1 continues to operate at full power.

facility, with an additional \$224 million in investment in the 2011 to 2012 timeframe.

Oregon Regulators are expected to rule this Wednesday on whether to approve buyout firm Texas Pacific Group's \$1.25 billion purchase of utility Portland General Electric. The deal also includes the assumption of \$1.1 billion in debt. The Public Utility Commission has been doing some tweaking on it, making some last minute changes. The local media has indicated that experts believe the PUC could approve the purchase, but are adding significant conditions to the deal that could cause TPG to withdraw. PGE is owned by bankrupt energy trader Enron Corp. and serves nearly half of Oregon's population. Consumer groups have opposed the sale to the investment group, which they believe could cut the capital spending budget of the utility to boost short-term returns. TPG released hundreds of confidential documents in January in an effort to diffuse criticism and allay fears that it would back away from a planned public offering of shares in PGE.

MARKET COMMENTARY

The natural gas market opened lower this morning as warmer than expected temperatures over the weekend and into the start of this week were keeping natural gas demand restrained for the most part across the nation. While natural gas prices remained mired in a six cent sideways trading range for basically the entire session, prices were able to close out near their highs as oil prices turned positive

Generator Problems

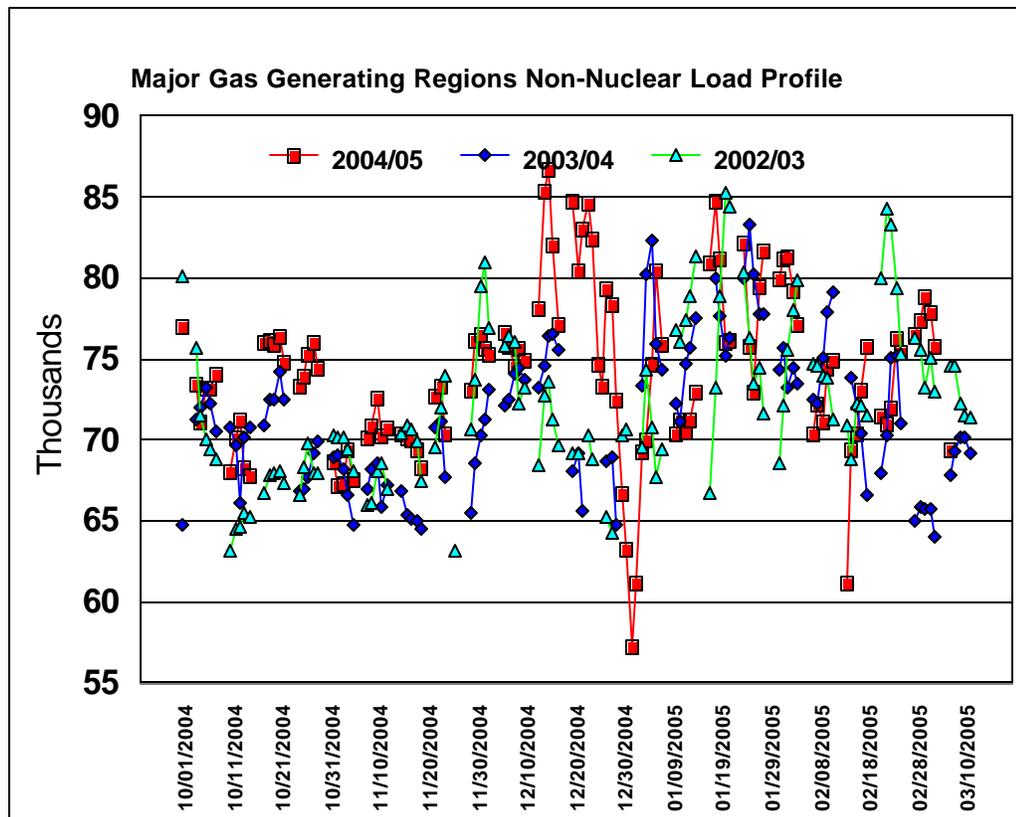
WSCC— Duke Energy Corp.'s 739 Mw Moss Landing #7 natural gas-fired unit returned to service form on unplanned outage early today. The unit shut Feb. 28 to fix an oil pump.

Southern California Edison's 1,070 Mw San Onofre #2 is expected to return to service late Monday evening after the unit was shut Feb. 15 as a valve in the cooling water system was only partially opening. San Onofre #3 continues to operate at 100%.

The 820 Mw Unit #1 at the Intermountain coal fired generating plant in Utah was shut early Monday. While no detail were available the unit had been expected to be taken off line in early March for a month long maintenance outage.

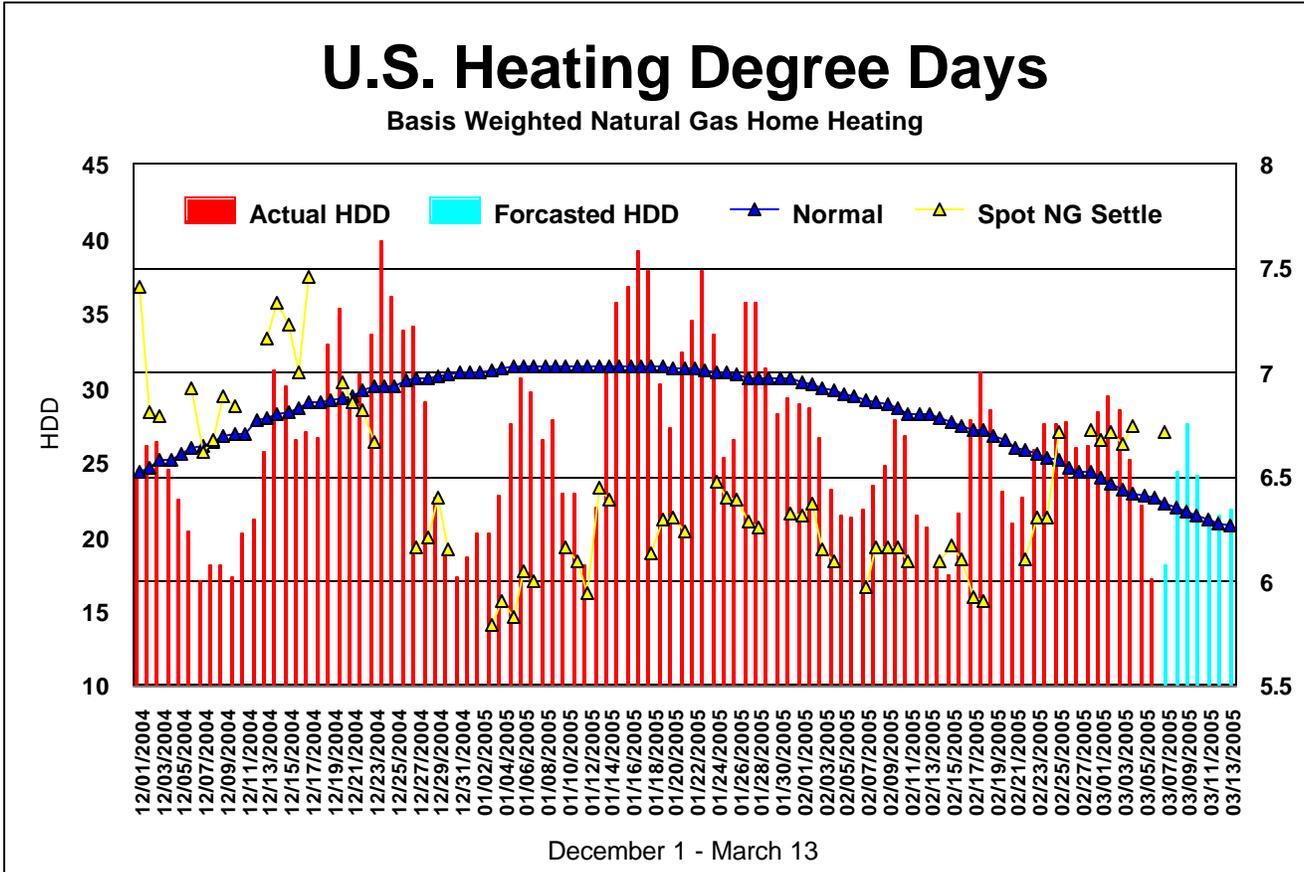
Canada— Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired unit returned to service by early Friday from a short-term planned outage. Lennox #1 and #2 are available for service, while #4 shut March 3.

The NRC reported that U.S. nuclear generating capacity was at 83,578 Mw today up 1.26% from Friday and up .60% from a year ago.

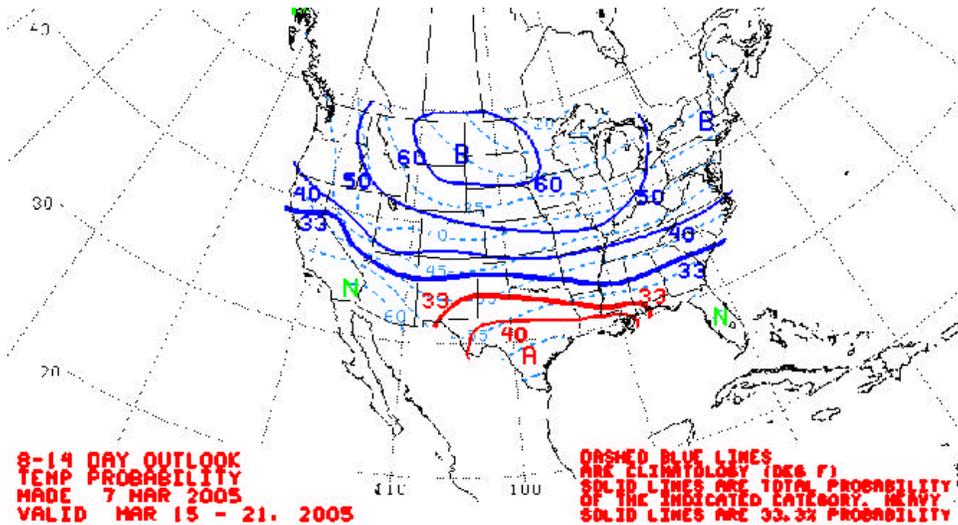


late in the session after being under significant pressure for much of the trading day. Natural gas prices despite going out near their high's still posted an inside trading session, for the first time since February 18th. It saw just 50,000 lots of futures volume. The last time the market recorded this type of trading session it was followed the next day by a break out to the upside as it appears commodity funds embarked on their buying spree that sent prices some 75 cents higher over the next couple of weeks. Given that the daily stochastics are in a relatively high oversold position, we feel that

this could possibly be a signal for a potential breakdown in the market especially if we take out today's lows during the early part of tomorrow's trading session.



Early market expectations for Thursday's EIA Storage Report appear to be running between a 100-150 bcf draw down, with the majority focused around a 135 bcf drop. A year ago saw just a 51 bcf draw down given the relative mild temperatures during that week, with the five year seasonal average showing an 82 bcf decline. We are looking for a 143 bcf decline.



We see support tomorrow at \$6.64-\$6.63, followed by \$6.585-\$6.55, \$6.475, \$6.375 and \$6.275. Resistance we see at \$6.72-\$6.74, \$6.78-\$6.80, and \$6.84. More distant resistance we see at \$7.04, \$7.16 and \$7.24.