



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 10, 2005

NATURAL GAS MARKET NEWS

Energy analysts at Douglas-Westwood released a report today, which forecasted LNG business will post strong growth over the next decade, as some \$67 billion in capital expenditures worldwide are expected to be posted.

Angola's proposed five-million tonne LNG plant moved a step closer to reality after the partners reached key agreements on how to proceed with the project. The project co-leaders, state oil company Sonangol and Chevron Texaco's Angolan subsidiary Cabinda Gulf Oil Co., announced deals on thorny issues such as gas supply principles, corporate structure and the legal and regulatory framework of the project. The LNG plant, estimated to cost in the region of \$5 billion, will end the environmentally harmful practice of gas flaring and offer the oil companies a chance to make money by selling the gas as an alternative fuel source.

TransCanada Corp.'s NOVA Gas Transmission Ltd. unit has reached a settlement with shippers and other interested parties regarding the annual revenue requirement of its Alberta System natural gas transmission system for the years 2005, 2006, and 2007.

The settlement encompasses all elements of the Alberta System revenue requirement, including operating, maintenance, and administration costs, return on equity, depreciation and income municipal taxes. OM&A costs are fixed at \$193 million for 2005, \$201 million for 2006, and \$207 million for 2007.

EIA Weekly Report

| | 03/04/2005 | 02/25/2005 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| Producing Region | 523 | 551 | -28 | 376 |
| Consuming East | 737 | 838 | -101 | 621 |
| Consuming West | 214 | 224 | -10 | 150 |
| Total US | 1474 | 1613 | -139 | 1147 |

River. It requires most of them to cut smog-forming nitrogen oxides and soot-producing sulfur dioxide that can drift by wind long distances across state lines, according to Environmental Defense, a research and advocacy group that was briefed on the regulations by government officials. EPA's new "Clean Air Interstate Rule" will require phased-in reductions in the volume of pollution that states can allow. By 2015, the nation's pollution from

Generator Problems

ERCOT— TXU's 575 Mw coal fired Unit #1 at the Big Brown Steam Elctric Station was expected to begin start up operations this morning following completion of recent repairs.

NPCC— Constellation Energy Group's 620 Mw Nine Mile Point #1 nuclear unit exited an outage and ramped up to full power early today. The unit shut March 7 after the turbine tripped because of an indication of a high moisture level in the moisture separator. Nine Mile Point #2 continues to operate at full power.

WSCC— The 493 Mw gas fired Unit #7 at the Redondo power plant was back in service today after it was off line for work on Wednesday for planned maintenance.

Canada— Ontario Power Generation expects to restart its 515 Mw Pickering #1 nuclear unit in late summer. The \$900 million project is about 83% done.

The NRC reported that U.S. nuclear generating capacity was at 82,482 Mw today up .90% from Wednesday and down 4.65% from a year ago.

ELECTRICITY MARKET NEWS

The Bush Administration set new limits on smog and soot pollution today with the aim of benefiting tens of millions of people who live downwind of the dirtiest coal-fired power plants in the East, South and Midwest. The new regulation from the EPA covers 28 states mostly east of the Mississippi

nitrogen oxides would be reduced by 61% below 2003 levels. Sulfur dioxide pollution would be reduced by 73%. EPA estimates the rule also will prevent 17,000 premature deaths, 22,000 nonfatal heart attacks and 700,000 respiratory ailments from bronchitis and asthma each year, and reduce pollution from afflicting parks and forests.

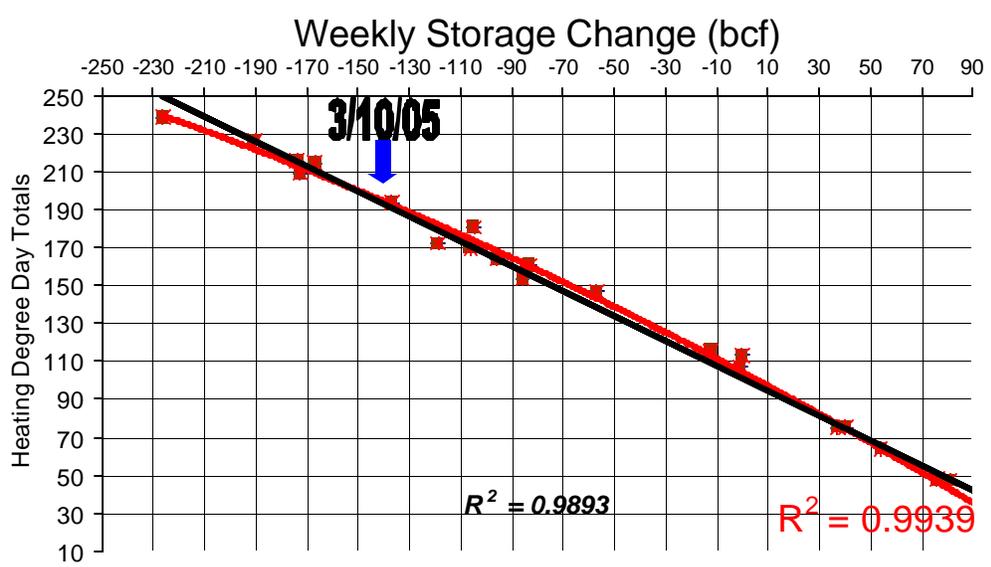
Canadian Gas Association

Weekly Storage Report

| | 04-Mar-05 | 25-Feb-05 | 05-Mar-04 |
|--------------|-----------|-----------|-----------|
| East | 79.9 | 92.5 | 73.1 |
| West | 71.3 | 76.6 | 66.0 |
| Total | 151.3 | 169.1 | 139.1 |

A retail electricity provider in Texas said it has filed a lawsuit with the U.S. District Court for the Southern District of Texas charging 66 companies, including TXU Corp., American Electric Power, Reliant Energy and CenterPoint Energy, with manipulating the state's electricity market and colluding to fix prices. The suit filed by Utility Choice Electric claims power prices in Texas would be 20% lower if not for the alleged illegal actions of the defendants. The complaint alleges the companies violated racketeering laws, mail fraud, wire fraud, antitrust laws, engaged in anticompetitive conduct and interfered with Utility Choice Electric's customers. The suit also alleges the defendants engaged in fraud by attempting to cover up unlawful conduct. The retailer accused the defendants of working together to engage in "hockey-stick bidding," a practice that leads to sharp and sudden increases in wholesale power spot prices.

US Weekly Heating Degree Day Totals VS Weekly Storage Change-Oct 1, 2004 - Mar 3, 2005
 Friday- Thursday Period (adj for USG lost production & 20 bcf adjustment made for Xmas holiday period)

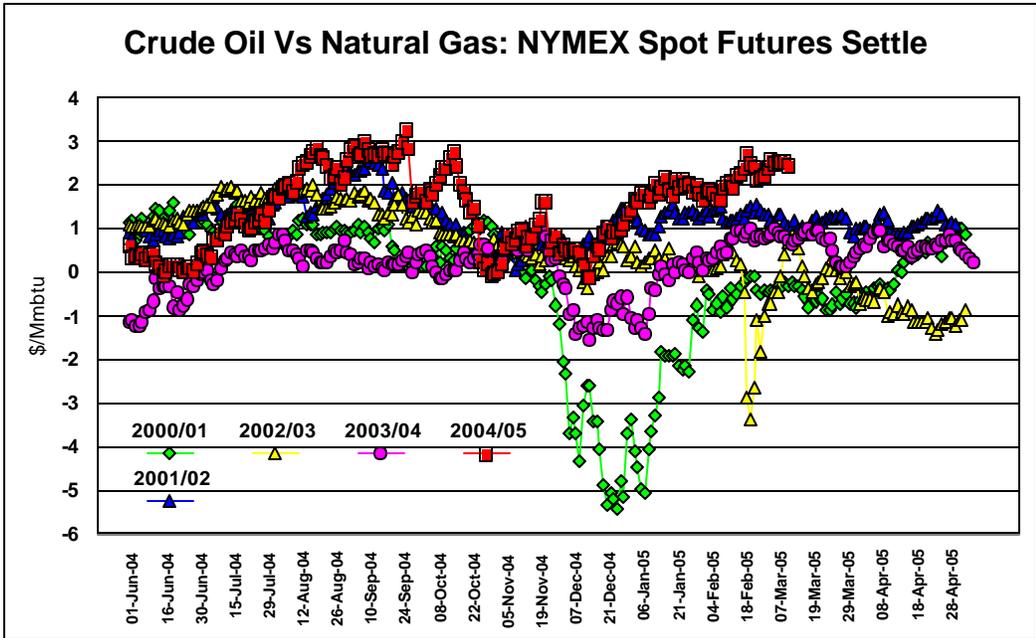


Oregon's utility regulator denied buyout firm Texas Pacific Group's proposed purchase of utility Portland General Electric from Enron Corp. The Oregon Public Utilities Commission voted unanimously to reject the sale, saying it wouldn't benefit utility customers. The commission also raised concerns about letting the utility be purchased by a "short-term owner." TPG had said it would buy the PGE, the state's largest utility, in Nov. 2003 for \$1.25 billion plus the assumption of \$1.1 billion in debt.

Environmental group Sierra Club, filed a federal lawsuit demanding that American Electric Power Co. should resolve air pollution problems at its Welsh coal-fired plant in Texas. The lawsuit outlines as many as 2,000 violations where it claims AEP exceeded limits on particulate matter and carbon monoxide emissions, including "nearly daily" violation of soot limits for several weeks. AEP spokeswoman Melissa McHenry said the lawsuit was without merit and the plant had met the emission limits in its air quality permit.

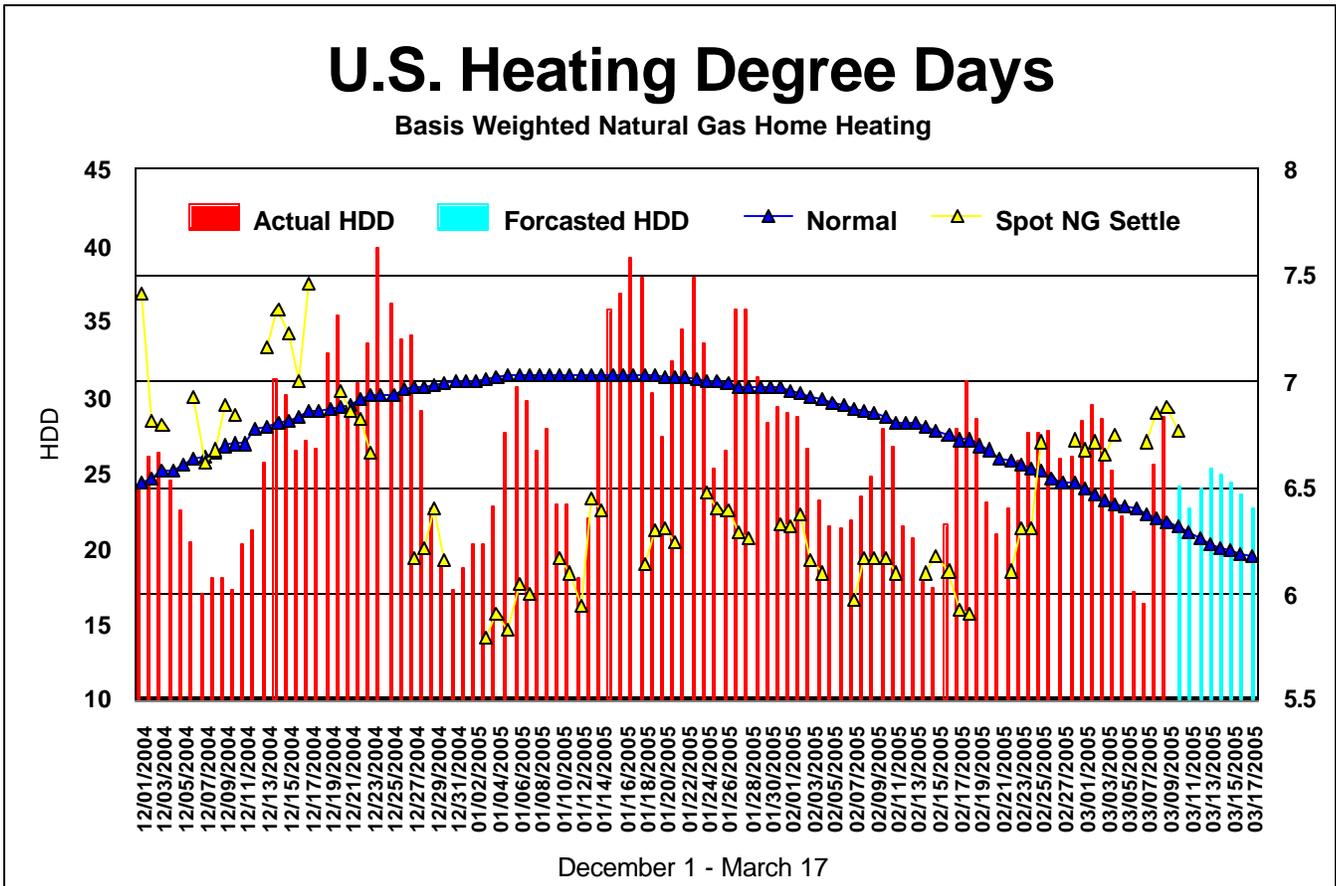
International Power announced that its 1100 Mw Hays gas fired power plant would restart in May. The unit was mothballed In January 2004, after being in service for just two years.

MARKET COMMENTARY



The natural gas market opened a couple of pennies lower this morning given weaker oil prices and that this morning's cash market values appeared to take a breather as temperatures were expected to moderate just ever so slightly over the next few days. But with the release of the slightly supportive EIA storage report at mid-morning the market quickly spiked to \$6.98, the highest level for the April

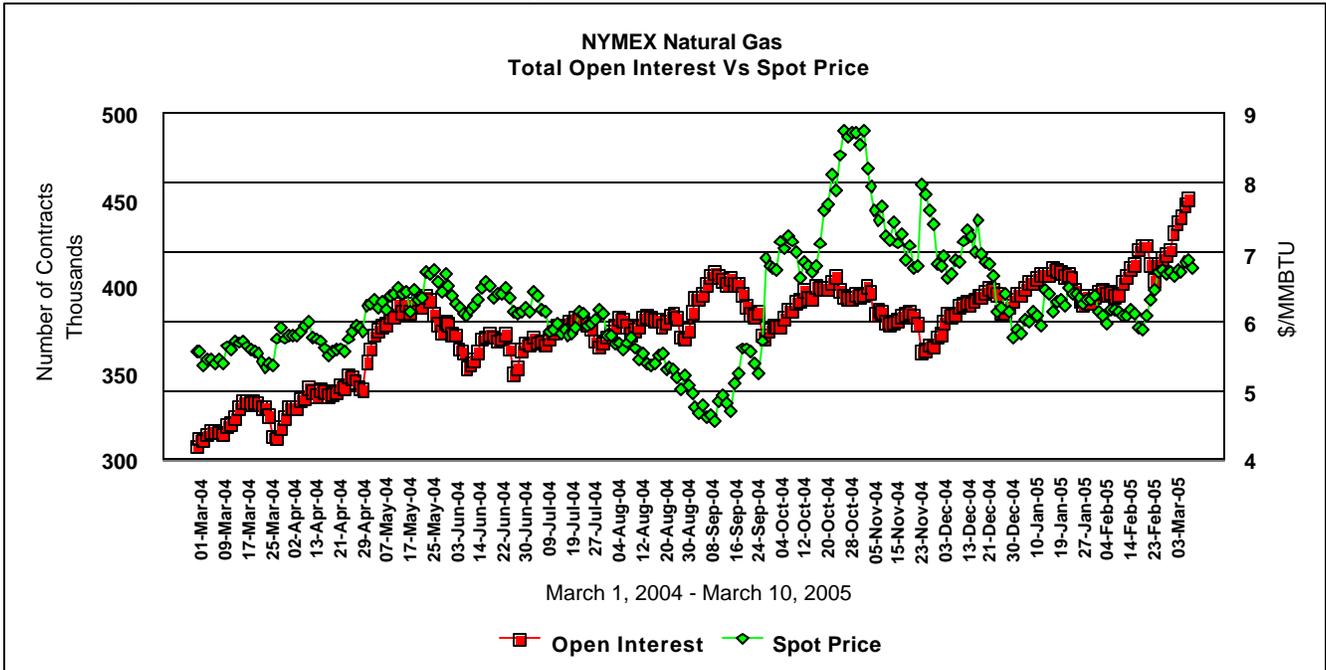
contract since November 29th and the highest level the spot futures contract has been since December 20th. But with oil prices trending lower at the time, natural gas prices could not be maintained at this level and prices quickly retreated back to where they were prior to the release of the report. In fact gas prices remained under pressure for much of the day, as oil prices eroded, falling back down below \$6.70 and back filling the gap from



December 1 - March 17

Tuesday's higher opening, before rebounding in the final 30 minutes of trading as the oil market bounced back, on apparent profit taking by the floor of the morning's short positions. Final volume in natural gas for the day was a moderate 84,000 futures contracts traded.

The NYMEX reported at midday that total open interest in the natural gas increased for the ninth consecutive session, growing by 3,855 lots and starting the day today at 451,221 contracts, the highest level since July of 2002. We would look for tomorrow's Commitment of Traders Report to show that these recent gains continue to be fueled by non-commercials build a net long position.



Given the heating needs recorded this week and the temperature outlook for next week we currently are looking for draw downs over the next two weeks of 95 and 105 bcf respectively, which leaves us we feel with a strong possibility that we should begin the injection season with approximately 1.2 tcf of natural gas. This in our minds would be a more than comfortable level of stocks to start with, given that in the last ten years, only 2002 and 1999 saw working gas stocks exceeded this level to start the injection season.

We continue to feel that this market probably cannot post any significant price erosion until the non-commercials finishing their buying spree in the natural gas market. This may still take another week. We see resistance at \$6.94-\$6.98, \$7.04, \$7.16 and \$7.25. Support we see at \$6.69, \$6.585, \$6.465, \$6.42-\$6.40 and \$6.345.