



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 22, 2005

NATURAL GAS MARKET NEWS

FERC approved a proposal from Kinder Morgan's Natural Gas Pipeline of America subsidiary to increase the capacity of its Sayre natural gas storage site in Beckham County, Oklahoma. The storage site's maximum working gas will be increased from 51.1 Bcf to 57.1 Bcf, and the daily peak withdrawal rate at the site would be boosted from 400 MMcf to 600MMcf. This would be accomplished by drilling 22 new gas injection and withdrawal wells at the site, adding 8.3 miles of pipeline and installing two new compressor stations. The company plans to have the expanded storage site in service during the spring of 2006. The project will cost about \$35 million.

FERC rejected a plan by Williams Cos Inc.'s Transcontinental Gas Pipe Line Corp. subsidiary to sell part of its pipeline in south Texas to a unit of independent Crosstex Energy LP. FERC concluded that the proposed \$27.4 million deal is not in the public interest because the facilities are essential to the provision of open-access interstate (pipeline) service, and because the proposal lacks evidence of benefits sufficient to outweigh potential adverse impacts of forcing customers to discontinue service from Transco and accept service from Crosstex. Transco argued that the south Texas pipeline facilities are no longer essential to the company's interstate transportation service, and the sale would have resulted in reduced costs for its customers by removing the facilities from Transco's cost of service and rate base.

U.S. Senator Jack Reed stated that FERC's

Generator Problems

FRCC— FPL Group's 693 Mw Turkey Point #4 nuclear unit shut due to a problem with the feed water pump motor. The pump motor caused the pump to trip, which caused a low water level in the steam generator. The company reported that they would likely have the unit back in a few days. On Monday the unit was operating at full capacity. Turkey Point #3 continues to operate at full power.

MAIN— Exelon Corp.'s 1,144 Mw LaSalle #2 nuclear unit dipped to 70% of capacity early today. The unit was operating at full power yesterday. LaSalle #1 continues to operate at full power.

SERC— The Tennessee Valley Authority reported its 1,100 Mw Browns Ferry #2 nuclear unit offline this morning as it approaches a refueling and maintenance outage. Browns Ferry #3 remains at full power.

WSCC— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit exited an outage and ramped up to 58% of capacity early today. The unit shut March 18 for work on a diesel generator. Palo Verde #2 and #3 continue to operate at full power.

Constellation Energy Group curtailed the output of its 780 Mw High Desert natural gas-fired unit by 680 Mw early today for planned reasons.

Intermountain Power Agency's 820 Mw Intermountain #1 coal-fired power station remained shut early today despite not being included in the California Independent System Operator power plant outage reports. A plant spokesman noted the unit would likely return on about April 4.

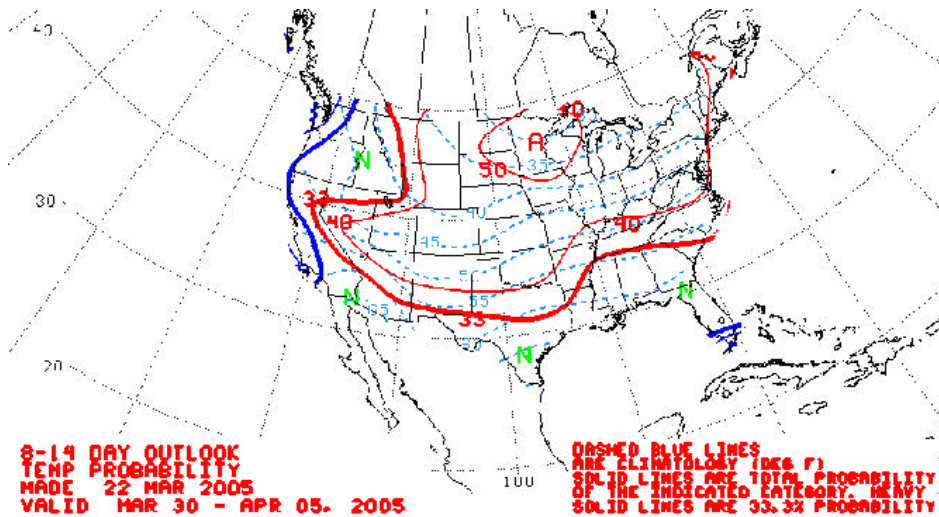
Canada – OPG's 285 Mw coal fired LakeView #2 and #5 generating units were taken off line today and expected to be off line for a week. The company had taken the #1 and #6 coal fired units off line yesterday for maintenance as well.

The NRC reported that U.S. nuclear generating capacity was at 79,075 Mw today down .83% from Monday and down 1.49% from a year ago.

process for approving LNG terminals “fails to properly balance the energy needs of the region with the safety of citizens,” and he therefore introduced a bill that would require FERC to work with states to pursue a regional approach to approving LNG terminals, include the Coast Guard’s safety and security concerns in FERC’s final consideration and give states more authority in the permit approval process.

Fidelis Energy Inc. reported that the pipeline connecting the North Franklin Gas Field to the gas buyers’ delivery system is flowing gas. The operator of the project has choked down and metered the flow at an initial rate of 2

MMcf/d and will be increasing the flow in small increments until the pressures from the reservoir stabilize at an acceptable rate that will not damage the casing or productive sand layer.



Lawsuits filed Monday by the State of Illinois and the City of Chicago, allege Peoples Energy and several of its affiliates joined with Enron to carry out a scheme to defraud natural gas customers in northern Illinois of more than \$100 million from 1999 through 2002. The lawsuits claim that

these gas companies’ diverted assets from the natural gas utility, Peoples Gas, to Peoples Energy and Enron to inflate their acquisition costs and pass those inflated costs onto Illinois consumers.

The U.S. Minerals Management Service reported that it has sold 485,400 Mmbtu/d of gas through its Gulf of Mexico royalty-in-kind program in a competitive auction. The gas was sold to 13 companies this spring and concluded March 10th.

Private weather forecaster, WSI Corp, said today that they see the April-June period should average below normal temperatures in the major cities of the northeast, along with the entire southwestern quarter of the country.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that gas received on Segment 17 in the TexOk Zone is at capacity. NGPL is at capacity for gas received upstream of Compressor Station 15 in Wise County, Texas in Segment 1 going northbound. NGPL is also at capacity for deliveries to ANR South Joliet #2. All Louisiana Line Segments (25,23, and 24) are at capacity for eastbound transport volumes.

Texas Eastern Transmission Corp. said it has been 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; 72614-Duke Energy Field Services-Ouachita Parish, La. In addition, TETCO has been scheduled to capacity between Little Rock and Fagus on the 24-inch line. Physical increases between Little Rock and Fagus will not be accepted.

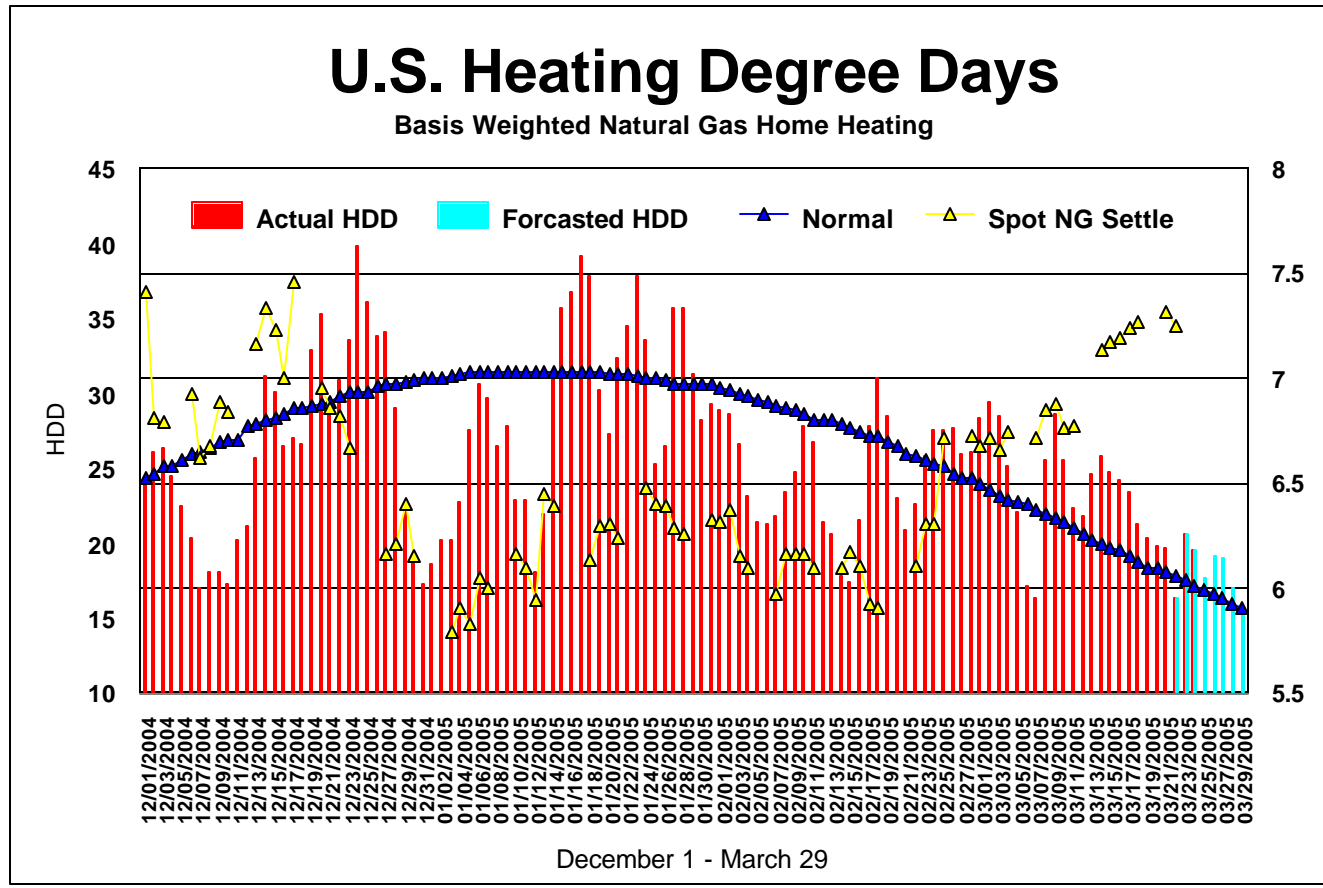
Colorado Interstate Gas Company said that one unit of the Elk Basin Compressor Station in Wyoming will be out of Service April 1, through April 30. Capacity through the station will be reduced to 90 MMcf/d.

Kern River Pipeline has warned schedulers of high line packs along Kern ML North from Muddy Creek to Elberta, Kern ML Middle from Elberta to Goodsprings and Kern ML South from Goodsprings to Common Facility and from Common Facility to End of Facilities.

In an update to the ongoing force majeure situation at several of its compressors, TransColorado said that there is no new information regarding its work schedule. The Dolores compressor unit repair was completed last week. New suction and discharge bottles have been installed and tested on the unit that had been removed from service. The Whitewater compressor repair will be the next to be completed. The estimated in-service date for completion of repairs on all expansion compressor units is April 15. As each unit is repaired, additional capacity may become available before April 15. Currently, Segment 220 is limited to 320 MMcf/d while Segment 240 is flowing 375 MMcf/d. Meanwhile force majeure conditions are still in effect.

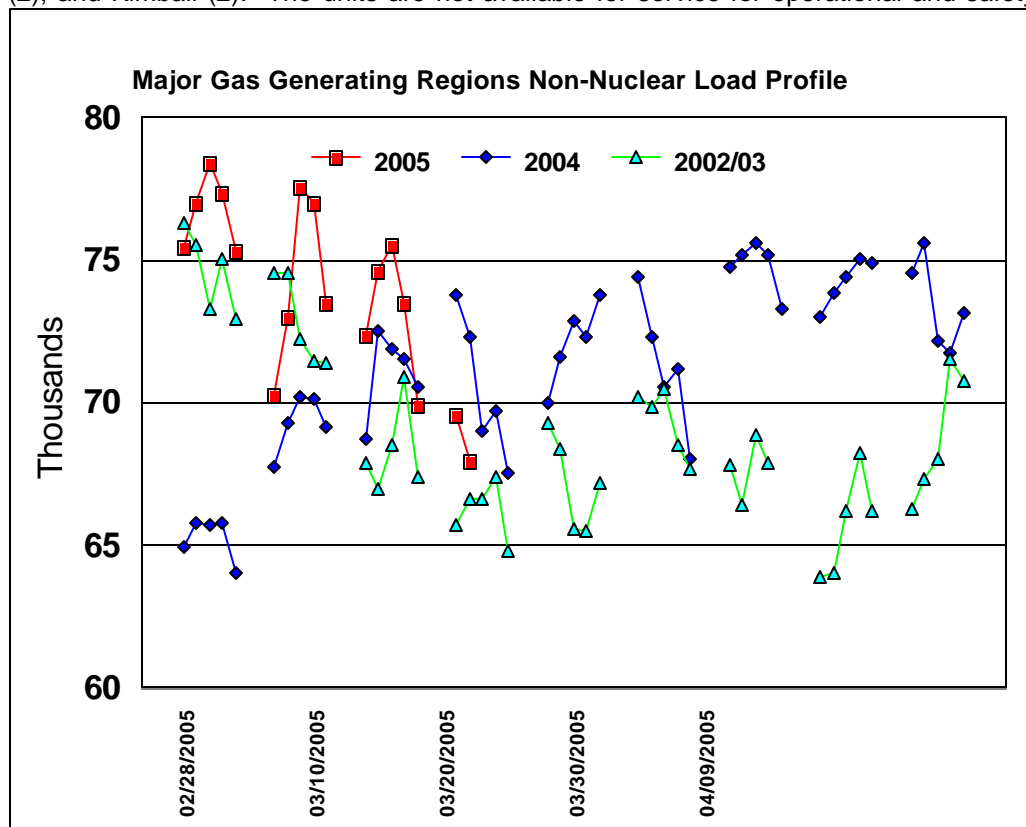
PIPELINE MAINTENANCE

Kern River Pipeline recently updated its maintenance schedule. Due to flood damage in Southern Utah this project has been postponed until the fall. Kern River will complete necessary repairs to the lube oil cooler on unit #3 at Veyo Compressor Station. The scope of the project requires that unit #3 remain unavailable for the duration of the work. Kern River anticipates that there will be no impact to firm transportation. On March 22, Kern River will complete the required annual test of the Emergency Shut Down system at Salt Lake Compressor Station. Kern River anticipates that there will be no impact to firm or interruptible transportation. On March 23-April 1, Kern River will complete the required annual maintenance at Muddy Creek Compressor Station. The maintenance will be completed with four out of the five units available at all times. Kern River anticipates that there will be no impact to firm transportation or interruptible transportation. 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 anticipates that there will be no impact to firm transports. Kern River is



estimating an impact of up to 107 MMcf/d to interruptible transportation. On April 5-6 Kern River will complete the required annual test of the Emergency Shut Down system and the annual maintenance at Coyote Creek Station. There will be no impact to firm transportation, but Kern River is estimating an impact of up to 45 MMcf/d to interruptible transportation. On April 13, Kern River will complete the required annual test of the Emergency Shut Down system at Muddy Creek "B" Plant Compressor Station. Kern River anticipates that there will be no impact to firm of interruptible transportation.

KM Interstate Gas Transmission said its advisory over several faulty compressors remains in effect. The company issued an Advisory Notice March 2, concerning its discovery of cracks on several of the pulsation bottles on six Cheyenne Market Center compressor units at three compressor stations: Huntsman (2); Rockport (2); and Kimball (2). The units are not available for service for operational and safety reasons. The remaining



compressor units on the KMIGT system are not impacted and remain in service. Based on existing nominations and current operating conditions, KMIGT does not anticipate that firm services will be curtailed. KMIGT currently estimates that the CMC compressor units will be fully restored to service by approximately May 14. This advisory notice will remain in effect until that time.

Gulf South Pipeline said it began performing unscheduled maintenance on its Koran Compressor Station Unit #4

yesterday. Repairs are expected to continue through today. Capacity through the Koran Compressor Station could be affected as much as 10 MMcf/d during this maintenance period.

Alliance Pipeline said that routine inspection at the Gold Creek Compressor in Alberta will take the unit offline for nine hours starting at 9:00 AM MT on Thursday, March 24. Station capacity will be lowered to 36.4 MMcf/d.

Trailblazer Pipeline Co. said that on April 28, it will perform a test of the Emergency Shut Down at Station 603 in Kearney County, Nebraska. This partial day test should have no impact to transport scheduling.

ELECTRICITY MARKET NEWS

Pacific Gas and Electric Company has issued an updated Request for offers for long-term electric supply, as part of the resumption of its long-term procurement process which was temporarily delayed in January. The submission deadline for initial offers is April 27. The RFO solicits offers for both Facility Ownership and power Purchase alternatives. PG&E has conformed its review process to satisfy the requirements contained in the California Public Utilities Commission long-term procurement decision, issued in December 2004. Most of the changes to RFO result from the CPUC decision and PG&E's specific request for offers to replace generation from its Humboldt Bay Power Plant in Eureka, California.

Hydro-Quebec said today that the company is waiting for the provincial government to decide whether to allow the company to expand the radioactive waste storage facility at the Gentilly #2 nuclear unit. If the company gains approval then the facility would be able to operate beyond the 2007 projected date when the current facility would reach capacity. The company is also seeking to refurbish the generating unit at a cost of C\$1 billion, which could keep the unit running until 2035. Without the refurbishment the company would have to close the unit down by 2013.

FERC approved a proposal from Entergy Corp. to establish an independent coordinator of SPP transmission, an entity anticipated to realize hundreds of millions of dollars in customer savings through more efficient operation of the multi-state utility power grid.

MARKET COMMENTARY

The natural gas market today appeared to take a breather today as the natural gas market saw limited demand for heating needs and generation needs, as the market prepares to enter into the slack demand season or shoulder months. The market saw just 75,000 futures traded as the market posted its first inside trading session in the April contract since March 7th, generating a warning flag for us that tomorrow could be a volatile trading session. Given that the oil markets should receive a jump-start following the release of the oil inventory reports at mid morning, we would look for the oil markets to provide the lead for this market to start tomorrow.

The NYMEX natural gas options market saw brisk spread activity as the November \$7.95 straddle traded 1650 times, with the October \$7.60 and December \$8.30 straddles traded 825 times each.

We would look for initial support in the natural gas market to be found at \$7.19, followed by more critical support at \$7.10-\$7.195. Additional support we see at \$7.00, \$6.835, \$6.665 and \$6.495. Resistance we see at \$7.34-\$7.38, \$7.455, \$7.54 and \$7.85. The April 2006 \$9.00 call was the most active strike trading today as an outright trade as it traded over 1600 times between 28.5-29 cents.

Current market expectations for this week's EIA natural gas storage report appear to be running between 80 and 100 bcf decline. A year ago saw some 63 bcf drawn out of storage while the 5-year seasonal average has declined by 51 bcf. Given our estimates that heating demand last week was some 3.8% higher than the previous week, we would look for stocks to be drawn down by 102 bcf.