



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR DECEMBER 22, 2004

NATURAL GAS MARKET NEWS

Thomas Driscoll, Lehman Brothers analyst, noted that there is an increasing risk that natural gas prices will fall to \$4 or less by February because of excess gas supply on the market. As a result, shares of exploration and production companies could fall 20-30%.

Energen Corp reported that it has hedged additional natural gas, oil and NGL production for 2005 and as a result was raising its earnings outlook for 2005 by 15 cents. It reported that it hedged an additional 900 mmcf of its 2005 natural gas production at a NYMEX equivalent price of \$6.56, 400,000 barrels of oil production at a NYMEX related price of \$43.825 and some 20.2 million gallons of NGL production at an average price of about 62.8 cents per gallon. The company also assumes that the unhedged portion of its production will see prices average \$6 per mcf of gas, \$32 per barrels for crude and 53 cents per gallon for NGL.

Apex Resources Group Inc. was excited to hear that three major oil producers have submitted proposals to construct a \$20 billion natural gas pipeline running from Alaska's North Slope to markets in the lower 48 states. The proposals came from BP Plc., ConocoPhillips, and ExxonMobil and they included a "fiscal package" to the Alaskan Governor Frank Murkowski that details the proposals for building the entire 3,500 mile pipeline from Alaska through British Columbia and Alberta to Chicago. Apex was excited because Canadian producers hope to use the Mackenzie Delta, a stronghold of theirs when the pipeline goes through.

The Minerals Management Service has issued an interim update to estimates for undiscovered technically recoverable resources underlying offshore waters on the Outer Continental Shelf. New Exploration activities in the Gulf of Mexico and in the Scotian Basin offshore Canada have yielded estimates that 76.0 billion barrels of oil and 406.1 trillion cf of natural gas are technically recoverable from federal off shore areas. This assessment is relatively the same as the 2000 assessment as far as oil goes, but the estimate for natural gas shows a 12% increase over the 2000 assessment. MMS says that around 91% of the increase in natural gas is due to new information obtained from recent exploration activities in the Gulf of Mexico.

El Paso Corporation's production appears to have bottomed out in October at 761,000 Mcf/d, down 30% from last year's third quarter average and less than half than 1.6 Mcf/d two years ago. Citigroup analyst Keith Petersen forecasts Nov. and Dec. production to increase slightly to about 767,000 Mcf/d. Petersen also states that El Paso is unlikely to meet 2005 estimates without acquisitions.

Generator Problems

ERCOT – TXU Corp's 750 Mw #3 coal-fired unit shut due to a lost primary air fan. It is expected to restart today.

MAAC – PSEG trimmed power 20% at its 1,100 Mw Salem #2 to 80%. The unit was at 100% capacity yesterday and a reason for the reduction was not made available. Salem #1 is operating offline at 18%.

WSCC – Pacific Gas and Electric boosted power at its 1,100 Mw Diablo Canyon #1 17% to full power, following a scheduled testing yesterday. Diablo Canyon #2 ramped up 5% to operate at 98%.

The NRC reported that U.S. nuclear generating capacity was at 92,349 Mw today down .01% from Monday.

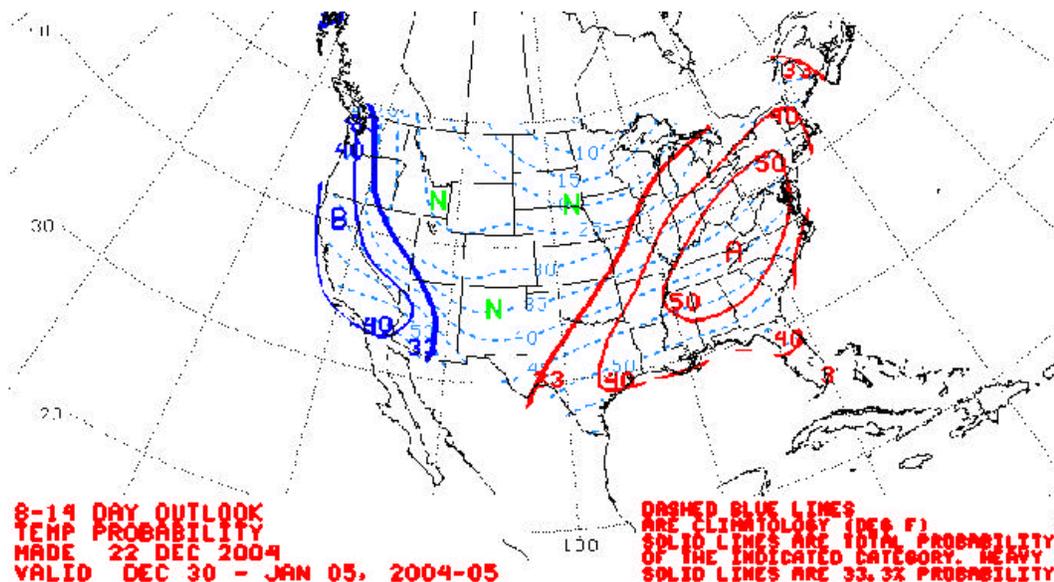
The U.S. Coast Guard said that the Department of Energy's commissioned report on LNG risks confirms that the Coast Guard is taking the right steps to prepare for and prevent potential accidents or terrorist attacks on LNG tankers entering U.S. ports.

Russian super major Gasprom has signed a memorandum of understanding with Houston-based ConocoPhillips to study development of the Shtokman natural gas field in the Barents Sea. Under the agreement, Gazprom eventually may supply LNG to import terminals in the U.S.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Co. of America said that it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Texas Gas-Lowry are at capacity. NGPL is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 (Segment 14) and through Compressor Station 801 (Segment 15).

Texas Eastern Transmission said that receipts along line 40-B have been restricted to zero because of damage to line 40-B and the Main Pass System. Elsewhere, the Monroe Line has been nominated to capacity, and not physical increases can be accepted from the following meters: 71000-Gulf South West Monroe, 72568-Reliant Energy West Monroe, and 72614-Duke Energy Field Services-Ouachita Parish, La. Also, receipts in zones STX and ETX have been nominated to capacity.



East Tennessee Natural Gas said the following restrictions are in place: secondary receipts out of path upstream of station 3104, secondary receipts out of path upstream of station 3205, and secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke. Also, ETNG said it will institute its Maximum

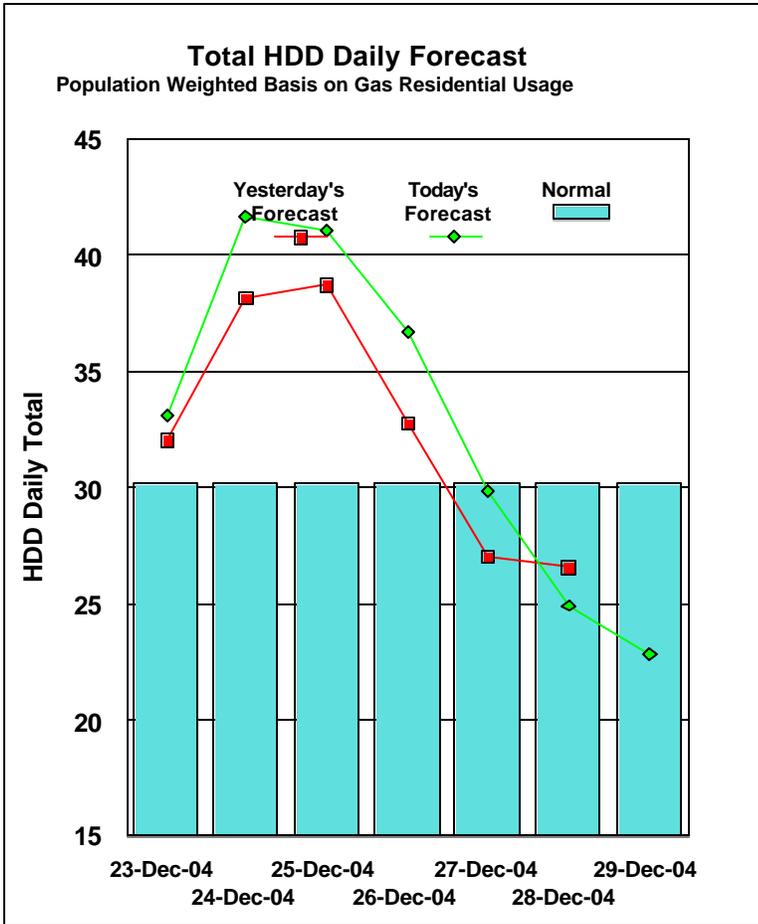
Allowable Delivery Service.

Trailblazer Pipeline Co. said that for Jan. 1, it anticipates limited capacity available for transports going eastbound through Station 601.

Algonquin Gas Transmission said that it has limited capacity to allow due shipper payback.

Centerpoint Gas Transmission will not schedule interruptible receipts from the West 1 and West 2 Pooling Areas. CEGT will only schedule secondary receipts from those Pooling Areas to the extent they alleviate capacity constraints or are consistent with firm entitlements. Also beginning tomorrow and until weather conditions improve, CEGT will not schedule interruptible and AOR deliveries, and will limit service to primary firm obligations, East of Chandler Compressor Station, which includes the Neutral (Flexible), North and South Pooling Areas (these areas include East Oklahoma, Arkansas, Louisiana and East Texas). Additionally, secondary deliveries in such areas may be scheduled to the extent they alleviate capacity constraints.

PIPELINE MAINTENANCE



ANR Pipeline Company said that the owners and/or operators of the processing plants that service ANR's Southeast Area have provided preliminary information that most will process gas absent the issuance of a gas quality requirement. Based on this preliminary forecast, ANR has determined that it will not be necessary to issue a Hydrocarbon Dew Point limitation in the Southeast Area.

Alliance Pipeline said authorized overrun has been set 25% for today Cycle 2.

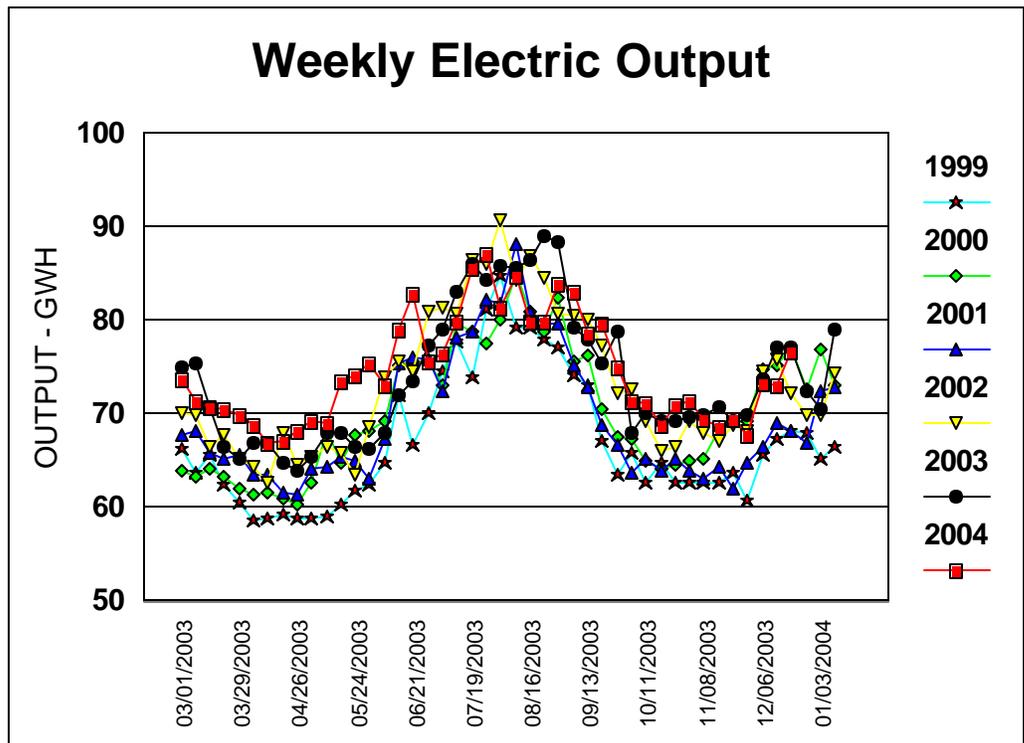
Kern River Gas Transmission Co. said that on Jan. 10-17, it will complete necessary repairs to the lube oil cooler on unit #3 at Veyo Compressor Station. The scope of the project requires that unit #3 remain unavailable for the duration of the work. Kern River anticipates that there will be no impact to firm transportation. Kern River anticipates minimal impact to interruptible transportation with an estimated system capacity of 1,885 MMcf/d for Jan. 10-17.

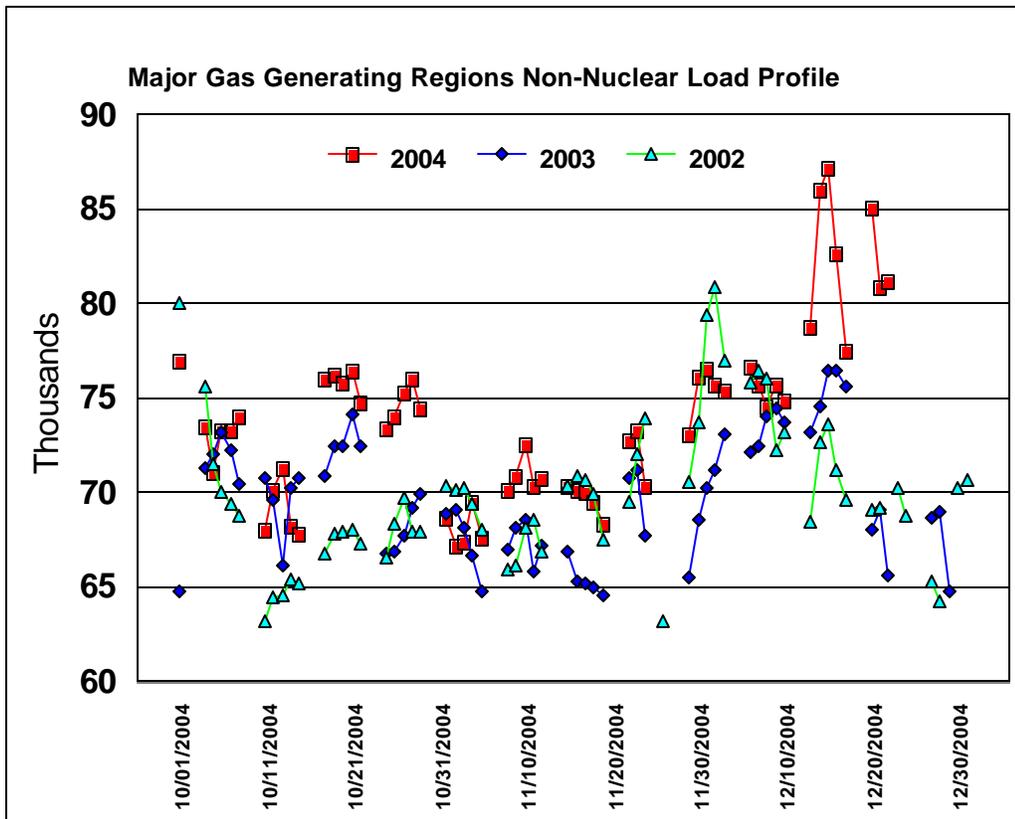
ELECTRIC MARKET NEWS

For the week ending Dec. 18, electricity production in the continental U.S. rose 2.5% year on year to 76,785 GWh. The Southeast region showed the largest year on year increase in output, rising 7%. The Pacific

Northwest had the largest year on year decline, falling 2.5%. For the 52 weeks ended Dec. 18, production rose 1.7% to 3,840,789 GWh.

Dominion set an unofficial record for winter one-hour peak demand from its Virginia and North Carolina electricity customers Monday. As temperatures fell, heating systems kicked in and customers demanded 16,542 Mw from 8am to 9am. The old record was 16,133 Mw set in July. The Dominion all-time record peak demand is 17,084 Mw set July 29,





2002.

The developers of the proposed 660 Mw transmission line from New Jersey to Long Island, NY claimed today that the recent decisions by the PJM Interconnection to repeatedly re-study their interconnection request are putting the eventual construction of the transmission line in "grave jeopardy" by delaying their ability to secure financing for the project. The developers filed a complaint with the FERC on Tuesday asking the agency to reject PJM's interpretation of its tariff that allows the RTO to re-study interconnection

requests whenever the owner of a generating plant announces the facility will be retired. The developers warned that there is no guarantee that there will not be other facility retirements in the area and thus providing the RTO with yet another opportunity to re-study the transmission line's impact on the system. The group said that except for the PJM delays, its project is ready to proceed. The company claims it must begin construction in 2005 in order to meet its commitment to supply power to LIPA by June 2007.

MARKET COMMENTARY

The natural gas market opened higher this morning, for the first time since Friday and only the second time out of the last six trading sessions as the current arctic air outbreak sweeping across the upper Midwest and slowly moving eastward was seen as being a bit more severe than originally forecasted. This morning's NWS 8 day temperature outlook pointed to heating demand across the nation over the next week being 6% higher than yesterday's outlook. While prices seemed to move sideways for the first 30 minutes holding on to the morning's modest gains, the release of the bearish oil inventory reports from the EIA and the API, sent oil prices tumbling and dragged natural gas prices lower and erased the day's gains. While prices did find support in the lower \$6.70's, the market was unable to rally back even as oil prices staged a minor recovery in the afternoon. Judging by the poor trading volume for the day, just 40,000 futures traded, it appeared natural gas traders were uninterested in venturing forth into the natural gas market until at least after tomorrow's EIA storage report, if not next week after the Christmas holiday.

We continue to look for this market to be stuck within a trading range of \$6.70-\$7.00 until the release of the storage report tomorrow. We feel though that if our estimate of only a 90-92 bcf draw down is realized this market will head lower and breach the \$6.70 support and challenge the support at \$6.50 if not tomorrow then by expiration day.

Please note that the NYMEX will close early at 1 pm Thursday and remain closed until Monday, December 27th. Access trading however will resume on Sunday night at 7 pm. Also, please note that we will not issue a market report on Thursday evening ahead of the Christmas holiday.

