



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 27, 2004

NATURAL GAS MARKET NEWS

The Climate Prediction Center reported this morning that for the week ending December 25th the US saw some 227 heating degree days, up about 6.07% than originally forecast. The heating demand on a gas home heating customer related basis was 247, up 42% on the year and 17% higher than normal. For the current week ending January 1st, it is predicting 178 HDD on a gas home heating customer related basis, up 11.9% on the year but 18% lower than normal.

Sempra Energy's writ of mandate to stop a major \$24 billion antitrust class action lawsuit from going to trial has failed. Sempra will now face a trial next year relating to charges of conspiracy and market manipulation that precipitated California's energy crisis in 2000 and 2001. The lawsuit claims that Sempra and two owned companies, Southern California Gas Co. and San Diego Gas and Electric, conspired with El Paso Natural Gas Corp. to prevent competition for cheaper and more plentiful Canadian natural gas and to protect their respective market dominance over the supply and transportation of natural gas both into and within California, reaping enormous profits at the expense of California consumers and businesses. The evidence against Sempra is strong, detailing a clandestine meeting at a Phoenix, Arizona Embassy Suites hotel involving 11 senior executives from SoCalGas, SDG&E and El Paso in Sept. 1996. Plaintiffs will show evidence that without any legal counsel present, the executives unlawfully agreed to cooperate rather than compete with each other in supplying and delivering natural gas, resulting in an artificially constrained supply of natural gas and escalating prices to Californians for gas and ultimately electricity produced from natural gas.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Also, all Louisiana Line segments 25, 23, and 24 are at capacity for

Generator Problems

ECAR – First Energy said its 1,260 Mw Perry nuclear unit shut late Thursday due to a scram from the recirculation pumps down shifting. The unit restarted this morning and is at 25%.

FRCC – FPL Group manually tripped its 693 Mw Turkey Point #4 on Dec. 25 due to lowering condenser vacuum. The unit has exited its outage and been ramped up to 59% offline. On Thursday, the unit was at full power. Turkey Point #3 ramped up to full power from 60% following an outage from a fire on Dec. 14.

FPL's 839 Mw St. Lucie #2 is warming up offline at 10% following a manual trip on Saturday due to a high amperage reading on a condensate pump.

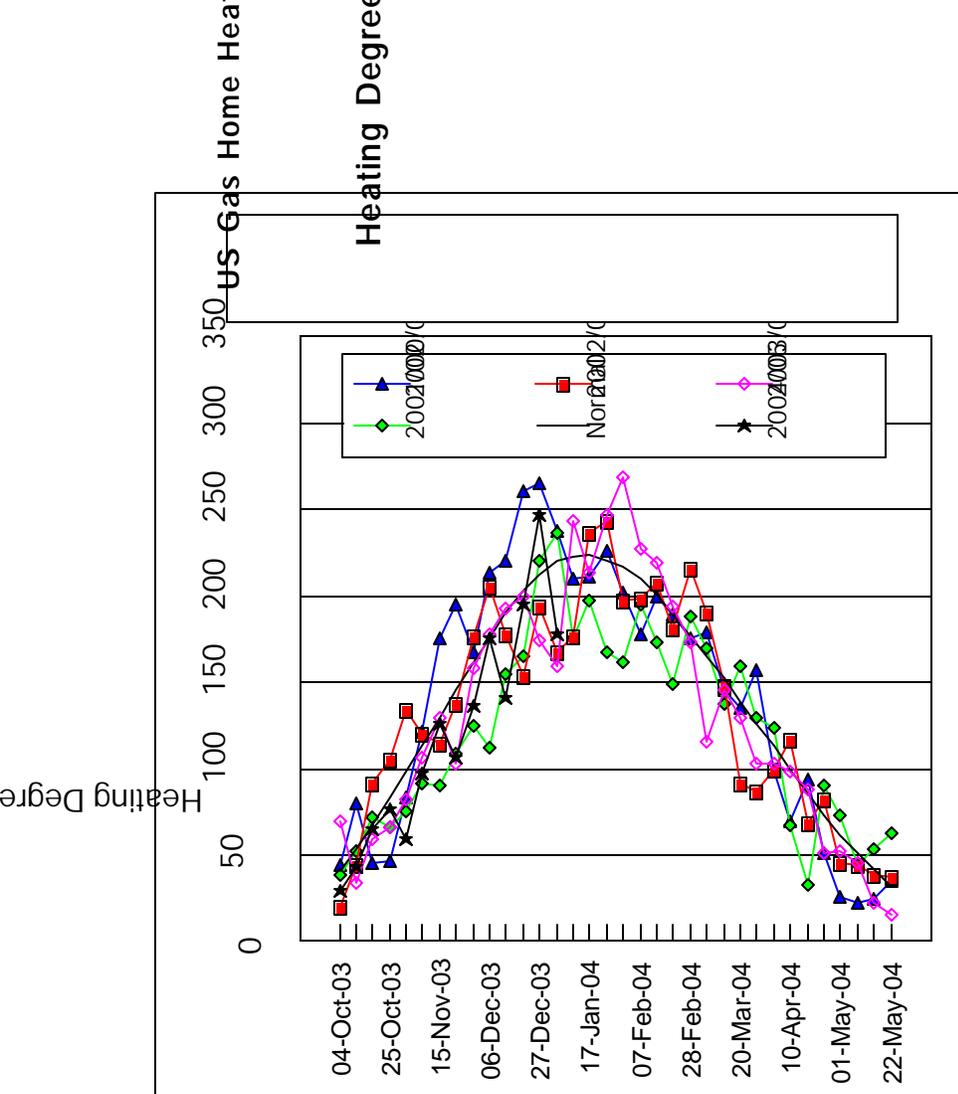
MAAC – PSEG's 1,150 Mw Salem #1 dipped to 25%. On Thursday, the unit was at 60% as it exited a work outage that fixed a problem with a steam generator feed pump. Salem #2 continues to operate at full power.

Exelon's 1,110 Mw Peach Bottom #2 ramped up to 97% as it exited an outage that fixed a malfunction of the electro-hydraulic control system. Peach Bottom #3 continues to operate at full power.

MAIN – Exelon's 1,120 Mw Braidwood #2 returned to full power after it shut Dec. 22 due to low water levels in one of the steam generators. Braidwood #1 continued to operate at full power.

WSCC – Edison International's 1,080 Mw San Onofre #3 ramped to 18% offline as it exited a refueling outage. San Onofre #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 91,449 Mw today up .98% from Friday.



eastbound transport volumes. 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 due to damage to line 40B and the Main Pass System, receipts along line 40B have been restricted to zero, and short pools have been force balanced. The Monroe Line has been nominated to capacity. Receipts in M1-24 have been nominated to capacity.

East Tennessee said that due to cold weather in its service area the following restrictions have been set on the East Tennessee system: no secondary receipts out of path upstream of station 3104, no secondary receipts out of path upstream of station 3205, no secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke, no secondary deliveries on the Johnson City lateral, no secondary deliveries on the Kingsport lateral. Also, ETNG said it will institute its Maximum Allowable Delivery Service.

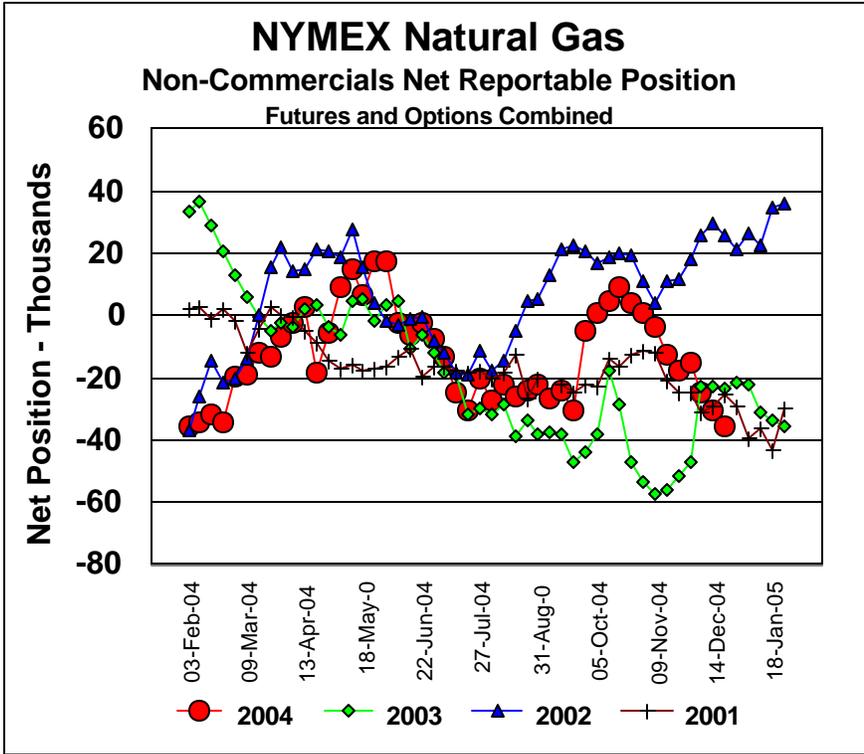
PIPELINE MAINTENANCE

Florida Gas Transmission said that due to cold temperatures and low line pack, it is issuing an Overage Alert Day at 10% Tolerance for today.

FGT announced its January maintenance schedule as follows: routine horsepower and pipeline maintenance will continue in Zone 1, 2, and 3. On Jan. 10 FGT will be performing compressor unit maintenance (complete unit overhaul and foundation stabilization) on one of the units at station #3 in Zone #1. The maintenance work will take approximately 3 months, and 150 MMcf/d will be scheduled as opposed to 225 MMcf/d. Also on Jan. 10, FGT will be performing compressor unit maintenance on one of the units at station #77 (Vinton compressor station) in Zone #1. The maintenance will take about 4 days, and 90 MMcf/d will be scheduled as opposed to 130 MMcf/d. On Jan 13, FGT will be performing pipeline maintenance on the 24-inch mainline between compressor stations #6 and #7 in Zone #1 for 1 day, and 200 MMcf/d will be scheduled as opposed to 467 MMcf/d. Station piping maintenance also continues at FGT station 11 in Mt. Vernon, Alabama through Jan. 16. On Jan. 16, FGT will be performing a scrubber installation at Station #11 in Mt. Vernon, Alabama to complete the ongoing station piping maintenance. On Jan. 24th, FGT will be performing pipeline maintenance on the 18 and 22-inch East White Lake lateral lines upstream of station #75 for 4 days with 250 MMcf/d scheduled down from 650 MMcf/d.

Algonquin Gas Transmission said that due to cold weather forecasts, it urges all shippers and point operators to carefully review demands for gas and schedule gas consistent with daily needs and to tender and receive gas consistent with confirmed nominations. Restrictions for today include: No due shipper gas is available and no incremental nominations flowing through Stony Point except for no notice firm service.

Alliance Pipeline said that repairs of the mechanical difficulties experienced at the Morinville compression station are taking longer than originally anticipated, and the return time has been extended to 11 am MT to 3 pm MT.



Centerpoint Gas Transmission said shippers on its system are no longer under operational alert.

El Paso Natural Gas has declared an Unauthorized Overpull Penalty situation. The Washington Ranch storage facility in New Mexico is currently on maximum withdrawal. To insure system integrity, El Paso will place limits on scheduled volumes at interconnects that are under performing.

Transwestern said that its #1 unit at the Crawford Compressor is down for unplanned maintenance. The pre-lube pump is out and parts are on order. Capacity will be reduced from 65 MMcf/d to approximately 35 MMcf/d.

PG&E California Gas Transmission has scheduled an overhaul of the Delevan K-2 Compressor from Jan.

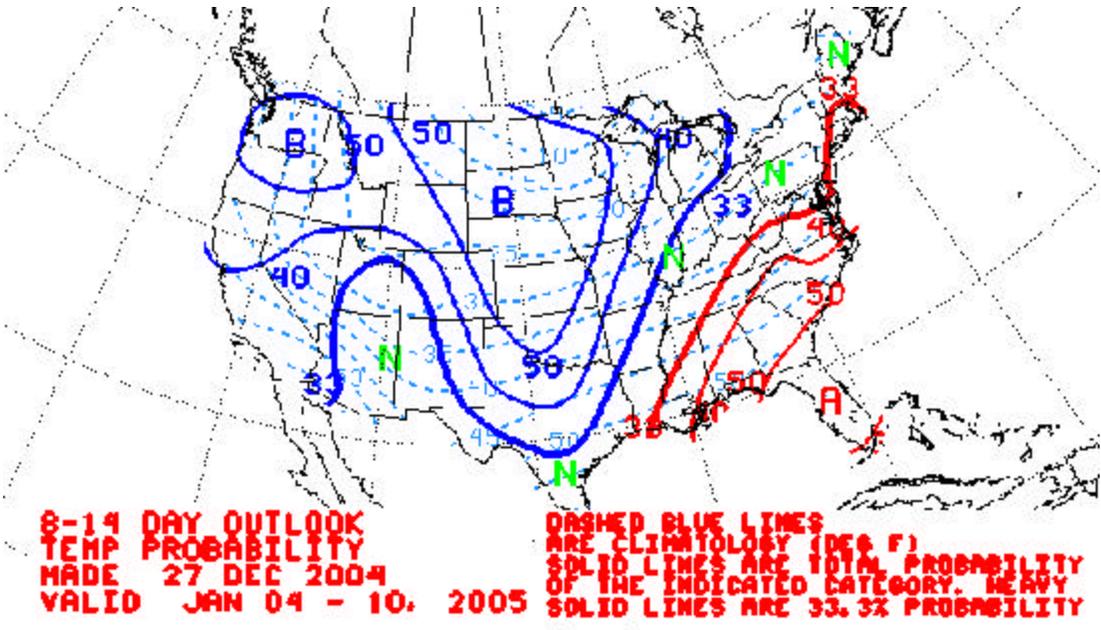
17 through May 17.

MARKET COMMENTARY

The natural gas market gapped lower this morning following the long holiday weekend. The market remained pressured amid the mild weather forecasts. Private weather forecasts stated that temperatures in the US Northeast would be above normal for the next 10 days. The market gapped down from \$6.63 to \$6.41 in follow through selling seen in overnight trading. The market posted an intraday high of \$6.44 before it continued to sell off amid the sharp losses seen in the oil complex, with the heating oil market extending its losses to over 12 cents on the day.

The January natural gas market tumbled to a low of \$6.17 where it held some good support.

However the market posted an intraday low of \$6.12 as it was further pressured ahead of the close. It settled down 50.8 cents at \$6.16. Volume in the natural gas market was moderate with 66,000 lots booked on the



day.

The latest Commitment of Traders report showed that non-commercials in the natural gas market increased their net short position from 34,950 contracts to 43,092 contracts in the week ending December 21st. Non-commercials increased their total short positions by more than 10,000 contracts to 63,753 contracts on the week. In light of the continued sell off seen in the market during the past few trading sessions, non-commercials have added to their net short positions.

The natural gas market is seen remaining under pressure ahead of Tuesday's expiration of the January contract in light of the mild weather forecasts. The latest National Weather Service forecast for the next 8-14 days is showing normal to above normal temperatures for the eastern third of the US. The market, which breached its support levels is now seen finding support at its low of \$6.12 followed by \$6.00 and \$5.78, where it backfills a gap. Meanwhile resistance is seen at 6.24, 6.40, its gap from 6.44 to 6.63. More distant resistance is seen at 6.88.