



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 20, 2005

NATURAL GAS MARKET NEWS

Forecasters at the Tropical Storm Risk group this month called for the Atlantic hurricane season this year to once again be above average. Based on the group's current and projected climate signals, the group is calling for landfalling tropical cyclone activity to run some 160% of average this season, with a 70% probability that the U.S. will see above average likelihood for landfall. The group is looking at an anticipated moderate enhancing effect this summer coming from favorable trade winds in the Caribbean and Atlantic as well as expected favorable sea surface temperatures in the Atlantic.

The AGA said today that it is pushing hard for the House energy bill to retain language that would clarify the FERC's authority to site LNG import terminals onshore and in state waters.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that Segment 17 is at

Generator Problems

ERCOT— TXU Corp.'s 553 Mw Sandow #4 coal-fired power station will likely remain shut until April 23 to fix a boiler tube leak. The unit shut April 18-19.

The Monticello #2 steam electric station is undergoing maintenance April 20-21, and precautions are being taken to minimize any possible episodes of opacity.

AEP's Welsh #1 power unit shut for a boiler tube leak today. After repairs are made, the unit will be started back up on about April 24.

MAAC— Public Service Enterprise Group shut its 1,111 Mw Salem #1 nuclear unit early today to fix a pressure boundary leak. Yesterday, the unit was operating at full power. Salem #2 has remained shut since April 5 for a planned five-week refueling and maintenance outage.

MAIN— Exelon ramped output to 17% at its 855 Mw Quad Cities #1 nuclear unit. Yesterday, the unit was operating at 15%. The unit restarted Monday after entering a planned refueling and maintenance outage on March 21. Quad Cities #2 continues to operate at 85% output.

SERC— Tennessee Valley Authority reported its 1,100 Mw Browns Ferry #2 nuclear unit at 60% capacity this morning, off 4% on the day. The unit restarted Monday after shutting March 22 for a refueling. Browns Ferry #3 remains at full power.

WSCC— Edison International's 1,070 Mw San Onofre #2 nuclear unit ramped up to 98% capacity by early today. Yesterday, the unit was operating at 70% after exiting an outage. San Onofre #3 continues to operate at full power.

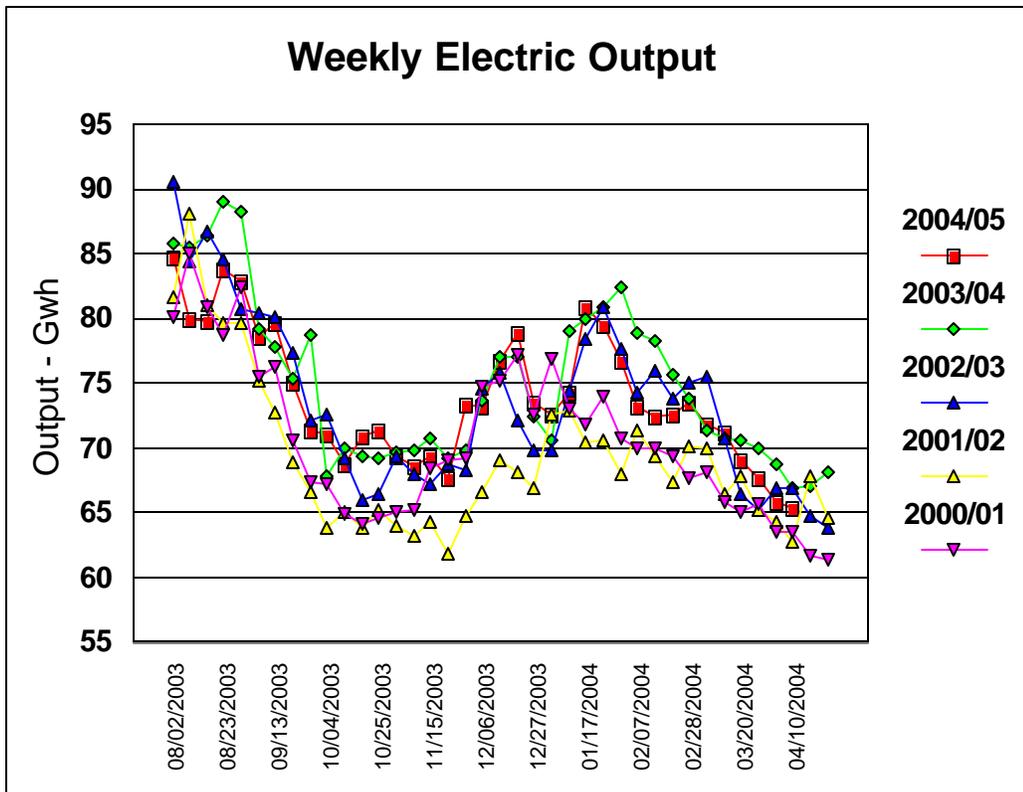
The 545 Mw Sunrise natural gas-fired power station shut for unplanned reasons by early today. Late yesterday, the unit was fully available for service.

Canada— Ontario's 580 Mw Brighton Beach natural gas-fired power station returned to service by early today following a short outage. The unit shut April 18.

Ontario Power Generation's 515 Mw Pickering B #8 nuclear unit started to exit a short maintenance outage by early today. The unit shut April 14 to work on a valve associated with the heat transport system.

NB Power shut its 635 Mw Point Lepreau nuclear unit for its planned annual maintenance outage on April 15. The outage would continue until mid-May.

The NRC reported that U.S. nuclear generating capacity was at 74,223 Mw today down 1.18% from Tuesday and down 5.75% from a year ago.



capacity today. Deliveries to Columbia Gulf-Chalkley are at capacity today. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line Segments (25, 23, and 24) are at capacity for eastbound transport volumes.

PIPELINE

MAINTENANCE

KM Interstate Gas Transmission said it will be performing various maintenance activities on gas day Tuesday, May 3, at its Casper Compressor Station and on

Segment 50. KMITG does not anticipate that it will schedule down volumes for this work. However, KMITG will not accept flowing gas from all receipt points west of the Casper station on Segments 10 and 43 from 9:00AM CT to 9:00PM CT. For the 5-hour period beginning 9:00AM CT and ending 2:00PM CT, KMITG also will not accept flowing gas onto segment 720. KMU's Casper Processing Plant will also be performing maintenance starting gas day Tuesday, May 3 through Tuesday, May 17. Currently, KMITG estimates that this maintenance may impact up to 8 days of the shippers' nominated/scheduled volumes for the month of May.

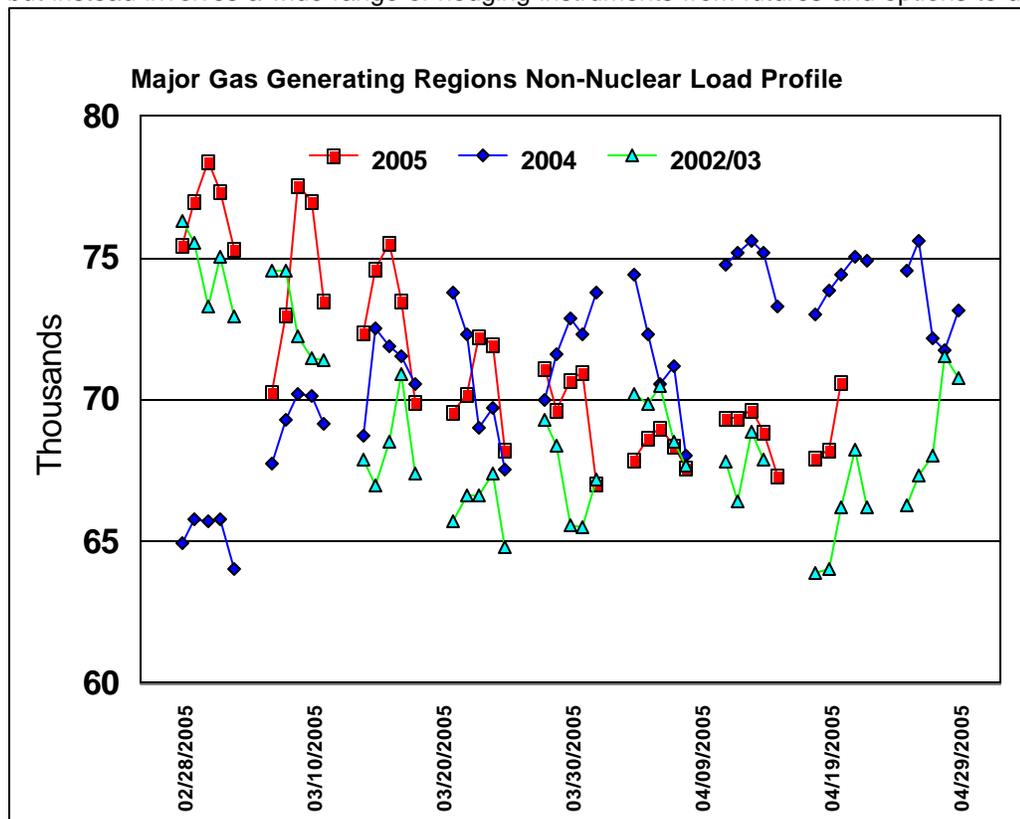
Questar Pipeline Company said it has completed repairs at its Oak Spring compressor station ahead of time. Consequently, Questar began scheduling the ML 104 scheduling point at normal capacity as of Cycle 4 yesterday.

ELECTRICITY MARKET NEWS

The U.S. Nuclear Regulatory Commission began a special inspection into an April 17 shutdown of the 1,130 Mw Millstone #3 nuclear unit in Connecticut that led its operator Dominion to declare an alert. An alert is the second lowest of four emergency classifications used by the NRC. Dominion preliminarily determined a failed electrical circuit card caused the shutdown of the Millstone #3 nuclear unit. The electrical circuit card, which the company has already replaced, caused the unit's operating systems to shut the reactor because it detected a signal of low steam pressure in the secondary system. The inspection team will evaluate the circumstances surrounding the event including the initiating cause, any relation to previous maintenance, equipment issues or precursor events, evaluate equipment performance deficiencies and operator response during the event, and assess compliance with the plant's technical specifications and emergency action level entry conditions. No release of radioactive materials occurred during the event even though the unit did release a large amount of steam from the secondary piping system. The event did not harm plant workers or the public.

The NRC has issued its final environmental impact statement on the proposed renewal of the operating license for the Arkansas Nuclear One power plant, Unit 2. The report contains the NRC's finding that there are no environmental impacts that would preclude license renewal for an additional 20 years of operation.

Bank of America Corp. entered the physical power market last week, complementing its existing financial natural gas, power and oil products trading. Physical power trading allows traders to schedule the actual flow of electricity on the nation's power grid, compared with financial trading, which does not entail physical transfers, but instead involves a wide range of hedging instruments from futures and options to derivatives.



The NYISO warned today of the potential supply deficiencies in New York City and Long Island as early as 2008 despite recent additions to generating capacity over the last several years. The ISO though forecast supplies would exceed demand in 2005, with a summer peak demand currently estimated at 31,960 Mw, up 1.8% from last year. The grid operator called on the NY State legislature to re-enact the Article X power plant siting law, which streamlined the permitting process for new power plants. In addition though the NYISO called for the diversification of

generating fuel supplies away from natural gas, in part by increasing the use of renewable and other domestic sources of energy.

The Edison Electric Institute today reported that for the week ending April 16th, the U.S. saw some 65,386 Gwh of power generated, down some 0.66% from the previous week and some 2.49% less than the same week a year ago.

ECONOMIC NEWS

The Labor Department released its CPI report for March indicating an increase of 0.6%, mostly because of higher energy costs. But even excluding the volatile food and energy sectors, the core CPI prices rose 0.4% in March, after a 0.3% increase in February. The two-month increase in core prices is the largest in four years. This could trigger the Federal Reserve to press ahead with higher interest rates despite signs of slowing in the economy.

MARKET COMMENTARY

The natural gas gapped higher this morning supported by some spot buying in the cash market for heating needs as a dramatic cold front began to make its way into the eastern U.S. Additional buying also came from electric generators as a drop in nuclear generation levels coupled with increasing power needs forced utilities to turn to the spot market for short term needs. In addition the return of buying in the oil markets by some commodity funds on the news of strong economic expansion in China, as expressed in the latest economic data released overnight, helped to push prices to levels not seen in a week. But this bullish luster began to erode quickly and prices eroded early to backfill the morning's gap. Prices spiked higher following the release of bullish inventory reports in the oil market, but this was short-lived and natural gas prices eroded again this time falling back to near unchanged levels. The market spent the rest of the day seeing declining volume as prices moved into a sideways 10 cent trading range. The final 30 minutes of trading though saw prices erode steadily once again and

new lows were set on the close with prices finishing the day in just barely in positive territory. Final futures volume was pegged at 60,000 contracts.

Option activity was relatively light today with just over 19,000 contracts traded. The puts held just a slight edge over calls, with the May \$7.00 put being the most active strike trading just under 3,000 times. The October \$6.75-\$5.75 put spread continues to attract attention trading 1200 times and settling at 26.5 cents, down some 2.3 cents from the previous session.

This market will look toward tomorrow's EIA storage report to provide some guidance, but it appears that if the bulls abandon the oil market tomorrow then natural gas values could once again challenge the \$7.00 price level once again. We see support tomorrow at the \$7.05-\$7.04 level followed by \$6.995, \$6.875 and \$6.80-\$6.78. More distant support we see at \$6.52. Resistance we see at \$7.19, \$7.247, \$7.363 and \$7.478. Additional resistance we see at \$7.60 and \$7.80.

Market estimates for tomorrow's storage report remain centered between a 45-50 bcf injection. A year ago saw a 26 bcf build in stocks.