



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 20, 2005

NATURAL GAS MARKET NEWS

Federal Reserve Chairman Greenspan Friday warned that the country's limited LNG infrastructure has restricted access to global gas supplies. He also noted that despite "markedly higher drilling activity" in the U.S. in recent years, the nation has been unable to noticeably expand production or to increase imports from Canada, which has resulted in significantly higher prices. He noted that U.S. prices for natural gas since late 2002 have been notably higher on average than prices abroad. As a result he noted that significant segments of the North American gas using industry are in a weakened competitive position.

Alaskan North Slope gas producers told a state commission Friday that they will submit a proposal within the next two weeks that will seek to share Prudhoe Bay reservoir data with regulators, which should help speed governmental approval for deciding on an allowable gas production rate from the fields for a planned \$20 billion North Slope gas pipeline. Producers are looking for an assumed throughput of 4.5 bcf/d, with plans to scale up production to 5.6 bcf/d through new compression. Current existing government regulation, some which was set in 1977 would allow for only a 2.7 bcf/d off take and thus must be resolved.

The FERC Friday gave a favorable final environmental recommendation to the Weaver's Cove LNG terminal that would be located in Fall River, MA. The \$250 million terminal would have a normal daily send out capacity of 400 million cf/d and a peak 800 million cf/d capacity. But while the staff of the agency also gave a favorable environmental review to the KeySpan LNG proposed conversion of its existing 600,000 barrel LNG storage terminal in Providence to an import terminal, the agency in a separate report said the project fell short of the current federal safety standards.

PIPELINE RESTRICTIONS

NGPL said that the affected line #3 continues to be isolated, but that lines #1 and #2 were not damaged. In other news, Segment 17 is at capacity. 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. Deliveries to Texas Gas-Lowry are at capacity.

Generator Problems

MAIN— Exelon Generation's 855 Mw Quad Cities #2 ramped output to 84% by early today as the unit continues to return from a planned maintenance outage. Yesterday the unit was operating at 67% capacity. Quad Cities #1 continues to operate at 85% capacity.

NPCC— Entergy Corp.'s 825 Mw Fitzpatrick nuclear unit returned to full power by early today. The unit was reduced May 18 for planned work on one of the reactor feed pumps.

SPP— The 1,235 Mw Wolf Creek nuclear unit exited a refueling outage and ramped up to 61% capacity by early today. Yesterday, the unit was operating at 13% of capacity as it started to exit the outage.

WSCC— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit started to exit a refueling outage and ramped up to 1% capacity by early today. Palo Verde #1 and #3 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 86,093 Mw today up 1.47% from Thursday and down 4.61% from a year ago.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions for East Texas – Area 8.

Kern River Pipeline continues to warn schedulers of high line packs across its entire system. This affects 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.

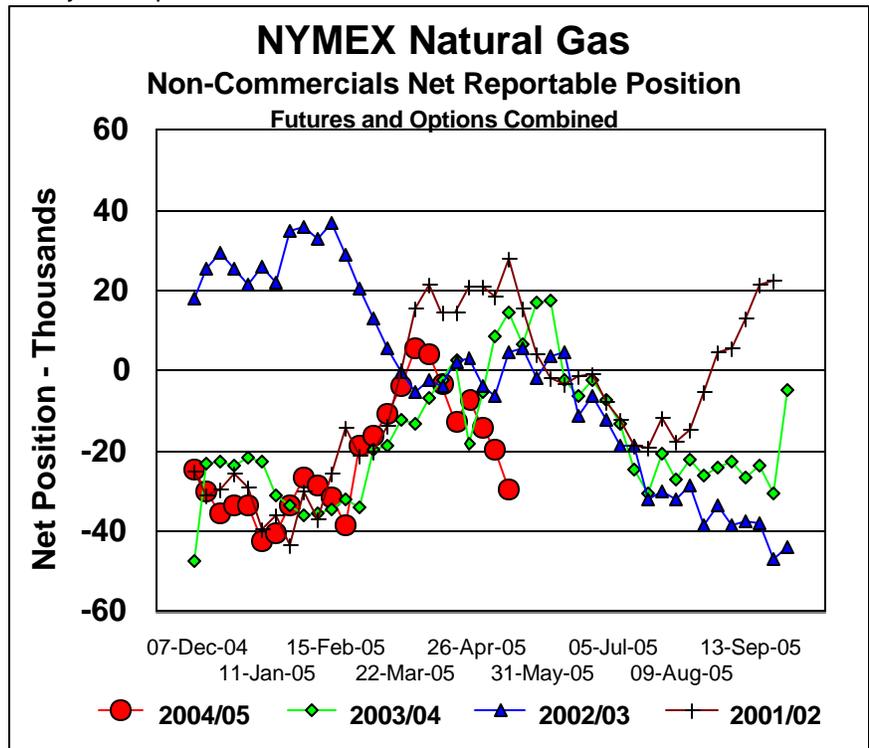
PIPELINE MAINTENANCE

Allinace Pipeline said that Irma Compression Station in Saskatchewan will be off-line for 8 hours starting at 9:00 AM MT on May 25. AOS will be impacted. Scheduled maintenance will require Unit #1 at the Whitecourt Lateral Meter/Compressor Station in Alberta to be unavailable for 5 hour on May 25. Station Capacity will be reduced to 32 MMcf/d.

ELECTRICITY MARKET NEWS

The Energy Information Administration reported that U.S. coal production for the week ended May 14 totaled 20.409 million short tons, down 6.3% from the prior week’s production.

Texas Genco announced yesterday that it completed its planned acquisition of an additional 13.2% share of the South Texas Project Nuclear Generating Facility, giving the company a 44% ownership stake in the nuclear facility. The price of the deal was \$174 million.



The country’s largest consortium of nuclear power companies today announced it has selected six finalist candidate sites from which it plans to pick two sites for two applications for the first construction and operating licenses of a new advanced nuclear energy plant in 30 years. The six sites are: Bellefonte Nuclear Plant in Alabama, Grand Gulf Nuclear Station in Mississippi, River Bend Nuclear Station in Louisiana, Savannah River Site in South Carolina, Calvert Cliffs Nuclear Site in Maryland, and Nine Mile Point Nuclear Station in New York. NuStart Energy Development affirms that to meet our future needs for electric energy and reduce our emissions of greenhouse gases that may be causing climate change, must build the next generation of advanced nuclear energy plants. From the six possible sites, the list

will be reduced to two finalists by October. Advanced nuclear energy plants are expected to be less costly to build and simpler to operate and maintain because they have passive cooling systems. Twenty-three new nuclear plants are under construction in eight foreign countries today but none in the U.S.

The New York Power Authority expects the new 500 Mw natural gas-fired Poletti power station in Queens, New York, to enter commercial operation early in 2006. The combined cycle project was about three months behind schedule and would cost about \$740 million, up about \$90 million from the previously estimated \$650 million. After the new unit enters service, NYPA expects to retire the existing 847 Mw oil- and gas-fired plant at Poletti sometime between February 2008 and January 2010.

MARKET COMMENTARY

The natural gas market today posted an inside trading session, with only a six cent trading range, its smallest trading range in the June contract since February 18th. But despite this market's lack of traction in developing a price trend, the futures market posted its largest daily trading volume since May 12th, helped in part it seems by active trading being recorded in the oil markets. It appears that despite the growing generation loads in the Southwest and into Texas, overall natural gas demand continues to remain limited due to unseasonable cool temperatures in the east and into the Midwest.

This afternoon's Commitment of Traders Report showed that non-commercials for the week ending May 17th increased their net short positions by 10,000-11,000 contracts, bringing their net short position to its largest holding since February 22nd.

We would look for additional commodity fund selling to continue in this market as long as generator demand for gas is limited due to the weather and the oil markets remain in the current downtrend. As a result we would look for this market to remain on the defensive and feel that ultimately we will see prices test a five week support trend line in the spot continuation charts that Monday would be found at \$6.134. Additional support we see before that level are at \$6.32 and \$6.205. Resistance we see starting next week at \$6.36-\$6.38, \$6.41, \$6.512, \$6.575 and \$6.64. More distant resistance we see at \$6.84.