



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR JUNE 17, 2005

NATURAL GAS MARKET NEWS

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 19 to 1,358 in the week ended June 17. During the same week last year there were 1,171 rigs. 14 of those rigs are searching for gas for a total of 1,210. The total North American rig count fell 78 to 1,580, as Canada saw 97 rigs go off line.

FERC approved Dominion Transmission's proposal to provide 9.4 Bcf of additional natural gas storage capacity in West Virginia, Pennsylvania and New York, as well as 163,017 Dth/d of winter season firm transportation.

TransCanada announced today that it had won approval to build and operate a pipeline from Mexico's first LNG plant to a complex of power plants. The \$181 million project will go from Naranjos in Veracruz state to Tamazunchale in the central state of San Luis Potosi some 142 km away. The line is expected to have a capacity of 420,000 Mcf/d.

Enron Corp said Friday that Royal Bank of Scotland will pay it \$41.8 million in cash to settle a lawsuit filed on behalf of the estate of the energy trader. The agreement resolves all open issues between Enron and RBS. The estate sued 10 banks, raising claims that the banks aided and abetted fraud and breaches of fiduciary duties and engaged in civil conspiracy.

PEMEX reported that its natural gas production in May increased modestly by 16 Mmcf/d to 4.844 Bcf/d. Imports of natural gas in May reached 471.7 Mmcf/d from a low level recorded in April of only 389.9 Mmcf/d.

The NYMEX reported Friday that effective the close of business on June 21st it will be increasing the margins on its natural gas contracts. The margins on the first and second nearby months will increase to \$6750 from \$6075 for customers. Margins on the third through sixth nearby months will increase to \$1688 from \$1350. Margins for all other months will remain unchanged

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the failure that occurred on the Gulf Coast #3 mainline Segment 26. In other news, NGPL is at capacity for gas received

Generator Problems

FRCC— FPL Group's 693 Mw Turkey Point #4 nuclear unit returned to full power by early today. Yesterday, the unit was operating at 75%. Turkey Point #3 continues to operate at full power.

MAAC— PSEG's 1,100 Mw Hope Creek nuclear unit is operating offline at 8% today, up from 1% yesterday.

MAIN— Ameren Corp.'s 1,137 Mw Callaway nuclear unit shut late yesterday due to an electrical problem affecting a safety related battery. The unit was at full power yesterday.

MAPP— The Omaha Public Power District continued to ramp output at its 492 Mw Fort Calhoun nuclear unit, increasing power to 85% capacity as of this morning. The unit was at 47% yesterday.

NPCC— Constellation Energy Group's 620 Mw Nine Mile Point #1 nuclear unit dipped to 45% capacity by early today to perform minor equipment repairs an maintenance. Yesterday, the unit was operating at full power. Nine Mile Point #2 continues to operate at full power.

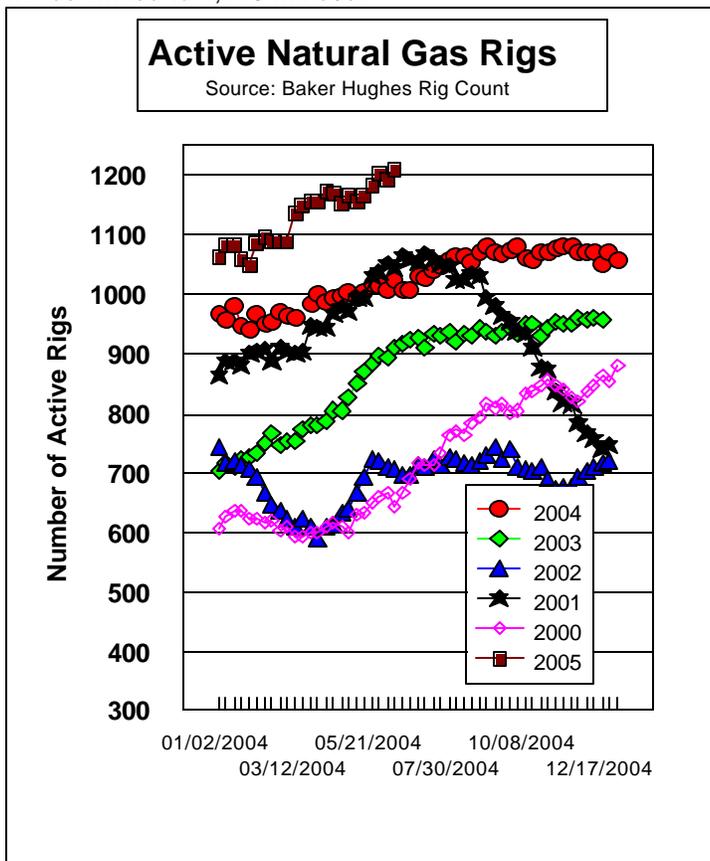
The NRC reported that U.S. nuclear generating capacity was at 90,757 Mw down 1.49% from Thursday and up .25% from a year ago.

upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Segment 17 is at capacity today. ANR South Joliet #2 is at capacity for deliveries.

Florida Gas Transmission said that current operating conditions at the ANR St. Landry/FGT Interconnect are resulting in consistent flow of about 150 MMcf/d. Until operational conditions change, FGT will only schedule up to 150 MMcf/d at this interconnect.

Kern River Pipeline said line pack levels remain within normal parameters but are getting close to high. Operators should be on rate unless balancing arrangements have been made.

Panhandle Eastern Pipeline Co. said the outage on the Olpe 300 Line from Olpe to Four Gate for hydrostatic testing beginning June 1 has been extended until June 21. During this outage, the capacity through Houstonia will be limited to 1,140 MMcf/d.



PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. The pipeline restriction has 5% tolerance, with shippers who violate the OFO subject to a \$1.00/Mcf monetary penalty.

Southern Natural Gas Pipeline said it experienced an unscheduled outage at the Toca Compressor Station. Conditions are continuing to improve and the pressures have begun to fall upstream of the facility. Based on the best information available, Southern said it does not anticipate having to implement a Force Majeure at this time.

PIPELINE MAINTENANCE

Transwestern Pipeline said most of the receipt points upstream of NGPL Gray have been tested for oxygen content and are within acceptable limits. However, at this time Transwestern continues to show higher levels of oxygen at the P3 compressor station. NGPL has reported a gas quality problem at NGPL Gray since Tuesday (6/14). Though within Transwestern's gas quality specifications, the level is still higher than NGPL will allow. The company said it will continue to

work with the downstream delivery point operators to eliminate this gas volume as quickly as possible.

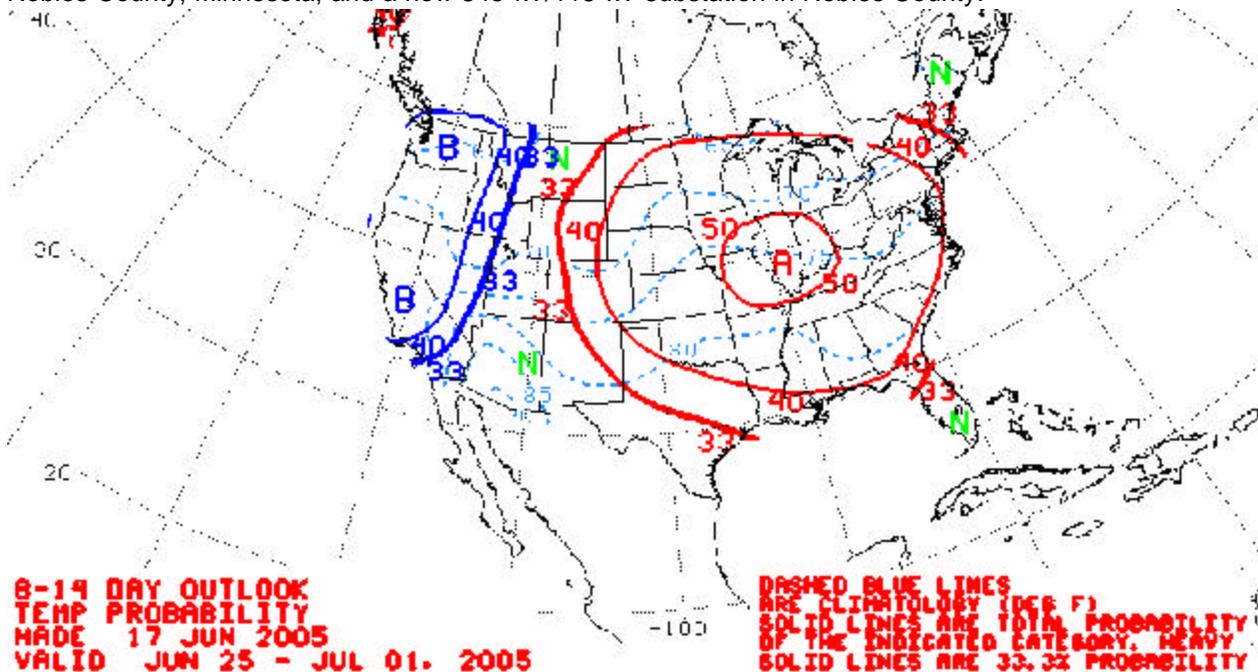
Questar Pipeline Company said that due to commercial power related problems at the Price Dewpoint Plant, Questar is experiencing intermittent processing outages. This is limiting Questar's ability to resolve the operational constraints on its Southern System between Fildar Station and Price Station. As these power outages are repaired, Questar will reassess its ability to blend gas and modify the Hydrocarbon Dewpoint restriction.

ELECTRICITY MARKET NEWS

The Midwest ISO Board of Directors approved a far-reaching, long-term transmission expansion plan that includes recommendations addressing the need for transmission infrastructure additions and improvements for the Midwest region. The 2005 Midwest ISO Transmission Expansion Plan is the product of an in-depth examination and analysis of the entire region's transmission needs through 2009. The 2005 MTEP identifies 615 planned or proposed transmission facility additions or enhancements, representing an investment of \$2.91

billion through 2009. In addition, the report describes two other large scale exploratory plans the Midwest ISO and its stakeholders will continue to evaluate for their potential regional benefits. These two expansion concepts are referred to as the Northwest Exploratory Project and the Iowa-Southern Minnesota Exploratory Project.

Minnesota's largest transmission line project in the past quarter century received the go-ahead from the Minnesota Environmental Quality Board. The board granted final approval to the routes for a pair of Xcel Energy transmission lines needed to carry wind-generated electricity from the Buffalo Ridge in Southwestern Minnesota to customers throughout Minnesota and Southern Dakota. The approval will allow: an 86-mile, 345 kV transmission line to connect a substation near Lakefield, Minn. With the Split Rock substation near Sioux Falls, S.D.; a 40-mile, 115 kV line to connect the Chanarambie substation on the Buffalo Ridge with a substation in Nobles County, Minnesota; and a new 345-kV/115-kV substation in Nobles County.



The Northwest River Forecast Center on Friday raised its water flow forecast by 2% for the April-September period of this water runoff season from its prior forecast 11 days earlier, for Mica Reservoir and Arrow Lakes in British Columbia, as well as the Grand Coulee Dam. It did lower water flow estimates though for the Dalles by 1% and the Lower Granite Dam in Washington by 6%.

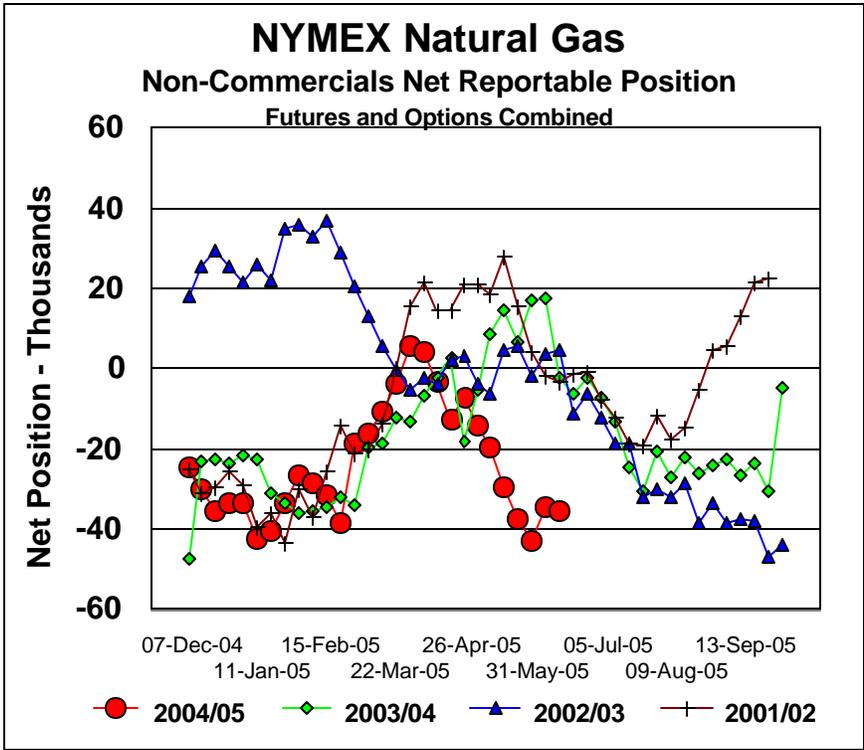
BC Hydro cancelled plans to build a 262 Mw natural gas fired power plant on Vancouver Island due to local opposition from environmentalists and industrial ratepayers. The plant had been slated to begin operation in 2007.

MARKET COMMENTARY

The natural gas market opened higher as it was dragged up by escalating oil prices and the continued expectations for hot weather that will boost air-conditioning use and demand for electricity from gas-fired power plants. While natural gas did erase its early morning gains and turned negative at the first signs of the oil market rally faltering at mid morning, the return of the bulls to the oil market at midday helped to drag natural gas prices higher and allow it to settle higher for the third consecutive session and the fourth time out of the last five trading days. Volume today was moderate at best with 72,297 lots booked on the day.

This afternoon's Commitment of Traders Report appears to offer little new insight into this market as a result of the report showing market positions only through Tuesday, June 14th, prior to the significant rally of the latter part of this week. The report showed that non-commercials in the futures market decreased their net short position by only 1200 contracts while their combined futures and options positions saw a 900 lot increase in their net short position.

This market we feel continues to be a bit over bought, in part do to escalating oil prices. As a result we continue to look for some price correction to occur early next week. But we feel that the bears can not regain control of this market until traders see sufficient gas going into storage during high summer demand periods for power. Next week's EIA storage report could be crucial. This past week's report caught many in the market by surprise by the



relatively low injection rate even though power demand in the nation was at a new high on a seasonal basis for the week. This coming report will also reflect the shut ins from Tropical Storm Arlene as well as the continued high power demand recorded nationwide, due to the high demand in the South Central states, Florida and Eastern U.S during much of this past week. Current market expectations are for a 60-80 bcf build in natural gas stocks, versus a stock build of 86 bcf last year.

We see support initially at \$7.65, \$7.60, \$7.415, \$7.34-\$7.315, \$7.20, \$7.12 and \$7.00. Resistance we see at \$7.70-\$7.73, \$7.85, \$7.90 and \$8.04.