



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 31, 2005

NATURAL GAS MARKET NEWS

Goldman Sachs this morning stunned the energy markets by issuing a new research report that warned investors that the oil markets are entering into the early stages of what they termed as a “super spike” period, a multiyear trading band of oil prices in which oil prices could surge to as high as \$105 per barrel. The firm believed that such a price spike would be necessary to meaningfully reduce energy consumption and recreate a spare capacity cushion only after which will lower energy prices return. The firm had previously viewed the trading range would have been \$50-\$80. The company also warned that natural gas prices at Henry Hub could soar to \$13 per Mmbtu by 2007.

EIA Weekly Report

| | 03/25/2005 | 03/18/2005 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| Producing Region | 486 | 487 | -1 | 379 |
| Consuming East | 548 | 592 | -44 | 479 |
| Consuming West | 205 | 211 | -6 | 159 |
| Total US | 1239 | 1290 | -51 | 1017 |

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said a force majeure event has occurred on its pipeline in Morris County, Texas located in Segment 17. NGPL has just identified significant third party damage to its pipeline and due to safety concerns, it is immediately reducing the pressure in the area so that further inspections and repairs can be performed. Therefore, effective today and until further notice, NGPL will be curtailing for the evening cycle all interruptible flow, authorized overrun, and secondary out-of-path. Also, NGPL is at capacity for gas received upstream of Compressor Station 15 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line Segments (25, 23, and 24) are at capacity for eastbound transport volumes.

Generator Problems

Canada— Bruce Power shut the 840 Mw Bruce B #5 nuclear unit yesterday to perform minor maintenance on the primary heat transport pump. There are 8 units at the Bruce B Station, and #3, 6, 7, and 8 continue to operate at high power.

FRCC— FPL held production at its 760 Mw Turkey Point #4 at 63% capacity. The unit was operating at 62% after restarting over the weekend.

MAAC— Exelon reduced power again at its 1,116 Mw Peach Bottom #3 to 79%. The unit was operating at 78% Tuesday and at full power on Wednesday. Peach Bottom #2 remains at full power.

NPCC— The 1,160 Mw Seabrook nuclear station is running at 94% today, off one percent from yesterday. The unit is coasting down for its spring refueling and maintenance outage.

The NRC reported that U.S. nuclear generating capacity was at 76,479 Mw today down .97% from Wednesday and down 1.40% from a year ago.

Northern Border Pipeline Company said that it has determined that the under delivery/over transport condition detailed in the OFO Watch posted Monday has not been adequately addressed within the time period specified. Consequently, an OFO has been issued for the Aberdeen, South Dakota, Marshall, Minnesota, and Welcome, Minnesota points of delivery. Effective for April 1, if the nominated delivery quantity at one or more of the above identified OFO locations exceeds the corresponding historical flow quantity, Northern Border Pipeline shall allocate the over-nominated points to the

Canadian Gas Association

Weekly Storage Report

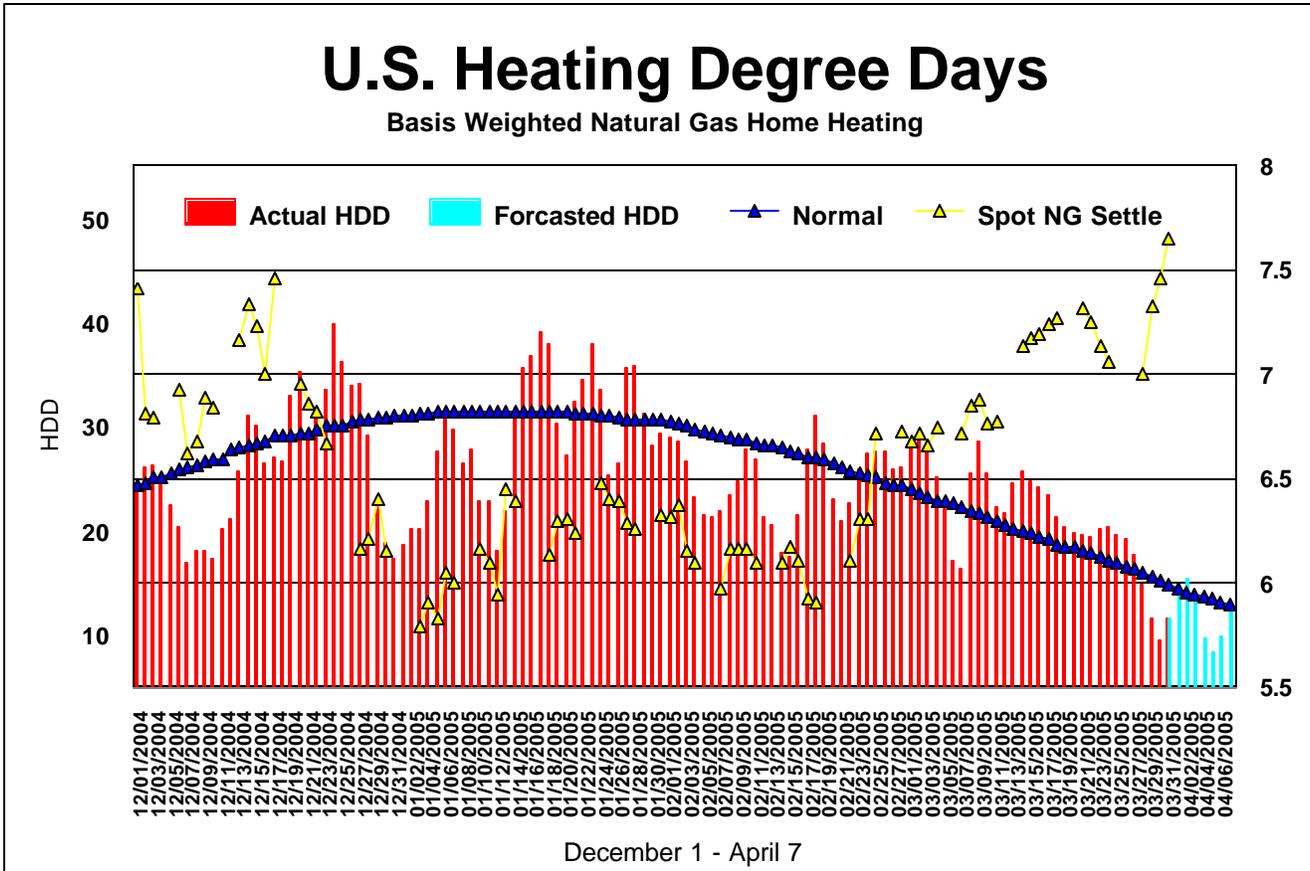
| | 25-Mar-05 | 18-Mar-05 | 26-Mar-04 |
|--------------|-----------|-----------|-----------|
| East | 58.3 | 62.0 | 55.5 |
| West | 65.9 | 68.3 | 71.7 |
| Total | 124.2 | 130.3 | 127.2 |

following quantity levels prior to confirmation with the downstream pipeline: Aberdeen – 26 MMcf/d, Marshal – 47 MMcf/d, Welcome – 133 MMcf/d.

Williston Basin Interstate Pipeline Company said that effective yesterday Receipt Point #04027-Baker-City of Baker has been added to its Gathering Receipt/Delivery Point List.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing unscheduled maintenance on Index 129 beginning at 9:00 AM ET on Thursday, March 31 and continuing until further notice. It is anticipated that this maintenance will be completed by April 2. Due to this maintenance, Gulf South has issued a force majeure south of Edna Compressor Station, in Jackson County, Texas.

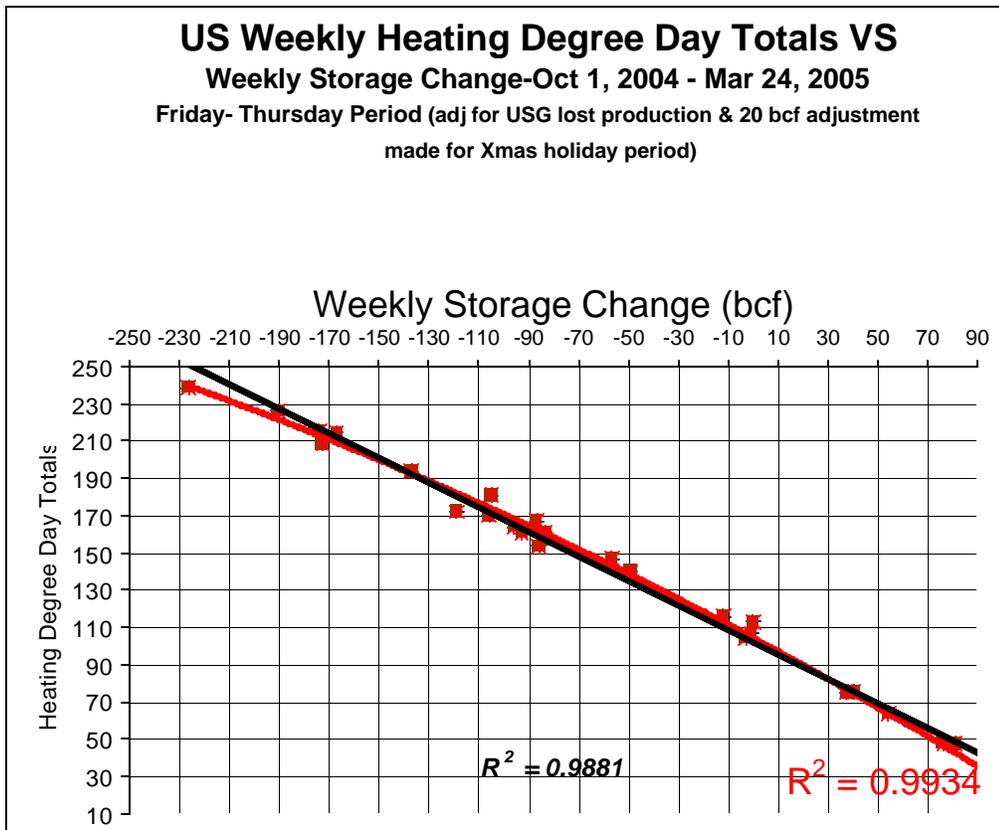


El Paso Natural Gas Company said that the Belen 1 turbine must be taken down to repair leaks in the turbine shell. The unit will be down March 31, reducing the capacity of the San Juan Crossover by 25 MMcf/d. In addition, the order of the Bondad single turbine unit maintenance is being changed to better coincide with upstream interconnect maintenance. One Bondad turbine will be down for mechanical inspection April 12 and 14, with the total station outage occurring on April 13. The reduction of capacity through Bondad Station will be (from a base capacity of 745 MMcf/d): April 12 – 135 MMcf/d; April 13 – 745 MMcf/d; April 14 – 135 MMcf/d.

ELECTRICITY MARKET NEWS

PNM filed a notice with the Federal Energy Regulatory Commission to increase its wholesale electric transmission revenues by approximately \$7.8 million annually. Upon FERC approval, the rate increase would apply to all of PNM's wholesale electric transmission service customers, which includes other utilities, electric cooperatives and entities that use PNM's transmission system to transmit power at the wholesale level. The proposed rate increase will not impact PNM's retail customers.

PNM Resources announced that Texas regulators approved the company's \$189 million acquisition of Southwestern power company TNP Enterprises. The company, which currently expects to close the deal in the



second quarter, said it still needs approval from New Mexico regulators and the Securities and Exchange Commission.

Wisconsin Energy Corp. and the Wisconsin Public Service Commission asked the state Supreme Court to reinstate the PSC's approval of Wisconsin Energy's plan to build a big coal-fired power plant. The new plant is needed for the state to meet future energy demands. The company wants to build two 615 Mw coal-fired units at the Oak Creek Power station in Milwaukee County as part of its \$7 billion, 10-year Power the Future

Program. The company believes that the state will experience a power shortfall in the summer of 2009 without added output.

Power traders participating in the opening day of the Midwest Independent Transmission System's Operator's day-ahead market said they were unable to hedge their positions using virtual bids and offers on the ISO's new locational marginal pricing system. Other aspects of the new system were moving more smoothly, yet traders are taking a cautious approach to bidding strategies.

Southern California may have to take aggressive conservation steps to avoid electricity shortages should the coming summer be unusually hot. The California Independent System Operator, which runs most of the transmission system, reviewed its "summer assessment" that showed the state as a whole probably has enough electricity supplies for a typical summer. However, a long intensive heat wave could leave the region with critically thin operating margins and a shortfall of up to about 1,700 Mw. If it is such a hot summer, the ISO and state utilities offer a range of conservation and energy efficiency programs, ranging from voluntary efforts for homes and businesses to emergency steps that cut off interruptible commercial and industrial users to rolling blackouts.

ECONOMIC NEWS

The Chicago Purchasing Management Index for March came in at 69.2, topping February's revised 62.7 reading. The street was looking for a number around 60 given the high price of oil. This March number indicates that Midwest manufacturing expanded at a stronger-than-expected pace for the month. The Chicago report is eyed by traders as an indicator in anticipation of the Institute for Supply Management Index, expected tomorrow. Another closely watched report, the Personal Income Index, a measure of inflation, rose 0.3% in February as compared to a 2.5% decrease in January.

MARKET COMMENTARY

The natural gas market today took a relatively neutral to slightly bearish storage number from the EIA and moderate weather forecasted for the next couple of weeks and tossed it aside, feeling more comfortable in following oil higher on the wings of the Goldman Sachs report which not only warned of the potential of a super spike in oil prices in the coming months of \$105, but that natural gas prices could reach \$13.00 per Mmbtu by 2007. The market though still posted only moderate volume as it gapped higher and posted its highest values in the spot contract since the end of November.

We would look for this market to still look to the oil markets for its price direction. We see resistance tomorrow at \$7.75-\$7.77 followed by \$7.867, \$8.00 and \$8.325. Support we see at \$7.55, \$7.48, \$7.40 and \$7.32. In regards to the storage spread of May-November, we would continue to look for this spread to contract as storage players continue to turn to the spot market to meet short term demand and keep their current storage gas in the ground. This week's storage report came in some 10 bcf less than unadjusted price projections basis our model this heating season, due in our mind to this storage price play.