



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 3, 2005

NATURAL GAS MARKET NEWS

Chevron Texaco said it had ordered two LNG carriers from Samsung Heavy Industries of South Korea to support its planned growth in the LNG business. The new carriers, which are planned for delivery in 2009, will each have a capacity of 154,800 cubic meters and join Chevron Texaco's current fleet of about 30 oil and gas tankers. The contract with Samsung is worth about \$384.2 million. Chevron Texaco's global gas president John Gass said these carriers would enable the company to deliver natural gas from its resources in the Pacific and Atlantic Basins. The company said it compliments the various LNG export and import terminals that the company is developing worldwide.

Freeport LNG Development LP urged FERC to expeditiously approve its request to enlarge the diameter of the proposed send out pipeline that would serve its LNG import terminal to be sited on Quintana Island in Brazoria County, TX.

Native communities in Canada's north are making fair demands for cash in exchange for rights to build a C\$7 billion gas pipeline across their lands, given the cultural and economic changes the project will bring, according to the Gwich'in Tribal Council negotiator. The negotiations have halted work on the project, as Imperial Oil and its partners have not yet been able to come to terms with the aboriginals. The proposed project would run from the Mackenzie Delta on the Beaufort Sea to southern markets, the continent's first major Arctic pipeline. Deputy Prime Minister Anne McLellan said she agrees with the oil companies that the aboriginal communities are asking the industry to provide things that should not be part of access agreements, such as annual taxes. Imperial has said it is

Generator Problems

FRCC— Progress Energy's 842 Mw Crystal River #3 nuclear unit returned to full power by early today. The unit was operating at 80% capacity yesterday and has been reduced since April 18.

MAIN— The 522 Mw Prairie Island #2 nuclear unit has begun a refueling outage following the completion of repairs to a backup diesel generator. The unit has been offline since April 16. Prairie Island #3 continues to operate at full power.

MAPP— Alliant Energy Corp.'s 561 Mw Duane Arnold nuclear unit ramped up to 8% early today as it exited a refueling outage. The unit has been shut since March 28 for a planned one-month refueling outage.

NPCC— Dominion Resources' 1,030 Mw Millstone #3 nuclear unit increased output to 95% by early today as it continues to come back following a brief outage. Millstone #2 remains shut for a planned refueling outage and is expected to return around May 21.

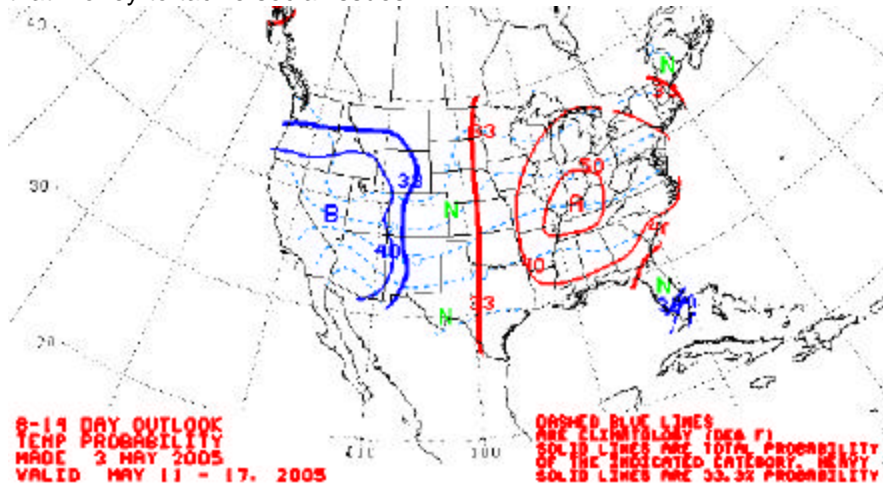
FPL Group's 1,195 Mw Seabrook #1 nuclear unit cut output overnight 16% to operate at just 1%. The unit restarted yesterday following a refueling.

Constellation Energy ramped production 6% to operate its 565 Mw Nine Mile Point #1 at 40% as the unit is returning from a refueling outage. Nine Mile Point #2 remains at full power.

SERC— Progress Energy's 900 Mw Harris nuclear unit ramped up to 30% power early today. The unit was shut Sunday after a manual trip due to the loss of a condensate pump.

The NRC reported that U.S. nuclear generating capacity was at 79,236 Mw today up 1.02% from Monday and down 2.20% from a year ago.

prepared to discuss the socioeconomic aspects of the pipeline that are part of its 6,500-page application. But it said governments will collect the taxes and royalties from the project and they should be responsible for using that money to tackle social issues.



PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said it is at capacity for gas received on the Arkoma Line (Segment 16). 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.

Texas Eastern Transmission Corp. said that receipts between Longview and Batesville have been restricted due to the Department of

Transportation hydrotest between Batesville and Lebanon that will block the 24-inch line, a single line system. Zones STX and ETX have been scheduled to capacity. Physical increases between Mount Belvieu and Batesville will not be accepted.

El Paso Natural Gas Company said the Dumas annual Department of Transportation inspection scheduled for today has been postponed to May 5. The capacity from Plains North will be reduced by 115 MMcf/d from a base capacity of 335 MMcf/d. The capacity from Dumas East will be reduced by 40 MMcf/d from a base capacity of 200 MMcf/d.

Kern River Pipeline has warned 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.

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.

PIPELINE MAINTENANCE

Southern Natural Gas Pipeline said it has identified a need to perform unscheduled maintenance on one of three compressor units at its Muldon Storage Field. A repair plan is being developed and the return to service date is unknown at this time.

Williston Basin Interstate Pipeline Co. said that due to unplanned maintenance, one unit at the Saco Compressor Station will be down starting today at 9:00 AM MT and lasting through May 5 at 5:00 PM MT. Based upon current operating conditions, receipt point 00885-Bowdoin will be effected by approximately one million cubic feet of gas per day per gas day.

ELECTRICITY MARKET NEWS

The Bonneville Power Administration asked the Federal Energy Regulatory Commission to issue a declaratory judgment on key provisions of Grid West, one of two competing efforts under way to improve the management and operation of the Northwest's transmission grid. BPA and the utilities asked for a stipulation that Grid West need not be a regional transmission organization under FERC Order 2000. As proposed, Grid West would be filed under FERC Order 888 – the order directing utilities owning transmission to provide open, non-discriminatory transmission access within their service areas.

The Nuclear Regulatory Commission has issued its final environmental impact statement on the proposed renewal of the operating licenses for the Donald C. Cook Nuclear Plant, Units 1 and 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.

Ratings activity in the U.S. investor-owned utility industry (electric, gas, pipeline, and water companies) continued to moderate during the first quarter, and were balanced between negative and positive actions, according to a report published Monday by Standard & Poor's Ratings Services. According to the report, since the year began, S&P recorded just seven downgrades of holding companies and operating subsidiaries, and five upgrades. In contrast, there were 17 downgrades and only two upgrades in the year-earlier quarter, and 50 downgrades versus three upgrades during the first quarter of 2003.

ECONOMIC NEWS

New Orders at U.S. factories rose by a modest 0.1% in March, confounding forecasts for a sharp drop after non-durable goods orders recorded a sharp advance. The Commerce Dept. said it was the highest rise since December and compared with a revised 0.5% decline in factory orders in February. Wall Street had forecast orders to fall 1.2% following weaker readouts from purchasing manager surveys amid soaring oil prices, which have dented household budgets and expectations for future income.

The FED raised interest rates another quarter point, holding the fed funds rate at 3%, a highly expected move. The closely watch statement that accompanies the rate move remained consistent, stating that they would continue raising rates at a "measured" pace, which many economists interpret as more quarter-point hikes in the coming months.

MARKET COMMENTARY

The natural gas market opened lower for the fifth time out of the last six trading sessions as limited heating and cooling demand coupled with continued eroding oil prices kept the natural gas bears in control of the market. The support built up over the previous two trading sessions at \$6.55-\$6.545 was able to hold through the morning and into the start of the afternoon session, but crumbling oil prices did drag natural gas values lower breaching this support area and sending prices down to levels not seen since late February. Final estimated futures volume was placed at 81,000 contracts.

This market continues to float along on the trade winds of the oil market. Until we get into true cooling demand period these natural gas traders appear to be lacking any strong conviction for prices one way or the other. The winter months though remain relatively firm, as traders appear unwilling to embrace the warmer than normal outlook provided so far from the National Weather Service, given in part we believe by the relative undervalue nature of natural gas contracts relative to the oil complex and in particular heating oil for these months.

We see support tomorrow in the natural gas market at \$6.50 followed by \$6.40-\$6.386, \$6.11 and \$6.08. Resistance we see at \$6.77, \$6.90, \$7.058, \$7.225 and \$7.396.