



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 10, 2005

NATURAL GAS MARKET NEWS

The EIA's Short-Term Energy Outlook for May 2005 reported that the Henry Hub natural gas spot price averaged over \$7.30 per mcf in April 2005 compared to \$5.88 in April 2004. High crude oil prices combined with the unusually cold March weather for much of the Nation, boosted spot prices for natural gas to levels above \$7.00 per mcf. Spot prices for natural gas have generally been falling in recent days in response to generally mild weather and declining crude oil prices. These prices may continue to ease somewhat during the spring and summer. Still, natural gas supply conditions are expected to remain tight over the same period and spot prices are likely to remain in the range of \$6.50 to \$7.00 per mcf through the summer. Although natural gas storage remains above the 5-year average, high world oil prices, continued to strength in the economy, the expectation that Pacific Northwest hydroelectric resources will be well below normal through mid-summer, and limited prospects for growth in domestic natural gas production all support the natural gas price projections. Henry Hub prices are expected to post averages of over \$7.00 per mcf in 2005 and 2006. Working gas in storage is estimated at 1,463 Bcf at the end of April, a level 17% higher than 1 year ago and 22% above the 5-year average. Natural gas demand is projected to increase by 2.1% in 2005. Domestic natural gas production in 2005 is expected to remain near the 2004 level, despite an expected 13% increase in gas directed drilling. In 2006, natural gas demand is projected to rise by 2.3% due largely to weather-related factors and continued strength in gas-intensive industrial production.

Generator Problems

ECAR— First Energy Corp.'s 1,235 Mw Perry nuclear unit ramped up to 62% of capacity by early today. On Monday, the unit was operating at 32% of capacity after exiting a refueling outage over the weekend.

Nuclear Management Co. declared an unusual event at its 767 Mw Palisades unit due to a problem with the preliminary coolant system. An unusual event is the lowest of four emergency classifications.

MAAC— Exelon's 1,116 Mw Peach Bottom #2 nuclear unit ramped up 20% to return to full power this morning. Peach Bottom #3 remains at full power.

PPL ramped power 24% to return its 1,115 Mw Susquehanna #1 nuclear unit back to full power. Susquehanna #2 also returned to full power from 96% yesterday.

NPCC— Constellation Energy Group's 620 Mw Nine Mile Point #1 nuclear unit returned to full power by early today. On Monday, the unit was operating at 20% of capacity. Nine Mile Point #2 continues to operate at full power.

SERC— Tennessee Valley Authority cut production at its 1,121 Mw Watts Bar nuclear unit by 90% to operate it at 10% of its capacity.

Canada— Ontario Power Generation shut two 535 Mw Lennox oil- and natural gas-fired power stations over the past few days for planned maintenance work.

The NRC reported that U.S. nuclear generating capacity was at 80,043 Mw today up 1.69% from Monday and down 5.37% from a year ago.

El Paso Corp. said its production volumes are currently 800 MMcf/d, helped not only by three recent acquisitions by optimizing output at existing wells. Lisa Stewart, head of the company's unregulated businesses, attributed the improvement to a more dedicated effort at workovers and recompletions of existing wells whose potential

hadn't previously been tapped. During the first quarter, output was flat to higher in three of El Paso's producing regions compared with the fourth quarter, with only the Texas Gulf Coast continuing to show weakness, with a 10% sequential decline.

PIPELINE RESTRICTIONS

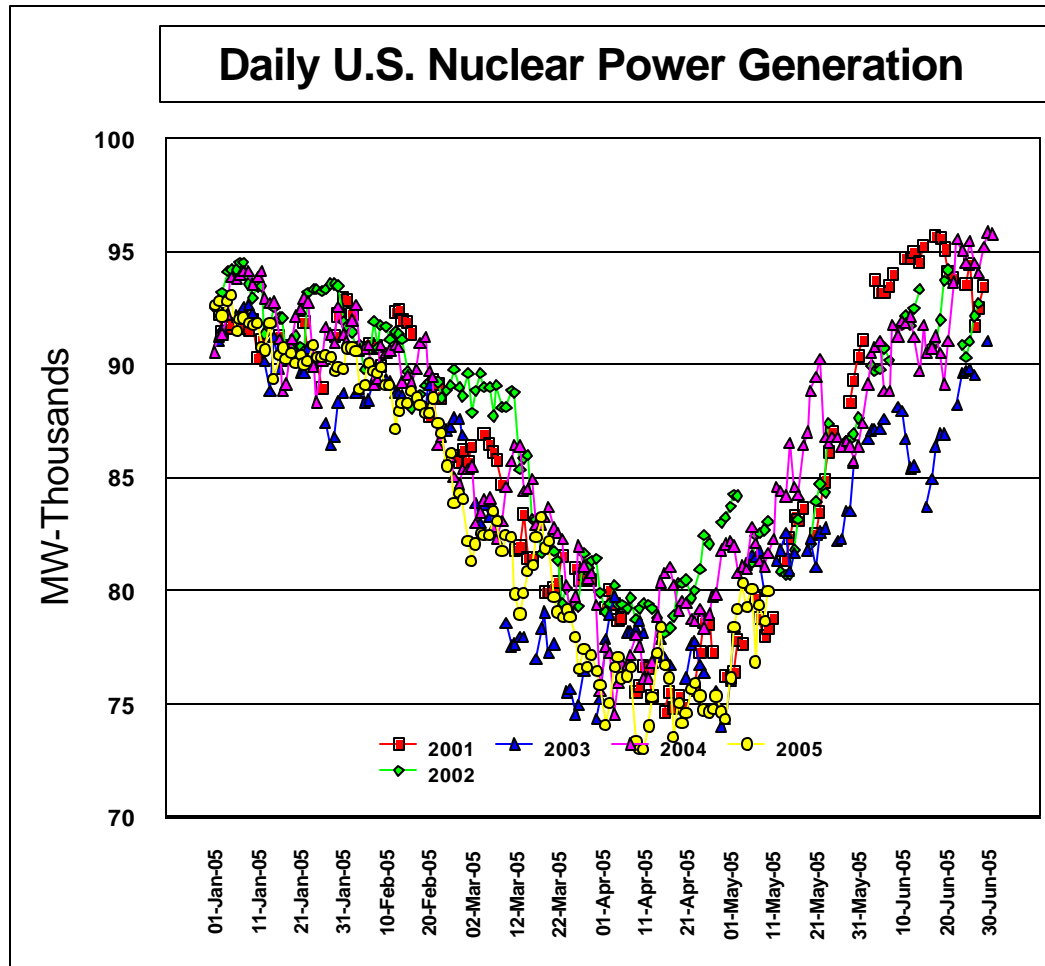
Gulf South Pipeline Company based upon Gulf South's initial review of nominations, NNS demand, and other factors affecting Gulf South's system, said it may be required to schedule only primary firm capacity and implement scheduling reductions for the Subject Gas Day and Nomination Cycle for: Tyler 12-inch; Palestine 8-inch; and Dallas 18-inch. Gulf South will notify affected parties when final scheduled quantities are available.

Kern River Pipeline said that line pack levels are high. Shippers and operators should ensure that they take delivery of their scheduled quantities. It said line pack is high on the Kern ML North from Muddy Creek to Elberta, on Kern ML Middle from Elberta to Goodsprings, Kern ML South from Goodsprings to Common Facility.

Texas Eastern Transmission Corp. said due to capacity constraints receipts between Longview and Batesville have been restricted. The constraints are due to the DOT hydrotest between Batesville and Lebanon that is blocking the 24-inch line. Zones STX and ETX have been restricted to capacity. Physical increases between Mount Belvieu and Batesville will not be accepted. Customers are advised that capacity may become available as the nomination and confirmation process continues through the day.

Mississippi River Transmission said that until further notice, shippers should avoid scheduling gas quantities which result in daily and/or month to date long positions into MRT. Failure to follow the recommendation of this notice may result in OFOs to individual shippers.

PIPELINE MAINTENANCE



Northern Natural Gas Company said it will be conducting required maintenance and pipeline inspections on the Palmyra to Hooper C line all this week through May 13. A pressure reduction is required for this maintenance activity and further pressure reductions may be required based on the information gathered from the initial pipeline inspections.

Williston Basin Interstate Pipeline Company said that relocation of part of the mainline on the Billy Creek to Sheridan Line will be performed starting May 18. Delivery Point ID 05800 WBI – Aggregate Storage

(Inject) and Receipt Point ID 04843 Dry Ranch may potentially be affected depending on quantities nominated. Also, maintenance will be performed at the Worland Compressor Station Unit #7. Receipts in Line Sections 19 and 20 may potentially be affected depending on quantities nominated.

ELECTRICITY MARKET NEWS

EIA's Short-Term Energy Outlook for May 2005 reports that electricity demand is expected to increase by 2.6% in 2005 and by an additional 2.4% in 2006 due largely to continuing economic growth, following estimated demand growth of 1.6% in 2004. Third and fourth quarter 2005 year-over-year demand growth is expected to be particularly strong, as cooling and heating demand is likely to be higher than in the first and second quarters of 2004. Hydroelectric power availability, which fell somewhat in 2004, is expected to rebound in 2005 by almost 11% nationally provided normal precipitation patterns prevail. However, this overall improvement is concentrated in regions other than the West Coast, and Pacific Northwest hydroelectric resources are expected to be well below normal through mid-summer. Coal demand in the electric power sector is expected to increase 2.1% in 2005 and another 3.1% in 2006. Power sector demand for coal continues to increase as oil and gas prices remain high. U.S. coal production is expected to grow by 1.8% in 2005 and by an additional 2.7% in 2006.

Allegheny Energy announced that its subsidiary Allegheny Energy Supply Company, has signed an agreement to sell its Wheatland generating facility, a 512 Mw gas-fired peaking facility, to two affiliates of Cinergy Corp., PSI Energy and the Cincinnati Gas & Electric Company, for approximately \$100 million. The sale is part of Allegheny's plan to reduce debt and refocus on our core business.

MARKET COMMENTARY

The natural gas market continued to trade in sympathy with the oil market. Similar to the crude market, the natural gas market pared its early gains but still ended slightly higher on the day. The market gapped slightly higher from \$6.68 to \$6.69 and quickly breached its resistance levels as it rallied to a high of \$6.84 by mid-day. The market was well supported by the strength in the oil complex as the markets traded to their highs amid some news of a refinery problem. However the market quickly erased all of its early gains and backfilled its opening gap as it traded to a low of \$6.67 ahead of the close. The market seemed to have been overdone on the upside before it pared its gains. It settled in positive territory for the second consecutive session, up just 2 cents at \$6.694. Volume in the natural gas market was better with over 66,000 lots booked on the day.

The natural gas market continues to lack any momentum either way as it continues to trade in sympathy with the crude market. If the crude market does see further builds in crude stocks, the natural gas market will likely remain pressured as well. Technically, the natural gas market is seen finding support at its low of \$6.67 followed by its lows of \$6.595, \$6.57-\$6.55. More distant support is seen at \$6.45, \$6.38 and \$6.11. Meanwhile resistance is seen at \$6.70, \$6.75, \$6.84 followed by \$6.98, \$7.002 and \$7.023. More distant resistance is seen at \$7.20 and \$7.385.