



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR MAY 17, 2005

NATURAL GAS MARKET NEWS

Sempra Energy reported that the U.S. Gulf of Mexico's existing petroleum infrastructure and comparative lack of local oppositions make it the best place to locate LNG ports and storage that will supply the densely populated U.S. Northeast. Sempra, which is building the first LNG plant in the North America West in Baja California, Mexico, has learned to find places that welcome LNG ports rather than wage slow permitting wars against communities that oppose the ports for security and environmental reasons. Currently 3% of natural gas used in the U.S. is LNG and by 2020, LNG will make up 25% of natural gas used in the U.S. With LNG terminals costing between \$500 million and \$1 billion, time is money, so bickering over permits and delaying action has a big impact on the bottom line. Sempra is also developing LNG plants in the Gulf of Mexico, one in Louisiana, and one in Texas. Also, to protect against Hurricane impacts, Sempra is developing inland underground storage systems, which will double the LNG storage of its gulf ports to 40 Bcf.

Generator Problems

MAIN— Exelon Corp.'s 864 Mw Quad Cities #2 nuclear unit exited an outage and ramped up to 18% of capacity by early today. Quad Cities #1 continues to operate at 85% capacity.

SERC— Duke Energy Corp.'s 846 Mw Oconee #1 nuclear unit ramped up to 98% of capacity by early today. Yesterday, the unit was operating at 58% after exiting a refueling outage. Oconee #2 and #3 continue to operate at full power.

Southern Nuclear Operating Company's 888 Mw Farley #1 unit cut output 20% to operate at 80%. Farley #2 continues to operate at full power.

WSCC— Sempra Energy's 525 Mw Elk Hills natural gas-fired power station shut for planned reasons early today. The unit was fully available for service yesterday.

The NRC reported that U.S. nuclear generating capacity was at 83,963 Mw today up .35% from Monday and down 3.52% from a year ago.

El Paso CEO, Doug Foshee, agreed with Sempra's report, noting that the U.S. Gulf Coast will harbor most of the country's LNG import capacity due to its superior infrastructure. Foshee said he didn't expect many LNG terminals to be built in the Northeast or on the U.S. West Coast due to lack of infrastructure and permit red tape.

The Suffolk County Legislature voted unanimously to oppose Broadwater Energy's proposed \$700 million off-shore natural gas terminal in Long Island Sound. Broadwater Energy is a joint venture between TransCanada Corp. and Shell U.S. Gas & Power. The legislature voted 16-0 against the project, with two legislators not present, after a handful of the more than two dozen residents spoke out against the terminal.

ConocoPhillips today announced that it has entered into a Joint Development Agreement with Mitsubishi Corporation's wholly owned subsidiary, Sound Energy Solutions, to formally join in the development of a proposed LNG import terminal in the Port of Long Beach, California. The proposed terminal would have the capacity to import approximately 5 million tons of LNG per year.

Kinder Morgan began to increase some flows of gas halted by a blast on the 36-inch mainline of its Natural Gas Pipeline Co. of America pipeline. A force majeure on the affected segment of the line remains in effect.

NGPL said today that it is planning to expand a portion of its Amarillo-to-Gulf Coast pipeline by 232,000 Dth/d in order to serve growing gas production from the Barnett Shale in northwestern Texas. NGPL is holding a binding open season through June 8th to test market interest in the project.

Washington Gas reported that it is exploring whether an outbreak of leaks in the utility's natural gas distribution pipelines and mains in Prince George's County, MD is the result of an aging infrastructure or due to the recent introduction of regasified LNG to its system.

Gulf South Pipeline today warned the FERC from making changes in gas quality and interchangeability specifications, since it could severely affect the composition of natural gas and further restrict a tight natural gas supply situation.

PIPELINE RESTRICTIONS

NGPL said that a force majeure is still in effect due to the failure that occurred May 13, on the Gulf Coast #3 mainline of its pipeline in Harrison County, Texas in Segment 26 just south of Compressor Station 304. In other news, Segment 17 is at capacity. 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.

Florida Gas Transmission said that due to current weather forecasts indicating warmer weather in Florida, FGT may issue an Overage Alert Day on one of the upcoming gas days to ensure that linepack does not drop to lower levels.

National Fuel Gas said Tennessee Gas Pipeline anticipates restrictions at Niagara Spur points during the months of June and July. Approximately 40% of capacity will be restricted from June 12-17, and approximately 10% from June 22 through July 14. At East Aurora, physical flow will be suspended from June 15-22. NatFuel will flow at alternate spur points to the extent possible, however, some curtailments can be expected.

Westcoast Energy said it has successfully brought the inlet pressure down at the Pine River Gas Plant and is adjusting the constraint to ensure it is maximizing acid gas treatment service while ensuring firm service customers are receiving the best service possible during this restriction. Effective immediately and until further notice, the acid gas constraint currently in place is being adjusted to 100% of firm acid gas treatment service availability. The current OPC will remain in effect. Also, no interruptible acid gas treatment service is currently allowed to flow.

PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance at the Kerrobert Compression Station in Saskatchewan, which was intended to be completed Sunday May 16 will have to be extended due to unexpected complications. AOS capacity for May 18th will be impacted as a result. In other news, Alliance said that mechanical difficulties at this facility have been overcome at the Scotford Compressor in Saskatchewan. Station capacity is no longer constrained.

El Paso Natural Gas Company said there will be no reduction of San Juan Crossover capacity today. The Lincoln maintenance scheduled for May 17 and 18 will be postponed to occur May 18 and 19, reducing the capacity of the San Juan Crossover by 60 MMcf/d from a base capacity of 645 MMcf/d. The ongoing Wenden GE turbine outage will be completed by early afternoon May 17. The result will be a prorated capacity for gas day May 17 of 595 Mmcf/d, an increase of 25 MMcf/d.

ELECTRICITY MARKET NEWS

NUS Consulting said the average US electricity price rose 5.2% between April 2004 and April 2005 and prices are likely to continue to increase over the next 12 months, perhaps reaching "historic levels." According to NUS' annual survey, the average price of power in the US was 7.95 cts/kWh in April 2005, compared with 7.56 cts/kWh a year earlier. NUS said it found customers in New York, New Jersey and California pay some of the highest electric prices. The top five surveyed utilities in terms of price are Consolidated Edison, Niagara

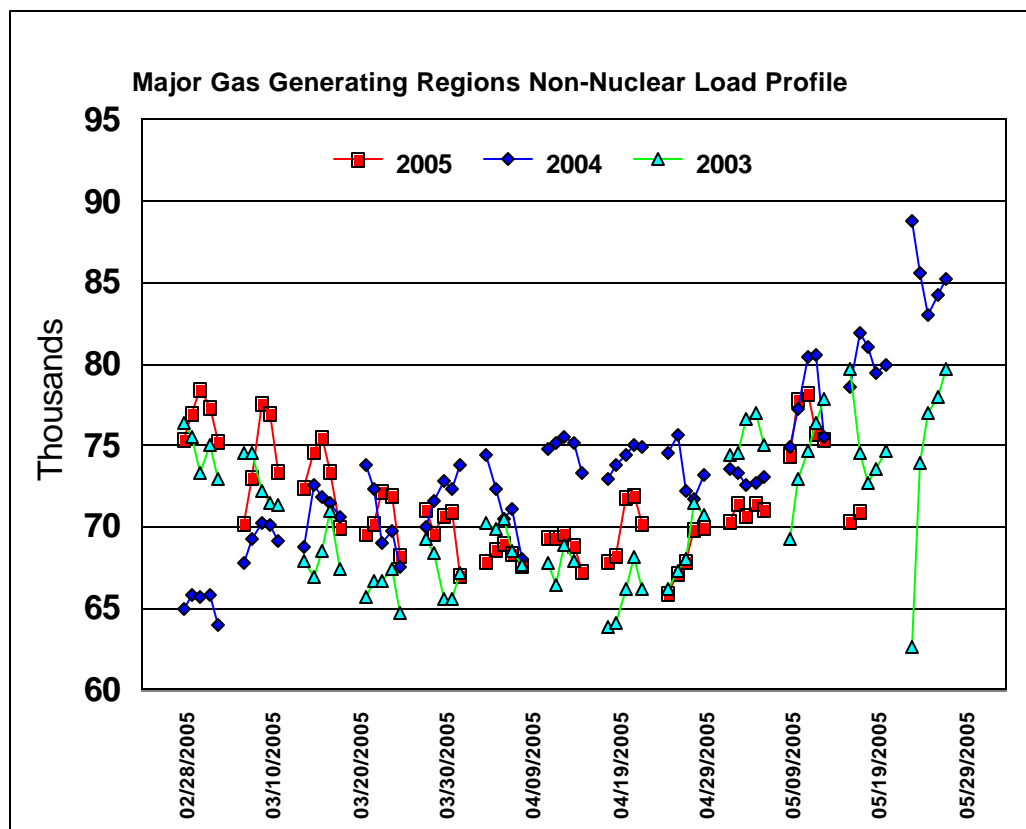
Mohawk, Southern California Edison, Pacific Gas & Electric, and Public Service Electric, all operating in deregulated electricity markets.

Four regions of the North American Electric Reliability Council have signed a memorandum of understanding to combine their operations and become a single entity, the Large Regional Reliability Council, that would cover the Mid-Atlantic and Upper Midwest of the US and parts of Canada.

U.S. Senate Energy and Natural Resources Committee Chairman Pete Domenici said he's still working on a way to include in a draft energy bill a provision that would repeal a Depression-era law that restricts utility mergers. A provision repealing the Public Utility Holding Company Act, or PUHCA, is included in the comprehensive energy bill the U.S. House passed last month. But members of the Senate energy panel couldn't reach an agreement on repealing it. Nor could lawmakers reach an agreement on how much authority the U.S. Federal Energy Regulatory Commission should have over reviewing mergers if PUHCA were axed.

A group of large retail chains, including 7-Eleven, A&P, Best Buy, Wal Mart, RadioShack, JCPenny, and Big Lots Stores, urged President Bush to promote the development of competitive electricity markets throughout the U.S. In a letter, the retailers said their experience with competitive markets in the country has been positive and has saved their customers money. The letter is being distributed by the Compete Coalition, a pro-competitive lobbying group created by merger partners Exelon and PSEG, as well as Reliant Energy, Mirant, Constellation

Energy and Sempra Energy.



ISO New England, wants more customers to sign up for programs to reduce electricity consumption during times of peak demand and high prices. New Englanders have already signed up for several of the ISO's so-called demand response programs to shed about 500 Mw of electricity.

ECONOMIC NEWS

The Producer Price Index topped street expectations with an increase of 0.6% for the month of May in the measure of prices paid to factories, farmers and other producers. The street was looking only for an increase of 0.4%. Some producers that are paying more now than they did last year for energy and raw materials are raising prices to maintain profits. The increase emphasizes the Federal Reserve's statement earlier this month "pricing power is more evident." That will encourage policy makers to keep raising interest rates at a "measured" pace.

The FED reported that production from U.S. factories, mines and utilities unexpectedly dropped in April and businesses ran at a slower operating rate than they did in March. Industrial production shrank 0.2% last month, sharply contrary to Wall Street economists' forecasts that it would increase 0.2%.

MARKET COMMENTARY

The natural gas market opened lower this morning as oil prices started the day lower on news of OPEC revising downward its demand forecast and its willingness to not only keep production levels at current levels but to increase them come the fourth quarter. Natural gas prices though held yesterday's lows and bounced off these levels, first returning to yesterday's late levels and then surging higher once yesterday's highs were breached. This rally in natural gas during the late morning, actually saw natural gas as the price leader in the energy markets, but this leadership faltered by lunch time after prices nearly retraced 38% of the past week bear move as they stalled out at Friday's high at \$6.55 before sliding back towards early morning levels. The rest of the day saw natural gas not only give back its gains on oil prices from the morning but actually see its price discount to crude oil prices widen for the second day in a row standing at its widest discount since last Wednesday. Final volume on the day was estimated at 76,000 futures contracts.

For the near term we continue to see the natural gas market remaining somewhat tethered to the oil markets for overall price direction, but with seasonal utility demand for natural gas for generation running behind the prior two years, we feel that the bulls we remain on the defensive in the natural gas market. This should result in natural gas prices seeing further price erosion relative to oil even if flat prices fail to significantly move lower. Near term we see support at \$6.405 followed by \$6.20, \$6.13-\$6.11. Resistance we see at \$6.55-\$6.571, followed by \$6.623, \$6.674, \$6.745 and \$6.84.