



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR MAY 23, 2005

NATURAL GAS MARKET NEWS

Bloomberg News reported this morning that many commodity hedge funds have had a rough four months this year. John W. Henry & Company, reported declines of more than 20% this year for many of its portfolios. The company's \$1.6 billion Strategic Allocation fund was off 26.8%. But the head of Barclay's Global Investors said today that while commodity prices have fallen recently, the potential high returns and diversification benefits leave the case for investing in this asset class. He continued to look for strong demand from China and Asia will boost prices of raw materials, as demand will exceed supply. Meanwhile the senior economist at Goldman Sachs said Monday that energy remains a key component of commodity fund indices as it has the highest long-term returns among commodities and does well as a hedge against inflation. He noted that energy markets offer the most significant backwardation benefits. He noted that since 1983 crude oil futures have been backwardated 65% of the time, delivering an average yield of 0.74% per month.

The Climate Prediction Center reported this morning that for the week ending May 21st, some 38 heating degree days were recorded nationwide on a gas home heating customer weighted basis. This was 5.5% higher than normal and some 80% more than the same week a year ago. Cooling demand though was limited with just 23 CDD. This was exactly normal but 26% less than the same week a year ago. For the current week ending May 28th, the CPC is forecasting just 29 CDD, while a normal

Generator Problems

MAIN— Exelon's LaSalle #1 nuclear unit ramps up to 85% following rod adjustments.

PJM — FirstEnergy's 821 Mw Beaver Valley #1 nuclear unit will likely be held at 90% of capacity for the next couple of days as operators care out some maintenance.

NPCC — Dominion's Millstone #2 nuclear unit returned to full power Monday morning after exiting its refueling outage last week.

SERC — Dominion Resources 815 Mw Unit #2 at the Surry nuclear power plant was restarted this morning, as operators attempted to bring the unit back into service from its recent refueling outage. The unit was listed at 2% of capacity.

SPP—The 1235 Mw Wolf Creek nuclear unit was at 99% of capacity this morning up 38% from Friday's levels. The unit has been ramping back up following its recent refueling outage.

WSCC— The 1247 Mw Unit #3 at Palo Verde was off line this morning for planned maintenance. The unit is expected to remain off line for a couple of weeks. The unit had been operating at full power on Friday. Meanwhile the 1335 Mw sister unit, Unit #2 was running at 66% of capacity after being restarted from its recent refueling outage.

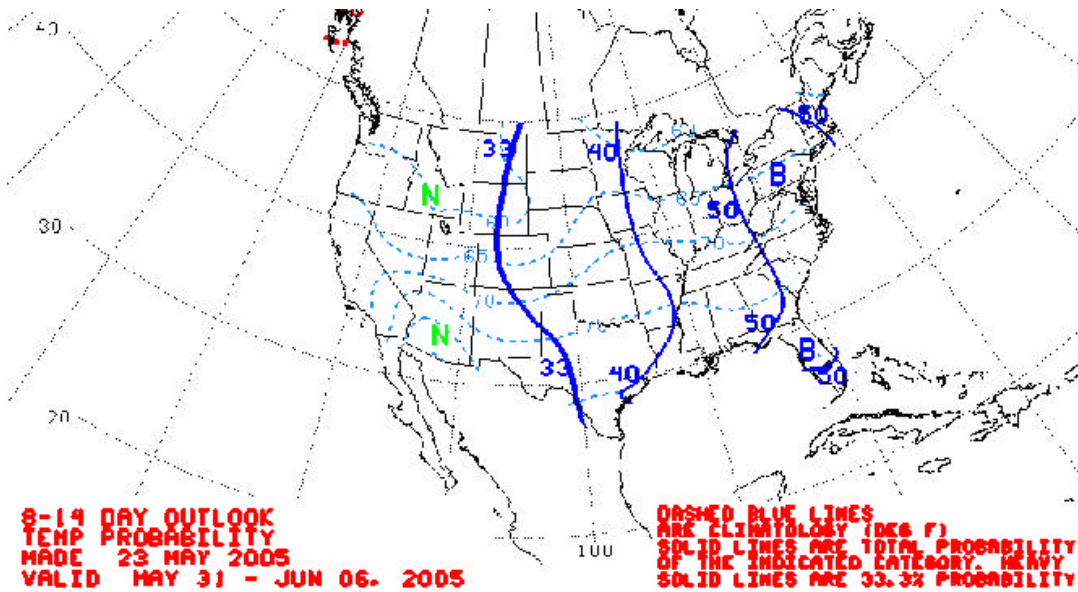
Mirant's 682 Mw Unit #7 at the Pittsburg natural gas fired power station in California was taken off line Monday for planned maintenance.

Operators at Calpine's 811 Mw Delta Energy Center reported to have some 611 Mw of generating capacity off line for planned work.

Canada- Bruce Power's 800 Mw Unit #6 at the Bruce B nuclear power station in Ontario returned to service Monday. The unit had been shut down since May 19th for repairs.

Ontario Power's Naticoke #5 490 Mw coal fired plant went off line Monday along with the 494 Mw coal fired Lambton #1 unit.

The NRC reported that U.S. nuclear generating capacity was at 86,022 Mw down 0.08% from Friday and down 0.9% from a year ago.



level but 27.5% less than the same week a year ago.

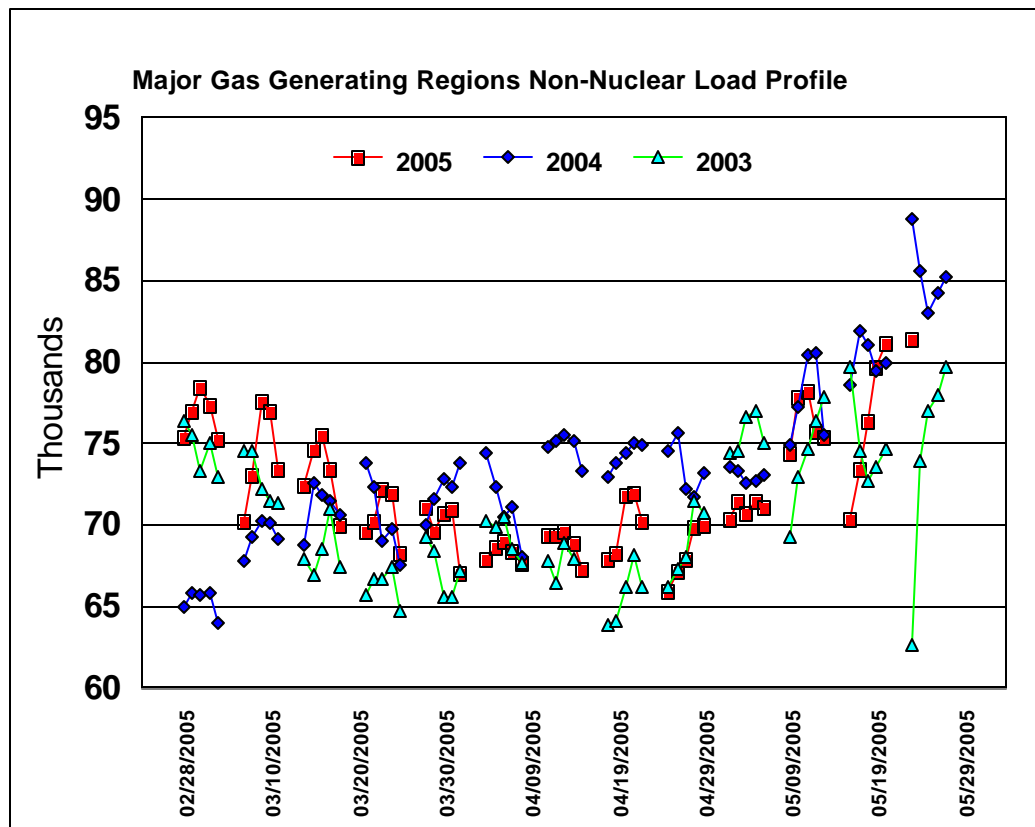
Cheniere Energy formally submitted its application with the FERC to site, construct and operate its Creole Trail LNG receiving terminal and associated gas pipeline in Cameron Parish LA. The facility will have a LNG regasification capacity of 3.3 bcf/d. This would

be the largest North American receiving terminal. Its target operation date is 2009.

ANR pipeline announced today a non-binding open season for incremental storage and associated transport service in response to recent customer requests for capacity in excess of ANR's existing storage portfolio. The company anticipates expanding its existing storage fields as well as developing one or more new fields, all in Michigan.

The omnibus energy bill as it stands before the Senate Energy and Natural Resources Committee calls for FERC having "exclusive authority" to approve applications to build and operate LNG import terminals. While states would retain most rights to challenge projects under the federal Coastal one Management Act, Clean Air Act and the Federal Water Pollution Control Act, the final decision would still rest with the FERC. The bill would also amend the natural Gas Act to give the FERC the ability to authorize market-based rates for gas storage.

Former Williams gas trader, Brion Scott



McKenna, pleaded guilty Friday to one count of manipulating the price of natural gas in interstate commerce in violation of the Commodity Exchange Act.

PIPELINE RESTRICTIONS

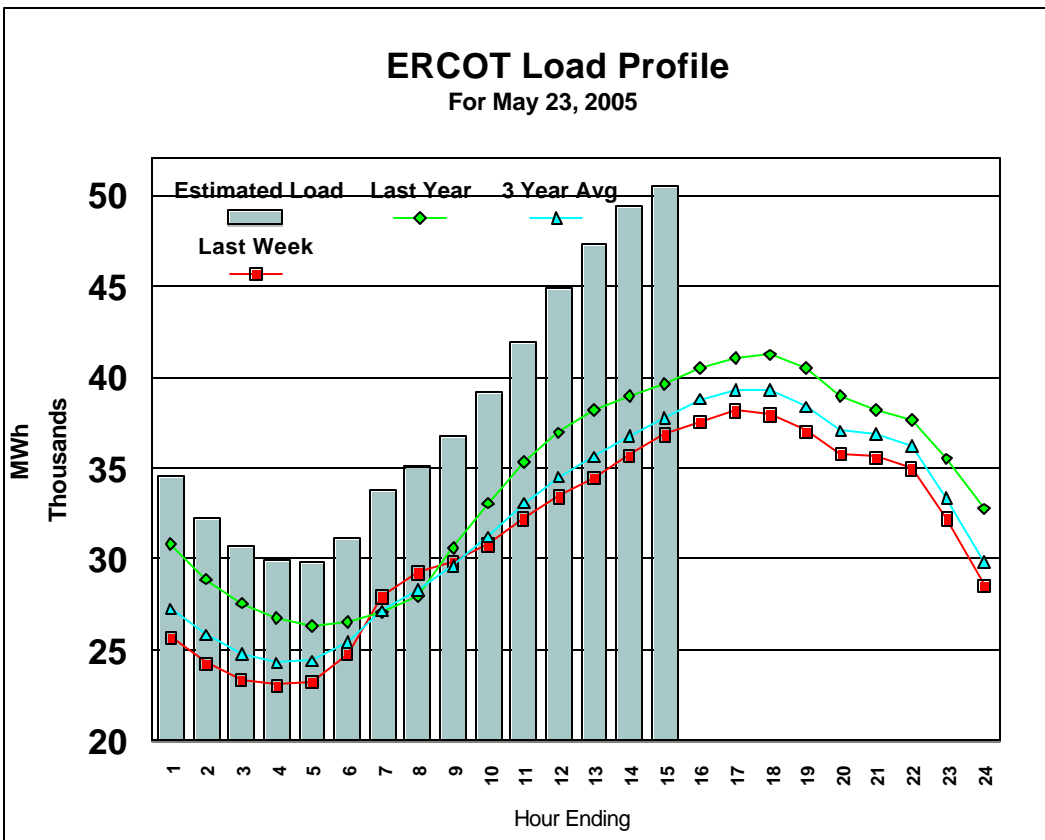
FGT said that due to high temperatures in its market area, it was issuing an Overage Alert Day at 25% tolerance.

NGPL said that the gas quality problem that occurred last Thursday at the the Ozark-White location in White County, Arkansas has been resolved. The company also reported that the force Majeure on Segment 26 will remain in effect due to the failure that occurred on Friday May 13th on the Gulf Coast Main Line #3.

Texas Eastern said it has restricted ETX due to scheduled cleaning of the line 11. As a result M1-24 and M2-24 have been scheduled to capacity.

Centerpoint Gas Transmission has implemented an operational alert in order to manage system line pack during the Perryville Hub scheduled maintenance. This order it expect to start May 24th and contnue for three days.

Gulf South Pipeline said that based on its initial review of



nominations, NNS demand and other factors, the company may be required to schedule available capacity and implement scheduling reductions for the tyler 12 inch line as wella s the Palestine 8 inch line and the Dallas 18 inch line..

PIPELINE MAINTENANCE

El Paso Natural Gas released its preliminary maintenance schedule for June. It noted that the ongoing Gallop B overhaul will continue through June 5th. While Rock 1 turbine will be down to repair the regenerator June 13th, followed by annual inspections from June 14-17th. It noted that Line 1219 will be pigged between the Chaco Plant interconnect and White Rock Station on June 14th. The San Juan Basin capacities will be reduced by 30 Mmcf/d from June 1-5th. Addition restrictions will be 150 mmcf/d on June 13, 335 Mmcf/d on June 14 and 250 Mmcf/d from June 15-17. The North Mainline capacity will be reduced by 10 Mmcf/d for June 6th; 235 Mmcf/d from June 7-9th; 5 Mmcf/d for June 10-12; 10 mmcf/d for June 13-15; June 20th by 25 Mmcf/d; June 21-22 by 145 mmcf/d; June 23-24 by only 15 Mmcf/d; and by 10 mmcf/d from June 25-29th. Due to maintenance work and inspections on the San Juan Crossover next month capacities on the line will be reduced as follows: June 10-11th by 50 Mmcf/d; June 12th some 65 Mmcf/d; June 13-17 by 640 mmcf/d and June 27-July 1 by 25 Mmcf/d. The company also noted that a portion of the Washington Ranch Storage wells will be shut in for treatment on June 28-29th, limiting the injection and withdrawal capability to just 30 mmcf/d.

Alliance Pipeline said that its Irma Compression Station will be offline for 8 hours starting Thursday morning. Authorized overrun will be impacted. The company also reported that scheduled maintenance will require Unit #1 at the Whitecourt Compression Station/Lateral to be unavailable for 5 hours Wednesday, reducing capacity to only 32 Mmcf/d.

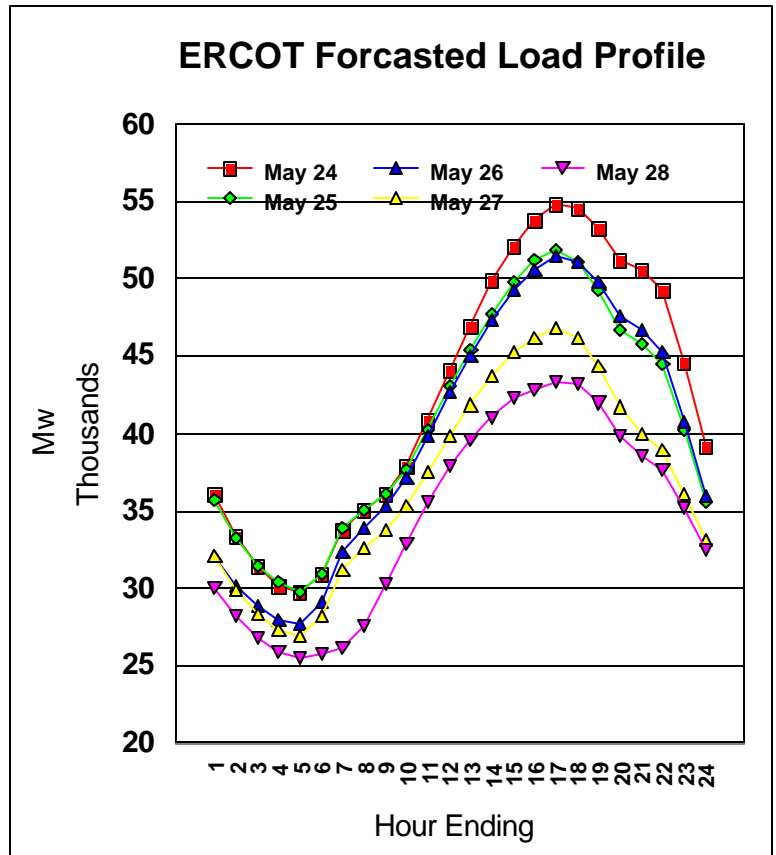
NGPL reported that it will perform hydrostatic testing along its Amarillo Main Line #3 north and south of Station 195 in Washington County, KS from June 2-July 18th. As a result interruptible flow, authorized overrun and secondary out of path transports will be unavailable. Primary and secondary in-path transports may be at risk of not getting fully scheduled.

BPA reported that transmission capacity on the California/Oregon AC and Pacific DC power lines will hold steady at 3,000 Mw and 2700 Mw respectively, for Monday and Tuesday.

ELECTRICITY MARKET NEWS

PJM Interconnection forecasted that this summer’s peak demand to reach 131,330 Mw. Pjm expects to have 165,649 Mw of generating capacity this summer, providing a reserve margin of 26%, well above its required reserve margin of 15%.

ConEd’s maintenance work on the Millwood-Eastview-Sprain Brook transmission line in Westchester County, was curtailing up to 1400 Mw of power flowing from Upstate NY in to the NYC region. This capacity restraint was expected to last through Tuesday.



MARKET COMMENTARY

The natural gas market gapped lower this morning following oil prices, which began the session significantly lower. But as the crude oil market reversed direction and headed higher natural gas prices followed, and by mid morning had nearly rallied 20 cents off the morning’s lows and as a result had posted an outside trading session following Friday’s inside trading session. While good commodity fund buying was seen by floor traders as the major factor behind the mid morning rally, additional support for natural gas though appeared to be coming from power demand across the Southwest and into ERCOT, as warm temperatures helped to boost generation demand for natural gas. Power demand in ERCOT today was running some 26.6% higher than the pervious three-year average for this date, and some 16% higher than had been forecasted just this past Friday. Final estimated volume on the day was pegged at 75,000 futures contracts changing hands, of which the majority was booked before the morning even drew to a close.

While the demand in ERCOT is expected to remain strong in coming days, it should though begin to back off from today’s high levels and begin to moderate as the week wears on. This couple with the latest temperature outlook from the government, which continues to look for below normal temperatures across the eastern two thirds of the nation next week, should help to pull in the reins on the bulls in natural gas.

We would therefore look for any additional rallies as the potential for short term selling opportunities in the natural gas market, to possible see a retest of this morning/s lows. We see initial support at \$6.36 followed by \$6.30-\$6.29, \$6.20 and \$6.138. Resistance we see at \$6.47, \$6.50, \$6.555-\$6.565, \$6.63 and \$6.84.