



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 24, 2005

NATURAL GAS MARKET NEWS

ConocoPhillips expects to have its permit approved by the end of this year for the proposed Compass Port LNG terminal offshore Alabama.

WSI Corp. is calling for a warmer than normal summer in many regions of the country, which could lead to surging power prices and competition for natural gas supply between electric power generators and gas storage operators. WSI's forecast for August shows warmer than normal temperatures in all regions except for the Northwest.

Sen. Mary Landrieu (D-LA) said Tuesday she plans to offer an amendment during mark-up of the Senate energy bill this week that would require the federal government to share 50-50 with the traditional producing states the revenues from production on the federal Outer Continental Shelf (OCS), as well as give the option for other states to opt out of the congressional moratorium and participate in OCS drilling.

The Alberta Energy and Utilities Board and Canada's National Energy Board have increased their estimate of the total recoverable conventional natural gas resource in Alberta to 223 Tcf, or up about 7% from the NEB's estimate in 2004 and 12% more than the last estimate by the AEUB, according to a new joint report by the agencies.

Qatar plans to raise exports of LNG fourfold to 77 million tons a year by 2010, when it will supply at least eight countries. Qatar Energy Minister Abdullah bin Hamad al-Attiyah said Qatar will eventually supply the U.K with 20% of its gas needs.

Generator Problems

ERCOT— Flint Hills Resources Corpus Christi West Plant will be brought down for a planned outage to perform routine maintenance of the generator and for inspection of the boiler and the hot gas path. The unit is expected back May 27th.

MAIN— Exelon Generation Company's 1,170 Mw LaSalle County nuclear #1 is currently back at full power after completing planned rod pattern adjustments. The unit was operating at 83% capacity yesterday. LaSalle #2 remains at full power.

SERC— Southern Co.'s 883 Mw Hatch #2 nuclear unit shut late yesterday due to a problem with the chemistry in the condenser. Earlier yesterday, the unit was operating at full power. Hatch #1 continues to operate at 98% capacity.

Dominion Resources' 815 Mw Surry #2 nuclear unit exited a refueling outage and ramped up to 40% of capacity by early today. Yesterday, the unit was operating at 2% of capacity as it started to exit the outage. The unit shut April 25 for the refueling. Surry #1 continues to operate at full power.

Southern Co.'s 1,152 Mw Vogtle #2 nuclear unit shut early today. The unit was operating at full power yesterday. Vogtle #1 continues to operate at full power.

WSCC— Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired power station exited an outage by early today. The unit shut Monday.

Calpine Corp. shut the 811 Mw Delta Energy Center by early today for planned and unplanned reasons. The unit started up late yesterday following a May 9 outage.

The NRC reported that U.S. nuclear generating capacity was at 84,459 Mw down 1.82% from Monday and down 2.67% from a year ago.

U.S. natural gas prices may rebound after a 19% slump over the past two months made it a cheaper energy source than oil-based alternatives, said commodities strategists at Goldman, Sachs & Co. The strategists raised their forecasts for benchmark prices at the Henry Hub, by 50 cents to \$7.25 mmbtu for this U.S. summer and to \$7.90 mmbtu for next winter. Gas prices are about level with those of residual fuel oil based on energy content, the researchers said in a note to clients yesterday. That boosts demand for natural gas from power plants that have the flexibility to burn either fuel. Natural gas has been cheaper all year compared to diesel fuel..

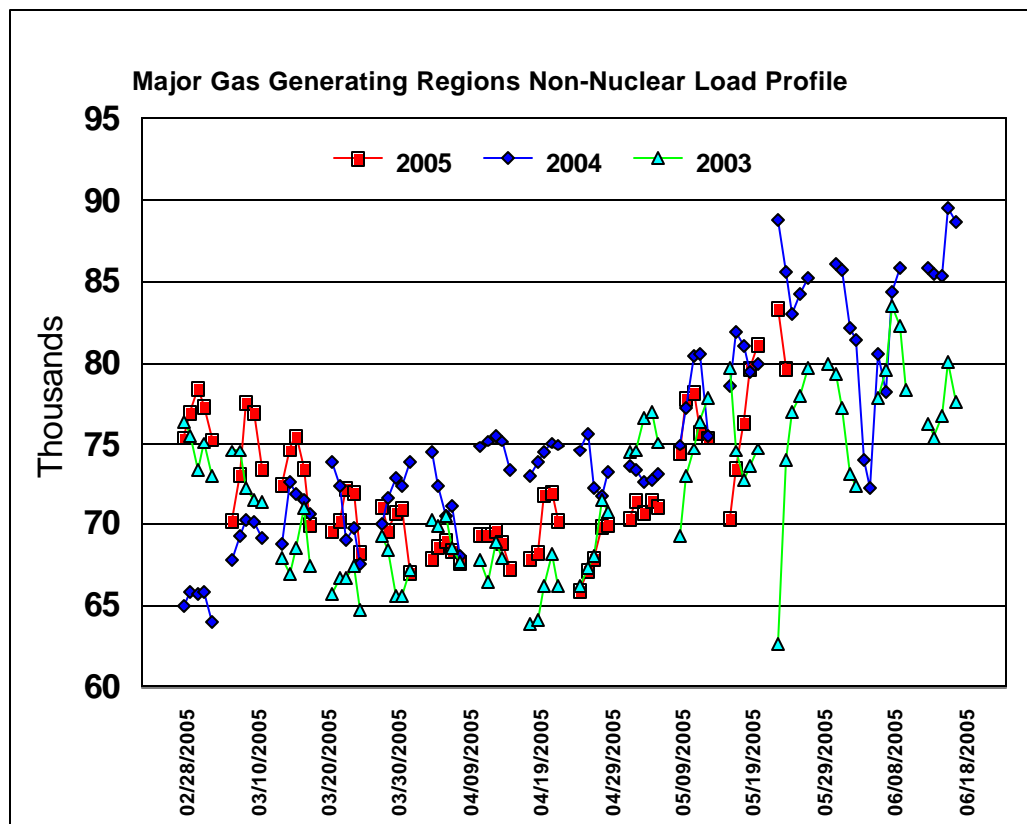
PIPELINE RESTRICTIONS

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 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. NGPL also reported that Segment 17 is at capacity today. Deliveries to Texas Gas-Lowry are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound.

Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today.

Nomination increases for receipts sourced at Mahwah will not be accepted.



Kern River Pipeline said line pack levels have returned to normal on the north end but continue to be slightly high on the rest of the pipeline. Kern ML North from Muddy Creek to Elberta is now at normal levels. However, Kern ML Middle from Elberta to Goodsprings and Kern ML South from Goodsprings to Common Facility and from Common Facility to End of Facilities, remain at high linepack.

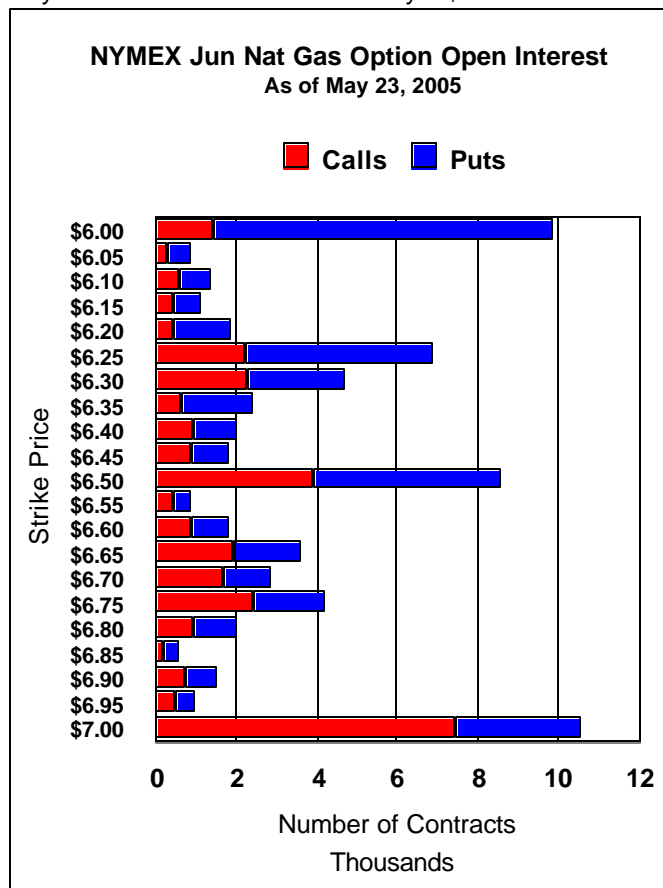
PIPELINE MAINTENANCE

El Paso Natural Gas Company said that two projects on Line 1204 that were postponed from May 20 and May 24 have now been rescheduled. Line 1204 will be shut in upstream of Leupp Station June 2. Line 1204 will be shut in between Navajo and Dilkon Stations June 3. The capacity of the North Mainline will be reduced by the following amounts from a base capacity of 2200 MMcf/d; June 2 – 280 MMcf/d; June 3 – 320 MMcf/d.

TransColorado Gas Transmission said that in order to minimize the effects of this outage on its shippers, it will delay repairs at its Dolores Compressor. TransColorado originally planned to perform maintenance at its Dolores Compressor Station from June 28 through July 1. Capacity through Segment 240 will be limited to 400 MMcf/d. TransColorado did not offer any alternate scheduling.

ELECTRICITY MARKET NEWS

MidAmerican Energy Holdings Co., a utility controlled by Warren Buffett's Berkshire Hathaway, agreed to buy PacifiCorp for \$5.1 billion in cash, gaining the largest provider of power in the U.S. Northwest. MidAmerican is buying PacifiCorp from Scottish Power and will assume \$4.3 million of debt, valuing the transaction at \$9.4 billion. The acquisition, Buffett's biggest since his 1998 takeover of General Re Corp., gives MidAmerican 1.6 million customers in six states spreading from Oregon to Utah and creates an energy company with annual revenue of \$10 billion. Buffett, America's second richest person, told investors on May 1 that he's looking for ways to invest Berkshire Hathaway's \$44 billion of cash.



Large amounts of rainfall across the Columbia Basin in the last 45 days have boosted flows in the region's rivers just when conditions were looking rather grim. For the first half of May, rainfall across the region is above average with many areas seeing two-to-three times their normal amounts. This is good news for early summer, but with the snowpack still well below normal there could be late summer impacts. The heaviest rains have fallen across Oregon, Washington, and Idaho. The area that drains into the lower Snake River near Lower Granite Dam has received 289% of average. Rainfall above The Dalles Dam is at 194% of average. For now, the region's water situation is good enough that the basin's hydroelectric projects have been generating significant surplus electricity to facilitate some limited marketing outside the region. The latest Northwest River Forecast Center water supply forecast has increased the projected runoff by nearly 6 million acre-feet to 80.2 maf. That would be 75% of normal if it materializes.

The Nuclear Regulatory Commission has granted the request of Portland General Electric to terminate its license for the Trojan nuclear power plant, which closed permanently in November 1992, and has released for unrestricted use the area where the plant formerly operated. The facility was located in Columbia County, Oregon, about 42 miles north of

Portland. PGE's NRC license to store spent fuel removed from the reactor at an independent installation on another portion of the site will remain in effect and is not affected by this action.

MARKET COMMENTARY

The natural gas market today opened higher this morning for only the third time out of the last 10 trading sessions. Initial strength seemed to come from spot cash markets as well as firmer oil prices, but once natural gas prices failed to breach yesterday's highs the market saw a round of profit taking that appeared to help drag the whole energy complex lower. While oil prices stabilized at midday and reversed course to make new highs near the close, the natural gas market failed to find much lift, instead trading in a sideways pattern for much of the afternoon just above its lows of the day. By the end of the day, natural gas saw its discount to crude oil reach one of its widest levels of the past two weeks. Final volume on the day was good with some 83,000 futures traded, of which more than half were booked via spreads.

While much attention has been made of the strong cooling demand across the Southwest and into the Gulf Coast, these temperatures have been offset by the absence of cooling demand in the upper Midwest and into the Northeast. In addition with revised forecasts now calling for lower electrical loads in the ERCOT region to be 1.6% lower by Friday, than had been forecasted just yesterday, this seemed to put some doubt in the minds of the bulls and limited their bravado for much of the session.

Tomorrow is option expiration day for the June natural gas options. There has not been any dramatic change in open interest levels over the past couple of days in the expiring option strikes, nor is there a dramatic total open interest level in a particular strike that may raise a warning flag that this market may try to pin itself up against by tomorrow's close. As a result it appears this market may be content to float between \$6.25-\$6.50. On the June charts we see resistance again tomorrow at 6.47 followed by \$6.50-\$6.518. If the \$6.518 level is breached though we could see technical buying drive this market quickly higher most likely breaching minor resistance at \$6.57 and \$6.63. We see major resistance though at \$6.84. On the support side we see \$6.31-\$6.29 as a major support level, which if breached could trigger stops that could drive this market first to \$6.20 and then \$6.142. We would look to liquidate longs and possibly begin to be a net long of gas below \$6.20.