The Windham Group

Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta

(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR MAY 25, 2005

NATURAL GAS MARKET NEWS

In order to ensure adequate natural gas supplies in the U.S. Southeast, privately held SGR Holdings and FPL Group said they will jointly construct a new salt-dome gas storage project in Mississippi. Construction on the Southern Pines Energy Center, in Greene County, is slated to begin in late summer, with the first phase of commercial operations expected to begin late in the first quarter of 2007. The site is authorized to provide 12 Bcf of natural gas storage capacity on an open-access basis at market-based rates subject to permits granted by the FERC, with expansion capability for a total capacity of 16 Bcf. When completed, the project will be capable of withdrawals of up to 1.2 Bcf and injections of up to 600 MMcf/d.

Power plant developer Calpine Corp. is exploring LNG natural gas projects in California, the Gulf of Mexico and on the East Coast. The company is also studying plans for an LNG terminal near Astoria, Oregon. Calpine Corp's President Peter Cartwright believes the majority of US power plants built over the next 20 years will be fueled by natural gas. However he acknowledged that Calpine was considering a range of alternative fuels, including petroleum coke for power plants located near oil refineries.

The FERC decided to retain its policy of allowing natural gas pipelines to selectively discount transportation rates to meet competition from various fuels. The commission has allow pipelines to adjust their throughput downward in rate cases to reflect cut-rate transportation deals given to shippers facing competition from other energy providers.

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Martin Lake #3 coal-fired power station shut late yesterday due to a lost fan, which caused the unit to reduce load till it tripped offline.

SERC— Dominion Resources' 815 Mw Surry #2 nuclear unit ramped up to 84% capacity by early today. Yesterday, the unit was operating at 40% capacity after exiting a refueling outage. Surry #1 continues to operate at full power.

WSCC— Arizona Public Service's 1,360 Mw Palo Verde #2 nuclear unit was reduced to 59% capacity today. The unit was operating at 69% capacity yesterday. Palo Verde #3 remains shut after being taken offline late Sunday to begin reliability maintenance.

Canada— Ontario Power Generation's 535 Mw Lennox #2 oil- and natural gas- fired unit shut by early today for short-term planned maintenance. The unit was available, but not operating yesterday. Lennox #1 remains shut for a long-term outage, and #3 and #4 are available for service.

The NRC reported that U.S. nuclear generating capacity was at 84,646 Mw up .22% from Tuesday and down 2.08% from a year ago.

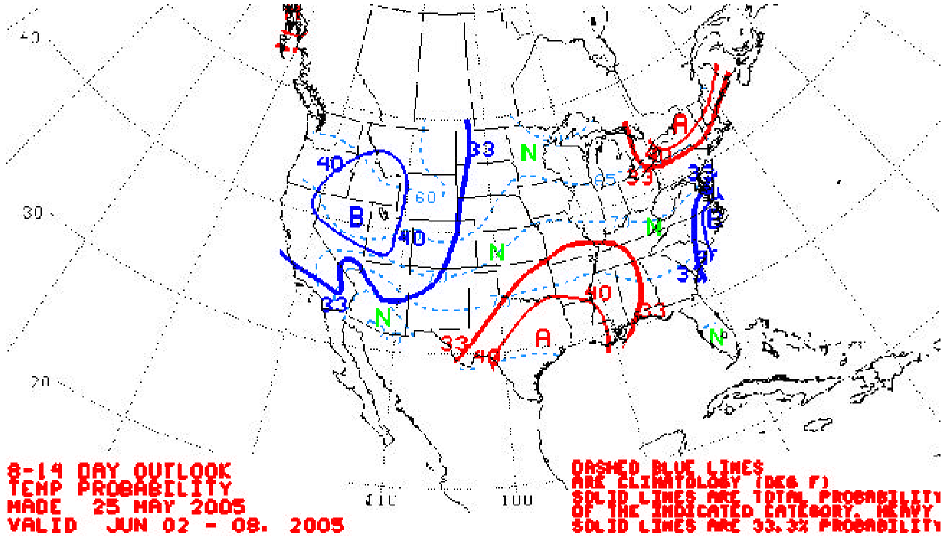
PIPELINE RESTRICTIONS

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.

Texas Eastern Transmission said it has restricted ETX due to the scheduled cleaning of line 11. M1-24-inch and M2-24-inch have been restricted to capacity. Nomination increases between Huntsville and Batesville will not be nominated.

PIPELINE MAINTENANCE

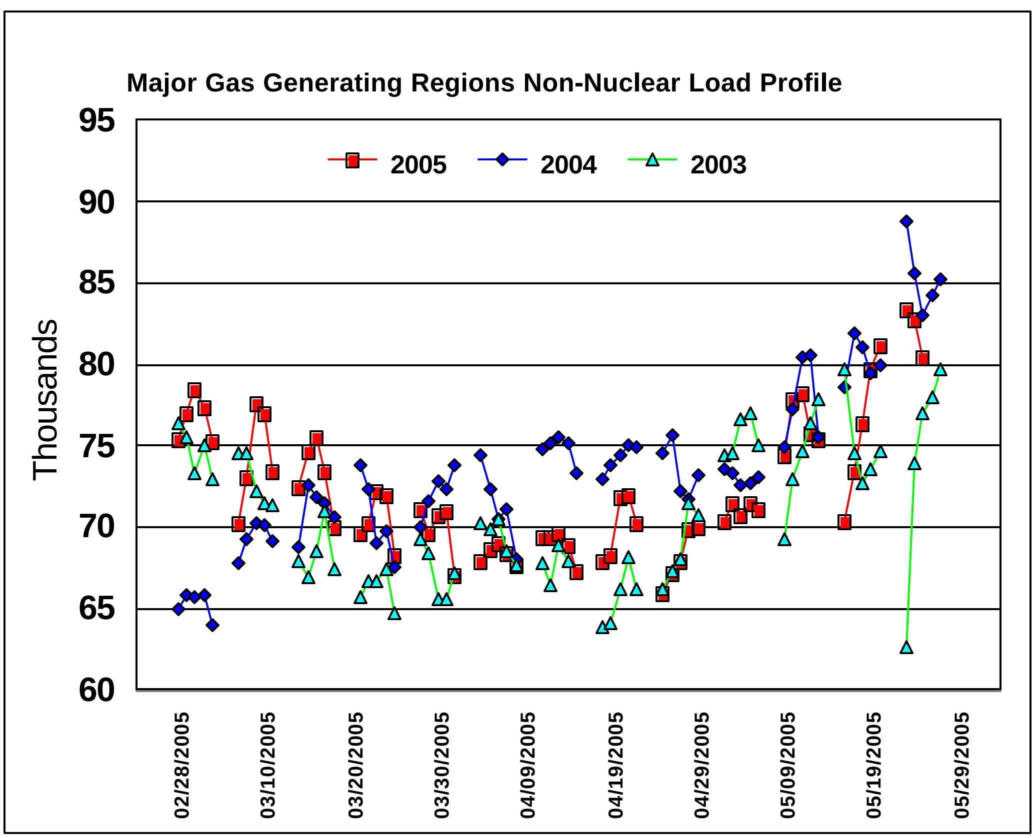
ANR Pipeline said it will begin pipeline maintenance south of ANR's Kewaskum Compressor Station between MLV 12A-13 located in the Northern Fuel Segment (ML-7). The work will reduce the total Kewaskum throughput capacity by the following: 250 MMcf/d from June 29-30. Due to current markets and operating conditions, meter stations between Kewaskum Compressor Station and Sandwich Compressor Station may experience lower than normal pipeline pressures. Based on current nominations, it is anticipated that the above reductions may result in the curtailment of IT and Firm Secondary nomination.



Transwestern said that it has been experiencing a number of shipper requests to transport incremental gas volume from the WFS Milagro plant in the San Juan Basin. These requests have been in excess of the current meter run's capacity. On May 26, Transwestern will be performing maintenance work on the meters used for the receipt of gas from the Milagro plant. The outage will take approximately 4-5 hours. The net result will be to increase the capacity of the meters from 400 MMcf/d up to approximately 600 MMcf/d.

ELECTRICITY MARKET NEWS

Progress Energy will return $6.4 million to its customers to resolve rule violations found in an audit by staff of the FERC. FERC staff said they discovered about a dozen exemptions to the agency's code of conduct that bars U.S. utilities from improperly sharing information among its regulated and unregulated units.

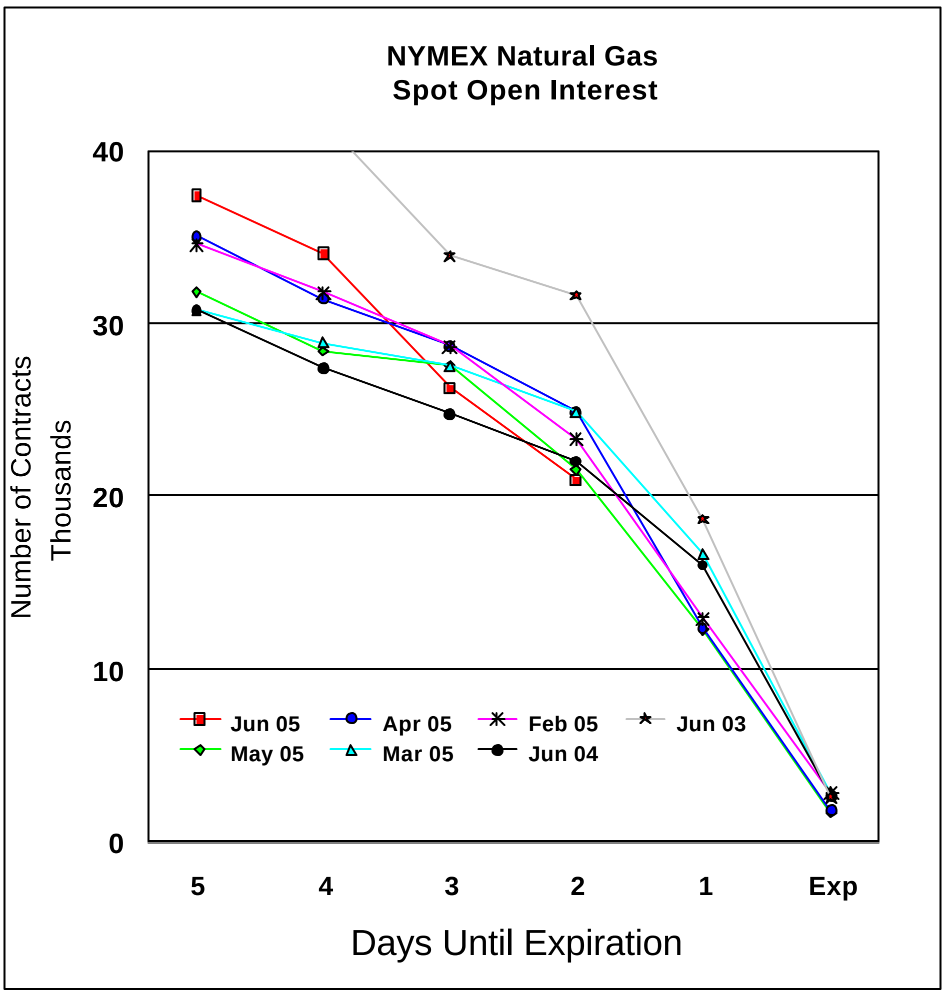


The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended May 21 fell 3.6% from the same 2004 week to 69,526 GWh. For the first 21 weeks of the year, production totaled 1,497,135 GWh, up 0.8% from the same period last year. In the 52 weeks ended May 21, production rose 1.4% from the corresponding period in 2004 to 3,861,052 GWh.

WPS Resources Corp. said it plans to reduce operations, close, or sell its Sunbury electric plant in Pennsylvania, citing competitive energy markets have lowered prices and made the plant unprofitable. The power company also said it sold Sunbury's emissions credits for sulfur dioxide and nitrogen oxides for about $110 million to multiple counterparties. Options for the plant include running it only during periods of peak electric use, like the winter or mid-summer months; closing the plant, or continuing efforts to sell it.

Aquila filed requests with Missouri utility regulators for an electric rate increase to recover higher fuel costs among other things from customers of the company's former Missouri Public Service area and St. Joseph Light & Power areas. The Kansas City, Missouri-based energy company requested a $53 million, or 14.3% increase for the 240,000 Missouri Public Service customers and a $7 million, or 6.2%, increase for the 60,000 St. Joseph customers. The proposed rate increase would raise monthly bills about $11.48 for the average Missouri Public Service customer using 1,000 Kwh of electricity and $4.54 for the average St. Joseph customer.

In the latest of a series of actions designed to accommodate the growth in development of wind energy, the FERC finalized a rule addressing the interconnection requirements for wind power facilities larger than 20 Mw. The rule requires transmission providers to append new provisions to the standard agreement and procedures for interconnecting large generating facilities, which are required under their open-access transmission tariffs, in order to address technical requirements and procedures for integrating large wind power facilities into their transmission systems. The rule is among a series of actions and technical conferences FERC has taken t help eliminate barriers to market entry for wind power and to modify commission requirements to meet the unique characteristics of wind power and other intermittent power production.



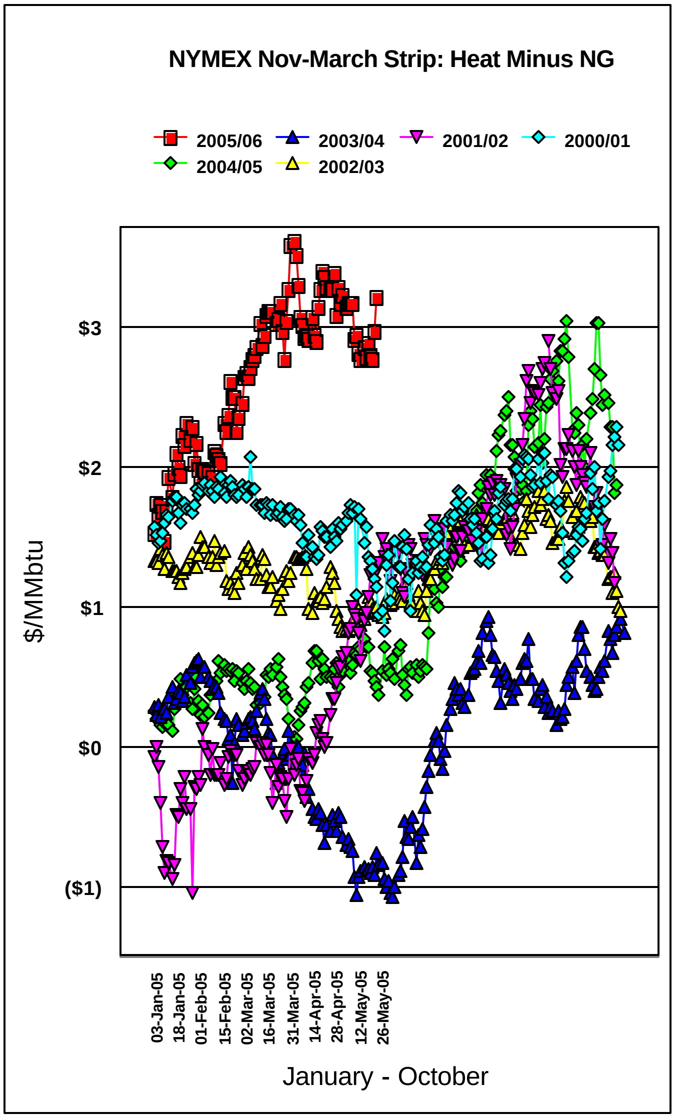
The FERC is seeking comments on a possible requirement for standardizing available transmission capacity calculations. Commissioners noted many complaints transmission customers have made about inconsistent methods for calculating the available capacity and added that standardization is critical to good market function. It is also seeking comments to start a process that could require generators to report the operating status of their plants. It said the information would allow it to identify patterns of strategic behavior and assess the validity of complaints

ECONOMIC NEWS

U.S. orders for durable goods rose 1.9% last month, more than forecast and the most since November, suggesting the economy is undergoing a rebound in business investment. Bookings for expensive items made to last at least three years increased to $203.3 billion, driven by demand for machinery, computers and aircraft, after falling a revised 1.6% in March, the Commerce Department said today in Washington. Excluding transportation equipment, orders fell 0.2% last month after a 0.2% increase that was previously reported as a 0.5% decline. This report sets up a strong second quarter outlook, with consumers still spending and interest rates low, businesses are likely to keep replacing outmoded trucks, machinery and computers to meet demand, thus bolstering economic growth this quarter.

MARKET COMMENTARY

The natural gas market gapped lower this morning for the second time out of the last three trading sessions, as traders continued to see limited generating demand for natural gas for the remainder of the week given moderate to moderating temperatures across much of the nation as well as limited industrial demand given the upcoming Memorial Day holiday. So while oil prices for the second day in a row rallied higher throughout the day, the natural gas market was left behind. By the end of the trading session spot natural gas futures saw its discount to spot heating oil futures widen to nearly $4.00 per Mmbtu, it largest differential since early April. The winter 2005-06 natural gas strip also widened to levels not seen since April as well.



While today was the expiration day for the June natural gas options, it failed to generate a wide price range, in line with our expectations from last night. We do not expect much price volatility tomorrow either as the June future's contract is set to expire. Coming into today there was only 20,965 lots still open in the June contract, the smallest open position with two trading days left in the contract in several years. Given today's estimated futures volume was over 91,000 contracts, we feel that this open interest level was significantly reduced even further and therefore should limit trading interest in the June contract for much of tomorrow.

We continue to look for this market to test downside support tomorrow, which we see in the June contract at $6.29-$6.27 followed by $6.20 and $6.148. Resistance we see at $6.39 followed by $6.47-$6.482. Additional resistance we see at $6.55-$6.57, $6.622 and $6.84.

Market expectations for tomorrow's EIA storage report appear to be centered on a 90 bcf build. A year ago saw an 88 bcf build with the five-year seasonal average build coming in at 81 bcf.