



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 27, 2005

NATURAL GAS MARKET NEWS

Baker Hughes reported today that for the week ending May 27th there was some 1183 drilling rigs searching for gas in the United States, up 16 from the previous week.

Energy Consultant Stephen Smith reported today that he sees natural gas prices contained within a trading range of \$5.00-\$7.00 for the next couple of years, as high storage surplus is offset by flat production levels of natural gas in North America.

The NYMEX announced today that it had added an options contract on the differential between the January 2006 and March 2006 natural gas calendar spread options contract. This new contract is in addition to the current listing of 24 consecutive options on one-month spreads. Other spread combinations already listed include spreads between the first and third nearby months, the first and fourth nearby months, the second and fourth nearby months as well as spreads between the first nearby June and December, the first nearby December to June, the first nearby December to the second nearby December, the first nearby October to January, the first nearby April to the second nearby October, the first nearby August to October and the first nearby October to the second nearby April.

The NYMEX reported today that its ClearPort system cleared a record 177,212 contracts yesterday, eclipsing the prior record of 167,226 contracts cleared on April 26th.

Generator Problems

ERCOT— American Electric Power shut its 528 Mw Welsh #2 coal-fired unit today for maintenance on the boiler and turbine. The unit will likely return to service around May 31.

Monticello Steam Electric Station's unit #1 will be in start up following completion of outage activity today.

MAAC— PSEG completed a refueling outage on its Salem #2 nuclear unit in record time. The unit is operating at 99% capacity.

Exelon's 1,143 Mw Limerick #1 nuclear unit decreased power to 92% as of early this morning. The unit was operating at full power yesterday. Limerick #2 remains at full power.

SERC— Entergy returned its 966 Mw River Bend nuclear unit to full power following a cut to 83% last weekend.

WSCC— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit returned to full power by early today. The unit has operated at about 60% since it exited an April 1 refueling outage last weekend. Palo Verde #1 continues to operate at 99% capacity, while #3 remains shut since about May 23 for a couple of weeks of planned maintenance on the reactor coolant pumps.

Sempra's 525 Mw Elk Hills natural gas-fired power station exited an outage early today and returned to service. The unit shut May 17 for planned reasons.

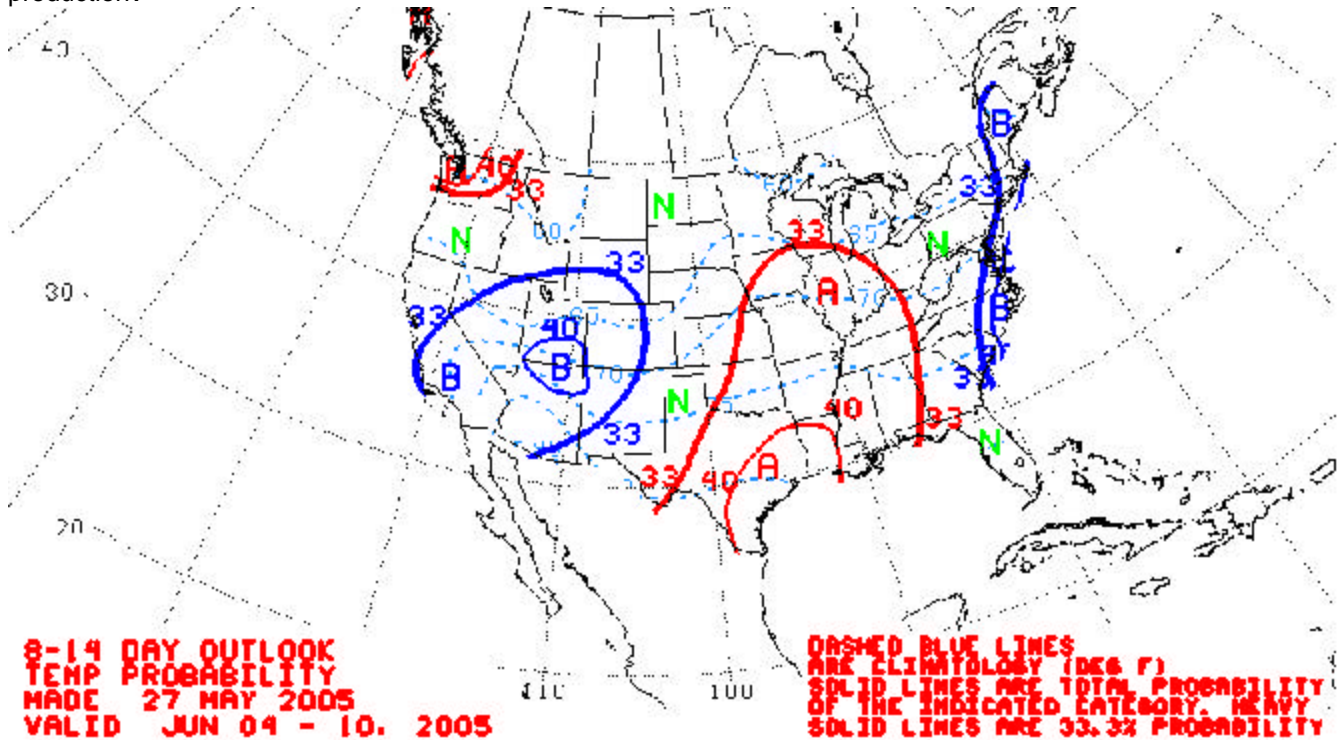
Constellation Energy Group's 780 Mw High Dessert natural gas-fired power station exited an outage by early today. The unit shut May 16 for planned maintenance.

Calpine Corp.'s 811 Mw Delta Energy natural gas-fired combined cycle power plant returned to service by early today. The unit shut around Tuesday for planned reasons.

The NRC reported that U.S. nuclear generating capacity was at 85,518 Mw up .65% from Thursday and down 1.04% from a year ago.

Private weather forecaster, Weather 2000, said it looks for recent temperature anomalies to "neutralize", with both warmer and colder than normal regions moderating to near seasonal levels.

Huntsman Corp said it is restarting its MTBE plant in Port Neches, Texas after it was shut down due to a leak on May 24. The plant will reach full capacity on May 28. It said the outage cut about 18,000 bpd of MTBE production.



PIPELINE RESTRICTIONS

Natural Gas Pipeline of America said that the force majeure is still in effect on the #3 mainline in Segment 26. In other news, Segment 17 is at capacity today. NGPL is at capacity for gas received on the Arkoma Line (Segment 16). NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound.

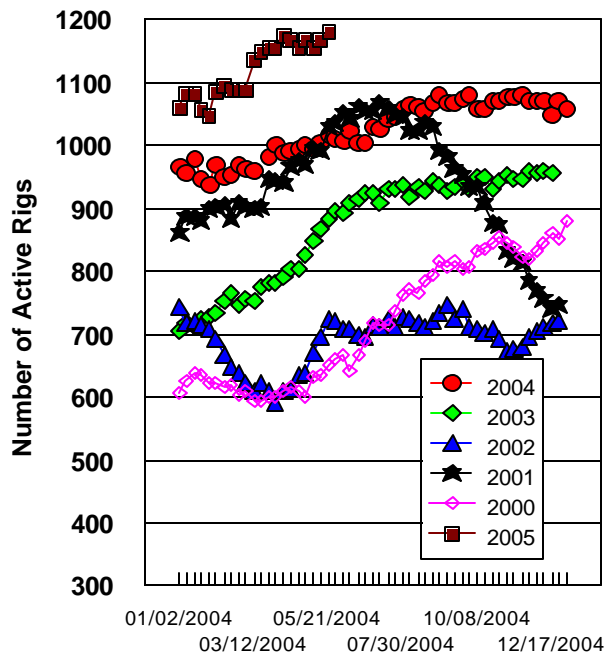
Texas Eastern Transmission Corp. said with the impending long holiday weekend approaching, it is not in a position to absorb due-shipper imbalances. Tetco requires that shippers and TABS parties schedule their contracts balanced, and point operators to perform according to nominated volumes. Additionally, no due-pipe nominations will be accepted on the entire Tetco system through the holiday weekend.

East Tennessee Natural Gas said that with the impending long holiday weekend approaching, it is not in a position to absorb due-shipper imbalances. ETNG requires that shippers schedule their contracts balanced, and point operators to perform according to nominated volumes. Additionally, no due-pipe nominations will be accepted on the entire ETNG system through the holiday weekend.

Algonquin Gas Transmission said that with the impending long holiday weekend approaching, it is not in a position to absorb due-shipper imbalances. AGT requires that shippers schedule their contracts balanced, and point operators to perform according to nominated volumes. Additionally, no due-pipe nominations will be accepted on the entire AGT system through the holiday weekend.

Active Natural Gas Rigs

Source: Baker Hughes Rig Count



Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions for Tyler 12-inch/Palestine 8-inch/Dallas 18-inch in Area 8.

Kern River Pipeline said line pack levels have returned to normal.

In an update to the ongoing force majeure situation at several of its compressors, TransColorado has increased capacity due to additional compressor availability. The Dolores, Whitewater, and Mancos compressor units are repaired. Repairs continue at Redvale. Estimated capacity in Segment 220 now stands at 360 MMcf/d, while Segment 240 is flowing at 410 Mmcf/d. The estimated date for completion of the Redvale compressor unit however, may extend until mid-June.

PIPELINE MAINTENANCE

Centerpoint Gas Transmission has implemented an operational alert in order to manage system line pack during the Perryville Hub unscheduled maintenance. During this time, long imbalances under any contracts, including pooling agreements, can exacerbate any operational problems that

might arise. Accordingly, CEGT will set a tolerance of zero for long imbalances on a daily basis, which shall continue for the duration of the Perryville Hub maintenance. This will remain in effect until May 31.

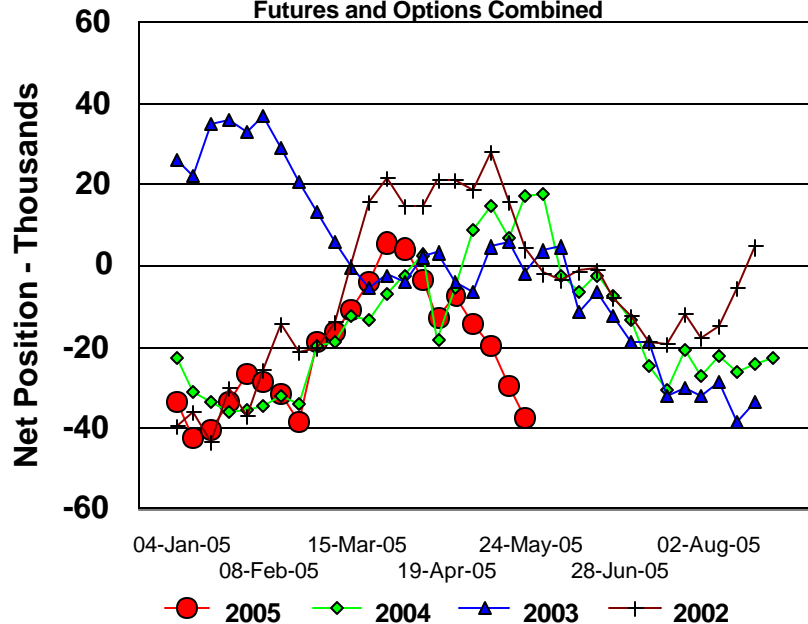
El Paso Natural Gas Company said that Line 1204 maintenance between Leupp and Williams Stations has been completed. The capacity of the North Mainline will be increased by 200 MMcf/d to 2,038 MMcf/d.

Southern Natural Gas Pipeline said that unscheduled maintenance on one of three compressor units at Southern's Muldon Storage Field has been completed. However, Sonat also reminded shippers that the Memorial Day weekend is historically a period of low demand on its system. Southern is currently at its maximum storage injection capacity. Based on current supply and projected demand, Southern will exceed its maximum storage injection capacity beginning May 28.

Westcoast Energy is advising

NYMEX Natural Gas

Non-Commercials Net Reportable Position Futures and Options Combined

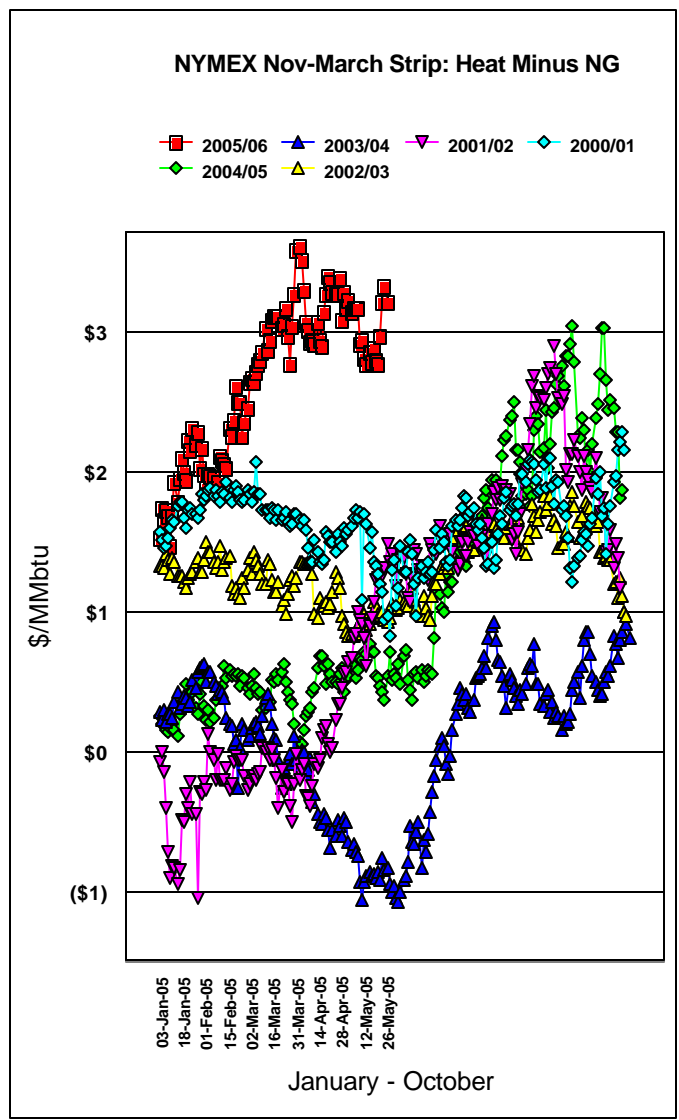


customers that the total throughput from Pine River Gas Plant to Station will be reduced to approximately 150 MMcf/d for gas day May 31 as DEGT runs a MFL Tool in the 24-inch Grizzly Sales Line. The 3-hour work is expected to begin at 1:00PM MT and last to 4:00 PM May 31. The company said there will be no impact to business associated with the tool run and that efforts will be made to minimize the impact on production during the tool run. However, producers can expect to experience higher pressures throughout the Grizzly Valley RGT System for the duration of the event. It is asked that customers attempt to keep their RP flow stable during this period in an effort to ensure a successful run.

ELECTRICITY MARKET NEWS

The Northwest River Forecast Center raised some forecasts for water runoff during the 2004-2005 season although the outlook remained below normal. The Portland, Oregon-based agency forecast flows through The Dalles dam would average 75 of normal from January through July, unchanged from its previous projection but the April through September estimate was raised to 74% from 73%.

Public Service Enterprise Group said it agreed to sell the Waterford Energy center in Waterford, Ohio to a unit of American Electric Power for \$200 million. The Waterford power plant is an 821 Mw gas fired combined cycle electric generating plant that started commercial operations in 2003.



The EIA reported that U.S. coal production for the week ended May 21 totaled 18.232 million tons.

ECONOMIC NEWS

The University of Michigan's final reading of its U.S. consumer sentiment index for May was 86.9, down from 87.7 in April. The street had forecast the final May figure would dip to 86.0.

MARKET COMMENTARY

The natural gas market opened stronger this morning, as traders appeared to shake off the bearish sell off from late Thursday, and allowed prices to return to levels recorded during much of the trading of Thursday morning and early afternoon. While prices remained mired basically in a light volume sideways trading pattern for much of the holiday shortened trading session, prices did drift higher late in the session as oil prices moved to new two week highs near the close. As a result the July contract while failing to settle above yesterday's high was still able to post its largest one day gain since March 31st, up 15.8 cents at \$6.37. The bullish bias of today's trading events though is a bit suspect given only 37,000 futures contracts being booked on the day.

We continue to feel though that the natural gas market probably remains the most undervalued of the energy futures contracts, especially for next winter. We would look for this market to attempt to build a base of support in the front month July contract at \$6.11-\$6.20. We see some limited upside potential given the possibility of growing electrical loads in the next couple of weeks to slowly build electric generator demand for natural gas. Near term upside resistance we see at \$6.39, \$6.436, \$6.52-\$6.53. Additional resistance we see at \$6.56-\$6.585. \$6.624, and the gap at \$6.68-\$6.72.

This afternoon's Commitment of Traders Report showed that non-commercials continued to build their bearish bias in the natural gas market for the period ending May24th, as the futures only position grew by nearly 9600 contracts and the combined futures and options report showed a nearly 8600 contract build. Current non-commercial net short positions have approached historical high levels, thus providing a warning flag that how many new shorts will enter this market.