



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 3, 2005

NATURAL GAS MARKET NEWS

India hopes to sign a deal next week to double LNG imports and begin negotiations for a \$4 billion gas pipeline from Iran, as the energy-hungry nation seeks to secure new supplies. Indian oil minister Mani Shankar Aiyar is expected to visit Islamabad, Pakistan to thrash out security concerns about the pipeline that will run through Pakistan. Aiyar will also discuss the transit fee that Pakistan will charge for the pipeline running through its country. Gas imports in India are expected to top 100 million cubic meters of gas a day in the next five years and double the volume within a decade to feed India's rapidly expanding economy, which is expected to grow 7-8% a year.

The FERC recommended approval of a proposed \$600 million Exxon Mobil Corp. LNF terminal in Texas. The Golden Pass import terminal would deliver an average 2 Bcf/d to existing pipeline systems in Texas and Louisiana. It would have a peak delivery capacity of 2.7 Bcf/s. The terminal would be located 10 miles south of Port Arthur, Texas, and be built in two phases over about 5 years.

Baker Hughes reported today that the number of rigs searching for gas in the United States rose by 23 rigs to 1206, another all time new high.

Union Gas reported that they were holding an open season for long-term peak storage space at its 150 Bcf Dawn storage hub in Ontario. The storage space would be for three-year service and start on April 2006.

PIPELINE RESTRICTIONS

Generator Problems

ERCOT— Harrington Power Station unit #1 will shut by the end of the day to perform maintenance to ensure that the unit can operate for the summer. It is expected to return to service June 5.

AEP's Welsh #3 boiler unit will be removed from service today for general boiler inspection and repair.

Texas Genco's 610 Mw W A Parish #8 coal-fired power unit is expected to return to service early Sunday following unplanned tube leak repairs.

Xcel Energy's 346 Mw Harrington #1 coal-fired power plant is expected to shut by tonight for planned pre-summer maintenance. The unit is expected to return to service late Sunday.

MAIN— Exelon Corp.'s 850 Mw Dresden #2 nuclear unit reduced output 10% to operate at 89% for a rod pattern adjustment, but is back to full power. Dresden #3 nuclear unit is operating at 20%, down from 99%, but is on its way back to full power.

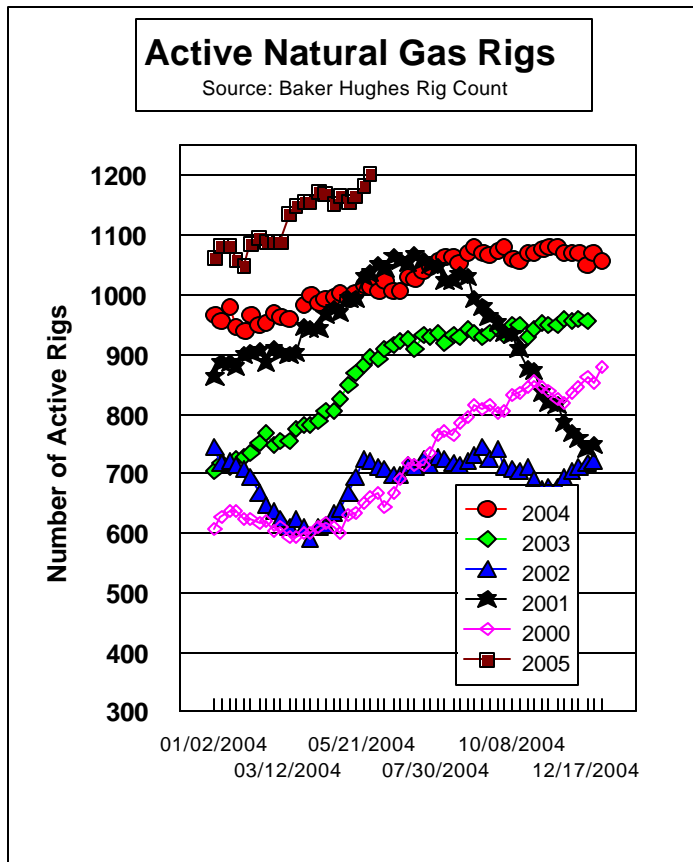
Exelon Corp.'s 864 Mw Quad Cities #1 nuclear unit increased output to 35% of capacity. Yesterday, the unit was operating at 9%. Quad Cities #2 continues to operate at 95% capacity.

MAPP— The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit increased output to operate at 13%.

SERC— South Carolina Electric & Gas Co.'s 1,000 Mw Summer nuclear unit reduced output to 23% capacity. Yesterday, the unit was operating at 30%.

WSCC— APS will extend the current outage at the 1,247 mw Palo Verde #3 nuclear unit by about two weeks.

The NRC reported that U.S. nuclear generating capacity was at 86,162 Mw down .58% from Thursday and down 5.38% from a year ago.



Natural Gas Pipeline of America said that the force majeure is still in effect on the #3 mainline in Segment 26. Effective for June 4 and continuing until further notice, Segment 26 is expected to be at capacity for gas pathed east and south out of the segment. In other news, NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Florida-Jefferson are at capacity today.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system.

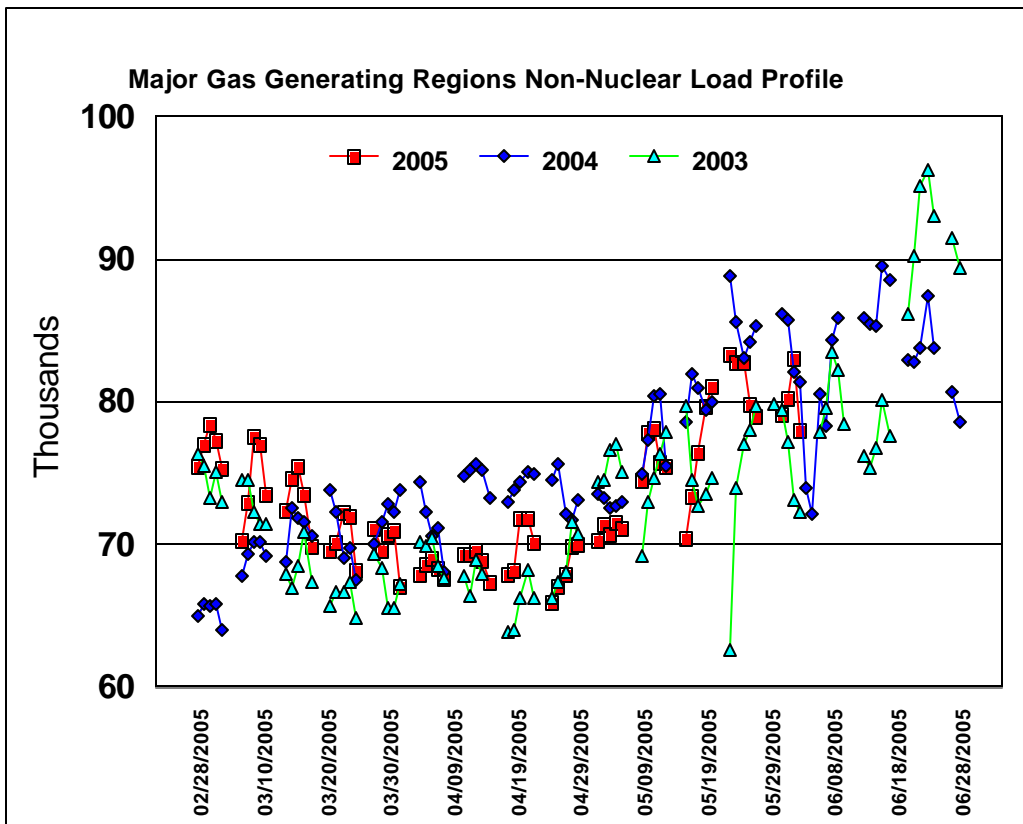
Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions for Texas: Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18 - inch Index 1.

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

Texas Eastern Transmission Corp. said it has

scheduled ETX, M1-24-inch, and M2-24-inch to capacity. Nomination increases between Mount Belvieu and Batesville will not be accepted.

In an update to its ongoing force majeure situation, TransColorado said it has increased capacity due to additional compressor availability. The Dolores, Whitewater, and Mancos compressor units are repaired. Estimated capacity in Segment 220 now stands at 360 MMcf/d, while Segment 240 is flowing at 410 MMcf/d.



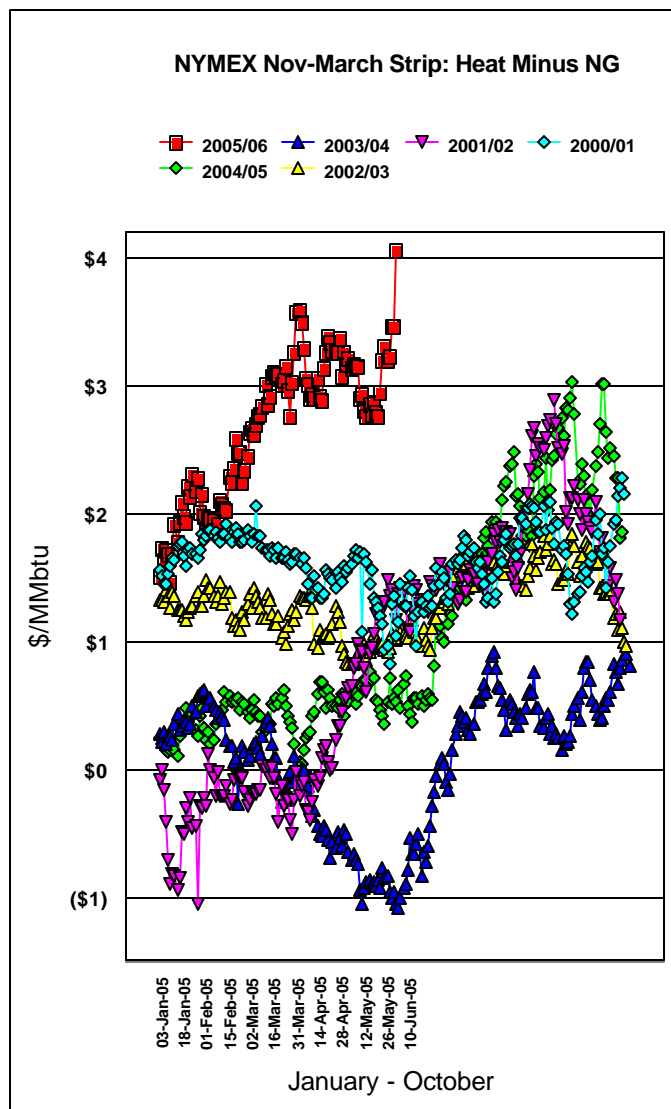
PIPELINE MAINTENANCE

Tennessee Gas Pipeline said that effective June 4, maintenance will begin that impacts Niagara Spot receipts into Tennessee. Depending on the quantity and priority of service of gas scheduled at the Niagara Meter 010902, Tennessee may be required to restrict a pro-rata portion of primary service.

Questar Pipeline Company said that on June 14, it will be performing maintenance on the compressor piping at its Clay Basin Storage facility. To facilitate the work, injection nominations will be reduced to 175 MM cf/d in cycles 1, 2, and 3 for June 14. Injection nominations will increase to 375 MMcf/d in cycle 4 for the same gas day. Questar also said it will be performing expansion modifications on its southern system that will require shutdowns and curtailments according to the following schedule. On July 13, ML 104 scheduling point and Wildcat tap will be reduced to zero in all cycles for this gas day. On August 15-17, West Fidar scheduling point will be reduced to 65 Mmcf/d, ML 80 scheduling point will be reduced to 200 Mmcf/d. On September 20-24, ML 104 scheduling point will be reduced to 175 MMcf/d.

Williston Basin Interstate said that due to unplanned maintenance, Unit #1 at the Baker Booster Compressor Station will be down approximately 24 hours. Based upon current operating conditions, Receipt Point ID 04018 Baker Area Mainline and Point ID 04015 Baker Area Mainline-Grasslands will be effected by approximately 11.5 MMcf/d. The company also said that due to maintenance at the Baker South Compressor Plant, the capacity at current conditions for point ID 04018 Baker Area Mainline will be affected by approximately 3 MMcf for gas day June 8. Maintenance will also be performed at the Saco Compressor Station. Volumes at Receipt Point ID

00885 Bowdoin and Point ID 00880 Whitewater will be zero June 20-21, flow will be approximately 10 MMcf June 22, 15 MMcf June 23, and 20 MMcf June 24.



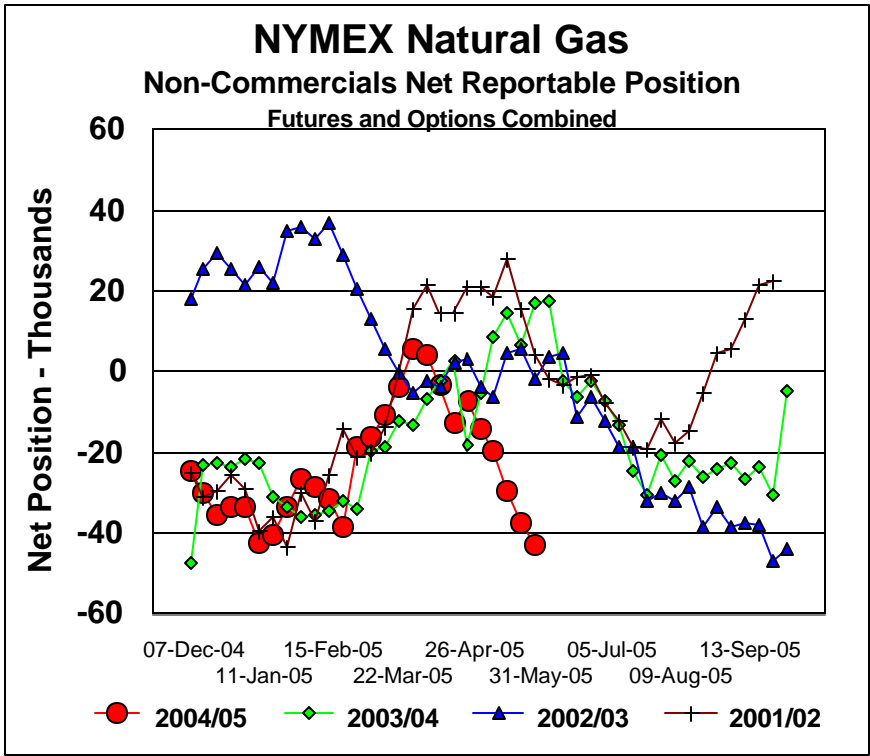
ELECTRICITY MARKET NEWS

Calpine Corp. reported that its new 600 Mw Metcalf Energy Center in Northern California began commercial operation in time to meet peak summer demand. Metcalf, in San Jose, is the first large power generator in Silicon Valley and is one of the two Calpine natural gas-fired plants expected to come online in California this summer. The plant comes online at a time when California is once again facing electricity supply challenges. California's grid operator, the California Independent System Operator, said in a recent report that record power demand was expected for July and August, eclipsing last year's demand by more than 1,000 Mw.

The Energy Information Administration reported that U.S. coal production for the week ended May 28 totaled 21,046 million short tons, up 15% from the prior week's production.

To meet projected needs for electricity in Florida after 2010, Florida Municipal Power Agency is working with other community owned electric utilities to construct an 800 Mw power plant in North Florida. In addition to FMPA, the utilities involved in the North Florida Power Project include JEA, a retail electricity supplier in Jacksonville, Fla., and part of three adjacent counties, and Reedy Creek Improvement District, which serves parts of Orange and Osceola counties near Orlando. JEA has been selected as the project manager. FMPA has a significant need for new

power generation. During the next 10 years, FMPA requires approximately 1,200 Mw of new generating capacity to keep pace with the projected growth in electricity usage, to replace expiring purchase power contracts and to replace aging generating units. The proposed 800 Mw coal-fired unit is expected to cost \$1.4 billion. It would create up to 1,500 construction jobs and about 150 full-time jobs when it begins commercial operation in 2012.



ECONOMIC NEWS

The U.S. Labor Department reported today that nonfarm payrolls for the month of May totaled 78,000, down considerably to April's 274,000 increase in payrolls. The street had forecasted an increase of about 172,000. The Unemployment rate slid to 5.1%.

MARKET COMMENTARY

The natural gas market opened just a hair lower this morning as limited electric utility demand coupled with weaker oil prices seemed to keep the bulls at bay to start the session. But as oil prices stabilized and headed higher at mid morning natural gas values headed back into positive territory. But the uplift in natural gas prices was limited and as a result natural gas failed to keep pace with oil prices, and thus gave back most of the gains it had recorded versus crude oil prices

from yesterday. In fact this winter's natural gas strip saw its discount to heating oil widen to over \$4.00 per Mmbtu and all time record. By the end of the session there had been only 60,000 futures contracts traded as natural gas posted its usual inside trading session.

This afternoon's Commitment of Traders Report showed that non-commercials had continued to build their overall net short position in the natural gas market, especially via the options market. While the futures only report showed that this trading group increased their net short position in the futures market by only 309 contracts, the combined futures and options report showed an increase of 5300 contracts. Since this report reflected open positions through Tuesday, we feel the 60-cent rally since then was driven in part to rapid short covering by this group.

We feel that this market will continue to find price direction from the oil markets for the next week or two, but as we enter the second half of June we feel that natural gas we be able decouple itself from oil as the fluctuation in the temperatures and its associated cooling demand will drive natural gas prices. As a result while natural gas could very easily see the low \$6.00 levels over the next two weeks, we feel that the bottom has probably been put in place for at least this summer. On Monday we see support starting at \$6.83, followed by \$6.80, \$6.68, \$6.575, \$6.52 and \$6.47. Resistance we see at \$6.925, \$7.02, and \$7.085. Additional resistance we see at \$7.275 and \$7.31

