



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 8, 2005

NATURAL GAS MARKET NEWS

A tropical disturbance over the western Caribbean Sea is likely to become the first named tropical storm of the season and possibly even a weak hurricane, according to Jim Roullier, chief meteorologist at Planalytics. Roullier said "the formation of the first tropical system of the 2005 hurricane season appears likely the next few days and will pose a threat to the Gulf rig system over the weekend." He places the odds of the system becoming Tropical Storm Arlene at 65% and said that it is likely to move through the central Gulf, before making landfall in Louisiana late Sunday. The worst-case scenario was that it would develop into a weak hurricane, but widespread rig evacuations are unlikely. The National Hurricane Center said this evening that the tropical disturbance had in fact become a tropical depression and expected the system to be a tropical storm in 24-48 hours with winds peaking out at 50 knots before making land fall on Sunday on the US Gulf Coast.

Gulfstream Natural Gas System announced that it has commenced 350 MMcf/d of incremental firm natural gas transportation service for Florida Power & Light on its recently constructed Phase II pipeline extension. Gulfstream Phase II, a 110 mile extension to Florida's east coast, was completed and placed into service in February. Gulfstream has been providing interruptible service for FPL's new gas-fired facilities at the Martin and Manatee power plants since then.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the failure that occurred on the Gulf Coast #3 mainline Segment 26. 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 it has restricted STX and ETX to capacity. M1-24-inch and M2-24-inch have been scheduled to capacity. Nomination increases between Little Rock and Sarahsville will not be accepted.

Generator Problems

ERCOT— TXU Corp. shut its 750 Mw Monticello #3 coal-fired power unit yesterday to repair a boiler tube leak. The outage is expected to last only till June 9.

MAAC— Exelon's 1,049 Mw Hope Creek nuclear unit shut late yesterday due to a leak in the residual heat removal system.

MAIN— Exelon's 1,252 Mw Byron #1 and #2 nuclear units reduced power to 85% late yesterday after some transmission issues. Exelon reported that the units are increasing power and are operating in the low 90s.

SERC— Duke Energy Corp.'s 1,129 Mw Catawba #1 nuclear unit ramped up to 83% of capacity by early today. Yesterday, the unit was operating at 40% of capacity after exiting a refueling outage. Catawba #2 continues to operate at 99% of capacity.

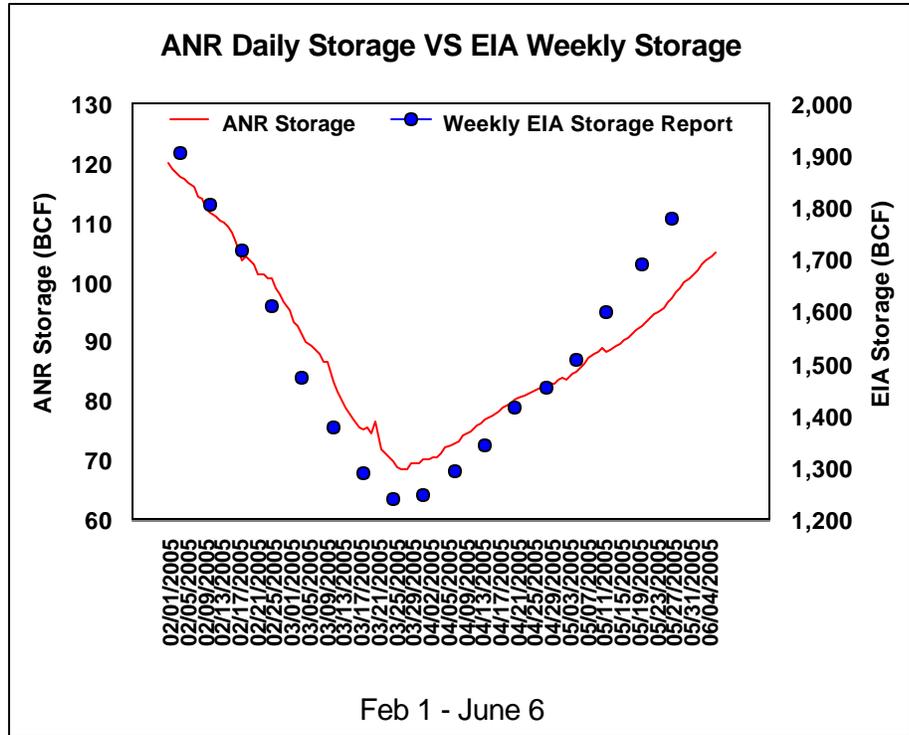
Progress Energy continued to ramp output at its 900 Mw Brunswick #2 nuclear unit, operating the unit at 92%. Brunswick #1 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 86,839 Mw down 1.01% from Tuesday and down 5.54% from a year ago.

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.

Tennessee Gas Pipeline said that effective Cycle 1 today, due to reduced nominations, it will accept nomination increases for all services pathed from the Niagara Meter 010902.

El Paso Natural Gas Co. said that the pigging of Line 1204 and Line 1113 between Hackberry and Topock, scheduled for June 7-9, has been postponed until further notice. The North Mainline capacity was raised by 235 MMcf at Hackberry and the capacity of the Havasu Crossover will be raised by 100 MMcf/d as of Cycle 3 yesterday.



KM Interstate Gas Transmission said that it has capacity available for deliveries to Northern Natural Mulligan. Based on the level of nominations, interruptible flow, authorized overrun and secondary volumes may be restricted.

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. The pipeline restriction has a 5% tolerance, with shippers who violate the OFO subject to a \$1.00/Mcf monetary penalty.

PIPELINE MAINTENANCE

El Paso Natural Gas Co. said that the ongoing Gallup B turbine overhaul will extend one extra day through June 8. The capacity of the San Juan Basin will be reduced by 130 MMcf through June 8.

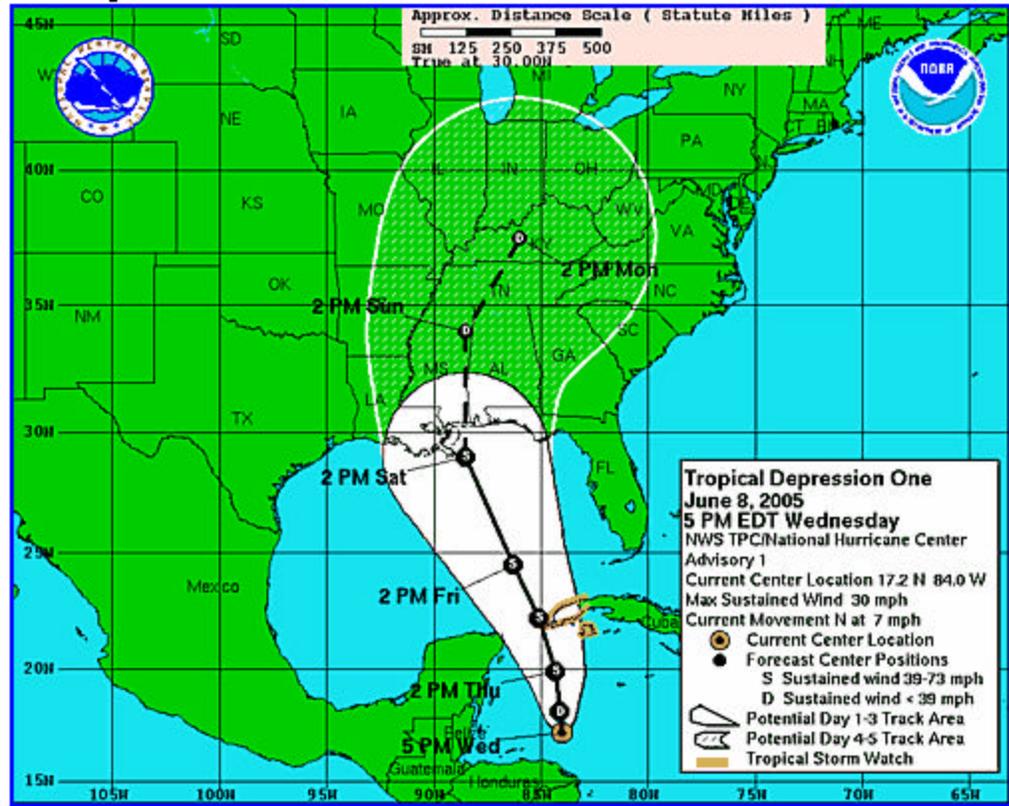
Transcontinental Gas Pipe Line Corp. said it will be making repairs to its underwater pipeline on its Southeast Louisiana Lateral in July. The repairs will require that the following production platforms be shut in: Ship Shoal 332 2748; Ship Shoal 354 2830; South Timbalier 316 2874; South Timbalier 317 2868; Green Canyon 205 2842. Transco expects the outage to last approximately two weeks, from July 12-26. During this outage, Transco will no accept nominations from the affected blocks. Approximately 100 MMcf/d will be shut in during this outage.

ELECTRICITY MARKET NEWS

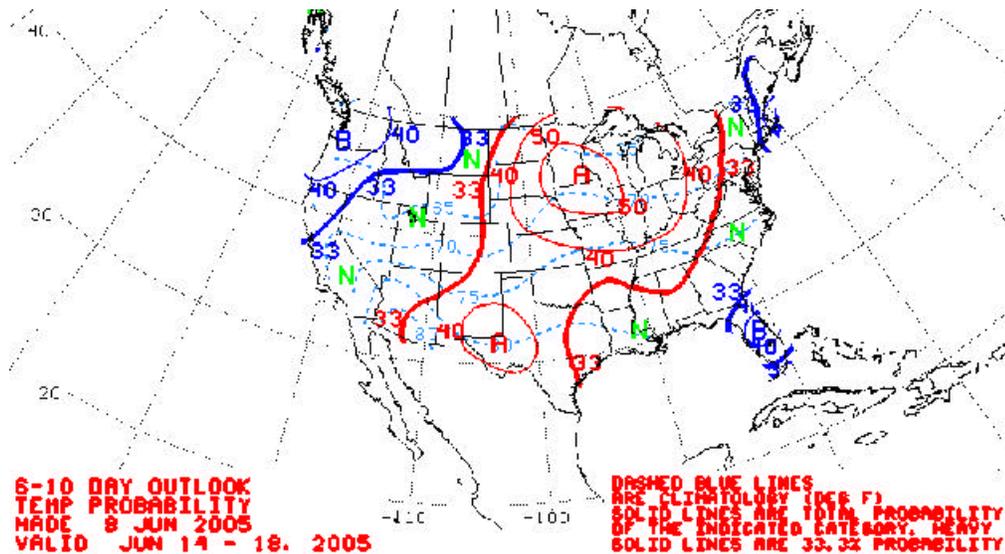
The Edison Electric Institute reported electricity production in the continental U.S. for the week ended June 4 fell 3.2% from the same 2004 week to 69,000 GWh. For the first 23 weeks of the year, production totaled 1,637,626 GWh, up 0.4% from the same period last year. In the 52 weeks ended June 4, production rose 1.0% from the corresponding period in 2004.

Fitch Ratings has released a report discussing hydro conditions in the U.S. West and ongoing below-normal hydro conditions in the Pacific Northwest. Despite anticipated below-normal hydro generation output in 2005 in the Pacific Northwest, Western Electricity Coordinating Council total generation resources should be sufficient to meet its load requirements, barring unusual events. However, the adverse affect of dry weather on load-serving

entities is exacerbated by high natural gas prices, which will make replacement power more costly. The PNW is currently in its sixth consecutive year of well below-normal water conditions, and the water supply forecast has improved only modestly, in recent weeks. Despite the unfavorable effect of dry-weather conditions on hydro generation production, Fitch believes that, from a reliability point-of-view, adequate generation exists throughout the WECC, although congestion and transmission bottlenecks could lead to problems during peak transmission periods.



FERC chairman Pat Wood testified before the House Government Reform Subcommittee on Energy and Resources, urging investment in the nation's power grid, which is lagging behind growing electricity demand. Congressional action is needed to maintain a reliable system and realize the goal of creating the power grid's equivalent of the U.S. interstate highway system. Wood urged Congress to focus on three issues in finalizing energy legislation: creating a mechanism for mandatory and enforceable power grid reliability standards; providing a federal backstop for electric transmission siting authority; and repealing the 1935 Public Utility Holding Company Act.



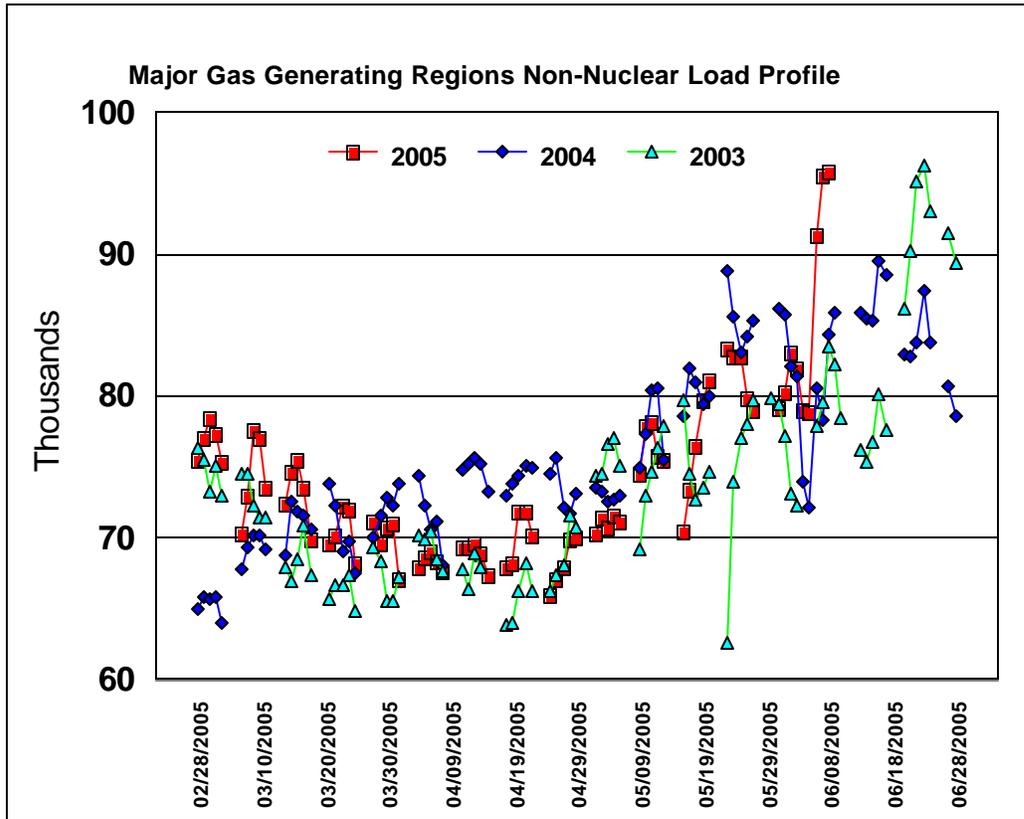
Improvements to New England's power grid and enhancements to the wholesale electricity markets have resulted in a reduction in fuel-adjusted wholesale electricity prices of 5.7% over the past five years, according to ISO New England's 2004 Annual Markets Report released yesterday.

Public Service Enterprise Group is still investigating the cause of a leak at the 1,049 Mw Hope Creek nuclear unit in New

Jersey and cannot say how long the unit will remain out of service. The leak occurred on June 7 from a position-indicating device on a check valve in the residual heat removal system. The leaked water was fully contained within the plant's drywell.

MARKET COMMENTARY

The natural gas market this morning gapped higher as weather forecasters continued to revise their temperature outlook, which now looks for the warmer than normal temperatures to remain in place basically across the Midwest and into the East through next week. In addition the prospects of a tropical storm potentially moving into the central Gulf of Mexico appeared to help natural gas remain stronger than the oil markets. While a



surprise inventory report helped to spike oil prices at mid morning and shove natural gas values to their highest level since April 25th, basis the July contract, and the highest in the spot futures contract since April 7th, this oil market rally began to fizzle out by mid day. Sellers returned in the natural gas market, first sending gas prices back to yesterday's lows for support, before seeing another round of selling late in the session that sent prices momentarily back below the \$7.00 level before rebounding in the last few seconds of trading. Final estimated futures volume was estimated at 121,629 contracts.

Market expectations for tomorrow's EIA storage report appear to be running between 90-120-bcf build in stocks. Most traders were expecting a triple digit build given the small call on gas for generation need last week due to moderate temperatures and ample hydro generation in the west and rebounding nuclear output. This coupled with limited industrial demand due to the Memorial Day holiday weekend should allow one of the largest builds in stocks on the week for this injection season. Last year saw a 99 bcf build with the five year season build also at 99 bcf..

We see support again tomorrow at the \$7.00-\$6.97 level. Additional support we see at \$6.93-\$6.925, \$6.895, \$6.78, and \$6.73 with more distant support at \$6.627 and \$6.565. Resistance we see at \$7.14, \$7.195 and \$7.25, with additional resistance at \$7.30, \$7.43 and \$7.47. Distant upside target would also be found at \$7.70 and \$7.85.

