



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 9, 2005

NATURAL GAS MARKET NEWS

The Tropical Prediction Center this afternoon reported that satellite images of Tropical Storm Arlene has not become any better organized during the past 12 hours and in fact appeared weaker as wind shear has been impacting the system by separating the circulation center from the convection. But forecasters left open the possibility of strengthening when the shearing winds are expected to diminish by Friday afternoon. As a result forecasting models continue to point to the system undergoing some modest strengthening as the system moves into the Gulf of Mexico. The track of the storm continues to point to the storm coming ashore on the U.S. Gulf Coast near Mobile, AL some time late Saturday or early Sunday. Winds are expected to only reach 50 mph before making landfall.

ChevronTexaco, Total, Anadarko, BP, Apache, Murphy, Noble, Amerada Hess, and Transocean all announced during the day that they were evacuating personnel from production platforms in the central and eastern Gulf of Mexico. Total reportedly was planning to shut three production rigs on Friday morning as it removed the remain personnel from those rigs if weather conditions warranted. Shell Oil, Devon Energy, Kerr-McGee and ExxonMobil were also considering evacuations.

Shell Canada's CEO said today that his company remained fully committed to the stalled Mackenzie gas project, but noted that regulatory issues needed to be resolved quickly for development of the project to advance. The \$3 billion pipeline project had been scheduled to be in operation by 2009.

The Climate Prediction Center said today that the risk of an El Nino weather anomaly striking this summer is minimal, but longer-term trends remain uncertain. The CPC noted that sea surface temperatures had fallen by more than 2 degrees Celsius in the Pacific Ocean, and as a result there should be neutral conditions during the northern summer and fall.

U.S. Representative Joe Barton (R-TX), chairman of the House Energy and Commerce Committee, thinks that the House's approach to the siting of LNG facilities, which gives states a significant role over the permitting and safety of LNG facilities, will ultimately prevail over the approach adopted in pending Senate energy legislation, which reinforces FERC's claim of exclusive jurisdiction over the siting of LNG import terminals.

Generator Problems

ERCOT— The Monticello #3 steam electric station will be in start up following completion of boiler repairs.

SERC— Southern Co.'s 1,149 Mw Vogtle #2 nuclear unit started to exit an outage and ramped up offline to 3% of capacity by early today. Vogtle #1 continues to operate at full power.

Canada— Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired power station shut for a short-term forced outage early today. The unit was available for service yesterday. Lennox #1, #2, and #4 remain available for service.

The NRC reported that U.S. nuclear generating capacity was at 87,487 Mw up .75% from Wednesday and down 4.73% from a year ago.

A former Bush administration counterterrorism expert warned that federal regulators should not approve a proposed LNG import terminal near Boston, because the huge tankers bringing in the gas would be a prime target for terror groups today.

EIA Weekly Report

	06/03/2005	05/27/2005	Net chg	Last Year
Producing Region	674	645	29	579
Consuming East	927	858	69	829
Consuming West	289	275	14	243
Total US	1890	1778	112	1651

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. In other news, Segment 17 is at capacity today. 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.

Canadian Gas Association

Weekly Storage Report

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.

	03-Jun-05	27-May-05	04-Jun-04
East	101.9	92.8	120.8
West	146.5	139.7	140.7
Total	248.4	232.5	261.5

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 25% tolerance.

Iroquois Gas Transmission System said that effective today, due to the continued outage at our Dover Compressor Station there will be no IT service with receipt points upstream of the Athens compressor station and deliveries downstream of Athens, as well as PAL loans greater than 250 mcf downstream of Athens.

PIPELINE MAINTENANCE

National Fuel Gas said that it will be working on compression at the Henderson station June 8 through June 10, and June 13 through June 15. During these periods one of the two compressor units at Henderson station will be out of service. NatFuel does not anticipate this work to affect firm service obligations.

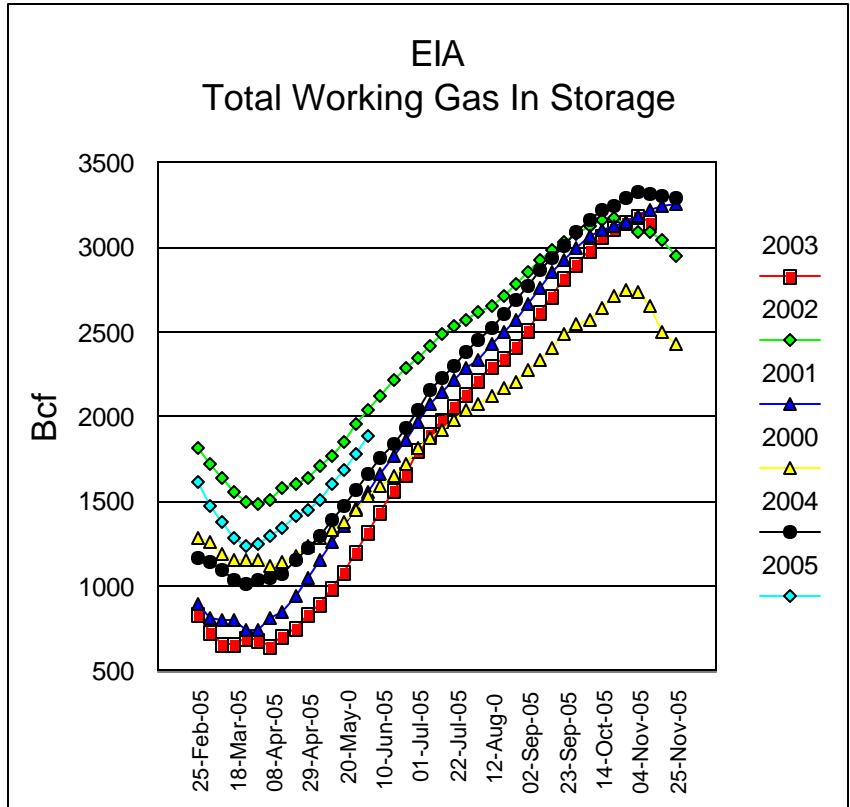
Panhandle Eastern Pipe Line Company, said that its E-301 Compressor was taken out of service May 10 for maintenance and was expected to be back in service May 31. However, this job has been extended through June 20. The expected capacity through the Seiling segment will be limited to 270 MMcf/d. At this time, there is no anticipated impact to customer nominations.

Questar Pipeline Company said it will be doing line work in late June that will reduce the volume through Payson gate by 50 MMcf/d during the work. As a result, the ML 80 scheduling point will be reduced to 210 MMcf/d in all cycles on June 28, 29, 30 and July 1. Based on current nominations, this represents a 65% reduction to flexed nominations. ML 80 nominations will return to normal on gas day July 2.

Southern Natural Gas Pipeline said it has experienced delays in its construction schedule due to inclement weather since May 26. The latest estimated in-service date for the 24-inch Main Pass 289-298 line is June 25. Receipt points in this part of Southern's system are Main Pass 288 Conoco, Main Pass 289 – Main Pass 290 Shell, and Main Pass 289 VKGC. The latest estimated in-service date for the 12-inch Main Pass 144 lateral is July 3. Receipt points in this part of Southern's system are Main Pass 133 C, Main Pass 123 – Pogo, Main Pass 144 Chevron, and Main Pass 296. The 18-inch Main Pass 306 lateral is still estimated to be in service by July 4. Receipt points in this part of Southern's system are Main Pass 306 and Main Pass 293 – Main Pass 306. The in-service date for the remaining receipt point, Mississippi Canyon 20 – BP, is dependent on third-party repairs.

ELECTRICITY MARKET NEWS

U.S. federal energy regulators have begun an investigation into whether Oklahoma Gas & Electric and its affiliates have generation market power



within their local control areas. FERC found that OG&E failed one of the agency's generation market power screens and is therefore subject to a further investigation to determine whether the company has market power. OG&E and its affiliates generation market power analysis showed that they passed the agency's pivotal supplier screen, but failed the wholesale market share test within their local service territories. Companies seeking market-based rate authority must pass the generation screens, if not they could be forced to sell at cost-based rates.



The EIA reported that

U.S. coal production for the week ended June 4 totaled 21.051 million short tons, up slightly from the prior week's production.

MARKET COMMENTARY

The natural gas market opened a bit stronger given the hurricane season's first tropical storm, Arlene slow advance northward. The bearish EIA storage report of 112 Bcf broke the upward trend of the market, sending the July contract to its low of 6.88. But, further weather reports of the storm's trajectory into the central Gulf, similar to the path of last year's behemoth, Hurricane Ivan, and reports that some personnel were to be evacuated from gas and oil rigs in the Gulf, sent the market off its lows to post the day's high of 7.10 before falling back due to profit taking and settling up 4.5 cents at 7.045.

We continue to feel that the natural gas market will be propped up by rig evacuations, but Arlene is no Ivan, and a sustained price spike is not a feasible option at this point. Also, The Midwest's and Northeast's heat wave is expected subside somewhat by the end of the weekend, reducing power generation demand for natural gas next week, but traders are eyeing the next heat wave forecasted for the end of next week, that could once again lend support to the market. As a result we would look for prices to possibly be propelled higher tomorrow if additional rig evacuations are announced and some production shut ins are reported. But we would look for this rally as a potential short term selling opportunity or at least an opportunity to buy puts for a probably downturn in prices come Monday morning with the absence of any damage reports and moderating temperatures. Thus we would be a scale up seller starting at today's high of \$7.10 back up towards Wednesday's high of \$7.43. Our downside target next week would be for prices to move back below \$7.00 and test support between \$6.78-\$6.625. We feel that with the prospects of a return of high cooling demand starting the week of June 18th and continuing through the first week of July at least would prevent prices from retesting last week's lows from \$6.26- \$6.13.