



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 10, 2005

NATURAL GAS MARKET NEWS

Tropical Storm Arlene entered the Gulf of Mexico today and it was carrying wind of nearly 60 mph. It could strengthen in to a hurricane before it hits the northern Gulf Coast from western Louisiana to Florida's eastern panhandle. Energy companies removed workers and shut in a small amount of natural gas in anticipation of the storm hitting land late Saturday.

Exxon Mobil Corp. is shutting in 70,000 cf/d of natural gas as Tropical Storm Arlene approaches. Exxon Mobil has evacuated about eight workers from the U.S. Gulf of Mexico.

Marathon Oil shut in four platforms it operates in the Gulf of Mexico and evacuated about 25 company employees and contractors from them ahead of Tropical Storm Arlene. The gross production affected from the Marathon-operated blocks was 9.5 MMcf/d of natural gas.

Total S.A. was evacuating workers today as it shut in as much as 295 MMcf of natural gas per day in the Gulf of Mexico.

Williams Cos. has yet to see any shut-in gas from Tropical Storm Arlene but anticipates minimal shut-ins from producers as the day progresses. The shut-in may range as high as 100-150 MMcf/d for its Transcontinental Gas Pipeline system, which feeds the Northeast. The pipeline has received reports of a potential impact to forward supplies from its Mobil Bay area, but doesn't expect any other significant impact to flowing gas at this time. In addition, Williams' Gulfstream pipeline will see 50MMcf/d shut in.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell by 14 to 1,339 in the week ended June 10. During the same week last year, there were 1,187. The number of rigs exploring for oil and gas in Canada fell 56 to 319, compared to 273 last year.

El Paso's Southern Natural Gas Co. said three of its Main Pass lines in the Gulf of Mexico, heavily damaged by Hurricane Ivan last fall, may be back in service by the last week of June and the first week of July. Construction on the pipelines has been delayed due to inclement weather and concerns about Tropical Storm Arlene. Sonat confirmed shutting in four receipt points, including Main Pass 181 and 108, Breton Sound 21, and Romere Pass because of Arlene.

Generator Problems

ERCOT— American Electric Power will restart the 528 Mw Welsh #3 coal-fired power station June 12-17, following spring cleaning and repairs.

Texas Genco's 836 Mw Limestone #1 coal-fired power station shut June 9.

SERC— Southern Co.'s 1,149 Mw Vogtle #2 nuclear unit exited an outage and ramped up to 43% of capacity by early today. The unit was operating offline at 3% yesterday. Vogtle #1 continues to operate at full power.

WSCC— Energy Northwest's 1,108 Mw Columbia nuclear power unit started to exit a refueling outage early today and ramped up offline to 5%. The unit shut May 7 for the refuel.

The NRC reported that U.S. nuclear generating capacity was at 88,033 Mw up .62% from Thursday and down 4.45% from a year ago.

Occidental Petroleum's proposed Ingleside, TX, LNG terminal and associated San Patricio Pipeline were granted a favorable final environmental impact statement today by FERC. The commission said the 1 Bcf/d terminal, which would be located near Occidental's chemical plant on Corpus Christie Bay, would have limited adverse impact on the environment if certain recommended mitigating measures are taken by the company.

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, NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. ANR South Joliet #2 is at capacity for deliveries.

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.

East Tennessee Natural Gas said there will be a Department of Transportation hydrotest between Ridgetop and Dixon Springs that is scheduled for June 17-22. During this work, a restriction of secondary receipts upstream of 3104 and 3205 are possible. Customers are encouraged to source their supply downstream of the restricted area.

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

Alliance Pipeline said that routine inspections require the Gold Creek compressor in Alberta to be offline for five hours starting at 9:00AM MT on June 16. Station capacity will be lowered to 33.7 MMcf for gas day June 16.

Kern River Pipeline said line pack levels conditions are low on the entire system. Payback is encouraged. Operators should be on rate unless balancing arrangements have been made.

KM Interstate Gas Transmission said it is at capacity for receipts from Burlington Resources Lost Cabin. Based on the level of nominations, interruptible flow, authorized overrun and secondary volumes are at risk of not being scheduled.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that as a result of the work scheduled for the San Juan Crossover and at Plains Station, physical flow of gas to the Anadarko system north of Plains Station will not be possible from June 13-17. Any deliveries from the Anadarko system must be supplied with volumes received in the Anadarko system north of Plains Station. No compression will be available at Plains Station from June 13-16.

MARKET COMMENTARY

The natural gas market opened just about unchanged as traders discounted Thursday's unsupportive inventory figures and await Tropical Storm Arlene's next move. The market traded up to its high of the day at 7.09 and then came under pressure, with prices sliding and breaking the 7.00 level. But as reports surfaced that energy companies began evacuating workers and shutting in natural gas supply, prices rallied to an intraday high of 7.06, but failed to reach the high set off the open, suggesting that Arlene is not going to significantly disrupt supply. In fact producers are expecting to have operations back to normal by Monday. The price action moved sideways for the rest of the day and posted an inside trading session.

Next week's natural gas generation demand is expected to be moderate, keeping a bit of pressure on prices. As the next heat wave moves in later in the week, expect prices to find traction and move above the 7.00 level. Bit first we would expect support to be tested early in the week at \$6.90-\$6.88 followed by \$6.80-\$6.78 and \$6.66-\$6.63.

