



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 13, 2005

NATURAL GAS MARKET NEWS

Chevron Corp. has brought back up oil and natural gas production that was suspended ahead of Tropical Storm Arlene. The restored production mainly involves the massive Petronius platform. Petronius' output – 50,000 barrels a day of oil and 56 MMcf/d of gas – accounted for most of the production shut in by the company. Petronius also accounted for about 40% of the total oil production and 16% of the gas output shut in the Gulf ahead of the storm.

Williams Co. said a 150 MMcf/d shut in on its Transcontinental Gas pipeline and an additional 50 MMcf/d on its Gulfstream pipeline have ended after Arlene came ashore Saturday. Williams' spokesman reported everything is back to normal on Transco and Gulfstream and that there was no damage reported to our facilities.

Duke Energy's spokesman reported that about 100 MMcf of the 130 MMcf cut by producers on Texas Eastern's Venice system had been restored as of early today. Duke expects the rest to be back later today.

An El Paso Spokesman also said he expected all shut in volumes to be back to normal today.

Mineral Management Service reported that U.S. producers still had 416 MMcf/d of gas shut in the Gulf of Mexico of the 303 Bcf/d that was shut in beginning on Friday. The MMS reported this afternoon that some 3.279 bcf of cumulative production had been lost since Friday.

The National Hurricane Center reported this afternoon that an area of showers and thunderstorms located over the central Caribbean Sea some 200 miles southeast of Jamaica is associated with a surface trough of low pressure. This system has become a little better organized this afternoon. Forecasters believe this system could possibly strengthen over the next day or two as it moves slowly northwestward.

Generator Problems

ERCOT— AEP's Welsh #3 coal-fired unit is in start up following spring GBIR and Precip cleaning and repair. Outage scope and duration changed since initial notification was given.

FRCC— FPL Group's 693 Mw Turkey Point #4 nuclear unit started to exit a refueling outage and ramped up off line to 2% of capacity by early today. The unit shut April 10 for the refueling. Turkey Point #3 continues to operate at full power.

MAAC— PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit exited an outage and ramped up to 89% of capacity by early today. The unit shut June 6 due to a problem with the transmission system. Susquehanna #1 continues to operate at full power.

MAPP— Omaha Public Power District's 476 Mw Fort Calhoun nuclear unit started to exit an outage and ramped up to 2% of capacity by early today.

Nuclear Management's 539 Mw Prairie Island #2 unit exited an outage this weekend and is operating at 97% capacity today. Prairie Island #1 remains at full power.

SERC— Southern Co.'s 1,149 Mw Vogtle #2 nuclear unit ramped up to 75% of capacity by early today. On Friday, the unit was operating at 43% after exiting an outage. Vogtle #1 continues to operate at full power.

Entergy Corp.'s 1,089 Mw Waterford #3 nuclear unit exited a refueling outage and ramped up to 68% capacity by early today.

The Climate Prediction Center reported this morning that the U.S. saw some 67 cooling degree days for the week ending June 11th, some 55.8% higher than normal. For the current week ending June 18th the CPC estimates the U.S. will see some 61 CCD, some 24.5% higher than normal but basically equal to the same week a year ago.

U.S. Manufacturers will be paying 148% more for natural gas in 2020 and will lose more than a million jobs by that time if Congress doesn't soon pass legislation that would update the country's energy policy, according to a study released by the National Association of Manufacturers, the Manufacturing Institute and the American Council for Capital Formation. According to the EIA, manufacturing accounts for about 80% of industrial energy consumption. That said, energy policy has a direct impact on the outlook for the future of manufacturing. The study found policies that promote construction of a pipeline that could bring natural gas from Alaska to the lower 48 states and increase production of natural gas offshore and onshore would create a much more favorable environment for manufacturing. Under that scenario, manufacturing output would grow 3% between 2010 and 2020 and instead of losing 1.3 million jobs by 2020, manufacturers would create 18 million jobs by that date.

El Paso Corp.'s Colorado Interstate Gas began construction to day on its Raton Basin 2005 Expansion project. The \$61 million expansion will add 104.6 MMcf/d of transmission capacity to the section of CIG's existing pipeline system from the Raton Basin in south-central Colorado to the Oklahoma panhandle. FERC authorized construction in early June, and the company expects to have the project in service

Generator Problems

WSCC— Energy Northwest's 1,108 Mw Columbia nuclear unit exited a refueling outage and ramped up to 65% of capacity by early today. On Friday, the unit was operating at 5% as it started to exit a refueling outage.

Calpine Corp. curtailed the output of the 605 Mw Metcalf natural gas-fired station by 505 Mw for unplanned reasons early today.

Duke Energy Corp.'s 739 Mw Moss Landing #6 and #7 natural gas-fired power stations both shut for planned reasons by early today.

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

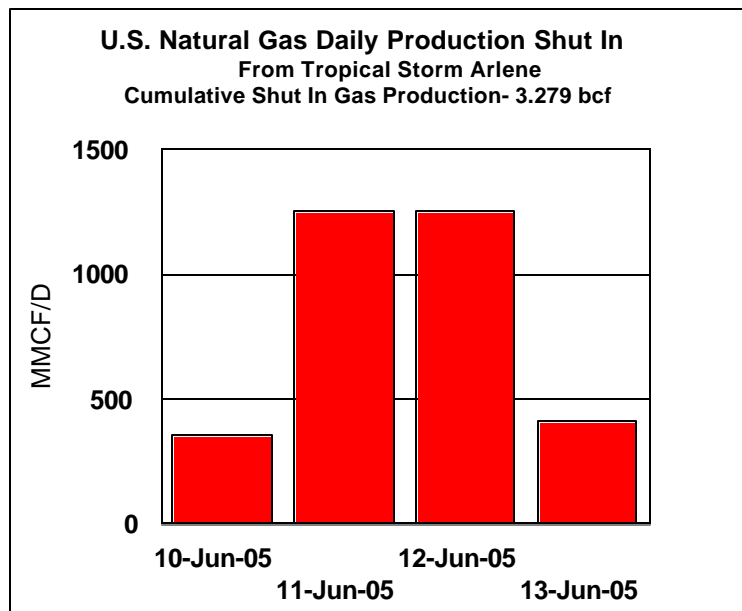
The NRC reported that U.S. nuclear generating capacity was at 91,368 Mw up 3.79% from Friday and down .48% from a year ago.

on Oct. 1. The construction involves installation of 102 miles of 16-inch, 20-inch and 24-inch pipeline looping; plus another 1,770 horsepower of additional compression and additional metering facilities.

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. Deliveries to Columbia Gulf Chalkley are at capacity.

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.



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

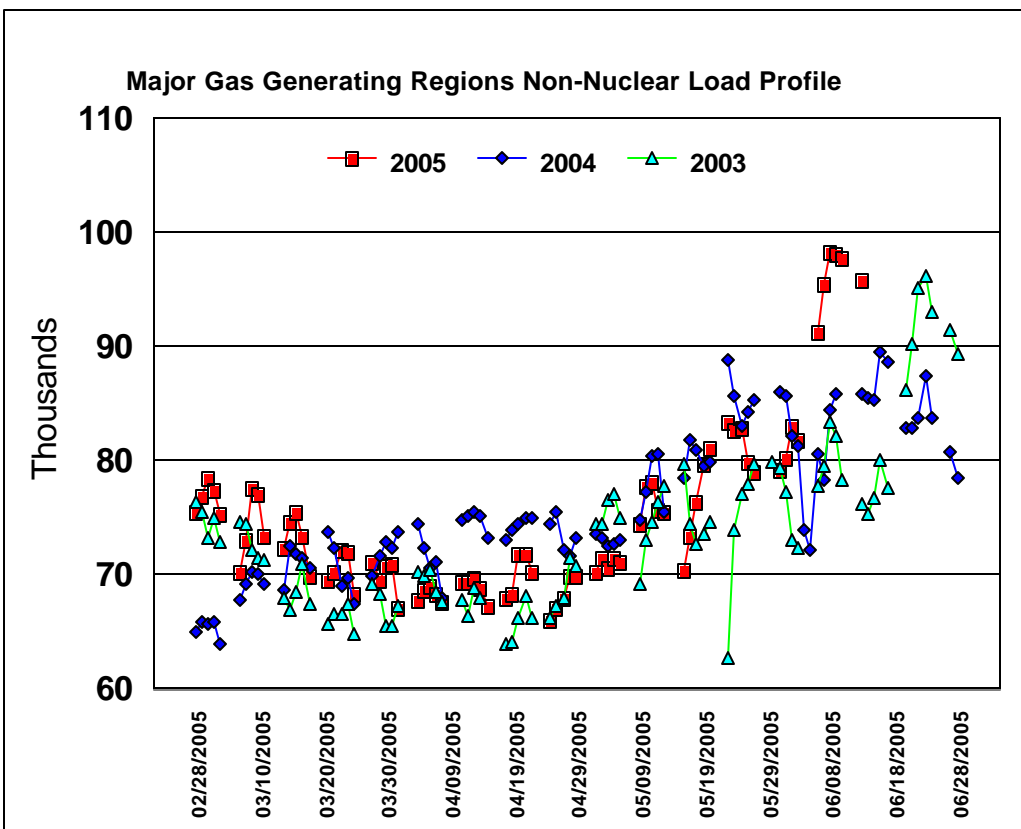
Kern River Pipeline said line pack levels have returned to normal.

Transwestern Pipeline said it has increased its gas receipt capacity at its interconnect with the WFS Milagro Plant located in the San Juan Blanco Hub. Based on the installed equipment, the capacity is now 500 MMcf/d. Effective immediately, producers flowing gas through the WFS Milagro Plant now have additional delivery capability at the interconnect. From this interconnect, shippers have the ability to transport the gas to markets on the east or west end of Transwesterns system.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that from June 13-17, it is anticipated that the San Juan Crossover will be shut in for maintenance, significantly reducing El Paso’s ability to move supplies from the north for delivery to the south system. During this time, EPNG will have very limited operational flexibility. El Paso Natural Gas is asking all shippers to take action by contracting their suppliers and markets to initiate any actions necessary to remain in balance during this critical period. El Paso would like to avoid calling a Stained or Critical Operating Condition, but will do so if conditions warrant.

PG&E California Gas Transmission said that on June 6 it decided to move forward with construction of Line 57C, a significant storage reliability project. PG&E’s California Gas Transmission will proceed immediately with permitting, materials procurement, and construction contracting. PG&E’s Line 57B currently transports gas 17 miles between the McDonald Island underground storage field and the backbone transmission system.



Line 57C will provide a second path for gas from McDonald Island to reach the backbone. Line 57C’s 6.2 miles of 24-inch pipeline will travel a different route, enhancing the reliability of critical supplies from the McDonald Island storage field. CGT anticipates construction will begin in the summer of 2006 and commercial operation will commence in November 2006.

ELECTRICITY MARKET NEWS

Detroit Edison reported that total demand for electricity in their service area was greater than any June day in the company’s history. At 5:00PM CT Friday, Detroit Edison electricity demand reached a record-setting 11,715,000 kW – exceeding the company’s previous June record of 11,473,000 kW set on June 25, 2003. Friday’s electricity demand also exceeded last summer’s peak demand day of 11,535,000 kW on July 22, 2004.

A spokesman for Bonneville Power Administration said today that a decision Friday by a federal judge that operators of dams on the Snake River in Washington State and the McNary dam on the Columbia River must spill additional water which could result in some 800-1000 Mw of power generation to be lost this summer. Federal power agencies are in the process of appealing the ruling.

MARKET COMMENTARY

The natural gas market opened higher today at \$7.02 given the sustained heat wave the northeast and Midwest are experiencing. But once prices breached the highs from the prior two trading sessions at \$7.09-\$7.10, the market posted an intraday high of \$7.17 before consolidating through midmorning. But as the oil complex headed higher in the afternoon it dragged natural gas up with it, allowing natural gas to go out on its highs and settling up over 30 cents on the day with the July contract posting its highest settlement since April 25th. Volume on the day was estimated just over 88,000 futures traded.

We feel that this market though should run out steam tomorrow as temperatures are expected to moderate through this coming weekend and help limit electric generation demand for natural gas. We continue to look for prices to move back below the \$7.00 level and test initial key support at \$6.905-\$6.88. Additional support we see at \$6.80, \$6.78 followed by \$6.63. But if longer term forecasts pan out the return of above normal temperatures for much of the nation next week and lasting into July should help limit the duration of any downside price correction. We continue to see resistance in this market at \$7.43 followed by \$7.47 and \$7.59. More distant resistance we see at \$7.85.

