



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 15, 2005

NATURAL GAS MARKET NEWS

The FERC approved a policy statement on how to deal with credit issues for interstate natural gas pipeline and how it will evaluate creditworthiness provisions in future tariff proceedings. Creditworthiness became an issue in 2002 when natural gas pipelines faced a business environment marked by sudden changes in shipper creditworthiness, especially after the collapse of Enron Corp. and the financial troubles of many energy firms at the time.

Constellation Energy is acquiring Epoch Energy, a small Houston-based firm to form the nucleus of a natural gas trading business that may have 50 employees by year's end. Epoch's CEO, Tim Bourn has been named managing director of the downstream natural gas business for Constellation Energy Commodities Group. This is just the latest sign that Houston's energy trading business is rebounding after years of contraction and stagnation.

Exxon Mobil Corp. won federal approval to build a \$600 million shipping terminal along the Texas coast to receive tankers of LNG. The Vista del Sol terminal, near Corpus Christi, will have a receiving capacity of 1.1 Bcf/d, enough gas to heat about 4.5 million average U.S. homes.

Dominion Resources won approval from FERC for a \$64.8 million natural gas storage project in New York State to make more of the fuel available for heating. The project will add 9.4 Bcf of underground storage. Dominion will convert a depleted gas field in Cattaraugus County, New York, and add pipelines and pumps enabling it to boost deliveries by 163,000 million btu's per day.

El Paso Corp. won approval from FERC for a \$73.6 million project to convert a crude oil pipeline in California to transport gas. The project will link tow of El Paso's natural gas pipelines using an 88-mile line purchased in 2000.

The Williams Companies agreed today to pay \$7.6 million in refunds and civil penalties to settle a FERC investigation into one of its affiliates, Transco, which had been accused of illegally sharing its nonpublic storage inventory data with traders at Williams Energy Marketing and Trading Company between August 2001 and June 2002. Williams also agreed to a three year plan that provides a framework for the company to improve its

Generator Problems

MAAC— Public Service Enterprise Group's 1,049 Mw Hope Creek nuclear unit shut early today to repair a small leak. Yesterday, the unit was operating offline at just 3% after starting to exit an outage.

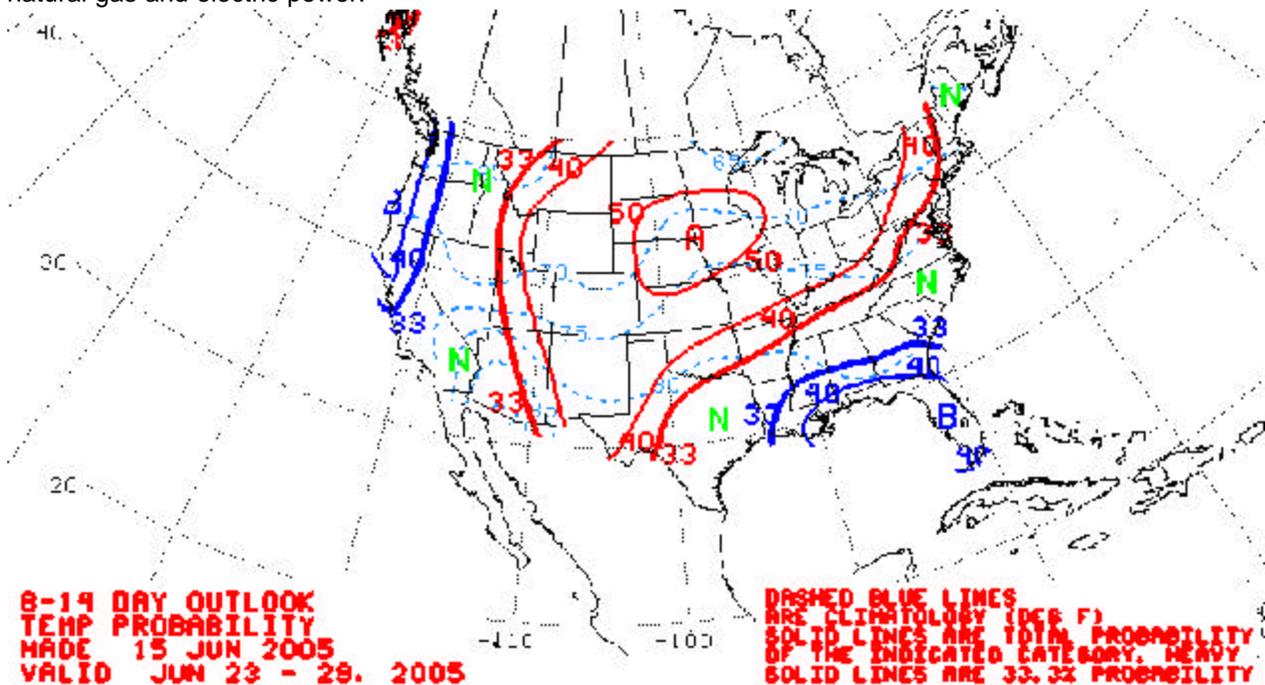
WSCC— Energy Northwest's 1,200 Mw Columbia Generating nuclear unit ramped up to full power by early today. Yesterday, the unit was operating at 90% capacity.

Calpine Corp.'s 561 Mw Los Medanos natural gas-fired power station shut for unplanned reasons early today. The unit was available for service late yesterday.

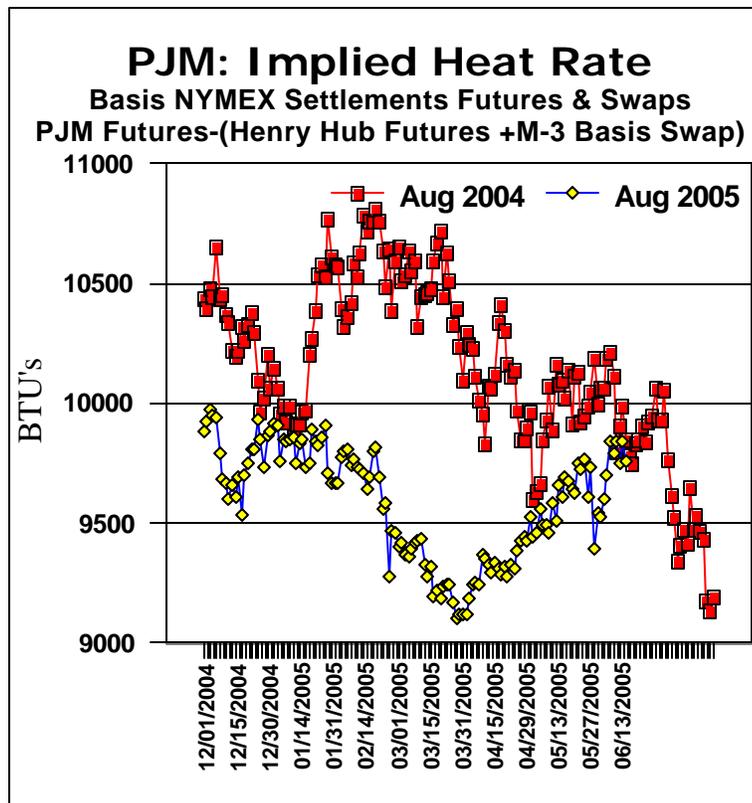
Canada— Ontario Power Generation's 535 Mw Lennox #4 oil- and natural gas- fired power unit shut early today. The unit was available yesterday. Lennox #1, 2, and 4 remained available for service.

The NRC reported that U.S. nuclear generating capacity was at 92,938 Mw up .15% from Tuesday and up 2.48% from a year ago.

compliance with the commission's affiliate-abuse rules and increase its monitoring of trading activities of both natural gas and electric power.



China's use of natural gas may rise 12% a year over the next 15 years as the country builds more gas terminals and pipelines, boosting demand for the fuel, the China Petroleum & Chemical Industry Association said. Natural gas consumption may increase to 252 billion cubic meters by 2020, from 64.5 billion cubic meters this year. China may rely on LNG imports to meet 39% of its gas demand by 2020, with domestic sources supplying 51% and piped gas from Russia and other countries in central Asia providing the rest.



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. Segment 17 is at capacity today, and 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 Mount Belvieu and Batesville 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 20% tolerance.

KM Interstate Gas Transmission said effective

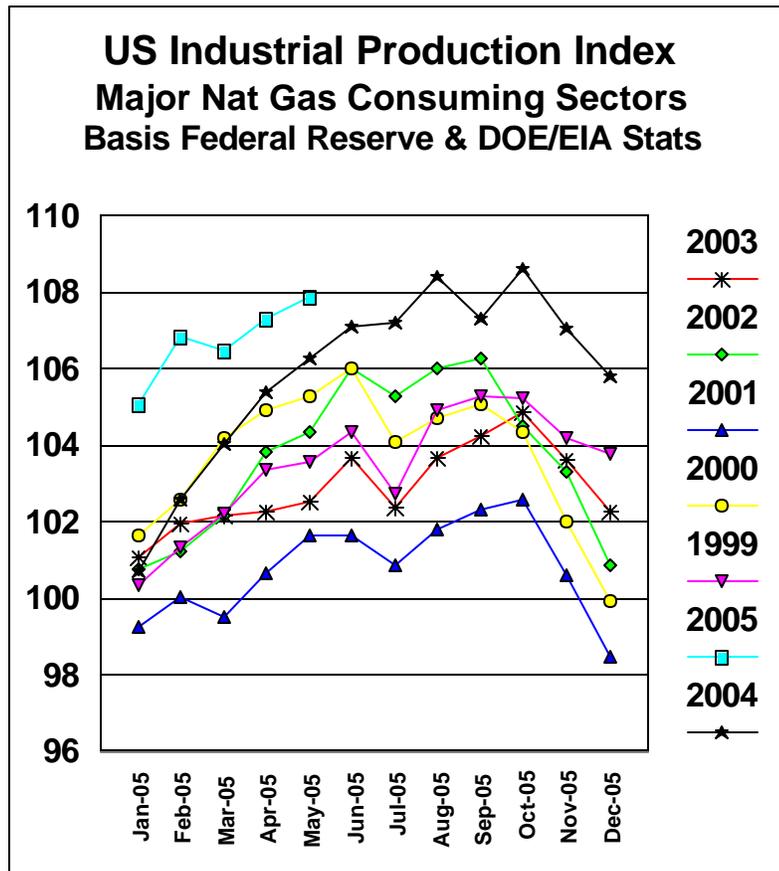
today and until further notice, it is at capacity for deliveries through the Rockport Lateral (Segment 790). Depending on the level of nominations, interruptible flow, authorized overrun, and secondary out-of-path volumes are at risk of not being scheduled.

ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that electricity production in the continental United States for the week ended June 11 rose 7.0% from the same week to 82,325 GWh. For, the first 24 weeks of the year, production totaled 1,719,951 GWh, up 0.7% from the same period last year. In the 52 weeks ended June 11, production rose 1.0% from the corresponding period in 2004.

The government of Ontario said it is delaying its deadline for shutting all of its coal-fired power plants, with the biggest of them staying open until early 2009. The governing Liberals had vowed in the 2003 provincial election to close all of the plants by the end of 2007, making the province the first major jurisdiction in North America to phase out all of its coal-burners. The shutdowns have been delayed so that sufficient replacement power sources and a revamped distribution network can be put in place.

Con Edison hit a record new peak in electricity demand for the month of June yesterday and also recorded the company's second-highest peak ever. Con Edison provided 12,138 Mw in electrical power to its 3.1 million customers.



The AES Corp. announced it signed a 15-year wind power purchase agreement with Texas retail electric provider Direct Energy. AES will sell all of the electricity it produces from its first phase 120 Mw Buffalo Gap wind generation facility in Texas at fixed prices to Direct Energy. AES has purchased 67 Vestas V80 wind turbine generators and construction is under way with commercial operation expected by the end of 2005.

ECONOMIC NEWS

U.S industrial production rose 0.4% in May, more than expected, aided by a rebound in demand for business equipment and consumer goods. The increase in production at the nation's factories, mines and utilities last month follows a revised 0.3% decrease in April that was deeper than first estimated. The proportion of industrial capacity in use during May rose 79.4% from 79.1%. Lower energy prices in May have spurred consumer spending.

The Labor Department reported that its consumer-price index declined 0.1%, the first dip since July 2004, as a 4.4% drop in gasoline prices led a 2% decline in energy

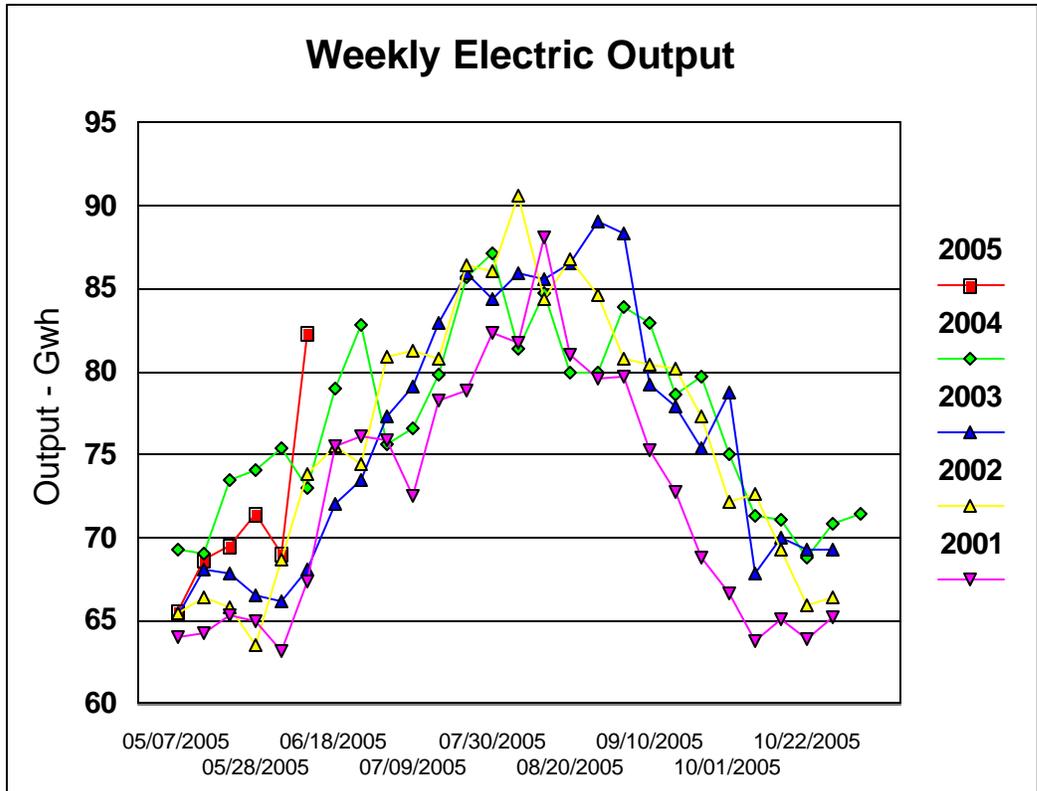
costs. Prices of items other than food and energy rose 0.1% after holding steady in April.

MARKET COMMENTARY

The natural gas market moved higher today on the coattails of stronger oil prices and continued strong power demand in ERCOT and in the east, outside of New England. The market then stayed above its new support level of \$7.34 as the oil complex's inventory statistics prompted the bulls to push oil prices higher after their release at mid morning. Though the heat wave in the Northeast and Midwest has eased, another unwelcome breath of hot

air is expected next week, lending support to the gas market. Natural gas traded sideways in about a 10 cent trading range until it broke out at the end of the day and posted its daily high of \$7.50, the highest level in the July contract since April 12th. The market settled at \$7.441, up over 21 cents on the day and above the previous high of \$7.43.

The EIA storage number for tomorrow is expected to show a build of 85 bcf, and this week last year showed a build of 96 bcf. If the build in stocks is equal or larger than last year's injection rate we feel that prices could come back under pressure and back fill the gap from this morning's higher opening at \$7.34-\$7.315. We see additional support at \$7.26 followed by \$7.19, \$7.12-\$7.09. Resistance we see at \$7.60, \$7.80 and the recent double top on the spot continuation chart at \$7.84. More distant resistance we see at \$8.04.



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