



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 16, 2005

NATURAL GAS MARKET NEWS

Energy & Environmental Analysis analysts continue to warn of an ever tightening supply/demand balance which will lead to Henry Hub gas prices averaging \$7.50 all of next year and \$8.50 in 2007.

The CFTC said today that it was seeking a court ruling to compel McGraw Hill to turn over natural gas transaction data that it had requested back in April.

EIA Weekly Report

	06/10/2005	06/03/2005	Net chg	Last Year
Producing Region	686	674	12	599
Consuming East	976	927	49	890
Consuming West	301	289	12	257
Total US	1963	1890	73	1747

U.S. Energy Secretary Samuel Bodman outlined a series of steps the U.S. should take to leverage LNG imports as a means of easing a domestic supply-demand imbalance and "creating more stable energy environments in other parts of the world." In a speech to a Washington LNG conference, Bodman said the U.S. must overcome a number of obstacles to aid the development of a global gas market. The U.S. government and industry should address the fact that U.S. gas-fired power plants cannot use the "higher heating value" gas produced in many exporting countries; encourage development of a "workable spot market price mechanism" for LNG, as opposed to the long-term contracts by which gas imports have traditionally been sold, and develop a tanker fleet capable of moving more LNG to the U.S. Bodman also noted that the world's proven reserves stand at more than 6 quadrillion cubic feet, enough natural gas to meet the world's needs comfortable well into this century. Bodman concluded saying, the challenge is to get it to the places whose growing economies need it.

Chairman of the FERC, Pat Wood, said that rising supplies of LNG natural gas will drive down prices of the fuel, benefiting the U.S. companies that are developing import

Generator Problems

ERCOT— Lower Colorado River Authority reported that yesterday it shut its 580 Mw Fayette #1 coal-fired station due to a problem with the transmission grid. The unit returned to service later in the afternoon.

TXU Corp. shut its 750 Mw Martin Lake #2 coal-fired power unit June 16-17 for maintenance. The unit is expected to restart June 17-18 following repairs to the air preheater bearings.

FRCC— FPL Group's 693 Mw Turkey Point #4 nuclear unit ramped up to 75% of capacity by early today. Yesterday, the unit was operating at 48% capacity after exiting a refueling outage. Turkey Point #3 continues to operate at full power.

MAAC— Public Service Enterprise Group's 1,049 Mw Hope Creek nuclear unit started to exit an outage and ramped up offline to 1% of capacity by early today.

MAPP— The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit ramped up power to 47% by early today. The unit was at 30% yesterday.

WSCC— Energy Northwest's 1,108 Mw Columbia nuclear unit automatically shut on June 15 due to the closure of turbine throttle valves. The unit was operating at full power on Wednesday.

Arizona Public Service's 745 Mw Four Corners #5 coal-fired plant was taken off-line today to repair a boiler tube leak.

Canada— Ontario Power Generation shut the 535 Mw Lennox #2 oil- and natural gas-fired power station for a short-term planned outage early today.

The NRC reported that U.S. nuclear generating capacity was at 92,127 Mw down .91% from Wednesday and up .93% from a year ago.

terminals. According to Wood, "it should be, in about 10 years, a relative buyers' market for LNG, and that works well for us." He is not worried that rising LNG supplies would put a downward price pressure in the U.S.

Canadian Gas Association

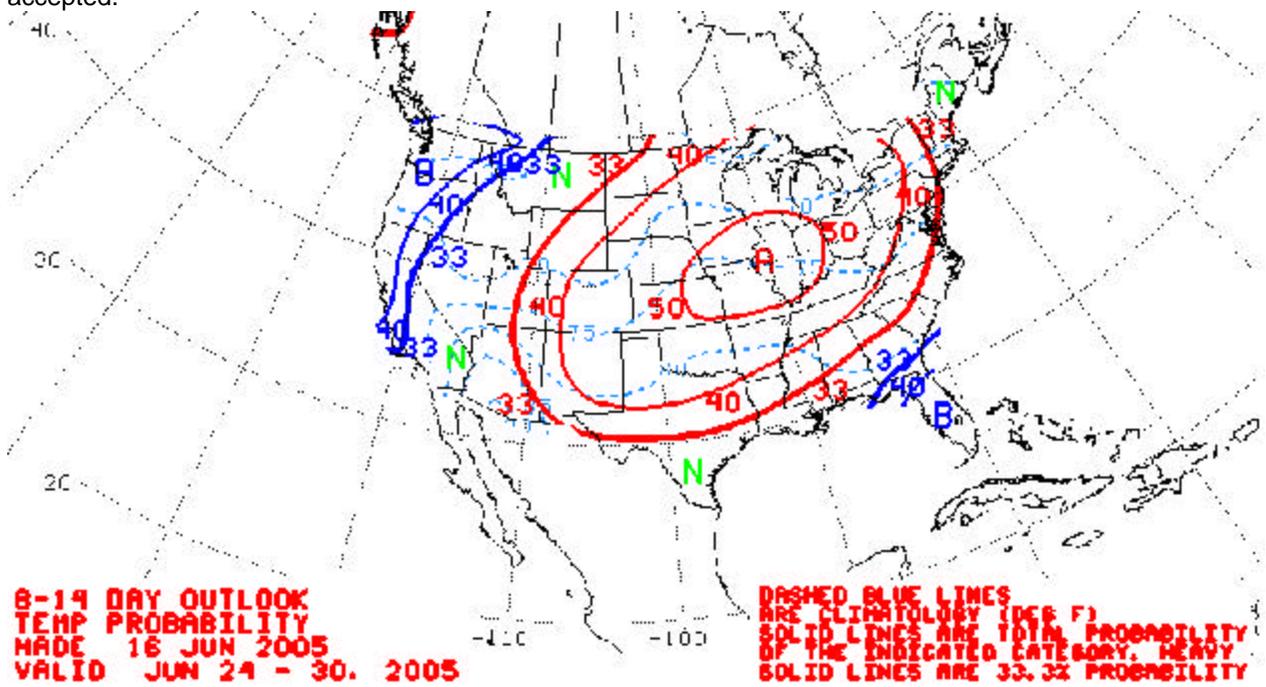
Weekly Storage Report

	10-Jun-05	03-Jun-05	11-Jun-04
East	110.4	101.9	129.2
West	155.0	146.5	147.6
Total	265.4	248.4	276.7

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the gas quality problem at the receipt from Transwestern-Gray continues. Effective, June 16, and continuing until further notice, scheduled receipts at this point will be unavailable. 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 Sarahsville will not be accepted.



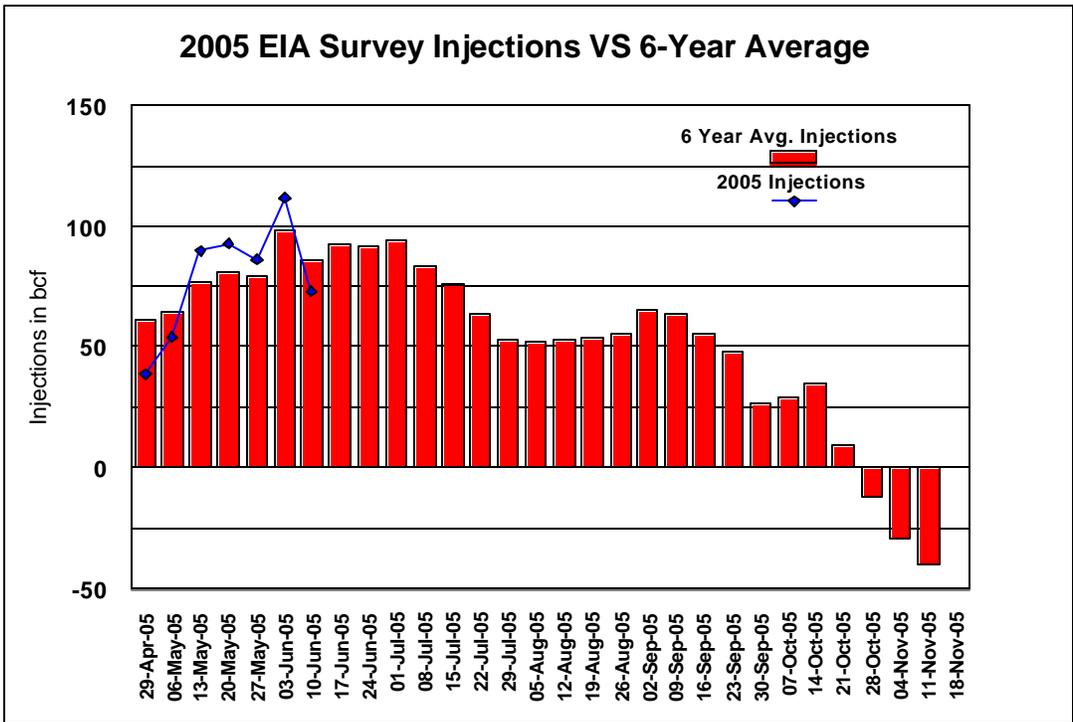
East Tennessee Natural Gas said that the schedule for the Department of Transportation hydrotest between Ridgetop and Dixon Springs that was scheduled for June 17 through June 22 has been changed. The work is now scheduled for June 18-21. Normal pipeline operations will resume at 9:00 AM ET, June 22. 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.

KM Interstate Gas Transmission said effective today and until further notice, it is at capacity for deliveries to Panhandle Grant. Depending on the level of nominations, interruptible flow, authorized overrun, and secondary out-of-path volumes are at risk of not being scheduled.

PIPELINE MAINTENANCE

Panhandle Eastern Pipeline Company said that the outage on the Satanta 18-inch Grant County line for hot tap installation and anomaly digs, which was scheduled to begin June 20 has been reset to begin June 27. The outage is expected to last five days. All receipts upstream of Satanta Station will be shut in during this outage.



Southern Natural Gas Pipeline Co. said it has experienced an unscheduled outage at the Toca Compressor Station that is impacting its ability to flow the scheduled quantities through the facility. Due to this outage, the pressures upstream of the Toca Compressor Station are increasing. Repairs have been made and the situation is improving but has not returned to normal. If the

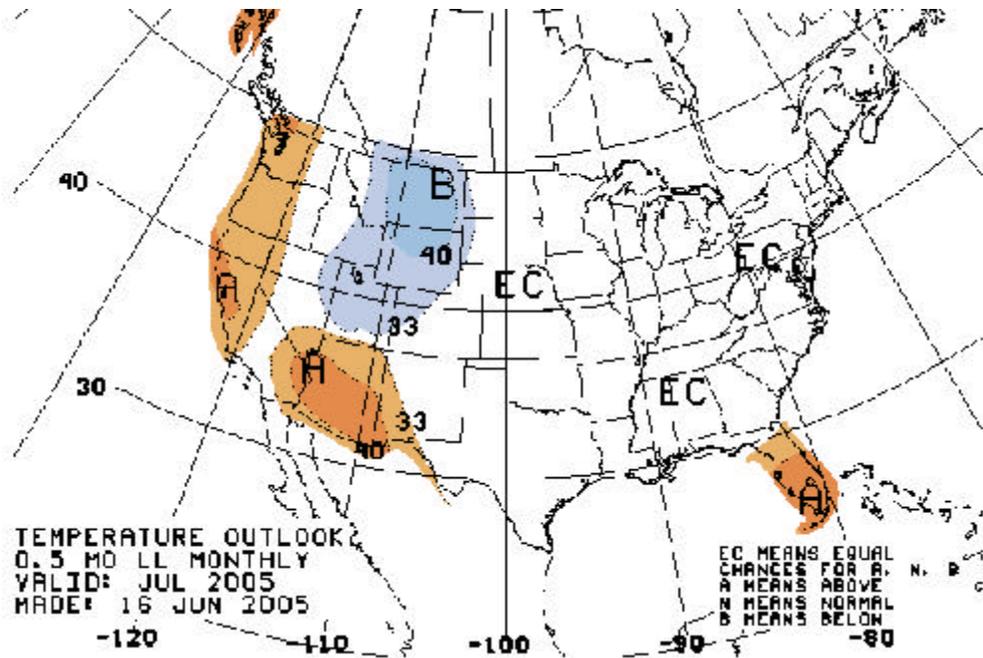
condition is not completely resolved, Southern may be required to issue a Force Majeure and curtail some or all of production upstream of Toca Compressor Station.

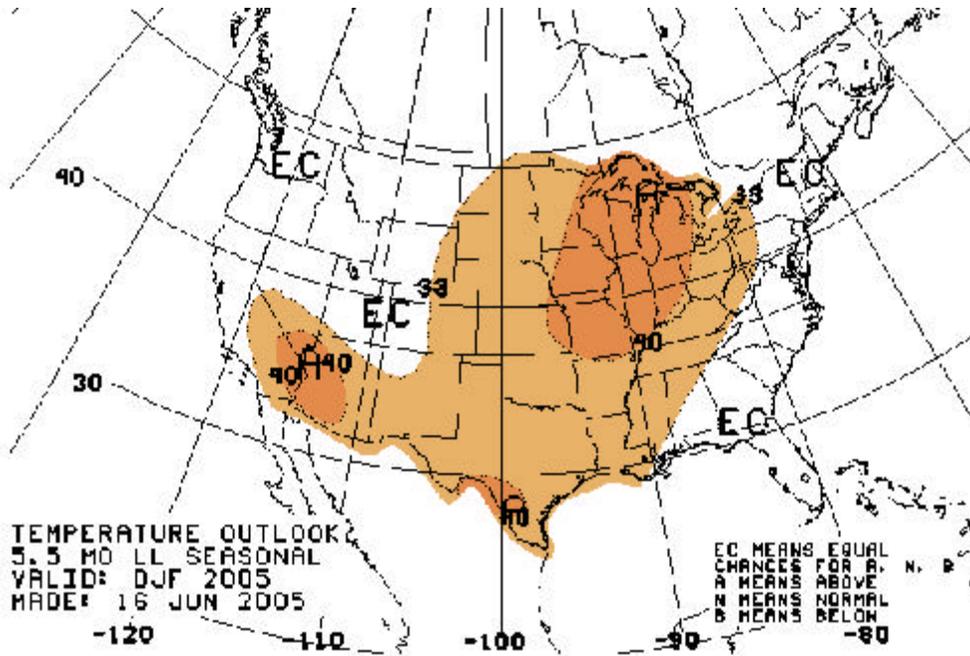
Williston Basin Interstate Pipeline Company said that maintenance to replace approximately one half mile of mainline on the Garland-Elk Basin Line will be performed June 20-24. Receipts in Line Sections 19, 20, and 21 may potentially be affected depending on quantities nominated.

ELECTRICITY MARKET NEWS

Entergy Corp. reported power outages in Texas north of Houston yesterday due to thunderstorms that blew across the region. About 150,000 customers lost power after the storm's high winds knocked out some high voltage lines.

The NYMEX announced this week that they plan to begin trading of its sulfur dioxide and nitrogen oxide emissions futures contracts on its Clearport trading system starting Sunday evening for the June





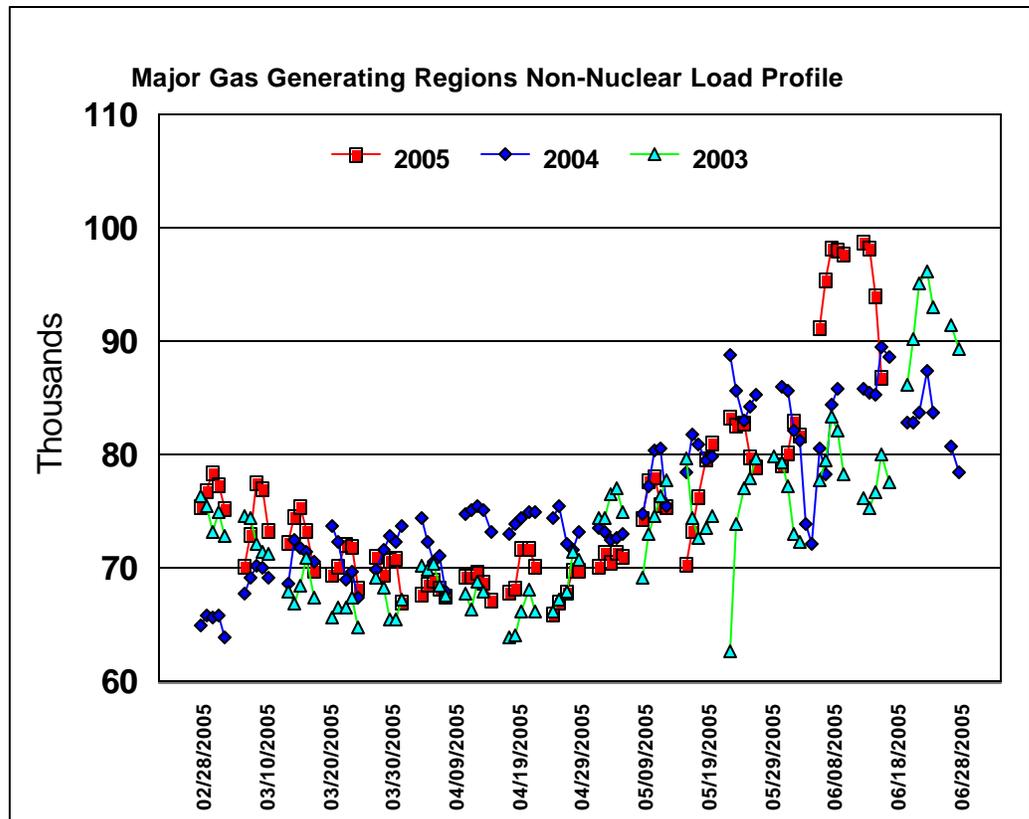
20th trading session. The sulfur dioxide futures contract will be for 100 metric tons and the nitrogen oxide futures contract will be for 10 metric tons. Both contracts will be listed for the current year and three years forward, starting with the August 2005 contract. They will be physically settled through the EPA Allowance Tracking System.

The National Weather Service today released their latest monthly and longer term temperature outlooks. For July the NWS is basically looking

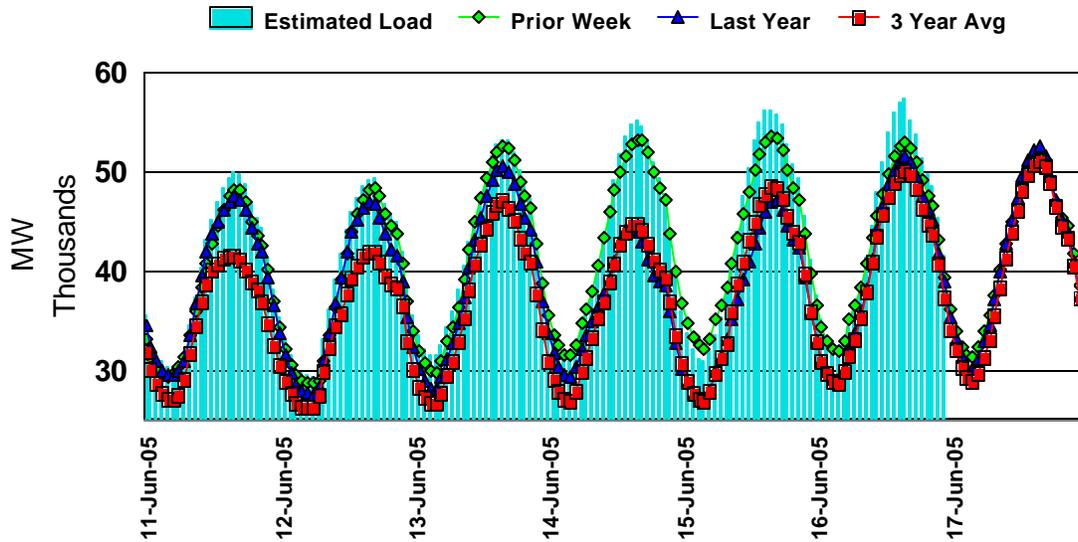
for much of the nation to see near normal temperatures with the Pacific coast and the desert Southwest and Florida above normal temperatures. For this coming winter the NWS sees much of the midsection of the country experiencing above to much above normal temperatures. Forecasters are expecting neutral El Niño conditions to prevail into early 2006.

MARKET COMMENTARY

The natural gas market today opened relatively unchanged as traders awaited the release of the EIA Storage data. Prior to the report, the market traded to yesterday's high of \$7.50 but stalled out. With expectations of a build of 85 bcf, the actual build of just 73 bcf sent the market screaming higher posting at high of \$7.70, the highest level since April 7th. The market seemed comfortable testing the new support level of \$7.50 and traded sideways for the rest of the afternoon, settling up just over 17 cents at 7.613, the highest spot settlement since April 6.



ERCOT Estimated Hourly Load



While electric loads in the Northeast, Midwest and Cal ISO moderated today and moved back to below normal levels, the high demand for power in ERCOT seems to have kept lending support to the spot market price for gas at Henry Hub. While the weekend loads would be lower, early

next week loads are again forecasted to run some 10-14% higher than the prior three year average seasonal load levels, before moderating later in the week.

We had expected the diminished power loads in the Midwest, Northeast and California would have pressured the market downward at least for a few days. But given a supportive EIA Storage Report again expected next week, which will reflect the modest shut ins from last weekend's Tropical Storm Arlene, along with high generation needs for gas, coupled with a strong oil market, may keep this market comfortably in a mid \$7.00 price until the next heat wave takes hold over much of the nation starting later next week. But we still feel that this market is technically over bought and is ripe for some correction. We see initial support at \$7.50 followed by \$7.387, the gap in the daily charts at \$7.34-\$7.315, \$7.29 and more distant support at \$7.20-\$7.19, \$7.10 and \$6.915. Resistance we see tomorrow at \$7.70, \$7.80, \$7.85, \$7.90 and \$8.04

ERCOT Avg Hourly Load

