



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 22, 2005

NATURAL GAS MARKET NEWS

Shell Canada said it is confident that there is much more natural gas to be found onshore in North America. Clive Mather of Shell Canada reported that the company has been focusing on exploration and production, particularly near the Canadian Rockies and other prospects in Alberta and British Columbia. He cited last year's Tay River discovery as a prime example of a find driven by new technology. Tay River may have reserves of 650 to 850 Bcf.

Storm damage to natural gas extraction plants in Empress, Alberta, including BP Canada's main plant, forced volumes to be rerouted on Wednesday, according to a notice from pipeline operator TransCanada Corp. BP would not comment on the impact of the damage suffered, or how long the plant would be bypassed, but indicated the company would release a statement later today.

U.S. Energy Secretary Bodman said today that with U.S. natural gas prices being the highest in the world, it is causing significant job dislocation in the chemical industry by shifting production abroad. He noted that the U.S. needed to do more to ensure that the nation had "adequate and affordable" supplies of natural gas to be used as both a fuel source and as an industrial feedstock. One recent industry estimate placed the job loss in the U.S. chemical industry at nearly 90,000 jobs and a shift of \$50 billion in business to overseas operations.

The U.S. Senate rejected an amendment to energy policy legislation that would give governors authority to block LNG terminals in their states. Senator Dianne Feinstein (D-Ca) sought to revise the energy legislation, which gives primary siting authority to the FERC. Her amendment was killed on a vote of 52 to 45. Opponents of the amendment said that the U.S. should encourage construction of the terminals to increase the supply of natural gas and lower the price.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said the force majeure is still in effect due to the failure that occurred on the Gulf Coast #3 mainline in Segment 26. In other news, Segment 17 is at capacity today. Deliveries to

Generator Problems

ERCOT— AEP's 528 Mw Welsh #3 coal-fired power station will shut June 23-27 for maintenance work. The #2 sister unit was having some maintenance working being done for the next week on auxiliary equipment.

MAPP— The Omaha Public Power District is operating its 492 Mw Fort Calhoun nuclear unit at 60% this morning. The unit was operating at 50% yesterday.

SERC— Southern Co.'s 833 Mw Farley #1 nuclear unit exited an outage and ramped up to full power by early today. Farley #2 continues to operate at full power.

Tennessee Valley Authority is currently operating its 1,100 Mw Browns Ferry #2 nuclear unit at full power. The unit was at 85% power yesterday.

WSCC— Energy Northwest's 1,108 Mw Columbia nuclear unit started to exit an outage and ramped up to 1% of capacity by early today.

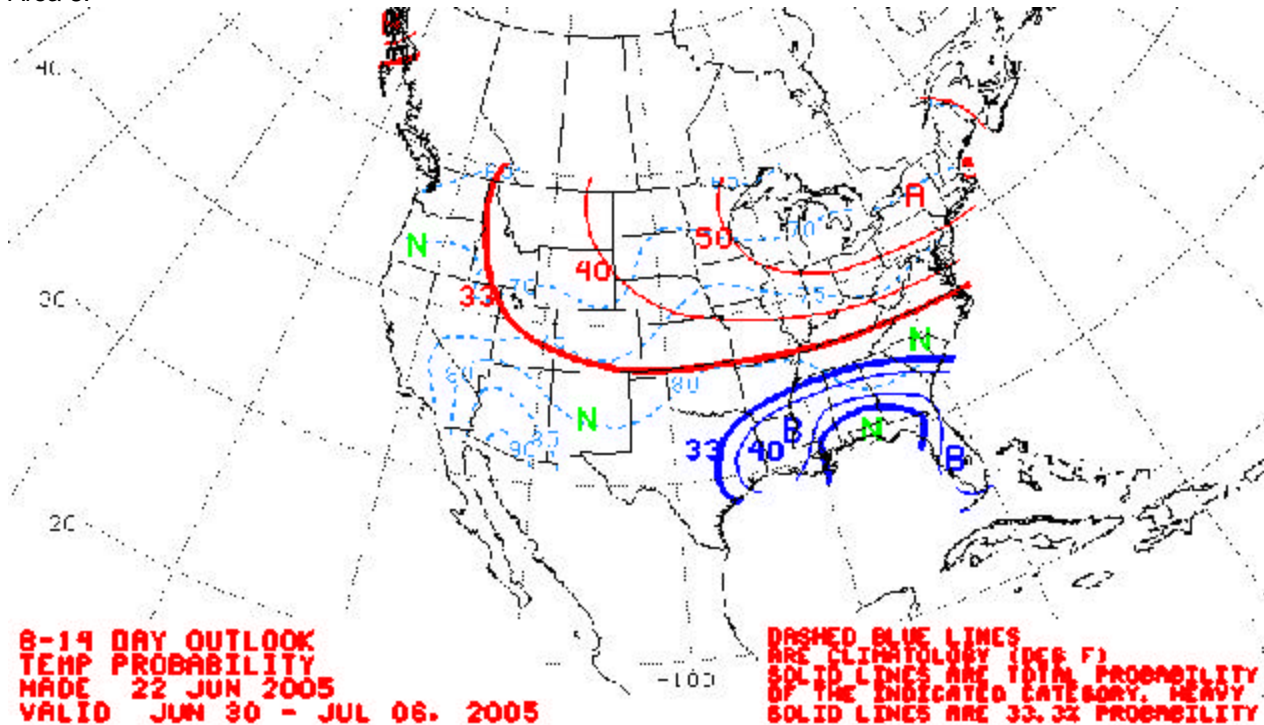
Arizona Public Service's 1,247 Mw Palo Verde #3 nuclear plant is in the process of starting up.

CANADA – OPG's Naticoke #1 490 MW coal fired unit went off line today and was not expected back until June 29th.

The NRC reported that U.S. nuclear generating capacity was at 93,533 Mw up 1.03% from Tuesday and down 1.60% from a year ago.

Florida Vermilion are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions for East Texas – Area 8.

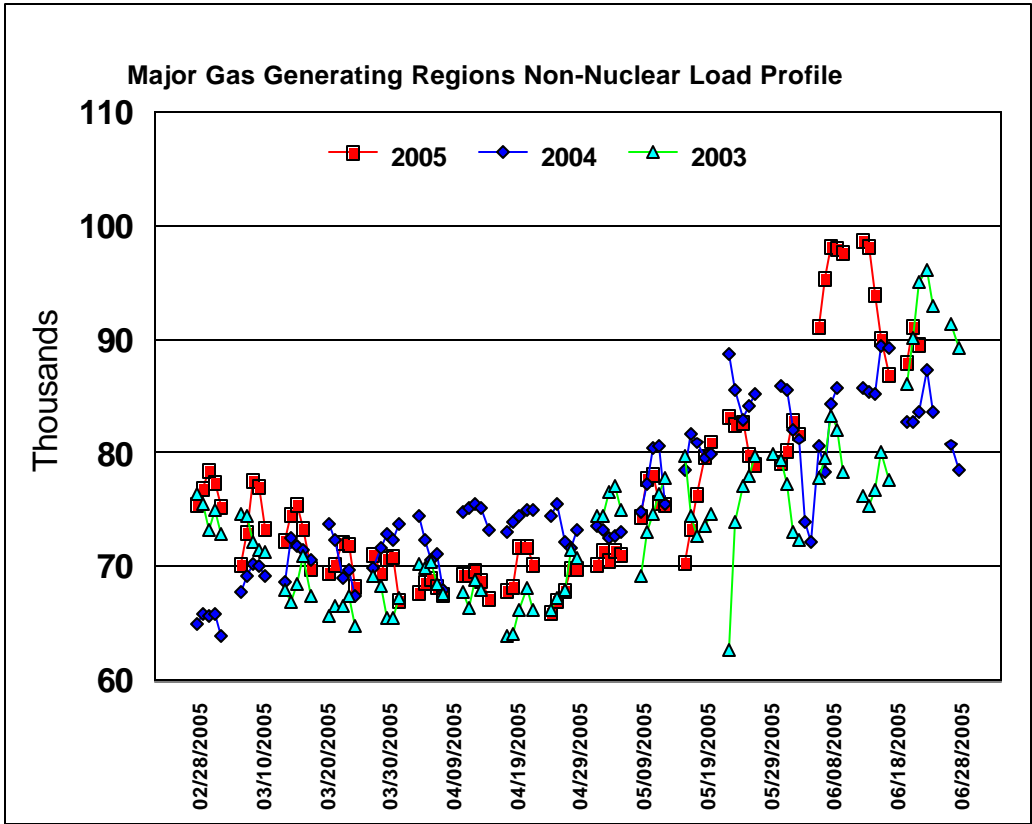


Kern River Pipeline said line pack levels remain within normal parameters but are getting close to high. Operators should be on rate unless balancing arrangements have been made, said the company.

PIPELINE MAINTENANCE

El Paso Natural Gas Company recently released its July maintenance schedule. On the North Mainline, the Leupp 5A compressor will be down for mechanical inspection July 5-7. Line 1200 will be pigged between Dilkon and Leupp Stations July 12-14. Flagstaff Station will be down for routine maintenance July 12-13. Leupp 9A compressor will be down for mechanical inspection July 18-21. Leupp 10A compressor will be down for mechanical inspection July 25-27. Window Rock 2B compressor will be down for mechanical inspection July 25-28. Window Rock Station will be down for annual DOT inspection July 26. Line 1201 will be down for repairs downstream of Window Rock Station July 27. Line 1201 will be pigged between Dilkon and Leupp Stations July 27-29. The North Mainline capacity will be reduced by the following amounts from the base capacity of 2200 MMcf/d: July 5-6 – 20MMcf/d; July 7 – 25 MMcf/d; July 12-12 – 110 MMcf/d; July 14 – 25 MMcf/d; July 18-21 – 20 MMcf/d; July 25 – 20 MMcf/d; July 26 – 280 MMcf/d; July 27 – 100 MMcf/d; July 28-29 – 55 MMcf/d.

Northwest Pipeline Corp. said it is performing a major SCADA upgrade at the Vernal Compressor Station. Part of this upgrade includes the installation of new valves, which will require a total outage of the station from July 12-14. During the work, there will be no available compression at the Vernal Station. However, Northwest will be able to free-flow 258 MMcf/d through the mainline during the work.



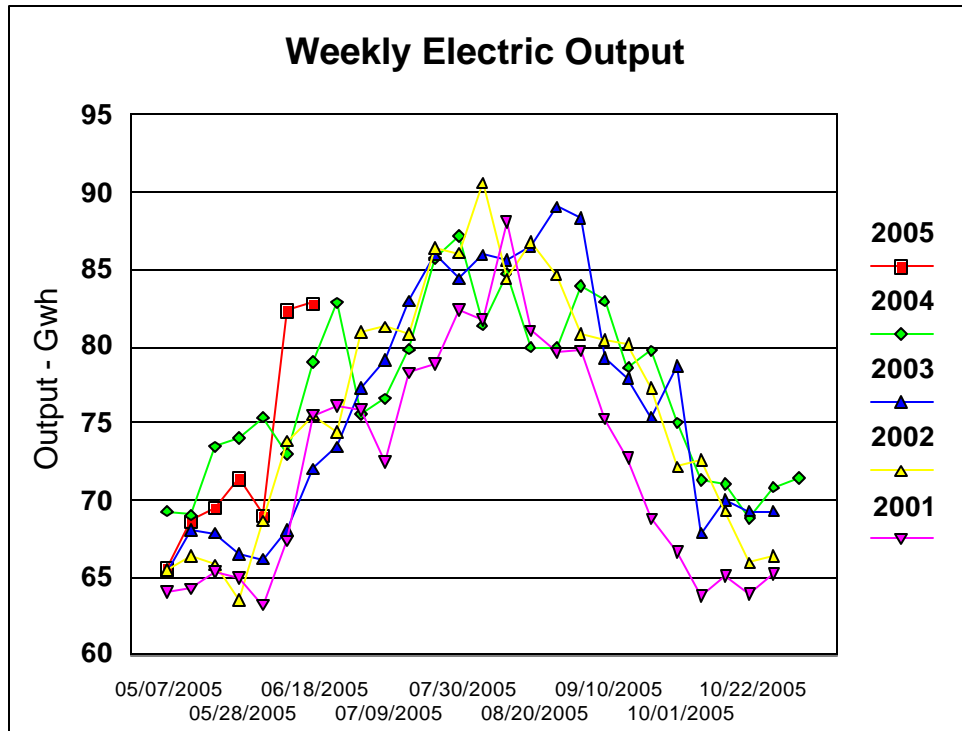
Panhandle Eastern Pipe Line Co. said that the outage on the Satanta 18-inch Grant County line for hot tap installation and anomaly digs, which was scheduled to begin July 5 has been reset to begin June 24. The outage is expected to last three days. All receipts upstream of Satanta Station will be shut in during this outage. Also, the outage on the Olpe 300 Line from Olpe to Four Gate for hydrostatic testing beginning June 1 has been extended until June 27. During this outage, the capacity through Houstonia will be limited to 1,140 MMcf/d.

ELECTRICITY MARKET NEWS

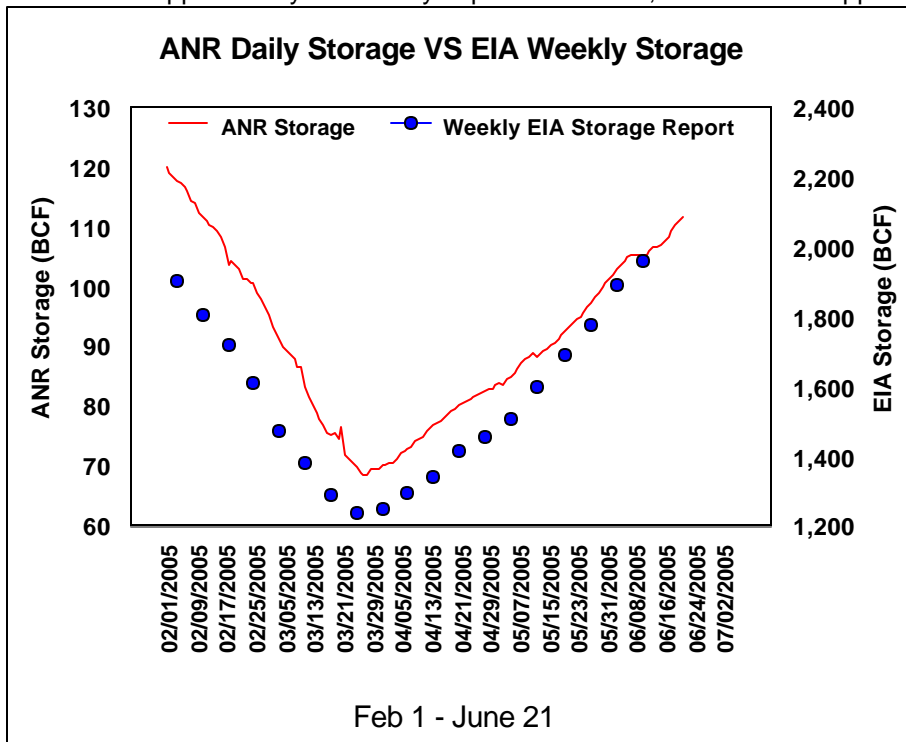
Electricity production in the continental U.S. for the week ended June 18 rose 2.1% from the same 2004 week to 82,800 GWh. For the first 25 weeks of the year, production totaled 1,789,394 GWh, up 0.7% from the same period last year. In the 52 weeks ended June 18, production rose 0.8% from the corresponding period in 2004.

Progress Energy Florida will recover \$231.8 million of the costs the company incurred responding to four hurricanes in 2004, based on a ruling today by the Florida Public Service Commission. The ruling will allow Progress Energy to include a charge of roughly \$3.32 on an average monthly customer bill beginning August 1.

One day after approving a Republican plan that encourages American industry to voluntarily



reduce greenhouse gas emissions, the U.S. Senate was expected on Wednesday to reject a stricter plan requiring mandatory cuts. The proposals to address global warming emerged in the Senate's debate of a broad energy bill to boost production of domestic oil, natural gas, coal, nuclear and alternative energy sources. The Whitehouse opposes any mandatory cap on emissions, and is in full support of building more nuclear reactors.



Bonneville Power Administration said that it will continue spilling additional water through five federal hydropower dams to protect endangered Chinook salmon after the rejection by an appeals court of a request for an emergency stay. The U.S. 9th Circuit Court of Appeals denied a request for an emergency stay of a June 10 district court decision which ordered operators of the federal dams to spill additional water this summer. BPA, which markets power from the federal dams, has estimated the ruling will cost the region's electricity ratepayers between \$57 million and \$81 million this summer.

MARKET COMMENTARY

The natural gas market opened a couple pennies better this morning basically in line with

firmer oil prices. While oil prices headed lower at mid-morning natural gas only reluctantly followed. By the end of the day the market settled lower for the third consecutive trading session, but its discount to crude oil prices had contracted by 15 cents per mmbtu. Final volume was estimated at 65,288 futures contracts traded on the day.

Market expectations for tomorrow's EIA storage number appear to be running around a 75 bcf build in inventories. Given that this report will reflect the shut ins from Tropical Storm Arlene, coupled with electric demand on the week that was even higher than the preceding week, according to the Edison Electric Institute leads us to believe that the injection rate should be a bit less possibly 65-70 bcf. This we feel will help lend some support to natural gas values going forward, as well as the expectations for an extended heat wave settling in over the eastern two thirds of the nation. At a minimum we would look for natural gas price discount to crude oil to continue to narrow. Flat price we feel that natural gas values could see minor erosion over the next several days if oil prices continue to plunge lower. We would look for primary support at the gap at \$7.34-\$7.315, followed by \$7.19 and \$7.162. Resistance we see at \$7.53-\$7.547, followed by \$7.595, \$7.643 and \$7.80