



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 24, 2005

NATURAL GAS MARKET NEWS

Baker Hughes reported that for the week ending June 24th that there were some 1219 rigs search for natural gas in the United States up 9 from the previous week.

Nova Chemicals said today that its post-tax earnings could be reduced by \$15-\$30 million as a result of the shutdown of a major gas liquids extraction facility at Empress. The company said it has been forced to cut its raw plastic production in Alberta, since the extraction plant has been unable to ship ethane after being damaged by a storm earlier this week. The company said that its Joffre, Alberta complex is running at only 40% of capacity.

PIPELINE RESTRICTIONS

Texas Eastern Transmission said it has restricted M1 24-inch to capacity. Nomination increases between Little Rock and Fagus will not be accepted.

Kern River Pipeline said line pack levels are currently too high. Operators should be on rate unless balancing arrangements have been made.

KMIGT said it is at capacity for deliveries to Panhandle Pony. Based on the level of nominations, interruptible flow, authorized overrun and secondary volumes are at risk of not being scheduled.

NGPL said that gas quality problems continue at the receipt from Southern Star-Ford in Ford County, KS. Effective today and until further notice the company will not schedule transports from this point. The

Generator Problems

ERCOT – Operators at the AEP Welsh Power Plant said that it continued to conduct miscellaneous maintenance on auxiliary equipment at its 528 MW Unit #1. The unit is expected back in service sometime around July 27-July 1st. The two sister units which were also shut this week are expected back in service next week.

TXU's 750 Mw Unit #2 Martin Lake coal fired power station is expected to be restarted today following repairs to a generator exciter. The unit has been off line for at least a week.

MAPP— Omaha Public's 476 Mw Fort Calhoun nuclear unit ramped up to 85% of capacity by Friday morning, up some 55% from Thursday's level.

SERC – Progress Energy's 811 Mw Brunswick #2 nuclear unit returned to full power early Friday, up some 25% from Thursday's operating levels.

WSCC— Energy Northwest's 1108 Mw Columbia nuclear unit tripped off line yesterday after it had just been restarted from a recent outage. The unit had reached up to 25% of capacity before dropping off line. Operators hoped the outage would be short lived but were still investigating the cause of the problem.

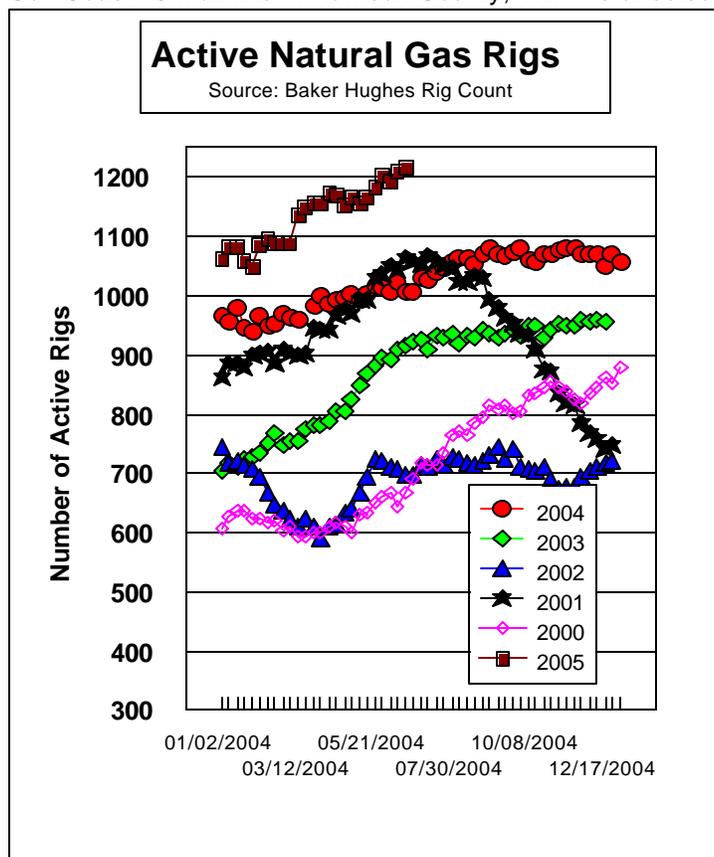
APS' 1247 Mw Palo Verde nuclear unit #3 started to exit its recent outage and was up to 6% of capacity by Friday morning. The unit had been offline since May 22nd for maintenance work.

The 525 Mw Elk Hills natural gas fired power station in California was shut early Friday for a planned work.

CANADA – OPG reported that due to a labor dispute at its Nanticoke coal fired power station, it was taking steps to shut two of its generating unit and place two others in standby mode. The company hoped to keep the other four units in operation, especially given the high demand load that was expected due to the weather.

The NRC reported that U.S. nuclear generating capacity was at 92,808 Mw up 0.36% from Wednesday and down 2.75% from a year ago.

company also noted that the force majeure is still in effect due to a failure that occurred back on May 13th on the Gulf Coast #3 mainline in Harrison County, TX. The affected line continues to be isolated.



Trailblazer Pipeline said that it anticipates that capacity will be available for a limited amount of secondary out of path transport volumes going eastward through Compressor Station 602 effective July 5th.

PIPELINE MAINTENANCE

El Paso Natural Gas said the Laguna Station was fully operationally Friday morning. As a result the capacity of the San Juan Crossover will be raised by 20 million cf/d, and back to full capacity of 630 Mmcf/d. As a result of the resent downtime at the station the June 27-July 1 scheduled outage has been shortened to inly June 27th when capacity will be reduced by 25 Mmcf/d.

Gulf South Pipeline said it will be performing unscheduled maintenance on its Index 130 until further notice. The operating pressure of this line north of Florence, Mississippi may be somewhat lower than normal; therefore allocated capacity above current levels may be impacted until the maintenance is completed.

ELECTRICITY MARKET NEWS

The BPA reported that transmission capacity on the California/Oregon AC and the Pacific DC power lines would increase from 3200 Mw and

2600 Mw respectively of Friday to 4700 Mw and 2900 Mw on Monday.

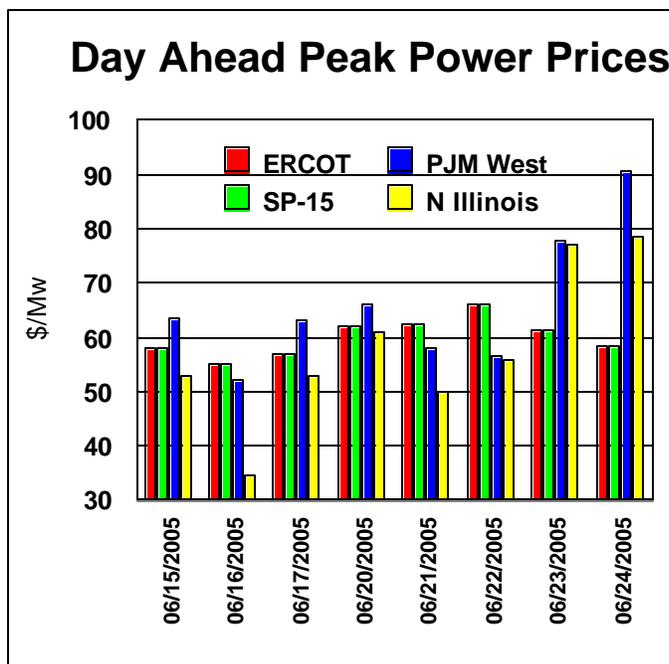
The EIA reported today that for the week ending June 18th, the U.S. produced 21,100,000 tones of coal, down 0.5% from the prior week. Year to date, U.S. production of coal has been some 1.1% higher than a year ago.

Southern Company's Georgia Power said today that it plans to install two scrubbers at its Wansley and Bowen plans to remove SO2 from the plants emissions.

Despite the start of trading in emission futures for both nitrogen oxide and sulfur dioxide on the NYMEX on Monday, the contracts remained untraded as of the close of business on Friday.

ECONOMIC NEWS

While the Commerce Department reported this morning that orders for durable goods rose in May by 5.5%, the largest monthly gain in more than a year. The gain was the result of new aircraft orders. Orders for durable goods excluding transportation equipment though unexpectedly dropped 0.2% in



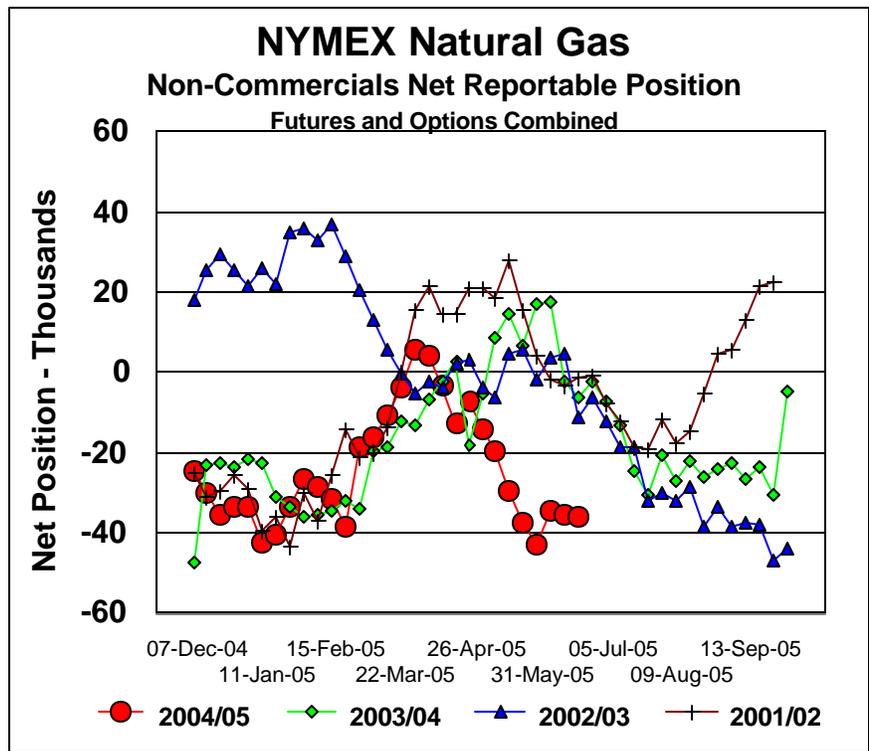
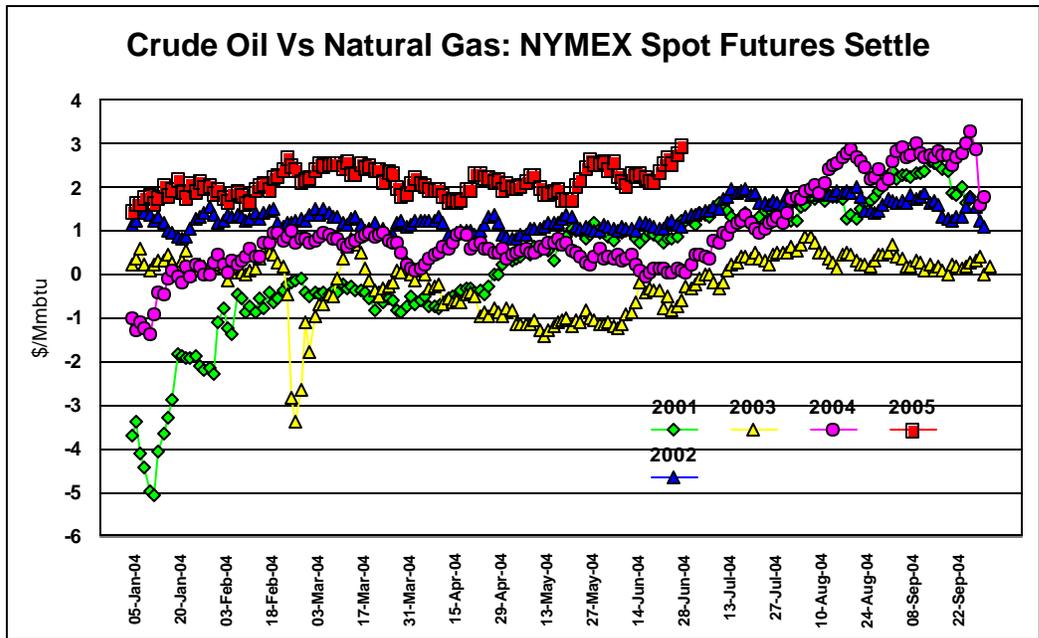
May, the third decline out of the last four months.

Morgan Stanley said it expected another scare about global economic growth over the summer, due to high commodity prices.

MARKET COMMENTARY

The natural gas market opened a few pennies better this morning supported by the heat wave in the Midwest expanding eastward. But with

Canadian supplies returning to the market coupled with surplus supplies on the West Coast and moderating demand expected in ERCOT, the market immediately went on the defensive and saw values erode through mid day at which time the market backfilled the gap in the daily charts in the July and August contracts, with the winter months finding support at yesterday's lows. While natural gas values stabilized in the afternoon and moved in a sideways 10 cent trading range, it still settled down over 11 cents, despite crude oil prices rallying in the afternoon and settling higher yet again. In fact the spot futures natural gas contract saw its discount widen to the spot crude to nearly \$3.00 per Mmbtu, its widest level since September of last year.



The Commitment of Traders Report released after the close showed little change in net positions by the large non-commercial traders. This group saw their net short position on the week ending June 21st grow by just 600 lots in the combined futures and options report, with the futures only report showing a net reduction in the short position by this group by 2800 contracts.

We feel continue to feel the outlook should improve next week as demand for gas as a generating fuel improves as the heat wave expands and even demand on the west coast improves once again. We see support at \$7.283 followed by \$7.23, \$7.20, \$7.162 and \$6.965, and would look to be a scale down buyer of this market. Our upside target would be \$7.53, followed by \$7.60-\$7.64 and \$7.80.

Active Natural Gas Rigs

Source: Baker Hughes Rig Count

