



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 28, 2005

NATURAL GAS MARKET NEWS

Kinder Morgan announced it will purchase from Texas Genco a natural gas storage facility for \$51 million in cash and \$49 million in debt. The Dayton storage facility in Liberty County, Texas, has about 6.3 Bcf of total capacity and ties into Kinder Morgan's 5,800 miles of intrastate pipelines.

U.S. energy company CenterPoint Energy said the FERC accepted a settlement with its unit CenterPoint Energy Gas Transmission Company. The settlement ends a probe of the company's gas transmission operation and its marketing affiliates that started in August 2003. Houston-based CenterPoint said it will pay a \$270,000 fine and that its pipeline unit will execute a compliance plan. Under the compliance plan, the company will follow a detailed set of procedures that govern behavior between regulated entities and their affiliates.

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station shut June 27-28 to repair a boiler tube leak. The unit is expected to restart June 29-30.

American Electric Power expects to restart its 528 Mw Welsh #3 coal-fired power station on June 29-July 5, after cleaning and repairs are finished.

WSCC— Duke Energy Corp.'s 510 Mw Moss Landing #2 natural gas-fired power station returned to service late yesterday from an unplanned outage. The unit shut early Monday.

The NRC reported that U.S. nuclear generating capacity was at 92,363 Mw up .04% from Monday and down 3.68% from a year ago.

The National Hurricane Center this afternoon noted that Tropical Depression Two has formed in the Southwestern Gulf of Mexico in the Bay of Campeche. The storm was some 65 miles northeast of Veracruz, Mexico moving some 7 mph northwest. Maximum sustained winds were near 35 mph. The storm is expected to move ashore between Tuxpan to Tampico, well south of the U.S. production areas. But weather forecasters are keeping an eye on a tropical wave out in the Atlantic that could possibly become a tropical storm or hurricane by this time next week as it approaches the area of the Caribbean near Puerto Rico. Forecasting models currently offering three potential tracks, one in which it continues to head westward into the Gulf of Mexico; recurves and goes out into the Atlantic and stays east of the U.S. or the third in which it heads towards the U.S. southeast. Forecasters at Accuweather currently appear to be favoring the latter track.

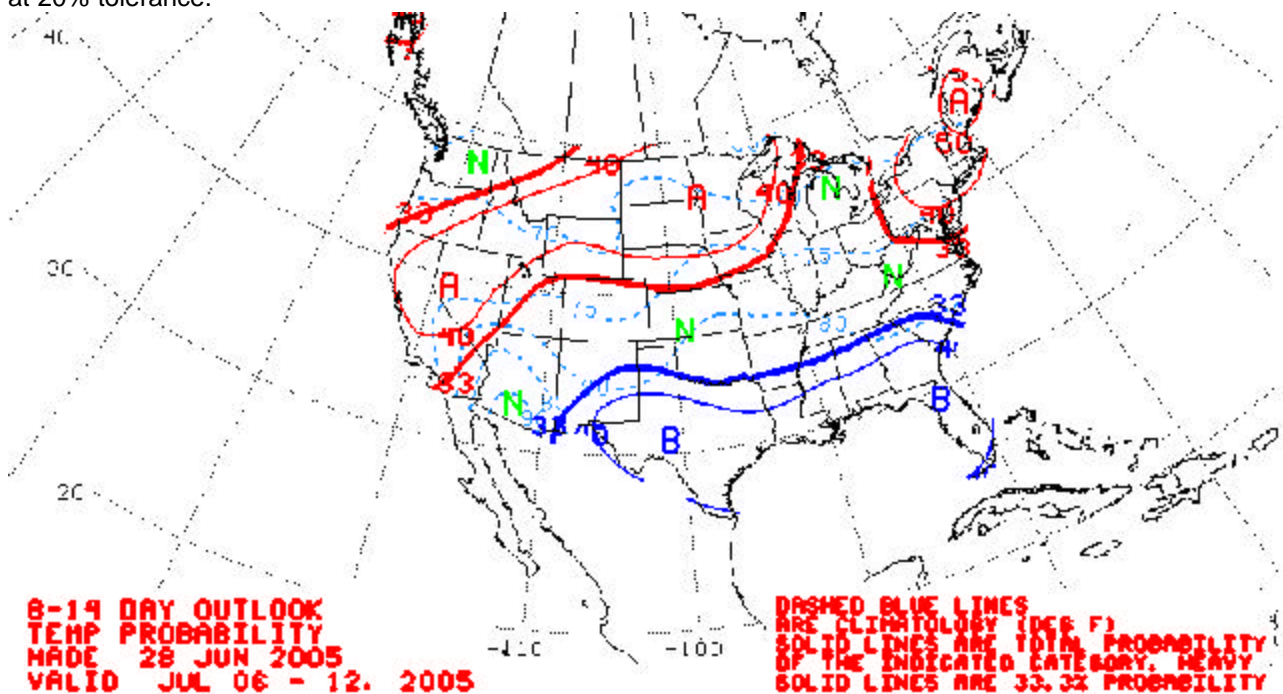
PIPELINE RESTRICTIONS

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 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. In other news, Natural is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas 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 Montpelier to Kosciusko.

Kern River Pipeline said line pack levels are currently too high. Operators should be on rate unless balancing arrangement have been made. Banking continues to be a problem, despite daily reporting of high line pack and a no banking notice. Many operators continue to leave gas on the system, and it is imperative that operators take delivery of their scheduled quantities, said the company. Kern River said it will compare scheduled quantities to actual deliveries throughout the gas day. If scheduled quantities are projected to be more than actual deliveries Kern River may take any necessary action to reduce the excess supply.

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 20% tolerance.



Panhandle Eastern Pipe Line Company said that the Olpe 300 Line Outage for hydrostatic testing than began on June 1 has now been completed.

Texas Eastern Transmission Corp. said it has restricted M1 24-inch to capacity. STX and ETX have been scheduled to capacity. Nomination increases between Belvieu and Fagus will not be accepted.

Questar Pipeline Company said that due to increased reservoir inventory at Clay Basin, the injection capacity has been reduced. Beginning cycle 1 the injection capacity will be reduced to 350 MMcf/d.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Co. said that due to maintenance at the Lignite Compressor Station from 9:00 AM MT to 3:00 PM MT today, receipts to Line Section 25 may potentially be affected. However, such a restriction is not anticipated at this time.

ELECTRICITY MARKET NEWS

BPA reported that transmission capacity on the California/Oregon AC would dip from Tuesday's level of 3,000 Mw to 2600 MW on Wednesday, due to Northwest generation constraints. Capacity on the Pacific DC power line will remain steady at 2900 MW.

Ontario Power Generation sought a temporary injunction to limit picketing at its 4,000 Mw Nanticoke Generating Station in Ontario by members of the Society of Energy Professionals, who are striking against the transmission company Hydro One. On June 24, picketing by the Society prevented key operating personnel from entering the Nanticoke station, forcing the province-owned generating company to shut a couple of units at the eight-unit – one of the biggest coal-fired stations in North America – for several hours. OPG said it had established alternate ways of getting key personnel into both plants.

Ontario urged people to cut back on electricity use as it scrambled to avoid rolling blackouts triggered by hot, humid weather that has driven up demand for power in the province. The operator, which manages Ontario's bulk electricity system, said it will have to import electricity as households cranked up air conditioners in 92 degree heat that came with smog and humidity warnings.

Five Northeastern U.S. states filed a federal lawsuit against Allegheny Energy and its subsidiaries, alleging that three of the company's coal-fired plants in Pennsylvania have violated the Clean Air Act. Pennsylvania, Connecticut, New York, New Jersey, and Maryland filed the lawsuit in the U.S. District Court for the Western district of Pennsylvania.

Wisconsin regulators acted properly in granting permits for a coal-fired power plant outside Milwaukee, the state Supreme Court ruled today in rejecting a challenge by environmentalists and the State of Illinois. Environmentalists seeking to stop the \$2.15 billion project argued the state's Public Service Commission did not do a complete review of the Wisconsin Energy proposal and failed to study whether cleaner-burning natural gas was a viable alternative to coal. Illinois Attorney General Lisa Madigan also intervened in the lawsuit, saying Lake Michigan and the states around it would be exposed to toxic mercury emissions and other pollution. Madigan pointed out that the coal-burning technology planned for the facility is banned in Illinois, and that Chicago is just 80 miles from the plant. The twin-boiler plant along the Lake Michigan shore at Oak Creek, a Milwaukee suburb, would add enough electricity to power 615,000 homes.

ECONOMIC NEWS

The Conference Board's Consumer Confidence Index beat street expectations and came in at 105.8 for June, up from the revised 103.1 reading in May. Economists had forecast the index to rise to 104.

MARKET COMMENTARY

The July contract today gapped lower this morning falling below \$7.00 and to its lowest levels since June 10th, as shorts appeared to rush to close positions in front this afternoon's expiration. Coming into this morning there was still some 13,902 contracts still open in the July contract. But as the morning unfolded prices clawed their way back up as the morning's gap was attempted to be backfilled. While the July contract failed to backfill the gap the August contract did reach this level, helped in part by some stronger spot power prices across the country. But as the market moved into the afternoon the declines in the oil markets appeared to help drag natural gas values lower. While the start of the closing range of trading in the July contract pushed the market to new lows for the day, prices did quickly rebound and went out basically where they had been trading prior to the close.

The August contract settled lower for the sixth time out of the last seven trading sessions. This market appears to us to be struggling in attempt to find some support at these current levels, but if oil prices follow through on today's hard sell off again tomorrow, especially if the oil market receives a bearish inventory report, then natural gas will have a hard time holding at these levels, despite the recent good demand for gas from electric generators. We would look for support at \$7.00 followed by \$6.96 and \$6.855. Resistance we see starting at \$7.10 followed by \$7.20, \$7.325, \$7.425 and \$7.525.

