



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 29, 2005

NATURAL GAS MARKET NEWS

The EIA released their latest Natural Gas Monthly report today and it showed that U.S. domestic production of natural gas in April fell 0.7% from March 2005 to 51.4 bcf/d. April's domestic production level was some 1% lower than the same month a year ago. Net imports on the month stood at 9.4 bcf/d off some 4.2% from the previous month but still some 7.6% higher than the same month a year ago. LNG imports on the month averaged out at 1.59 bcf/d up 7.4% from March and for the first four months of this year LNG imports are running some 3.7% ahead of last year's levels. Consumption was estimated at 58.4 bcf/d, unchanged from levels of a year earlier. The EIA estimates that while residential consumption remained flat on the year, the commercial and electric generation sectors saw demand growth of 2.5% and 4.4% respectively. Industrial demand though continued to limp along off 4% from year ago levels. Natural gas in storage at the end of April was estimated at 1.499 tcf, some 36 bcf higher than the implied weekly storage report has shown.

PIPELINE RESTRICTIONS

NGPL said 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.

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 25% tolerance.

Generator Problems

ERCOT— American Electric Power will shut the 528 Mw Welsh #1 and #3 coal-fired units on June 30-July 4 for maintenance. Welsh #2 remains shut since June 21 and will likely return on June 29, 2005.

MAAC— Constellation Energy trimmed output by 13% at its 825 Mw Calvert Cliffs #1 nuclear unit to operate it at 87% this morning.

MAIN— Ameren Corp.'s 1,137 Mw Callaway nuclear unit dipped to 72% of capacity by early today to repair the speed control system for one of two main feedwater pumps. Yesterday the unit was operating at full power

WSCC— Energy Northwest's 1,108 Mw Columbia nuclear unit remained shut due to some transformer issues the company is working on with the federal Bonneville Power Administration.

The NRC reported that U.S. nuclear generating capacity was at 91,943 Mw down .45% from Tuesday and down 4.00% from a year ago.

Panhandle Eastern Pipe Line Company said that the outage on the Pleasant Hill 300 Line from Pleasant Hill to 3 Gate for hydrostatic testing that began June 20 has been extended through July 15. The outage was originally scheduled to last 17 days. During this outage, the capacity through Houstonia will be limited 1,225 MMcf/d. There will be no IT or overruns allowed to flow through Pleasant Hill compressor station during this outage.

KM Interstate Gas Transmission said it is at limited capacity for deliveries to Panhandle Pony (PIN 9673). Based on the level of nominations, interruptible flow, authorized overrun and secondary volumes may be scheduled.

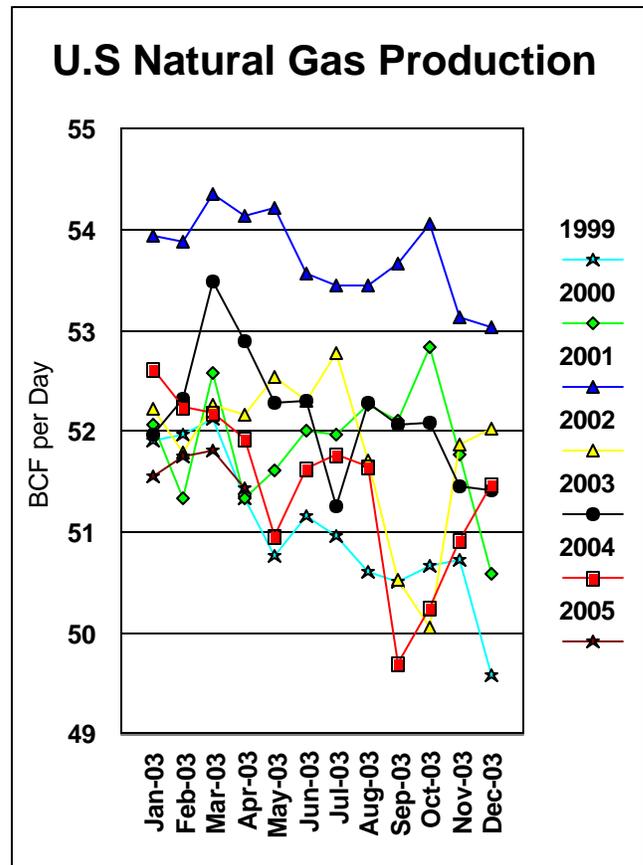
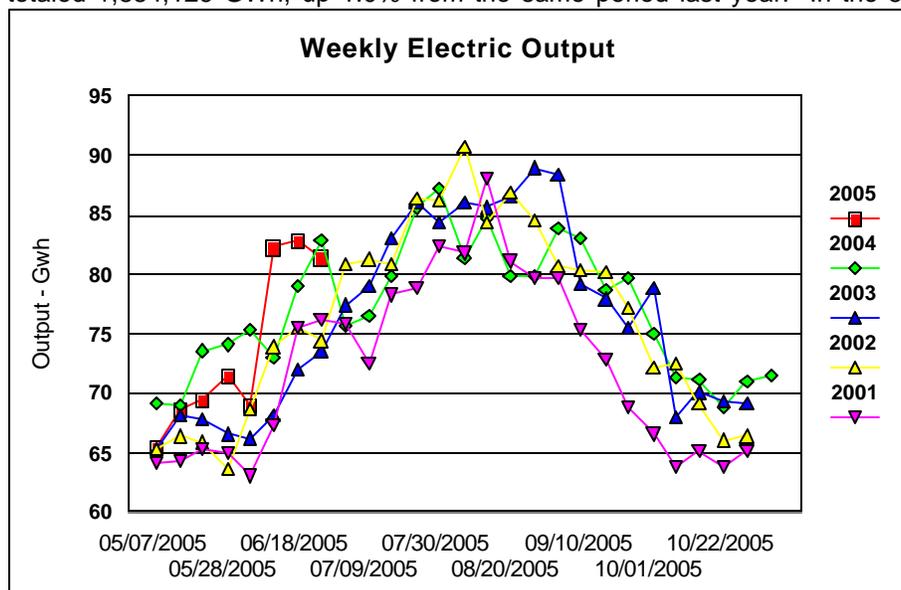
PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high supplies on its system. The pipeline restriction has 5% tolerance, with shippers who violate the OFO subject to a \$1.00/Mcf monetary penalty.

PIPELINE MAINTENANCE

ANR Pipeline Company said in an update regarding its current critical outage at the Custer Compressor Station located near Weatherford, Oklahoma, the repair work to compression equipment and buildings is now projected to be completed by July 8. Deliveries to the Southwest Mainline are currently being impacted and will continue to be impacted for the duration of the repair period. As a result, firm secondary and interruptible transportation services are not being scheduled in the area and along the Southwest Mainline.

ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended June 25 rose 7.6% from the same 2004 week to 81,375 GWh. For the first 26 weeks of the year, production totaled 1,884,126 GWh, up 1.0% from the same period last year. In the 52 weeks ended June 25, production rose 1.0% from the corresponding period in 2004.

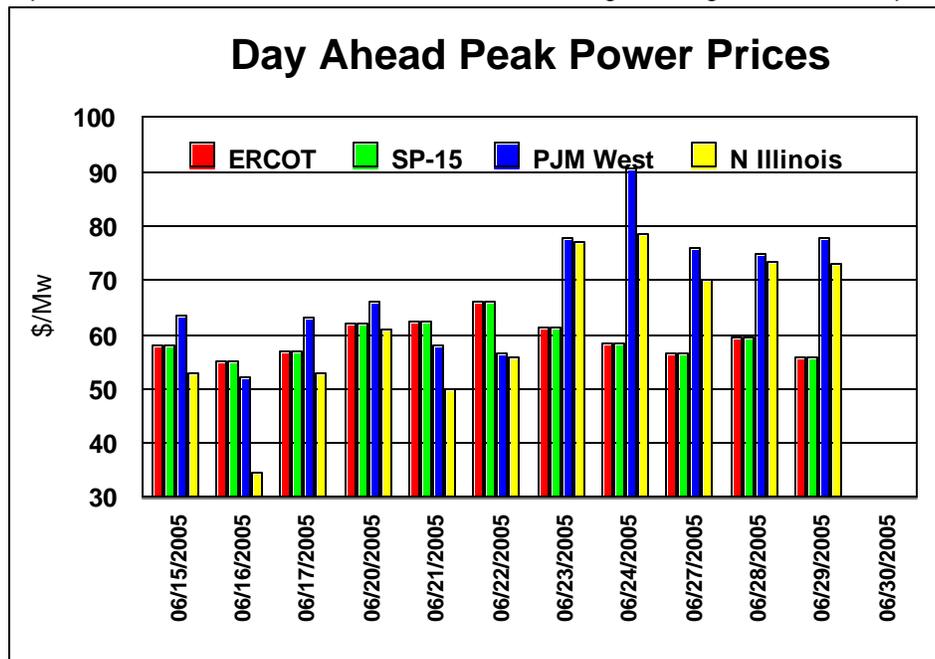


Independent electricity producer Calpine Corp. said it has agreed to spin off its domestic oil and gas properties for \$1.05 billion to a new, soon-to-be independent subsidiary. Calpine said Rosetta Resources, an indirect, wholly owned subsidiary, would issue 45.3 million common shares for \$725 million, or \$16 per share. Rosetta would use that, plus \$325 million from a new credit facility, to buy from Calpine all of the domestic oil and gas exploration and production assets.

Public Service Electric and Gas Co. told PJM, the operator of parts of the U.S. Mid-Atlantic and Midwest power grids, a new transformer entered service at the Branchburg, New Jersey, substation last week. In a transmission report on June 27, PSE&G said it was no longer using the on-site spare transformer and returned that

transformer to its former status as a spare. In April PSE&G put a new transformer bank into service at Branchburg to alleviate overloads on the existing two banks. They had to use a spare as one of the transformers in the new bank, but have returned the original. People familiar with transmission systems have said the new bank would likely be able to move more than 800 Mw of energy, boosting the amount of power that could move through the substation to about 2,000 Mw.

The North American Energy Standards Board said it recently sent a progress report

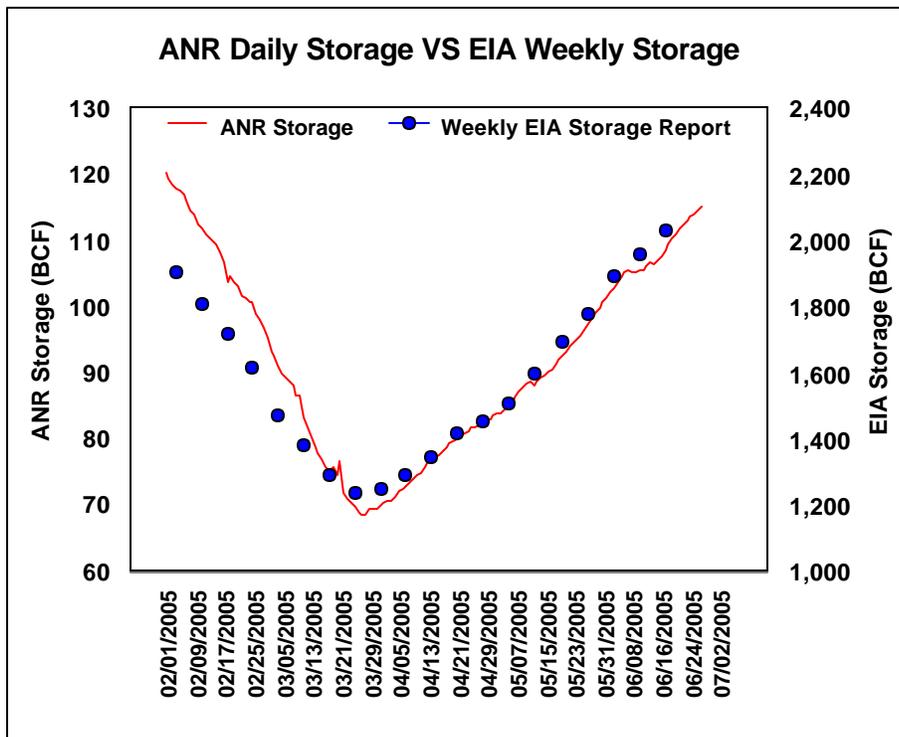


to the FERC on NAESB's efforts to develop business practice standards to enhance coordination between the natural gas and electric industries. NAESB told FERC in its report that business practice standards have been developed for one of three standards requests it has received on gas-electric issues – to address daily communications between pipelines and entities that control power generation facilities. The standards were

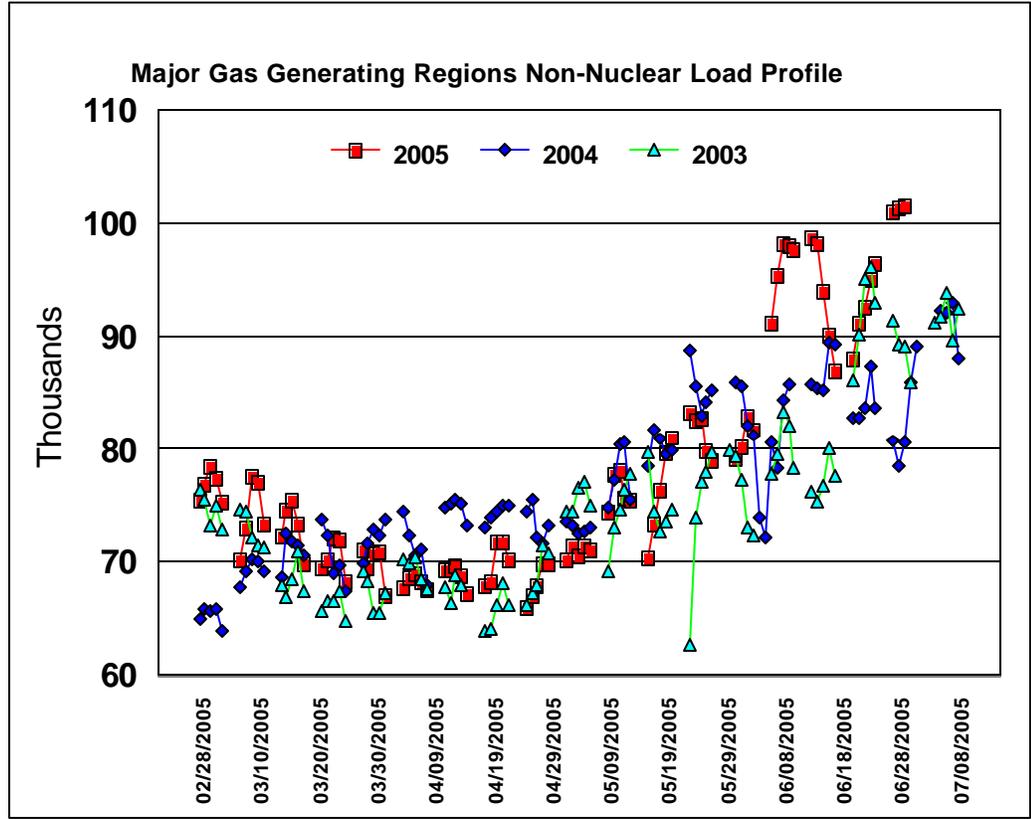
approved by the NAESB Executive Committee on May 25 and are in the process of being ratified by the membership of both wholesale gas and wholesale electric quadrants. Work is pending on two other requests – to develop a standard gas-electric energy day and to develop standards relating to electric transaction scheduling and timelines.

MARKET COMMENTARY

The natural gas market opened stronger this morning and basically remained in positive territory throughout the trading session despite the oil markets remaining under significant selling pressure for much of the day. The natural gas market appeared to find some support finally from seasonally strong demand for natural gas from electric generators in the Cal Iso, Ercot and PJM regions, especially now that the July contract was off the board. The August contract while posting its



first higher settlement in nearly a week, still posted an inside trading session which could signal tomorrow being a volatile trading session, especially given it being a storage report day.



Current market expectations appear to be running between a 70 to 100 bcf injection for tomorrow morning's report, with most centered around an 85 bcf build. But we look for the injection rate to be higher, possibly close to a 100 bcf build given the relatively large build in storage during the week along the ANR system, as well as the report from the Edison Electric Institute which showed electric generation on the week was off some 1.7% from the prior week.

As a result we would look for the August contract to challenge

the \$7.00 price barrier again tomorrow, and if this level is breached we feel that \$6.96 will be the next major support area followed by \$6.90-\$6.88. More distant support we see at \$6.705. We feel though that with the upcoming holiday weekend and the prospects for unsettled weather in the Caribbean and Gulf of Mexico for early next week will lend support to this market and probably allow the August contract to rebound and settle back above the \$7.00 level by the end of this week. Resistance we see at \$7.165 followed by \$7.20. More distant resistance we see at \$7.325, \$7.37, \$7.425 and \$7.525.