



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 18, 2005

NATURAL GAS MARKET NEWS

Apache Corp. has shut 10 MMcf/d of natural gas output in the far western U.S. Gulf of Mexico. Workers were evacuated from five platforms off the southern Texas coast by Sunday.

Williams Cos. said natural gas producers in the Gulf of Mexico had cut some 300 MMcf/d of supply from its Transco pipeline system due to hurricane Emily. The company said there had been no impact on the Gulfstream pipeline system.

At midday that U.S. Minerals Management Service reported that as of midday some 30 platforms in the USG had been evacuated as well as 12 drilling rigs. As a result some 12,851 b/d of crude oil and 58.65 Mmcf/d of natural gas production had been shut in as a result of expectations of Hurricane Emily.

The National Hurricane Center reported that Hurricane Emily is only a Category One storm after making landfall on the Yucatan Peninsula early this morning. However the hurricane is expected to regain strength when it enters the warmer waters of the Gulf of Mexico later today. The loss of strength in the storm caught some forecasters by surprise and as of 5 PM the storm, which was back over water, was believed to have only 75 mph winds. The storm track has shown a slight deviation northward from the prior two forecast from today but is expected to still make landfall again in northeastern Mexico. All the major forecasting models point to this storm making land fall in Mexico.

The Climate Prediction Center this morning reported that for the week ending July 16th, it estimated that the U.S. saw some 86 cooling degree-days. This was some 17.8% hotter than normal. For the current week ending July 23rd the CPC is expecting some 98 cooling degree-days to be recorded, some 30% hotter than normal and the same week a year ago.

Generator Problems

ECAR— DTE Energy Co.'s 1,111 Mw Fermi #2 nuclear unit exited an outage and returned to full power early today. On Friday, the unit was operating at 3%.

ERCOT— Texas Genco 836 Mw Limestone #1 coal-fired power unit is shut July 17-20 due to boiler feed pump control problems.

FRCC— FPL Group's 693 Mw Turkey Point #4 nuclear unit returned to full power early today. On Friday, the unit was operating at 30% of capacity after exiting an outage. Turkey Point #3 continues to operate at full power.

MAIN— Wisconsin Energy's 514 Mw Point Beach #2 nuclear unit ramped up to full power early today. On Friday, the unit was operating at 60% after exiting a refueling outage. Point Beach #1 continued to operate at full power.

MAPP— Nuclear Management Co.'s Prairie Island #2 unit was scaled back to 90% power this weekend. Prairie Island #1 remains at full power.

NPCC— Entergy Nuclear increased production to full capacity at its 825 Mw FitzPatrick nuclear unit this weekend. The unit was at 82% power on Friday.

WSCC— Arizona Public Service's 740 Mw Four Corners #4 coal-fired power station shut over the weekend for tube leak repairs, the unit will likely return over the weekend.

The NRC reported that U.S. nuclear generating capacity was at 96,347 Mw up 1.64% from Monday and up 1.09% from a year ago.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts sourced at Mahwah will not be accepted.

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 25% tolerance.

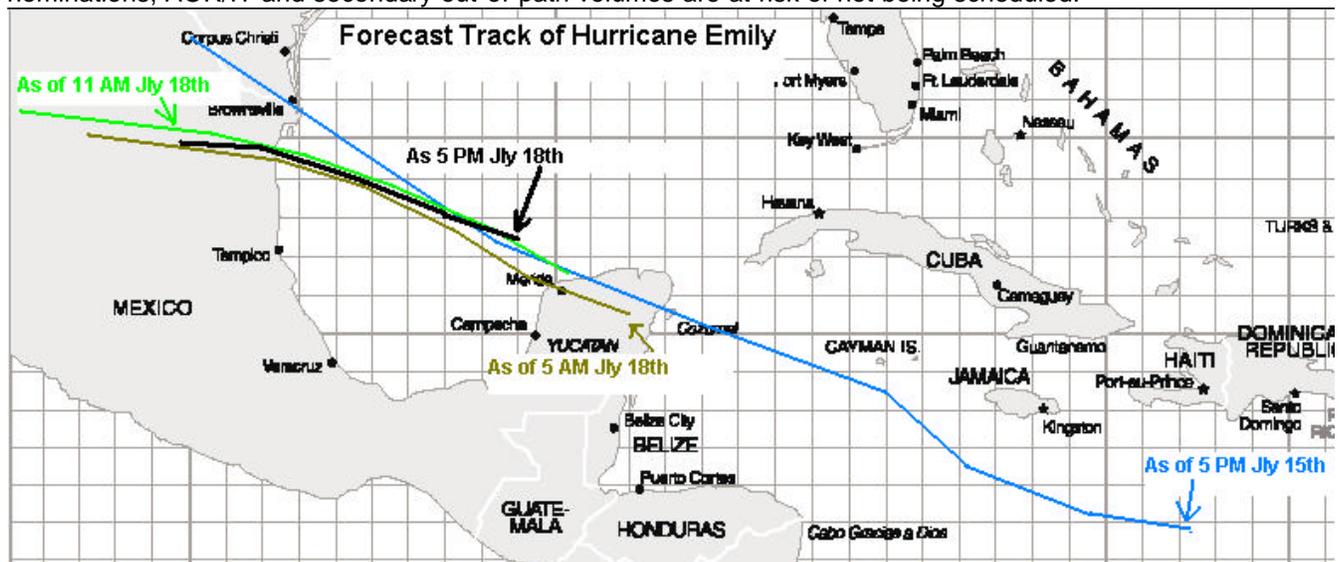
PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance will require Teepee Creek Lateral Meter Compressor Station in Alberta to be unavailable for five hours on July 20. Station capacity will be reduced to 44.5 MMcf/d for this gas day.

Centerpoint Gas Transmission said it will be performing maintenance on Mainline 2 and 3, beginning 9:00 AM ET July 19, and continuing through 9:00AM ET July 23. At this time CEGT does not plan to interrupt services in the Perryville Hub, however, should operational conditions require it, CEGT will pro-rata cut deliveries into the Perryville Hub.

Iroquois Gas Transmission System said that due to a mechanical failure at the Dover Compressor Station, Iroquois is at capacity through the Athens Compressor Station. Current loans, IT and ER/ED downstream of Athens is subject to allocation through today. Receipts at Brookfield are available, however no additional nominations will be allowed through the Athens Compressor Station.

TransColorado Gas Transmission said it will be performing maintenance at its Mancos Compressor Station on Wednesday, August 10. Capacity through Segment 250 will be limited to 380 MMcf/d. Depending on the level of nominations, AOR/IT and secondary out-of-path volumes are at risk of not being scheduled.

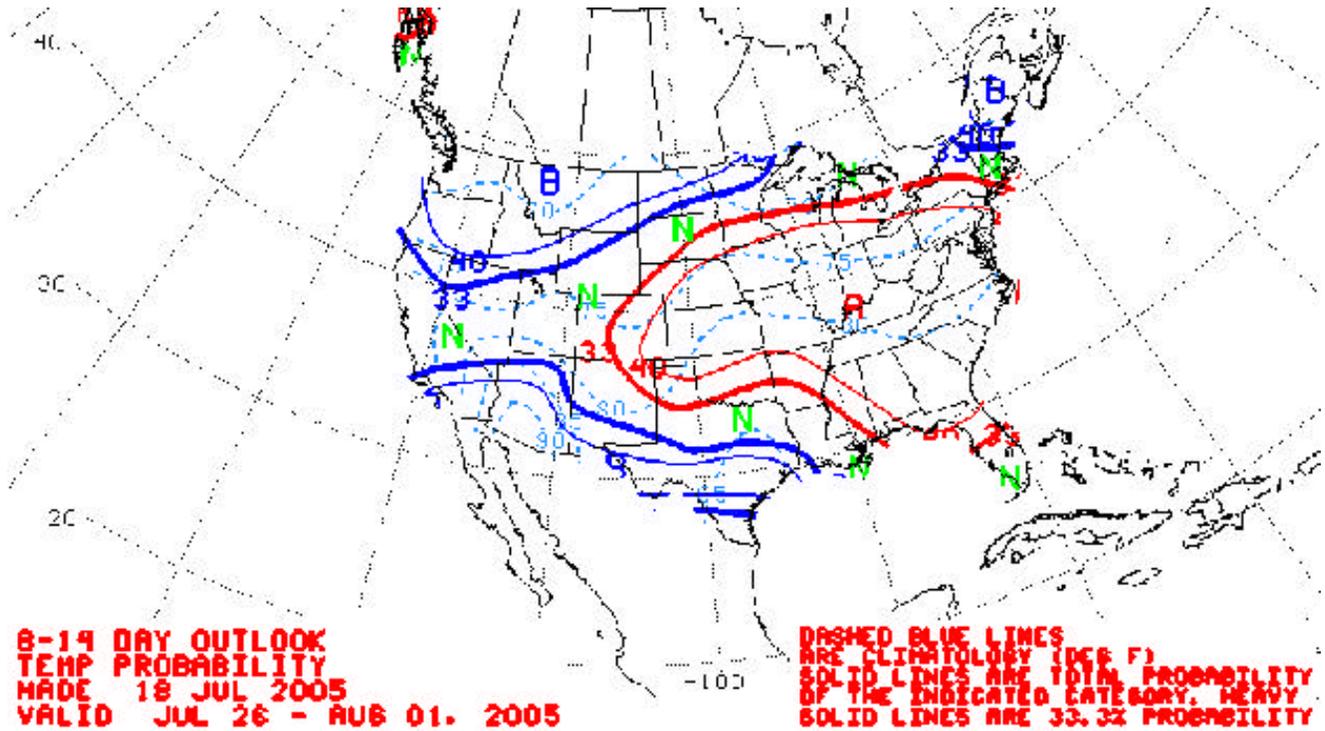


Williston Basin Interstate Pipeline Company said one unit will be down for four hour period at the Elk Basin Compressor Station on July 19. At this time, Williston does not anticipate any restrictions to the system. Also, maintenance will be performed at the Belle Fourche Compressor Station for a three week period between July 11 and July 31. At this time, Williston does not anticipate any restrictions to the system.

ELECTRICITY MARKET NEWS

The California ISO reported that demand topped 40,000 Mw for seven days in a row, and as a result the grid operator is urging consumers to conserve electricity. The forecast for today's demand is around 45,988 Mw. The ISO predicted there would be enough power available to meet Monday's demand, but noted when demand is that high the grid operator has fewer options available to deal with the unexpected, such as the loss of a major power plant or transmission line.

Xcel Energy is buying more power from the wholesale market to reduce the use of coal at coal-fired power plants owned by its Southwestern Public Service Co. SPS, which operates in Oklahoma, New Mexico and Texas, is running out of coal due to repairs being made to railroad tracks in Wyoming, where Xcel buys its coal, the company said. The repairs may take the rest of the year to finish, Xcel said. Meanwhile, Xcel is developing a plan to deal with the reduced coal deliveries. The plan includes changing the dispatch of its coal-fired electric generating stations to conserve existing coal supplies. SPS also has increased power purchases and the use of natural gas for electric generation to replace coal-fired generation. SPS also has talked with its wholesale



customers to find ways to reduce levels, if needed.

Midwest Governors agreed they will work together to support additional investment in a reliable electric transmission grid. Further, they have committed to regional cooperation in permitting and locating interstate and international electric transmission lines. The Midwestern United States and Manitoba, Canada, currently generate more than 200,000 Mw of low-cost electricity and the potential for environmentally friendly wind power generation in the Upper Midwest is enormous. A robust electric transmission grid is essential to deliver low-cost and renewable power to customers.

PSEG Power's 750 Mw Bethlehem Energy Center natural gas-fired, combined cycle station entered commercial operation on Monday. The \$500 million Bethlehem plant is built on the site of the existing Albany Steam Station, a 385 Mw oil-fired facility that began service more than 50 years ago. Bethlehem will almost double the site's energy output while reducing air emissions and use of Hudson River water.

MARKET COMMENTARY

The natural gas market gapped lower this morning as traders returned from the weekend to find that the threat of Hurricane Emily disrupting U.S. offshore natural gas production in the Gulf of Mexico had greatly diminished. The National Hurricane Center noted that all of its major forecasting models were in agreement that the storm after moving across the Yucatan Peninsula would stay on a westward-northwestwardly track that would bring it ashore once again in northern Mexico, some 100-120 miles south of the U.S. border. The market remained under pressure following the opening as prices fell an additional 20 cents before finding support at midday just below the \$7.60 level. While prices did drift back higher in the afternoon, trading volume was relatively light. Final volume on the day was pegged at 64,000 futures contracts traded of which nearly 60% were booked via spreads.

With the outlook for temperatures to remain high for much of the nation east of the Rockies, we would look for the electric generation demand for natural gas to help support this market from falling dramatically as the threat of Hurricane Emily finally fades away sometime tomorrow. We would look for support in this market at \$7.56 followed by \$7.505, \$7.365, as well as the gap in the charts at \$7.25-\$7.20. Resistance we see at today's high of \$7.766 followed by the gap created this morning at \$7.78-\$7.81. More distant resistance we see at \$7.83, \$7.894, \$7.93, with strong resistance still present at \$8.08-\$8.10. As a result we would look for this market to remain in basically a \$7.50-\$8.00 trading range until Thursday's storage report, with prices hovering closer to the bottom of this range. We would expect the greatest price pressure to be on the front month and as a result would look for the Aug-Dec spreads to widen back out to possibly \$1.20. The spread this evening closed at \$1.058.