



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR JULY 27, 2005

NATURAL GAS MARKET NEWS

Record high crude oil prices and rising demand from the power-generation sector fail to fully explain why U.S. natural gas prices have remained above the \$7/MMBtu level for the better part of the past year, a top U.S. FERC official said. Steve Harvey, deputy director of FERC's Office of Oversight and Investigations, said it appears the buoyant gas market is somewhat tied to the international price of oil. Harvey pointed out that gas storage inventories remain at near-record levels and that a modest increase in domestic gas output was expected in 2005. Even with this supply, the first real summer heat the country has experienced in several years has created a psychological if not fundamental floor under the market.

Weather forecasters were watching the advancement of a tropical wave some 600 miles west-southwest of the Cape Verde Islands. While shower and thunderstorm activity is limited at this time, conditions appear favorable for some slow development to occur over the next few days as it moves over the very warm waters of the Atlantic as well as finding little or no wind shear. In addition this system has a better chance of developing due to the fact that there is little African dust surrounding this system. It has been the presence of African dust west of this system that helped to quiet the development potential of tropical systems in the Caribbean over the past week or so.

The FERC Tuesday gave Trunkline LNG the approval to place certain vaporization and associated facilities into service prior to the completion of the rest of the expansion of the LNG import terminal at Lake Charles facility.

Rendezvous Gas Services received approval from the FRC today to proceed with its plans to build a small pipeline to transport natural gas from a processing facility in Wyoming to an interconnection with Kern River Gas Transmission.

ConocoPhillips reported today that for the first six months of this year its U.S. production of natural gas stood at 1.343 bcf/d, down some 3.3% from the same period a year ago.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the pipeline failure that occurred on May 13 on the Gulf Coast #3 mainline. In other news, Segment 17 is at capacity today. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity. Deliveries to Florida Jefferson are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. ANR South Joliet #2 is at capacity for deliveries.

Generator Problems

SERC— Entergy's 966 Mw River Bend nuclear unit reduced power to 87% to perform some reactor feed pump work. The unit was at full power yesterday.

WSCC— Duke Energy Corp.'s 739 Mw Moss Landing #6 natural gas-fired power unit returned to service by late yesterday. The unit shut earlier yesterday for unplanned reasons.

The NRC reported that U.S. nuclear generating capacity was at 96,548 Mw down .08% from Tuesday and down .44% from a year ago.

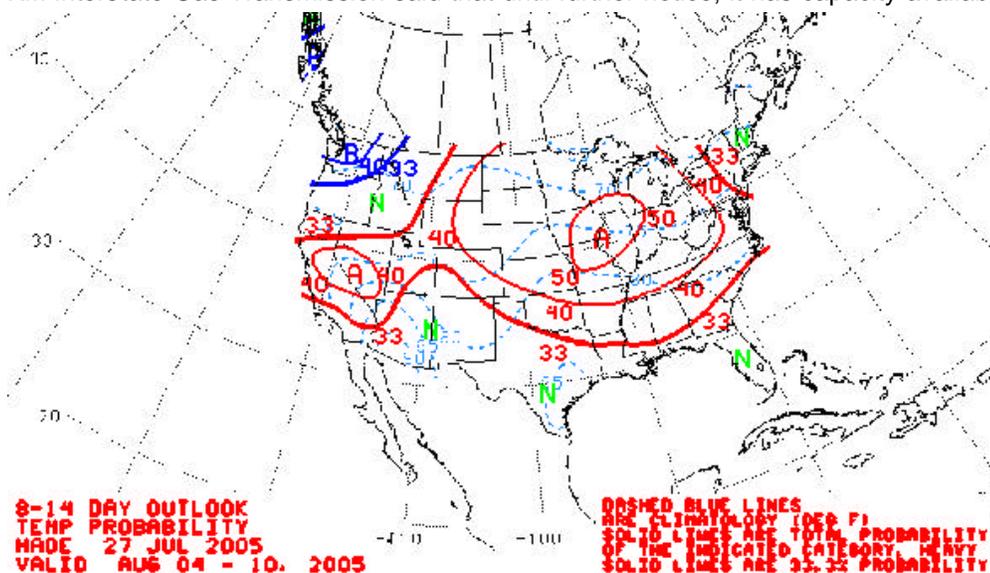
Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts sourced at Mahwah will not be accepted.

East Tennessee Natural Gas said that nominations sourced upstream of Flatwoods compressor station for delivery downstream of Flatwoods has been restricted to capacity. No increases in nominations flowing through Flatwoods will be accepted today.

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

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 on Index 11 and 70 Palestine 8-inch, Index 1 and 8 (Dallas 18-inch – Tyler 12-inch), and Montpelier to Kosciusko.

KM Interstate Gas Transmission said that until further notice, it has capacity available for deliveries to Panhandle Pony. Based on the level of nominations, interruptible flow, authorized overrun and secondary volumes may be scheduled.



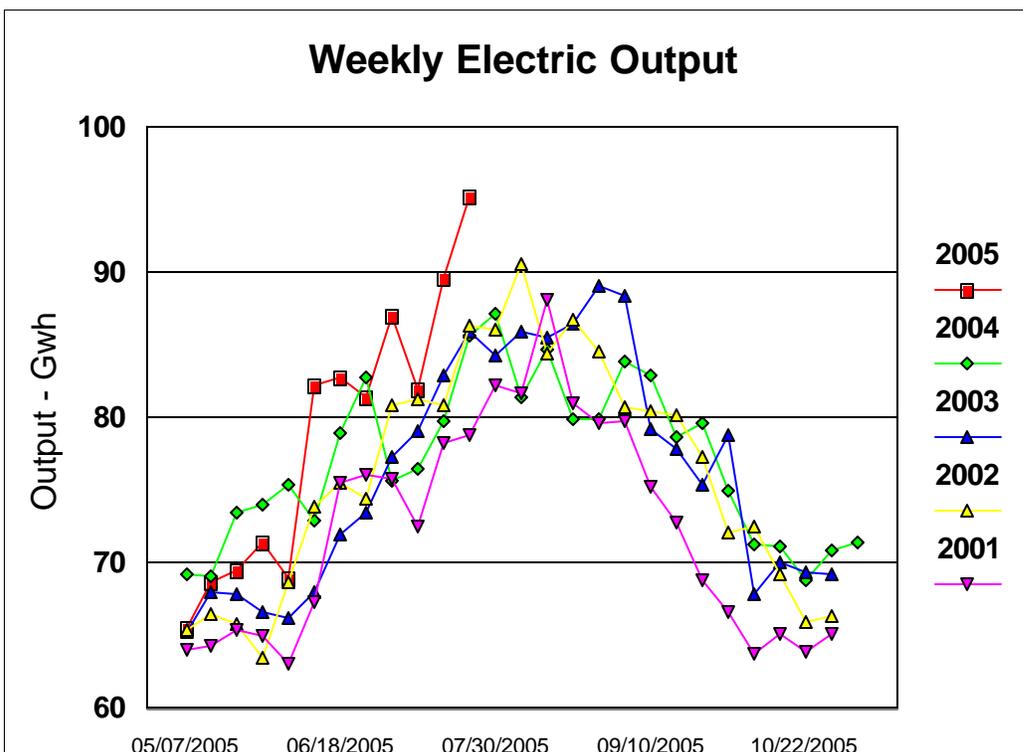
Texas Eastern Transmission said that STX, ETX, M1 24-inch and M2 24-inch have been restricted to capacity. Nomination increases between Mont Belvieu and Batesville will not be accepted.

Pipeline Corp. said it has been informed by East Tennessee Natural Gas that deliveries from East Tennessee into the Transco system at Transco's Cascade Creek interconnect are limited to 180 MMcf/d due to equipment restrictions.

PIPELINE MAINTENANCE

National Fuel Gas said it will be pigging line K on August 18. During this work NatFuel may have restrictions in capacity for secondary and interruptible transactions with

Transcontinental Gas



receipts north of the Concord Station.

ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that the blistering heat wave stretching from California to New York boosted U.S. power output to an all-time high for the week ended July 23. The new record of 95,259 GWh was 5.3% higher than the previous record of 90,468 GWh, set during the week ended August 3, 2002.

Electricity Demand is setting records up and down the eastern seaboard. PJM Interconnection, the electricity grid operator for 51 million people in 13 states and DC, reported that customers' use of electricity set a new record peak demand yesterday. At 4:00 PM ET customers in the PJM region set a peak demand of about 135,000 Mw. The previous record was set July 18 at about 130,574 Mw. PJM reported that demand for electricity was met without problems and that all generation supplies were adequate. However, PJM said it reduced the electricity voltage in Maryland, Virginia and DC to reduce the strain on the system during a searing heat wave today. PJM has called upon customers to conserve energy due to that region's continuing heavy demand for air conditioning.

The Philadelphia region reported a new record for electricity demand, with PECO reporting 8,329 Mw yesterday. Progress Energy Carolinas reported that its customers set a record for electricity usage with its 1.4 million customers using an estimated 12,232 Mw of electricity. Con Edison reported that New Yorkers set another record today with 12,792 Mw demanded at 2 PM, topping yesterday's record of 12,551 Mw.

ECONOMIC NEWS

New orders for manufactured durable goods in June increased \$2.9 billion or 1.4 percent to \$215.4 billion, the U.S. Census Bureau announced today. This followed a 6.4 percent May increase.

MARKET COMMENTARY

The natural gas market opened a couple pennies lower and the release of the oil complex's inventory figures sent bulls on a buying spree. The market rallied to the \$7.50 level and consolidated for much of the afternoon until the Edison Electric Institute reported that electric generation was at an all time high. With this news bulls pushed the expiring August contract over the \$7.60 level to settle it at \$7.647. The new spot month, September, ended the day up 13.4 cents at \$7.592.

Tomorrow's EIA storage figure estimates average around a 50 Bcf injection, below the 5-year average of about a 65 Bcf injection. Record heat last week from California to New York is sited as the reason for the slower pace of injections. A report above expectations will put the market on the defensive, as temperatures are also forecast to give a bit of reprieve. We see support at \$7.53 followed by \$7.47, \$7.42 and \$7.36. More distant support we see at \$7.20-\$7.185. Resistance we see at \$7.66, \$7.775 and the gap at \$7.83-\$7.87. More distant resistance we see at \$8.14.