



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 9, 2005

NATURAL GAS MARKET NEWS

The EIA Short-Term Energy Outlook for August reported that the Henry Hub natural gas spot price is expected to average \$7.63/mcf in 2005 and \$7.34/mcf in 2006. Last month, the spot price averaged \$7.86 as hot weather in the East and Southwest increased natural gas-fired electricity generation of cooling demand and crude oil prices increased. EIA expects the market to stay tight heading into the winter heating season, with prices averaging \$8.50 in the fourth quarter. Supporting the market, the EIA cites high world oil prices, continued strength in the economy, the expectation that Pacific Northwest hydroelectric resources will be below normal through the rest of the year, limited prospects for growth in domestic natural gas production, and concerns about the potential effects of hurricanes. Regionally, citygate prices and end-use prices are expected to exhibit double-digit percent increases for the second year in a row. The central portion of the U.S. is expected to experience the sharpest increase, as heating demands are likely to increase the most. And the northeast is likely to see less severe increases. Working gas in storage is, as of July 29, 2.2% higher than a year ago and 7.6% above the 5-year average. However, the EIA went on further to note that the surplus U.S. natural gas in storage could be eliminated if the coming winter season is a normal one. Injections for the remainder of 2005 are expected to run above average. 2005 natural gas demand is projected to increase by 1.8% and another 2.4% in 2006. Domestic natural gas production for 2005 and 2006 is expected to remain near the 2004 level.

Generator Problems

ERCOT— TXU Corp's 553 Mw Sandow #4 coal-fired power station shut August 9-10 to repair a boiler tube leak.

SERC— The Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit returned to full power by early this morning. The unit was operating at 80% capacity yesterday. Browns Ferry #3 continues to operate at full power.

Progress Energy reported that both of its Brunswick nuclear units are still offline after shutting on Friday when all four emergency diesel generators were declared inoperable.

Canada— Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired power station shut early today and has since returned to service. The unit was available for service Monday.

The NRC reported that U.S. nuclear generating capacity was at 95,320 Mw up .21% from Monday and up .44% from a year ago.

El Paso Corp. expects its gas output to reverse declines posted in recent quarters and reach 860-900 MMcf/d by the end of 2005. Lisa Stewart, head of the company's production arm said the production gain would come from output in the Gulf of Mexico, growth from onshore fields and the addition of new assets that it said in July it would purchase from Medicine Bow Energy.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect on the Gulf Coast #3 mainline. In other news, all Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf-Chalkley 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.

Alliance Pipeline said that effective August 11, tolerance will be changed to 0%/8%, due to linepack position. This will remain in effect until further notice. Shippers outside of tolerance range will be expected to rectify accounts within two gas days. Alliance will be taking necessary actions to ensure all accounts hold to tolerance

East Tennessee Natural Gas said nominations sourced upstream of the Bristol compressor station for delivery downstream of Bristol have been restricted to capacity.

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 from Montpelier to Kosciusko, Kiln to Mobile, and Bayou Sale to Napoleonville.

KM Interstate Gas Transmission said that until further notice it has capacity available for receipts from CIG Arrowhead due to operational conditions. Depending on the level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

Texas Eastern Transmission Corp. said that due to the outage between Oakland City and French Lick, the 24-inch system between Longview and Oakland City has been sealed to capacity. No increases in physical receipts between Longview and Oakland City for delivery outside that area will be accepted.

Williston Basin Interstate Pipeline said that for today's timely cycle, 00880 Whitewater and 00885 Bowdoin are in pipeline Capacity Constraint.

PIPELINE MAINTENANCE

Florida Gas Transmission said it will be performing unscheduled maintenance from August 10 until the end of the month on one of the two compressor units at the FGT/Transco St. Helena interconnect. Starting with the timely cycle on August 10, FGT will be reducing the capacity at St. Helena to 35 MMcf/d. During normal operation of this interconnect, FGT schedules up to 60 MMcf/s.

Gulf South Pipeline said it will resume maintenance on FPL 11 beginning today at approximately 7:00 AM ET and continuing through tomorrow.

Natural Gas Pipeline Company of America said that hydrostatic testing is not expected to be completed August 12 rather than August 15. Natural is currently performing hydrostatic testing on the Amarillo Mainline #3 north and south of Station 195 in Washington County, Kansas. ITS/AOR and secondary out-of-path transports are unavailable.

Questar Pipeline Company said due to work August 15-22, the following reductions will take effect. On August 15, the West Fidar scheduling point will be reduced to 65 MMcf/d. The ML 80 scheduling point will be reduced to 200 MMcf/d. On August 16, the West Fidar scheduling point will be reduced to 65 MMcf/d and ML 80 will be reduced to 200 MMcf/d. From August 17-22, West Fidar scheduling point will be reduced to 65 MMcf/d and ML 80 will be reduced to 200 MMcf/d.

TransColorado Gas Transmission said it would perform work at the Mancos Compressor Station (Segment 250) on August 10. The expected duration of this work has been reduced so that scheduling reductions are no longer anticipated. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes may be scheduled.

ELECTRIC MARKET NEWS

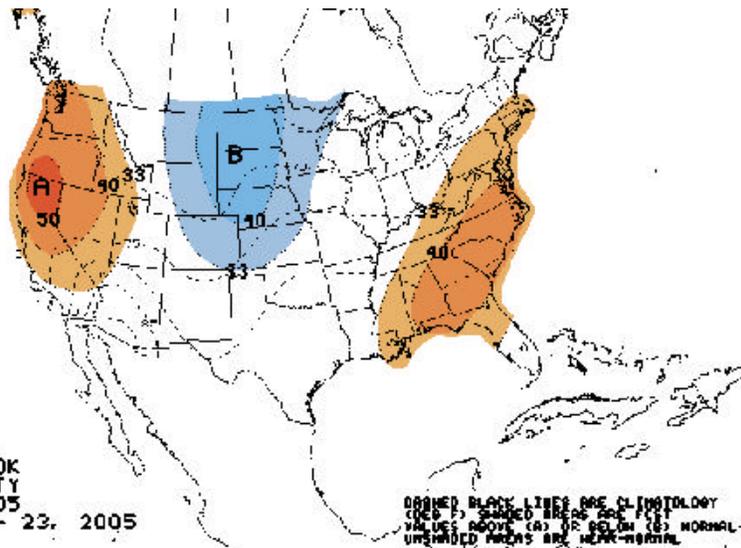
The EIA Short-Term Energy Outlook report of August estimates that electricity demand is to increase by 2.7% in 2005 and 2.5% in 2006 due largely to continuing economic growth. Weather factors are influential in the demand growth picture, as very hot conditions so far this year are likely to generate a solid increase in demand in the third quarter of 2005. Likewise, heating demands in the fourth quarter will drive electricity demand growth for the remainder of 2005.

The EIA revised down expectations for U.S. coal supply in its report, stating that available coal supplies in the second half of the year would be 15 million tons lower than the previous forecast released in early July. Year-on-year growth supply for the second half was cut to 1.6% from last month's forecast of 4.4%. EIA noted that much of the difference comes from U.S. Western coal supplies, which were revised down by 12.4 million tons for the second half of the year and 8.5 million tons in the third quarter alone, citing two derailments on the only line coming out of the prolific southern Powder River as the main factor in the supply decrease.

Ontario's power grid operator, the Independent Electricity System Operator, issued a Power Warning for today asking consumers to reduce their electricity use as sustained hot weather continues to strain the province's power system. The grid operator said the forecast high temperatures and humidity combined with continued limitations on supply, both from domestic generation and imports, would present a number of challenges for the IESO in managing the reliability of the system.

MARKET COMMENTARY

The natural gas market opened lower today, continuing the decline from yesterday afternoon but failed to establish any significant downside move, as moderate weather is forecast for later this week. The market traded in a 14 cents sideways pattern with very little structure, as the inside trading day was supported by firm cash prices from power generators meeting cooling demand. Natural gas posted a low of 8.54 in the morning, and after failing to reach yesterday's low of 8.50, drifted sideways printing the day's high at 8.68. Natural gas closed down 3.5 cents at 8.649.



Tomorrow's inventory report for the oil complex will lend direction to the natural gas market given the moderating temperatures and the calm storm forecast for the Gulf of Mexico. This week's EIA storage report for natural gas has estimates running in a range from 31 Bcf to 61 Bcf, with most reports in the low- to

mid-40s. Last year the injection was 74 Bcf, and the 5-year average for this report is about a 64 Bcf injection. Last week's above normal temperatures across the country are to blame for the below normal injection in this week's report. To get stocks to an industry comfort level of 3.2 Tcf by November 1, weekly injections must average about 60 Bcf. A further break in the weather will see injections boost week-on-week until November 1. We see support at \$8.50, \$8.30, and \$8.00. Further support we see at the gap from August 1 at \$7.90-\$7.98. Resistance we see at \$8.87, yesterday's high and above that at \$8.90 and \$9.00.