



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 24, 2005

NATURAL GAS MARKET NEWS

Plains All American Pipeline and billionaire investor Paul Allen are partnering to buy underground natural gas storage facilities in Louisiana and Michigan from Sempra Energy for \$250 million. The joint venture, called PAA/Vulcan Gas Storage, will become a platform for future natural gas storage acquisitions. The Michigan storage facility, called Bluewater, is a producing oil reservoir with a storage capacity of about 20 Bcf. It's expected to reach about 24.5 Bcf in 2006. Construction of the Louisiana project, called Pine Prairie, is under way to create 24 Bcf of storage space, with partial operations expected by mid 2007.

The American Chemistry Council said it supports any action that the U.S. Minerals Management Service could take to modify moratoria on leasing offshore federal lands for natural gas exploration. "The nation faces a chronic imbalance between supply and demand, and the very real possibility of supply disruptions this winter," the council told MMS after the agency announced it would seek public comment on the development of its 2007-2012 Outer Continental Shelf leasing plan. "The current policy of keeping more than 85% of the OCS off-limits to energy development is causing major harm to businesses and individuals who depend on affordable and reliable supplies of natural gas," the ACC said. Restrictions on gas exploration have contributed to the loss of \$50-billion in chemistry industry sales and 100,000 jobs. The areas of OCS being considered for leasing are among the largest untapped gas reserves in the country, and are located near existing infrastructure for quick development.

PIPELINE RESTRICTIONS

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

El Paso Natural Gas Company said it has been experiencing declining linepack as a result of takes that are in excess of scheduled receipt volumes, particularly on its southern system. Washington Ranch Storage facility is and has been operating at withdrawal capacity and linepack continues to decline. Therefore, EPNG is declaring a Strained Operating Condition that applies to the smallest possible area of its system and includes the following parties with takes on the south mainlines: Arizona Public Service Company, Salt River Project, Duke Energy Arlington Valley, El Paso Electric Company. All shippers are urged to bring their supplies and demand into balance to minimize the duration of this SOC. If conditions warrant, the SOC will be expanded as necessary to insure system integrity.

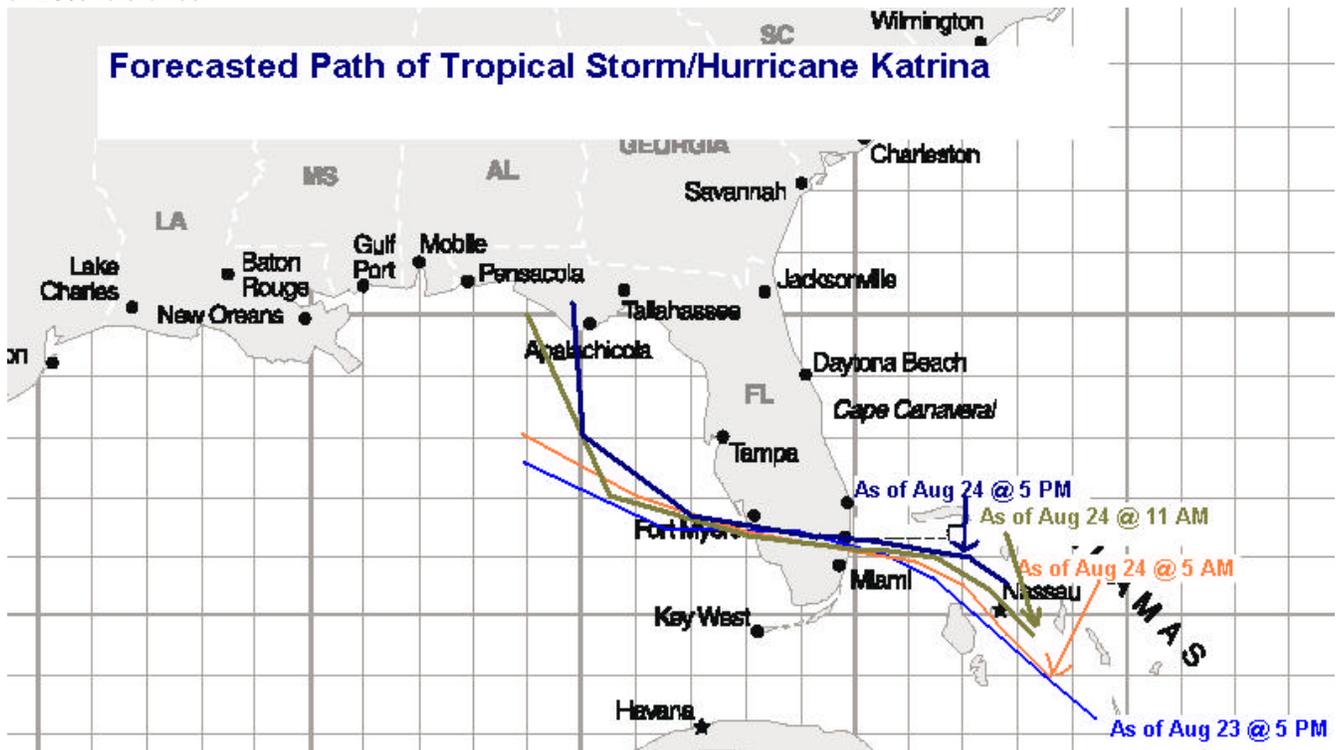
Generator Problems

SERC— Progress Energy's 900 Mw Brunswick #2 nuclear unit ramped up to 98% of capacity by early today. Yesterday, the unit was operating at 67% capacity. Brunswick #1 continues to operate at full power.

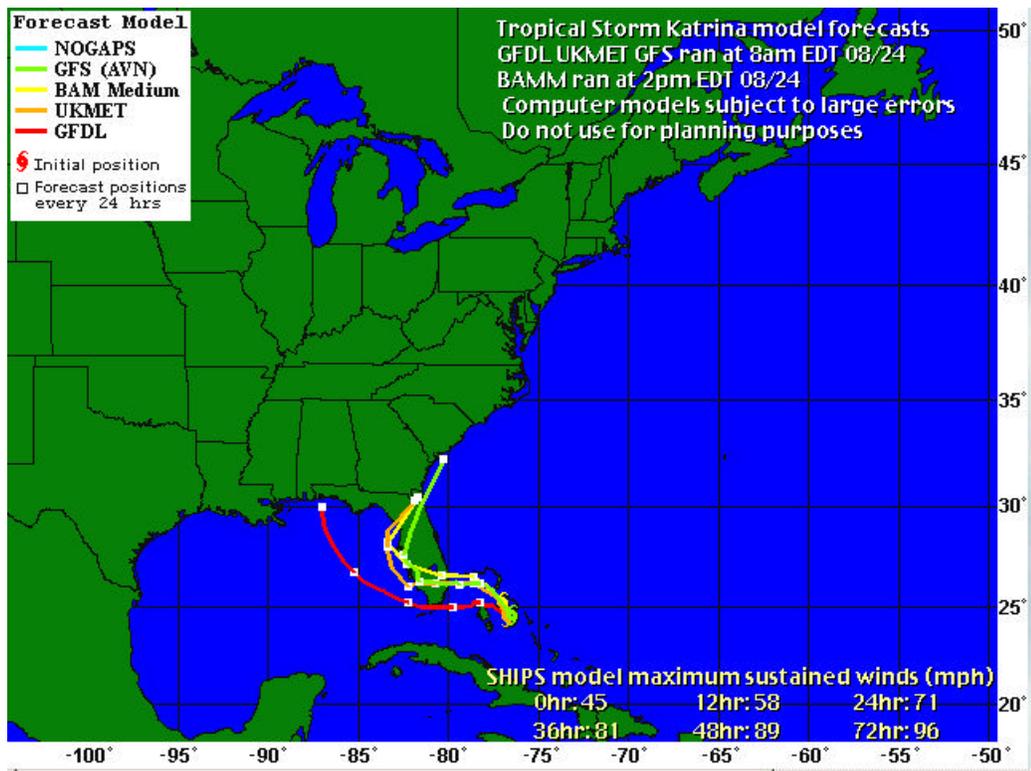
Canada— TransAlta Corp.'s 279 Mw Wabamun #4 coal-fired station in Alberta remained shut since August 3 due to an oil spill into Lake Wabamun caused by a Canadian National Railway Co. train derailment.

The NRC reported that U.S. nuclear generating capacity was at 94,666 Mw up .21% from Tuesday and down 1.97% from a year ago.

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



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 Main Line in Harrison County, Texas located in Segment 26 just south of Compressor Station 304. In other news, Segment 17 is at capacity for deliveries. BP Hutchinson (PIN 5382) is at capacity for deliveries. Natural is also at capacity for gas received in Segment 1 for northbound flow through Compressor Station 155 in Wise County, Texas. All Louisiana Line

Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity.

Texas Eastern Transmission said that due to the previously posted outage between Norris City and Princeton, Tetco has sealed receipts between Longview and Norris City to capacity. Increases in physical receipts between Longview and Norris City for delivery outside that area will not be accepted. STX and ETX have been sealed to capacity. Increases in receipts between Mont Belvieu and Little Rock for delivery outside that area will not be accepted.

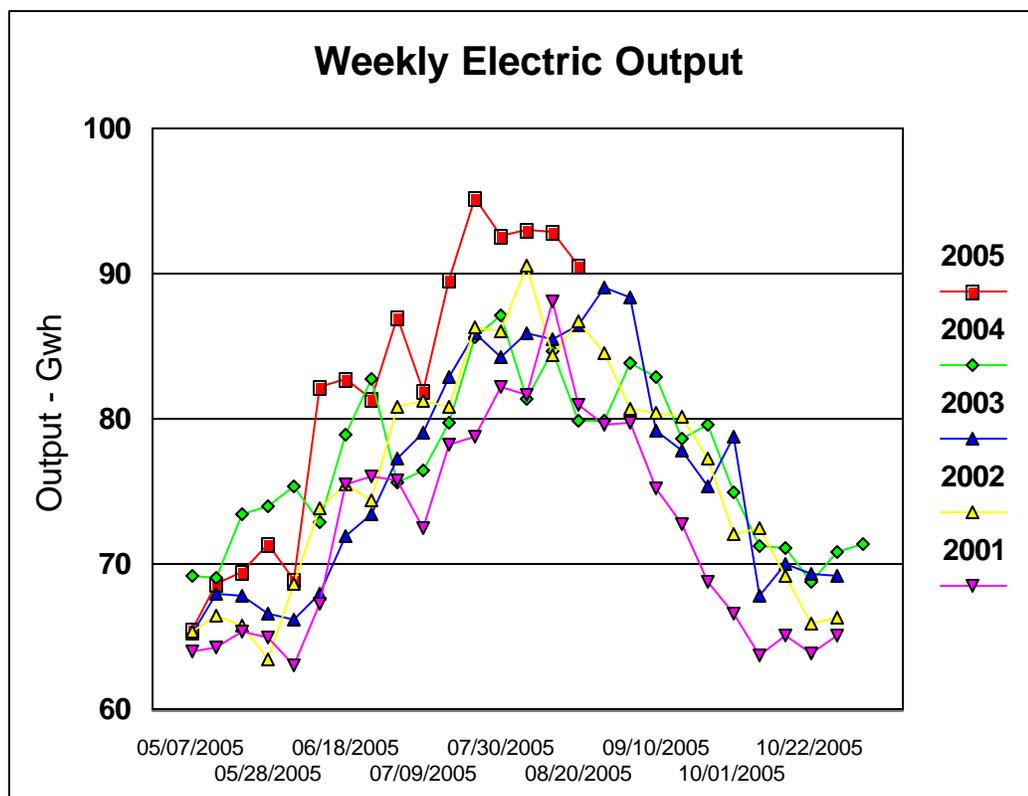
ECONOMIC NEWS

The Commerce Department said orders for durable goods fell a seasonally adjusted 4.9% to \$204.71 billion last month after rising a downwardly revised 1.9% in June. A key barometer of business spending in the report -- orders for non-defense capital goods excluding aircraft -- decreased 3.7%. Economists downplayed the significance of the decline in orders, noting that the durables data is frequently volatile from month to month.

"While this was a broad-based falloff in big-ticket demand, it came after several months of surging durable goods orders, so let's not get too worried yet," wrote Joel L. Naroff of Naroff Economic Advisors in a note to clients.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended August 20 rose 13.4% from the same week last year to 90,588 GWh. For the first 34 weeks of the year, production increased 3.5% from last year. In the 52 weeks ended August 20, production rose 3.3% from the corresponding period in 2004.



Eastern and Midwest utilities and market participants, in what may be a last-ditch effort, are brokering settlement talks to resolve issues related to the controversial seams-elimination cost adjustment fees for those participating in the PJM Interconnection and Midwest Independent Transmission System Operator markets. At issue are the controversial SECA payments being charged to certain customers based on their location in either MISO or PJM. The payments were implemented late last year when FERC eliminated the so-called "through and out rates" on transactions that cross PJM and MISO borders.

ERCOT set a new electricity usage record of 60,279 Mw on Tuesday during a brutal heat wave, exceeding the previous all-time peak of 60,095 Mw set on August 7, 2003. Temperatures around 100 throughout a large part of the state caused increased electricity usage and created a record-breaking peak load. Meteorologists forecast high temperatures in Houston would remain in the upper 90s with the humidity making it feel like more than 115 degrees through Friday.

Officials in nine Northeastern U.S. states have reached a preliminary agreement to cap and then cut greenhouse gas emissions from power plants by 10% by 2020. If the agreement is made final, it would be the first of its kind in the U.S.. The Bush administration has refused to sign the Kyoto Protocol, a greenhouse gas reduction plan that has been adopted by more than 150 other countries.

MidAmerican Energy Holdings, a unit of Warren Buffett's Berkshire Hathaway Inc., said the Hart-Scott-Rodino waiting period for its acquisition of utility PacifiCorp from Scottish Power has expired. Scottish Power's shareholders have already approved the deal. The companies still need approval from eight state and federal regulatory bodies for the deal, which they expect to close in the first quarter of 2006.

The Western Electricity Coordinating Council plans to expand its grid oversight role across the western U.S. to include commercial and business practices. The WECC already handles many reliability and resource adequacy chores, but has decided to take on commercial issues, mainly surrounding the planning of the region's transmission system. WECC's Market Interface Committee is now taking comments on the potential scope of the WECC's new activities. The group found that rather than creating a new organization to handle commercial issues, the best option would be to expand WECC's scope.

MARKET COMMENTARY

The natural gas market opened 22.7 cents higher at the contracts high of 9.91 on news that Tropical Depression 12 had become Tropical Storm Katrina and was headed across the Florida peninsula and into the Gulf of Mexico. Off the open, the market sold off in anticipation of the oil complex's inventory figures, backfilling the gap down to the day's low of 9.68. Natural Gas traded sideways finding resistance at 9.90 for the remainder of the morning and early part of the afternoon until finally breaking through 9.90 and trading up to a high of 10.02, lead primarily by an unleaded refinery force majeure. Natural gas settled the day up 30.1 cents at 9.984.

Electricity production for last week was 2.52% lower than the week before, marking the end of the almost 4 week heat wave. Production was near where it was for the week of July 16, and that week had a storage injection of 59 Bcf, so estimates for tomorrow's storage injection are running around a 56 Bcf injection, just below the 5-year average of a 64Bcf injection. We see resistance at \$10.00 and \$10.10. Support we see initially at \$9.70 and \$9.573, followed by \$9.435 and \$9.297. Further support we see at \$8.85.