



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR AUGUST 26, 2005

NATURAL GAS MARKET NEWS

Hurricane Katrina rapidly strengthened into a Category 2 storm as it moved slowly westward away from South Florida on a debated path. According to The National Hurricane Center's 5 PM ET update, the models have shifted significantly westward and are now in better agreement. This has resulted in the official forecast track being shifted about 150 nautical miles west of the previous track. Other private forecasters such as Freese-Notis Weather have forecast the storm heading more westward toward New Orleans. Accuweather forecasters predict that Katrina has the possibility to develop into a category 4 or category 5 hurricane over the next couple of days.

With Hurricane Katrina churning its way across the Gulf of Mexico, natural gas pipeline operators said as of 4:30 PM ET Friday there were still no reports of producer supply cuts to their systems. Williams Co. reported that flows on the firm's huge Transco pipeline and on the Gulfstream system were normal as of early today. Duke Energy also said that producers had not cut any supply on its Texas Eastern Pipeline due to the storm. However, 12 production platforms and nine drilling rigs have been evacuated.

FERC issued a draft environmental impact statement that finds Sempra Energy's proposed 3 Bcf/d LNG import terminal and associate pipeline in Port Arthur, Texas, would have limited adverse environmental impact and should be approved.

A trade group representing municipally owned utilities calling current high U.S. natural gas prices a "crisis," appealed to the heads of the Senate Energy and House Resources Committees to address gas supply issues when Congress resumes business in September. Saying the cost of natural gas has tripled in five years, leading to the loss of 2.5-million manufacturing jobs while costing consumers \$200-billion.

NYMEX said it would increase the margins for natural gas futures at the close of business today. Margins on the first and second months will increase to \$10,800 from \$8,775 for customers. Margins for the third month will increase to \$10,463 from \$9,113 for customers.

PIPELINE RESTRICTIONS

Generator Problems

MAIN— Exelon Generation Company's 900 Mw Dresden #3 nuclear unit was operating at 61% capacity today. Yesterday, the unit was operating at 75% capacity. Dresden #2 remains at full power.

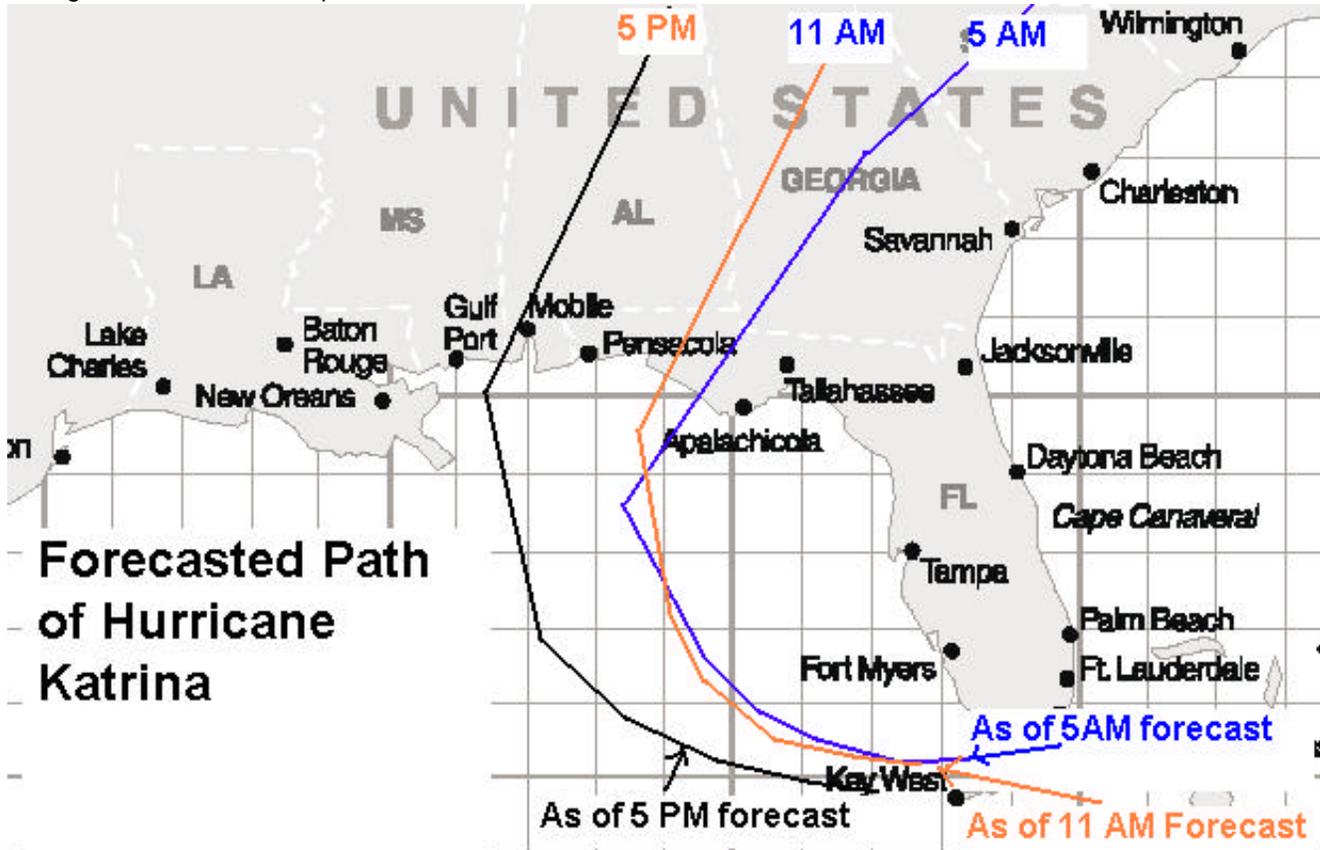
SERC— South Carolina Electric & Gas Company shut its 1,000 Mw Summer nuclear unit from full power when a condensate pump trip led to the shut down.

WSCC— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit started to exit an outage and ramped up to 2% of capacity by early today. Yesterday, the unit was in start-up and expecting to return. Palo Verde #1 remains shut, and Palo Verde #3 continues to operate at 99%.

Canada— TransAlta Corp. said it was resuming operations at a coal-fired power plant in Alberta more than three weeks after a train derailment spilled oil into an adjacent lake, forcing the shutdown. The 279 Mw Wabaum #4 has been shut since August 3.

The NRC reported that U.S. nuclear generating capacity was at 93,516 Mw down 1.00% from Thursday and down 2.66% from a year ago.

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. Nominations sourced upstream of Bristol compressor station for delivery downstream of Bristol have also been restricted to capacity. No increases in nominations flowing through Bristol will be accepted.



El Paso Natural Gas Company said that operating conditions on the south mainline have improved to the point that the Strained Operating that was declared on August 23 has been lifted. Actions by shippers to balance their supply and demand, along with maximal withdrawal volumes from Washington Ranch Storage Facility, have restored south system linepack to a level at which system integrity is not currently threatened.

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.

Kern River Pipeline said its system is experiencing low line pack. Therefore, Kern Rivers said that it is imperative that operators only take their scheduled quantities.

KM Interstate Gas Transmission said it has capacity available for deliveries to Northern Natural Milligan (PIN 8601 0. Based on the level of nominations, IT/AOR and secondary volumes may be scheduled.

Natural Gas Pipeline Company of America said Segment 17 is at capacity today. BP Hutchinson 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.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said that maintenance will be performed at the West Short Pine Hills Compressor Station. Volumes from receipt point 04435 will be zero for gas day September 12-14 and reduced

to approximately 570 Mcf for gas day September 15. Also, maintenance will be performed on the mainline between the City of Williston and the Williston Compressor Station between 9:00 AM MT and 5:00 Pm on September 30.

ELECTRIC MARKET NEWS

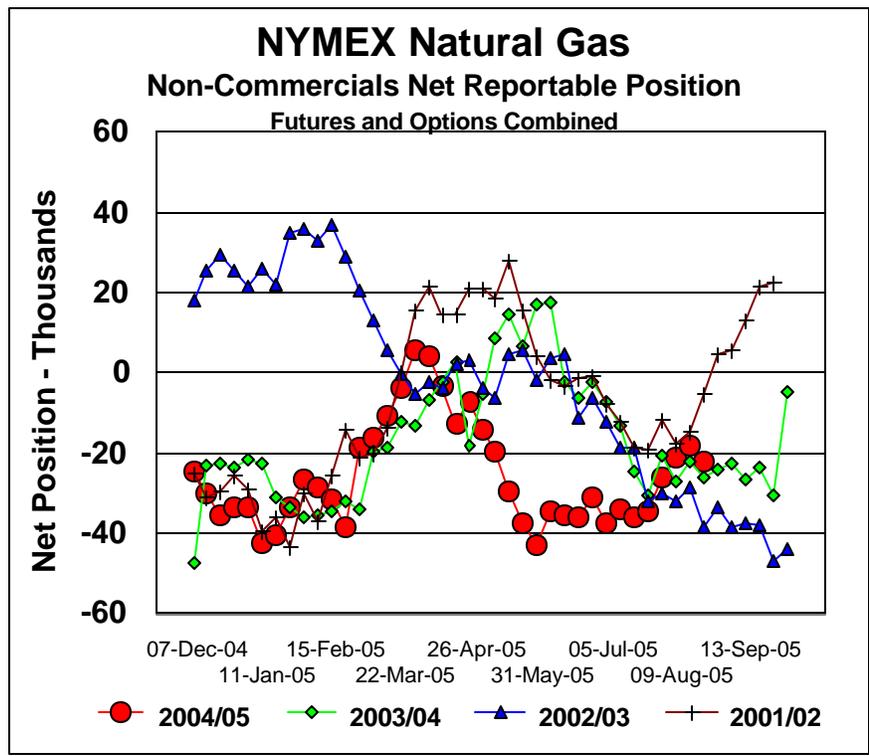
More than 1.1 million FPL electricity customers were without power as of 8 AM today after Hurricane Katrina swept through the Sunshine State's southern counties. More than 1.3 customers were taken out of service Thursday night by the storm. Most of the outages were located in Dade, Broward and Palm Beach Counties.

The EIA reported that U.S. coal production for the week ended August 20 totaled 21.338 million short tons, down .92% from the prior week's production.

U.S. utility operator PPL Corp. said the flow of ash and water leaking into the Delaware River from an ash basin at its Martins Creek power plant in Pennsylvania has been "greatly reduced." The company said more than 50 million gallons of the mixture of ash and water has poured out of the basin since the leak developed on Tuesday night. The basin is used to store ash from coal burned at the plant in Lower Mount Bethel Township. The company is also working to clean up roads and fields that have been flooded with the ash.

The District of Columbia Public Service Commission, which oversees electric service in the district, has asked federal regulators to order power producer Mirant Corp. to operate a plant the company temporarily shut down due to pollution concerns. Mirant halted power production from all five units of the 482 Mw coal-fired Potomac River generating station at midnight on Wednesday after a computer-modeling study found three types of emissions from the plant that could potentially affect localized air quality in a way exceeding national standards.

The California market remained on edge today, following yesterday's outage on the DC Pacific Intertie, which had forced rolling blackouts throughout Southern California. While the line returned to service late yesterday afternoon, it returned at only half its capacity at 1000 MW.



highs and settled the day up just 2.2 cents at 9.792.

ECONOMIC NEWS

The University of Michigan consumer sentiment index declined to 89.1 from July's 96.5, the first drop since May. Record prices at the pumps are cited for the decline. The street had forecast a decline to 92.5.

MARKET COMMENTARY

The natural gas market opened 7 cents higher today in anticipation of Hurricane Katrina entering the Gulf of Mexico. The market sold off after the open to the days low of 9.67, where it found support and then traded up to the contract's high of 10.02. This level served as resistance for the rest of the day with the market bouncing off the 10.00 level a few times. As the oil market collapsed at the close today, natural gas was dragged down from its

The Commitment of Traders Report showed that non-commercial traders reduced their long positions by 3,700 contracts and increased their short positions by just over 500 contracts. The non-commercial's increased their

net short position to 5,050 contracts compared to last week when the net short position was just over 800 contracts. The combined futures and options report also showed an increase in non-commercial trader's net short position by about 4,000 contracts to 21,909 contracts.

The path of Katrina will offer direction and serve as a measure of volatility for the market come the open of the Access market on Sunday night. If the storm results in shut in production over the weekend, we expect the market to break through the 10.02 resistance level and tempt the next upside level at 10.10. A more eastern trajectory over the Florida panhandle will allow prices to settle. We see support at today's low, \$9.67, followed by \$9.40. Further support we see at the \$9.20-\$9.37 gap and \$8.85.