



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 5, 2005

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that Tropical Storm Cindy had caused 352.76 MMcf/d of confirmed shut-ins (and almost certainly substantially more) as it moved northward Tuesday toward the central Gulf Coast. Landfall is now not forecasted to occur until Wednesday. Meanwhile, a second potential menace to offshore production surfaced as Tropical Depression Four was upgraded to Tropical Storm Dennis in the southeastern Caribbean Sea, and forecasters were looking for this to be a hurricane and possibly a category 2 storm when it moved into the Gulf of Mexico by this weekend.

Energy analysts at Stephen Smith Energy Associates noted that with summer temperatures expected to be hot through much of this summer, less natural gas will be going into storage this injection season than in past years. This will result in little surplus gas to act as a buffer against potential hurricane related problems and resulting high gas prices.

The U.S. energy-trading sector continued its makeover as a new foreign player emerged this past week, others bolstered their staffs and another acknowledged it had lost some traders recently. Cincinnati-based Cinergy reported losing a sizeable number of traders either to concerns over the proposed merger with Duke or a pending move of part of the trading operation from Cincinnati to Houston. On Wednesday, a top European financial institution said it plans to step up its energy trading operations in the US. SG Corporate & Investment Banking, an arm of French bank Societe Generale, said it had hired a number of senior energy traders, "significantly ramping up" its New York-based trading desk and also had "bolstered" its team that markets energy derivatives. Also, a spokesman for Citigroup last week confirmed the firm had expanded its Houston-based power and gas trading unit from ten employees to between 35 and 40 people.

FERC's final environmental impact statement recommended approval of the proposed 328-mile Entrega Pipeline. The project would transport 1.5 Bcf/d of natural gas from supply basins in the central Rocky Mountains to the Cheyenne Hub. From these points, other interstate transporters would be able to ship the gas to markets in the West, the Midwest, and Central U.S.

Generator Problems

ECAR— DTE Energy Co.'s 1,111 Mw Fermi #2 nuclear unit is expected to remain off-line for the rest of the week. The unit shut June 25 to fix a non-radioactive leak.

ERCOT— American Electric Power Co. will restart the 528 Mw Welsh #1 coal-fired power unit later today. The unit shut June 30 for miscellaneous maintenance on auxiliary equipment.

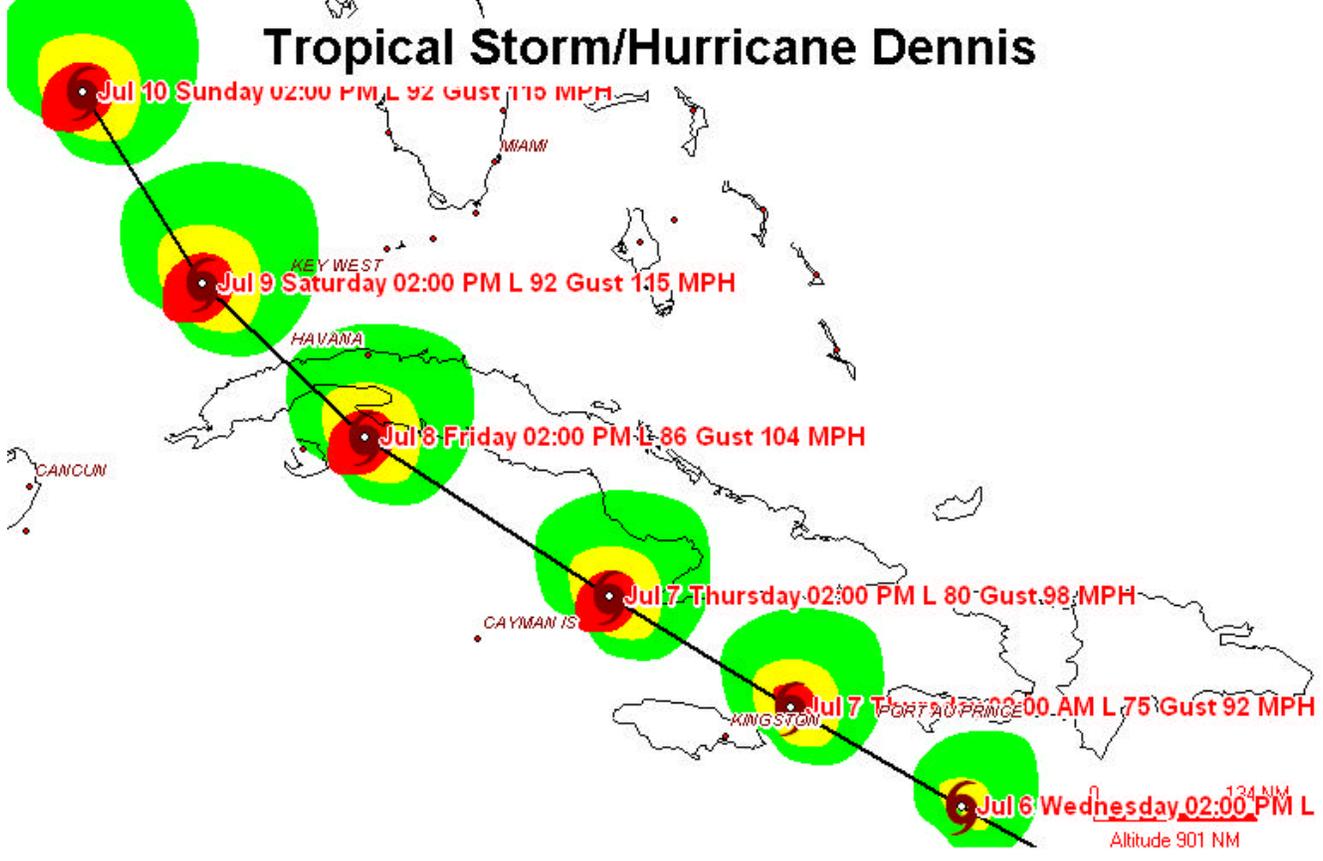
MAIN— Wisconsin Public Service's 539 Mw Kewaunee nuclear unit ramped up to full power over the weekend.

SERC— Entergy Corp.'s 978 Mw River Bend nuclear unit ramped up to 92% of capacity by early today. The unit shut June 22 for planned work to fix a hydrogen leak on the main generator.

WSCC— Energy Northwest's 1,108 Mw Columbia nuclear unit has returned to full service by today. The unit was warming up at 2% on Friday.

The NRC reported that U.S. nuclear generating capacity was at 94,305 Mw up 2.77% from Friday and up 2.19% from a year ago.

The Climate Prediction Center reported this morning that for the week ending July 2nd the nation saw 78 cooling degree days, nearly 25% higher than normal and 73% more than the same week a year ago. For the current week ending July 9th, the CPC is looking for 73 CDD, nearly equal to last year and seasonal norms.



PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in affect due to the 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 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.

Kern River Pipeline said that line pack levels have returned to normal.

Trailblazer Pipeline Company said that it anticipates that capacity will be available for a limited amount of secondary out-of-path transport volumes going eastbound through Compressor Station 602. The scheduling of any interruptible flow and authorized overrun transport volumes will depend on the level of nominations received and will only be scheduled to the extent that Secondary out-of-path and primary in-path are not fully utilized.

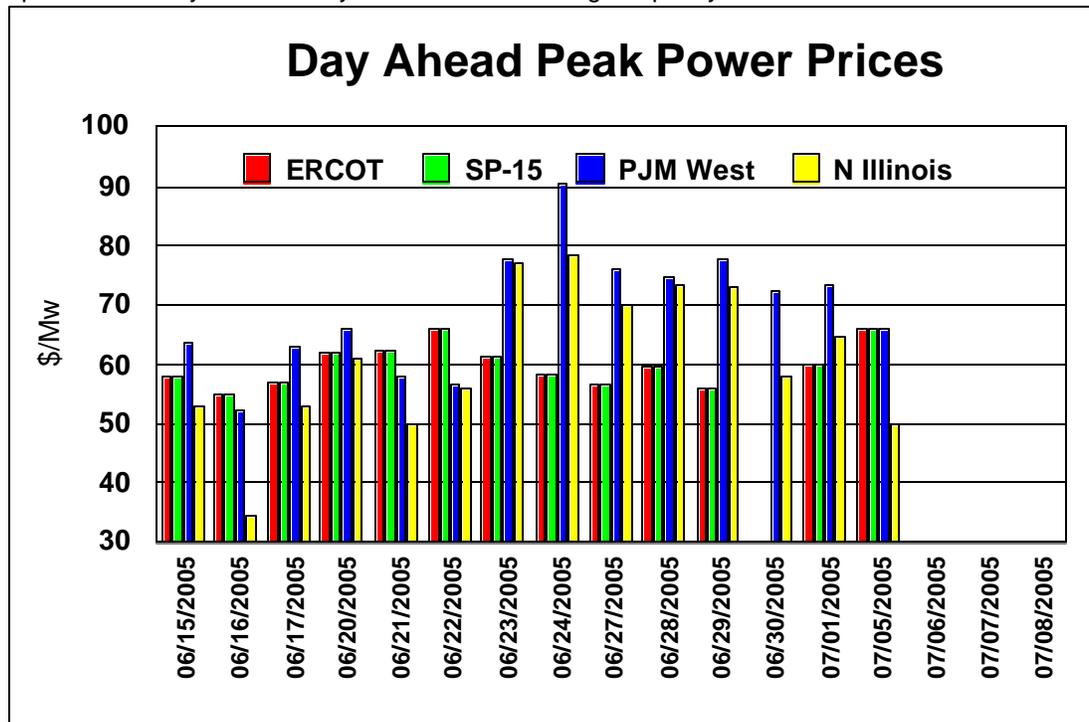
PIPELINE MAINTENANCE

Colorado Interstate Gas Company said that it has postponed repairs at Geaswood Interconnect until an unspecified date in August. The repairs were originally scheduled for July.

KM Interstate Gas Transmission said in an update concerning the cracks it discovered on several pulsation bottles on six Cheyenne Market Center compressor units in March, that the units have been out of service and work has been progressing on the repairs/replacements. Continuing until further notice, KMIGT does not anticipate firm services will be curtailed due to this outage. KMIGT expects to continue to meet its firm storage obligations through the utilization of its existing system facilities. One of the units at the Huntsman compressor

station has been returned to service as of July 1. Remediation work and analysis is continuing on the remaining five units.

Northwest Pipeline Corp. said Questar Pipeline will be completing maintenance on its Clay Basin Storage facility and no injections or withdrawals will flow in cycles 1, 2, and 3 for July 7. Questar will be cutting nominations to Clay Basin during these cycles. If the work is completed on time, service is expected to return to normal operations for cycle 4 for July 7. The normal design capacity at Vernal is 333 MMcf/d.



Questar Pipeline Company said it has completed line work ahead of schedule. As a result the capacity reduction placed on ML 80 noted will be lifted. The ML 80 scheduling point returned to 270 MMcf/d in cycle 4 on July 1.

Williston Basin Interstate Pipeline Co. said that due to maintenance at the Baker South Compressor

Plant, the capacity at current conditions for Point ID 04018 Baker Area Mainline will be affected by approximately 4 MMcf for gas day July 6 and 1.5 Mcf for July 7.

ELECTRICITY MARKET NEWS

Southbound capacity on the California/Oregon AC Intertie will be cut by nearly 2,000 Mw on Wednesday to 2600 Mw.

FPL Group said it would buy a majority stake in the 598 Mw Duane Arnold Energy Center from Alliant Energy Corp. for \$387 million. FPL plans to apply for a license extension in 2009 that would allow the plant to operate for 20 years beyond its current license's expiration in 2014.

ECONOMIC NEWS

New orders at U.S. factories rose 2.9% in May, exactly in line with analyst expectations, on an aircraft-led jump in durable goods, a government report showed today. The increase was the largest factory orders gain in more than a year, and followed a slightly downwardly revised 0.7% advance in April.

MARKET COMMENTARY

The prospects of not one but two tropical weather systems that could disrupt natural gas offshore production in the Gulf of Mexico over the next week unleashed the bulls and prices gapped higher this morning and never looked back. While oil prices also gapped higher they failed to sustain the price rally past midday, but natural gas prices kept appreciating in value as reports of production shut ins filtered into the market as well as updated weather reports which continued to show both systems strengthening. Prices over the past two trading sessions have retraced more than 62% of the prior two week sell off, and thus look to have established a new bull market trend as the 9-day daily stochastics also moved to the upside as well.

We feel that as long as tropical storm Dennis remains on track to enter the Gulf of Mexico this weekend potentially as a category 1 or 2 hurricane, that the sellers will remain scarce in this market. We would look for resistance at the \$7.65-\$7.67 area to be tested as early as tomorrow with the \$7.79-\$7.85 resistance level being challenged possibly by the end of the week. Support we see initially at \$7.44, followed by the gap at \$7.32-\$7.20 and \$7.14.