



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 8, 2005

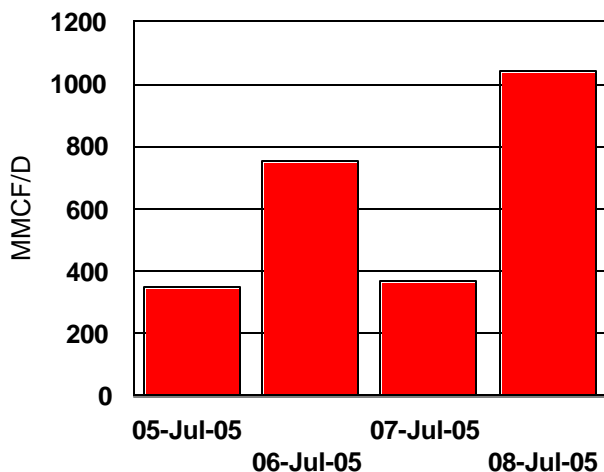
NATURAL GAS MARKET NEWS

As of 5 PM EDT the National Hurricane Center was reporting that Hurricane Dennis was well inland over central Cuba. While wind speeds were weakening slightly the storm was expected to re-strengthen once it moves across Cuba and re-emerges over the Gulf of Mexico. The storm could once again reach back up to a Category 4 storm before threatening the US Gulf Coast. Landfall is expected still somewhere along the Florida panhandle.

The Minerals Management Service reported that offshore platform evacuations provoked by the approach of Hurricane Dennis have shut in 1.041 Bcf of natural gas production in the Gulf of Mexico, as of 1 pm CDT. The production shut-in represents 10.41% of the gas being produced daily in the Gulf.

Dominion Resources is shutting down its Devil's Tower platform this afternoon and other Gulf of Mexico production

U.S. Natural Gas Daily Production Shut In From Tropical Storm Cindy/Hurricane Dennis
Cumulative Shut In Gas Production- 2.8 bcf



Generator Problems

ERCOT— Topaz Power Group's 632 Mw Coletto Creek coal-fired power unit will shut tomorrow for unplanned maintenance. The unit is expected to return to service Sunday following repairs to a boiler reheat tube leak.

NPCC— Entergy Corp.'s 825 Mw FitzPatrick nuclear unit is expected to return to service around mid to late next week. The unit was taken off-line on June 30 to fix a small crack in the torus, a large reservoir of water within the containment that provides emergency back-up cooling.

SERC— Duke Energy's 1,100 Mw McGuire #1 nuclear unit is operating at 56% early today for maintenance on an auxiliary transformer. The unit is down from full power. McGuire #2 is operating at full power.

The NRC reported that U.S. nuclear generating capacity was at 92,629 Mw down .57% from Thursday and down 3.21% from a year ago.

facilities on Saturday morning in preparation for the arrival of Hurricane Dennis. Devil's Tower, in Mississippi Canyon Block 773, will shut at 3:00PM ET today. Dominion's production facilities at Main Pass 281 and Ship Shoal 246 areas will be shut down Saturday at 9:00 AM ET.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 24 to 1,394 in the week ended July 8. The number of rigs searching for gas rose by 24 to 1,235.

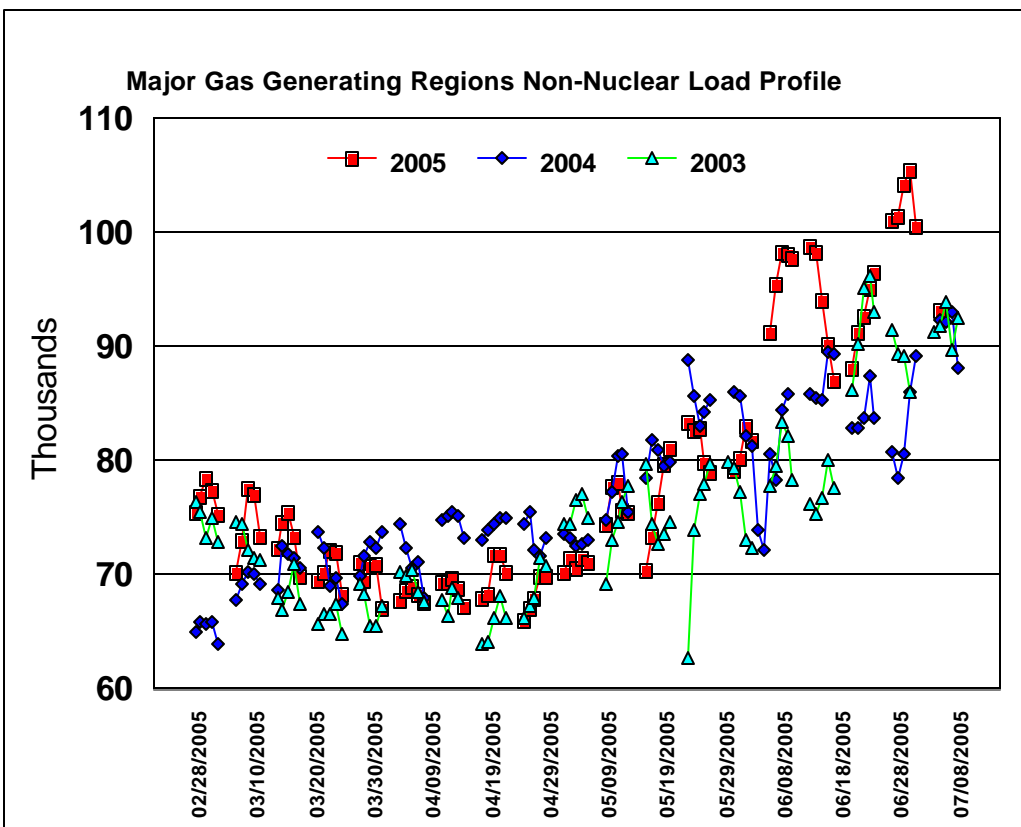
Calpine Corp. announced that it has completed the sale of all of its domestic oil and gas exploration and production assets for \$1.05 billion, less approximately \$60 million of estimated transaction fees and expenses. With the completion of this

transaction, Calpine expects to record, subsequent to June 30, a gain on the sale of assets of approximately \$350 million.

Imports of liquefied natural gas (LNG) rose 4% to 157.3 Bcf in the first quarter compared to the first quarter of 2004 and total U.S. gas imports were up 5.8% to 1,154.1 Bcf, the Department of Energy's Office of Fossil Energy said in its First Quarter Report on *Natural Gas Imports and Exports*. Imports from Canada were up 6.1% in the first quarter to 996.5 Bcf.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that from July 13-16, the receipt from MRT-Mills Ranch in Wheeler County, Texas will be unavailable for scheduling. NGPL also 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, 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.

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 10% tolerance.

Questar Pipeline Company said that the expansion tie-in work and resulting shutdown, scheduled for July 13, will be deemed an event of force majeure.

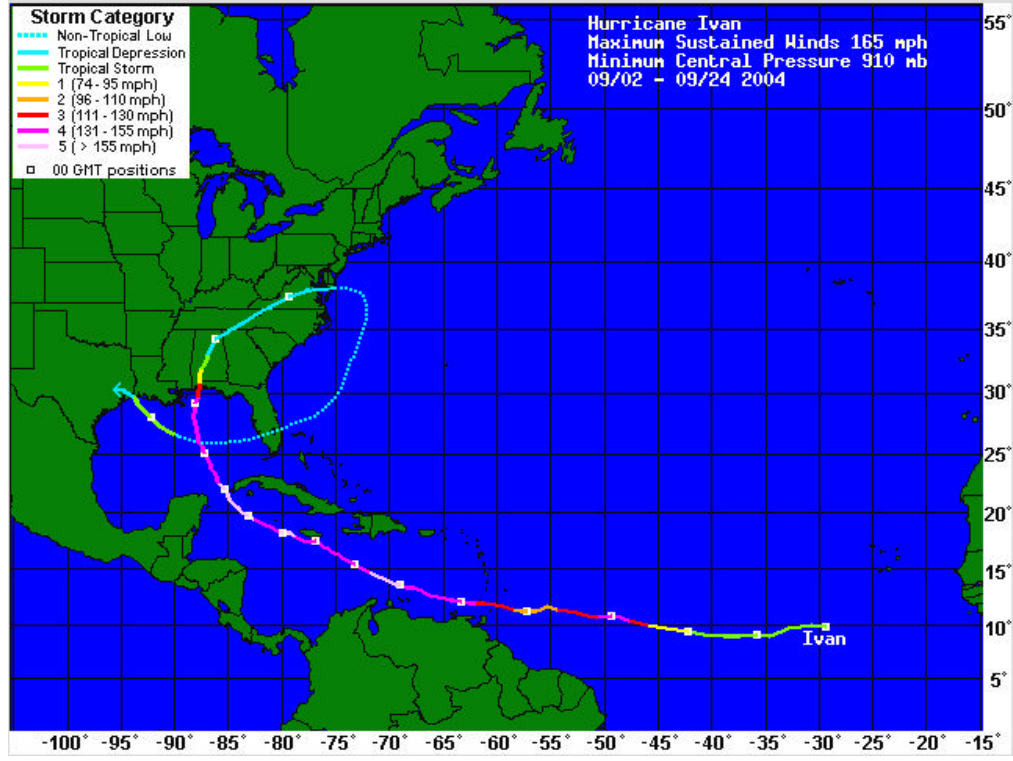
PIPELINE MAINTENANCE

ANR Pipeline Company said in an update regarding its current critical outage at the Custer Compressor Station located near Weatherford, Oklahoma, the repair work to compression equipment and buildings has been completed. As a result the Southwest Mainline capacity reduction has been lifted.

Gulf South pipeline said it began unscheduled maintenance on Unit #3 at the Jackson Compressor Station yesterday. Repairs will continue until further notice. Capacity through the Jackson Compressor Station could be affected as much as 120 MMcf/d during the duration of this maintenance.

PG&E California Gas Transmission said that it will be performing a gear box replacement at the Burney K-2 Compressor on July 19. Capacity on the Redwood Line is expected to dip to 2,020 MMcf/d, 99% of capacity.

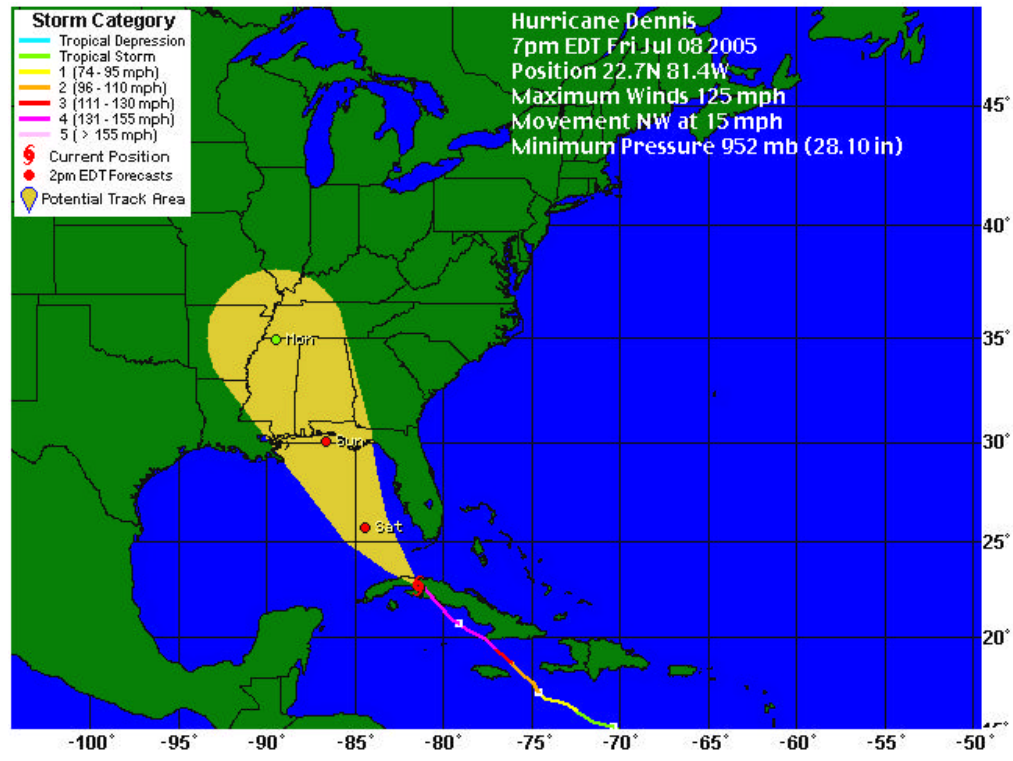
Williston Basin Interstate Pipeline Company said maintenance to replace the pipe crossing the Big Horn River near Hardin, Montana will be performed between July 18 and July 22. Based upon current operating conditions, no restrictions are anticipated at this time.



ELECTRICITY MARKET NEWS

In a non-binding recommendation filed yesterday, the Florida Public Power Service Commission's staff recommended reducing the amount Florida Power and Light will recover from ratepayers from \$533 million to \$441.9 million. The staff recommendation outlines reductions in payroll costs, vehicle and tree trimming expenses and advertising.

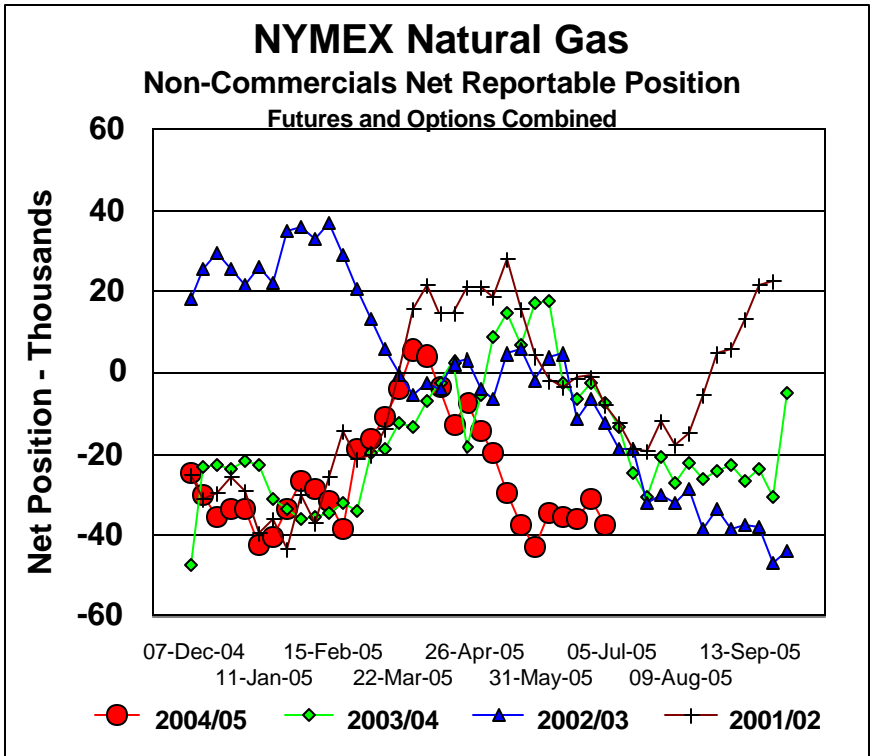
San Diego Gas & Electric said it has completed work on its Miguel-Mission 2 electric transmission line a year ahead of schedule in time to put the line in service before this summer's peak electricity demand. The 35-mile, 230 kV line runs along the utility's existing right-of-way from its Miguel substation in the southeast region of San Diego County to its Mission substation in Mission Valley. Last year, the Miguel substation was one of the most congested electric transmission hubs in the state. As a result, state officials were concerned that transmission bottlenecks could trigger power outages this summer. Those concerns prompted SDG&E to accelerate construction to get the line built before the hot summer weather arrived in San Diego County.



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CMS Energy said it agreed to settle a shareholder derivative lawsuit related to the company's round-trip energy trading. The lawsuit, filed by an individual shareholder on behalf of the company in 2003, claimed that some

current and former CMS officers and directors had breached their duties in connection with round-trip trading and internal controls. The company said, under the terms of the settlement, it will receive \$12 million under the company's directors and officers' liability insurance program, \$7 million of which will be used to pay costs from a class action lawsuit.



ECONOMIC NEWS

The Labor Department reported that the unemployment rate fell to 5% from 5.1% in May, the lowest since a matching reading in September 2001. Economists had forecast the rate would remain unchanged at 5.1%. The department's survey of employers showed they added just 146,000 jobs to payrolls in June, up from a revised 104,000 in May. Yet it was well short of the average forecast for a net gain of 195,000 jobs last month.

MARKET COMMENTARY

The natural gas market opened stronger this morning supported by the continued advancement of Hurricane Dennis towards the Gulf Of Mexico. Prices in the first hour of trading were able to breach resistance from the prior two days at the \$7.69-\$7.70, but were unable to

dramatically move higher as the 11 AM update from the National Hurricane Center appeared to show a slight shift eastward of its path through the Gulf of Mexico and its point of projected landfall on the U.S. Gulf of Mexico. This minor adjustment though seemed to dramatically reduce the risk of damage to production fields, and thus prices began to erode throughout the oil and gas markets. While the oil markets all finished dramatically lower on the day, the natural gas market was still able to finish up over 7 cents on the day and higher on the week.

Monday's prices will all be dependent on the path of this storm over the weekend and its ultimate impact and damage to production facilities in the Gulf of Mexico. If significant shut-ins and or damage is reported then we would see prices pushing up to the \$8.00 level otherwise, a continued retracement in oil prices will push natural gas prices back towards the \$7.20-\$7.00 level.

Tonight's Commitment of Traders Report showed that the non-commercial sector continued to hold the sizeable net short position and actually added to it over the week ending July 5th. The futures only position increased by 3327 contracts, while the futures and options net position increased by 6353 shorts.

