



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 11, 2005

NATURAL GAS MARKET NEWS

The Minerals Management Service reported this afternoon at as of 11:30 this morning some 6.2 bcf of U.S. offshore natural gas production remained shut in the wake of Hurricane Dennis. This was some 62% of total production from the Gulf of Mexico, while 96.2% of the crude oil production in the Gulf was still shut in. The total of lost gas production from Tropical Storm Cindy and Hurricane Dennis was nearly 19.6 BCF. MMS officials though expected the shut in totals to dramatically decline over the next 24 hours as workers returned to the production platforms.

Natural gas pipeline and production company El Paso said it expected pipelines and production platforms in the Gulf of Mexico impacted by Hurricane Dennis to be back on stream by Monday afternoon. The general impression from El Paso and others so far is that the landfall and trajectory of Hurricane Dennis made it far less of an issue for oil and gas infrastructure than Hurricane Ivan. El Paso's Southern natural Gas Pipeline system had slightly more than 400 MMcf/d of gas production shut-in by producers and its TGP system had approximately 700 MMcf/d shut-in.

After suspending or "shutting in" the majority of its oil and natural gas production in the Gulf of Mexico due to Hurricane Dennis, Apache Corp. expects to have more than 90% of the lost output restored by Tuesday morning. Apache shut in more than two-thirds of its daily natural gas production of 650 MMcf.

Williams Cos. reported that at the peak of Hurricane Dennis, Transco saw some 800 MMcf/d shut in, and Gulfstream saw about 400 MMcf/d shut. There were no reports of damage to any of the company's facilities, and that shut in production is slowly coming back on line today.

Loews Corp. reported that at the peak of Hurricane Dennis, its Texas Gas Transmission pipeline shut in about 300 MMcf/d, and that there was no damage.

ExxonMobil Corp. is bringing back small amounts of natural gas production in the wake of Hurricane Dennis, but more than half of the company's Gulf of Mexico gas output remains shut-in as storm damage assessment progresses. The company has restarted the production of 50 MMcf/d, bringing halted production of natural gas due to Hurricane Dennis down to 730 MMcf/d.

Generator Problems

ERCOT—

MAAC— Exelon Corp.'s 1,112 Mw Peach Bottom #2 nuclear unit is operating at 5% today down from full power. The unit experienced a turbine trip and subsequent reactor scram on Sunday. Peach Bottom #3 continues to operate at full power.

MAIN— Wisconsin Energy Corp.'s 514 Mw Point Beach #2 nuclear unit is operating at 18% today after exiting a refueling outage. Point Beach #1 continues to operate at full power.

WSCC— The 756 Mw Unit #7 at the Moss Landing gas fired plant was taken off line for a planned outage.

SERC— Duke Energy's 1,100 Mw McGuire #1 nuclear unit is operating at full power today. The unit was operating at 56% capacity on Friday. McGuire #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 92,189 Mw down .47% from Friday and down 4.15% from a year ago.

General Electric Co. and Canada's biggest institutional investor will buy the Southern Star gas pipeline system from AIG Highstar Capital for \$362 million, plus the assumption of \$476 million in debt and preferred stock. The purchase by GE and Canada's Caisse de Depot et Placement du Quebec includes compressor stations and gas storage fields serving local gas distribution companies in Missouri and Kansas. The natural gas pipeline spans 6,000 miles in seven Midwestern and Southern states.

The Climate Prediction Center this morning reported that for the week ending July 9th, the U.S. saw some 69 cooling degree-days. This total was basically in line with normal and year ago levels. For the current week ending July 16th the nation should see some 90 CDD, some 23.2% more than normal and some 20% more than the same week a year ago.

The National Hurricane Center began watching Tropical Depression 5 today and expected this storm to reach hurricane strength within the next 96 hours. The storm remained poorly organized today as the system remained surrounded by relatively dry air. However over the next couple of days the storm is expected to move into a more favorable upper level environment. And a slow steady strengthening is anticipated. Forecasters at Accuweather feel that the current forecast track takes the system too far north over the period and as a result feel that this storm could possibly be threatening the western half of the Gulf of Mexico by this time next week.

PIPELINE RESTRICTIONS

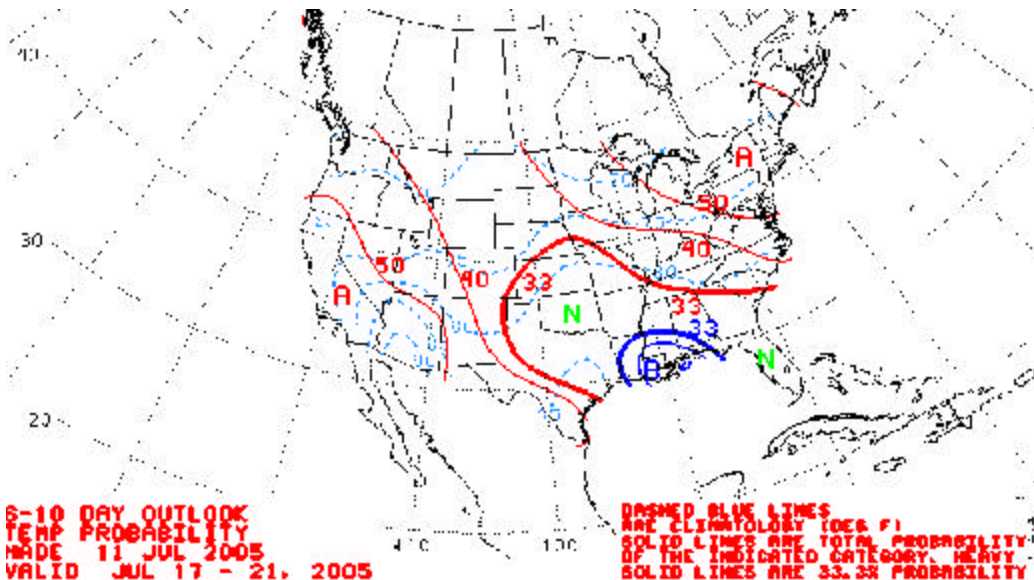
Natural Gas Pipeline Company of America said that from July 11-14, the receipt from MRT-Mills Ranch in Wheeler County, Texas will be unavailable for scheduling. NGPL also said that the force majeure is still in affect due to the failure that occurred on May 13 on the Gulf Coast #3 mainline. In other 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.

Gulf South Pipeline requested that all shippers on its system to balance their transportation and storage contracts by conforming receipts into the system with the deliveries being taken from the system, and to receive and deliver quantities at a uniform hourly rate of flow. If shippers do not voluntarily comply with these provisions, Gulf South said it may be forced to declare a Critical Period or issue an Operational Flow Order, which could result in severe penalties for shippers.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system.

PIPELINE MAINTENANCE



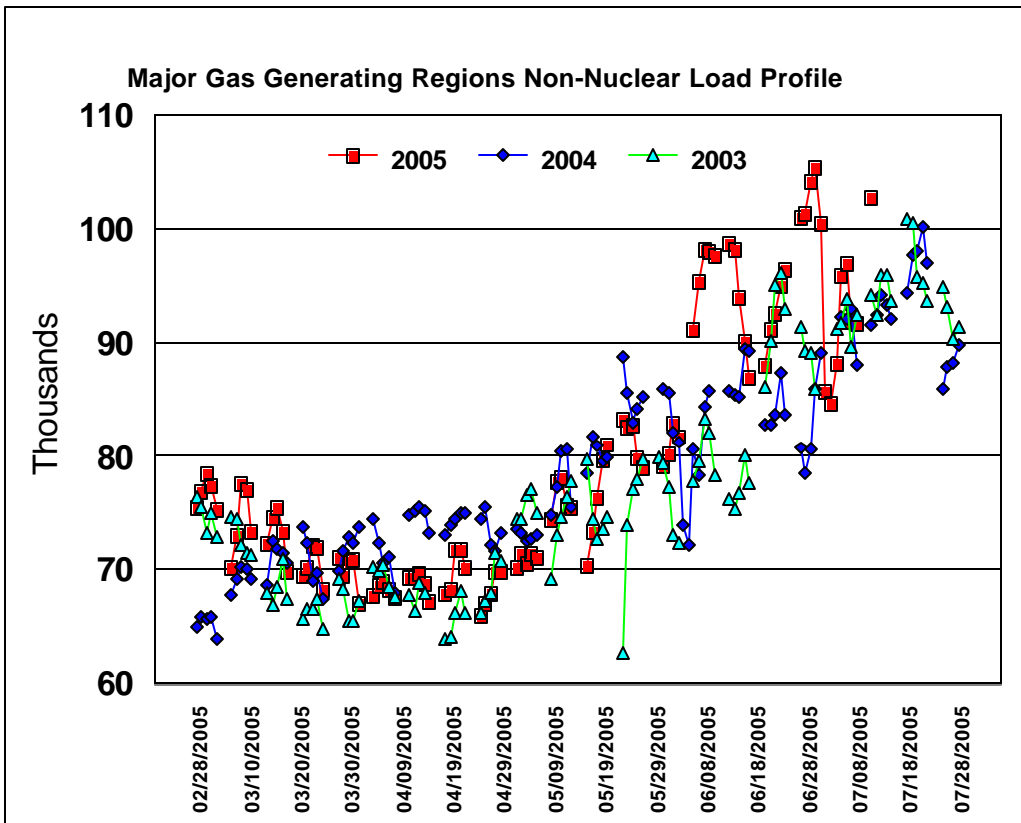
ANR Pipeline Company said that due to an unforeseen engine outage, ANR will immediately begin engine maintenance on its St. John Compressor Station located in Indiana in the Northern Fuel Segment (ML-7), which will reduce the total St. John W-E capacity by 115 MMcf/d from July 10-13.

Panhandle Eastern Pipe Line Company said that there will be an outage on the Louisburg 300 line from Louisburg compressor station to 1 gate for anomaly repairs beginning July 19. The outage was previously scheduled to begin July 20. The outage is expected to last four days. During this outage, the capacity through Houstonia will be limited to 1,225 MMcf/d. At this time there is no anticipated impact to shipper nominations.

Questar Pipeline Company said that ML 104 scheduling point and Wildcat tap will be reduced to zero in all cycles for July 13. Nominations will be accepted from Kern River to Currant Creek and Nebo Tap. This ML 104 shutdown is needed to install the Thistle Creek block valve as part of the Southern System expansion work.

ELECTRICITY MARKET NEWS

U.S. power company Southern Co. said it reached an agreement to push back its deadline to respond to the more than \$2 billion lawsuit filed by a former subsidiary, bankrupt energy trader Mirant Corp. The deadline has been extended until Aug. 17. In the lawsuit, Mirant claimed its former parent company contributed to its bankruptcy. It alleges that during 1997-1999, Southern caused Mirant to make or commit to make acquisitions totaling more than \$6 billion, for which Mirant was unable to obtain significant project financing because it grossly overpaid for most of the buys. Southern does not believe that there is any merit to the lawsuit.



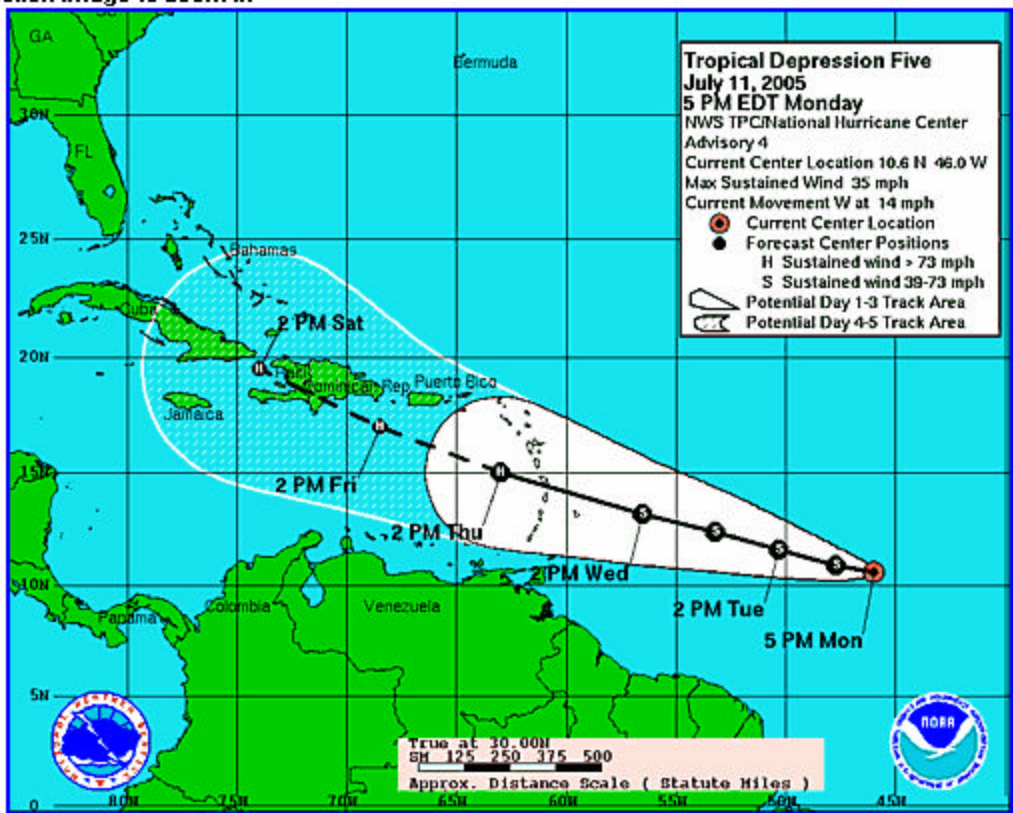
Hurricane Dennis knocked out power to more than a million customers in Florida and the Southeast after making landfall on Sunday, with more than 531,000 customers in Georgia, Alabama and Mississippi still in the dark early today. Gulf Power spokesman John Hutchinson said the company was still working on damage assessment and an estimate on how long it could take to get power back on. He added that customers who can take delivery should have power restored within two weeks.

The Northwest River Forecast Center

slightly increased some estimates for water runoff in its final forecast for the 2004-2005 season although the outlook remained below normal. The Portland, Oregon-based agency, in a forecast issued late Friday, projected flows through The Dalles dam would average 76% of normal from January through July, up from 75% in its prior forecast.

MARKET COMMENTARY

The natural gas market gapped lower this morning as traders returned to their offices to find little or no reports of damage to production facilities in the Gulf of Mexico following passage of Hurricane Dennis through the region this weekend. But the gas market quickly found support within the first 30 minutes of trading down near the 50% retracement level of the rally from the past two weeks, and began to gradually inch higher as prospects for warmer than normal temperatures over much of the nation for the next couple of weeks was expected to help support gas demand from electric generators. In addition it appears the market received a boost late in the trading session as the Minerals Management Service reported that over 18.12 bcf of natural gas production had been shut in from Hurricane Dennis. As a result the August contract went out near its highs for the day, settling up for the second straight trading session. Final trading volume though was relatively light with just over 59,000 futures traded.



We would look for this market to continue to find support from the return of hot temperatures over much of the nation as well as the advance towards the United States of the next tropical system in the Atlantic basin. We would look for support in this market again to be found at \$7.34-\$7.33, followed by \$7.25 and \$7.20. Resistance we see at \$7.50, \$7.55, \$7.602 and \$7.76.