The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 15, 2005

NATURAL GAS MARKET NEWS

Trunkline has requested the FERC to authorize start-up and an interim tariff by July 20th to process and sendout expected LNG deliveries at its import terminal at Lake Charles, LA. The gasification function and the pipeline loop portions of its expansion project at the LNG terminal are completed and ready to begin operations.

The path of Hurricane Emily remained in question throughout the day. The National Hurricane Center at midday noted that the storm had begun to weaken a bit, as the upper level environment was not as favorable for strengthening as it was earlier, as some shearing may be taking place, especially as it moves into the western Caribbean. They also noted that none of the forecasting models suggest re-intensification over the storm over the western Gulf of Mexico is possible, once it passes over the Yucatan. There appeared to be widespread agreement among the forecasting models for the storm to make landfall on the Mexican –Texas border. But some private weather forecaster though warned that the storm may eventually take a more northerly track and thus become a growing threat to offshore production a refining activity along the U.S. Gulf of Mexico. Forecasters at Planalytics warned that the high pressure ridge over the western Gulf of Mexico was beginning to weaken and thus would allow the storm to turn more northwestward next week and thus allow the storm to threaten western and central parts of the Gulf of Mexico.

The U.S. MMS reported at midday that offshore oil and gas production continued to rebound over the past 24 hours. As of midday it noted that only 30,379 b/d of crude oil and just 65.04 Mmcf/d of gas output remained shut in as a result of Hurricane Dennis.

Generator Problems

NPCC – Entergy's 825 Mw FitzPatrick nuclea r unit stood at 82% of capacity this motning down some 5% from yesterday.

MACC – Exelon's 1112 Mw Peach Bottom Unit #2 was up to 98% of capacity this morning, up some 31% from yesterday's operating levels.

SERC – Progress Energy reported that the reason for the 872 Mw Brunswick #1 nuclear unit dropped off line on Wednesday was due to a turbine tripping which then resulted in the reactor to trip off. The unit remains in cold shut down.

ECAR DTE nergy's 1111 Mw Unit #2 at the Fermi nuclear power station has started up and was at 3% of capacity this morning. The unit was taken off line back on June 25th for repair work on a non-radioactive leak.

FRCC – FPL's 693 Mw Turkey Point Unit #4 has exited its recent outage and was at 30% of capacity this morning. The unit was shutdown on June 27th due to a transformer fire.

MAIN – Nuclear Management's Point Beach #2 nuclear unit was at 60% of capacity, up 12% from Thursday.

WSCC— APS 1247 Palo Verde #3 nuclear unit ramped up an additional 23% over the last day and stood at 99% of capacity.

The NRC reported that U.S. nuclear generating capacity was at 94,797 Mw up 0.92% from Thursday and up 1.45% from a year ago.

Baker Hughes reported this afternoon that the number of drilling rigs searching for natural gas stood at 1234 rigs, down 1 from the prior week but nearly 20% more than the same week a year ago.

Maritimes & Northeast Pipeline announced today that it has executed transportation agreements with Anadarko to transport 813 bcf of gas from the proposed Bear Head LNG terminal in Nova Scotia and with Repsol YPF to transport 750 bcf of natural gas from the proposed Canaport LNG terminal near Saint John, New Brunswick. The agreements are for transportation service to markets in Atlantic Canada and the northeastern U.S.. Pipeline transportation for both agreements would begin in 2008. The company will now go ahead with planning for the expansion work on its lines and will submit applications to regulators late this year or early next year for approval.

PIPELINE RESTRICTIONS

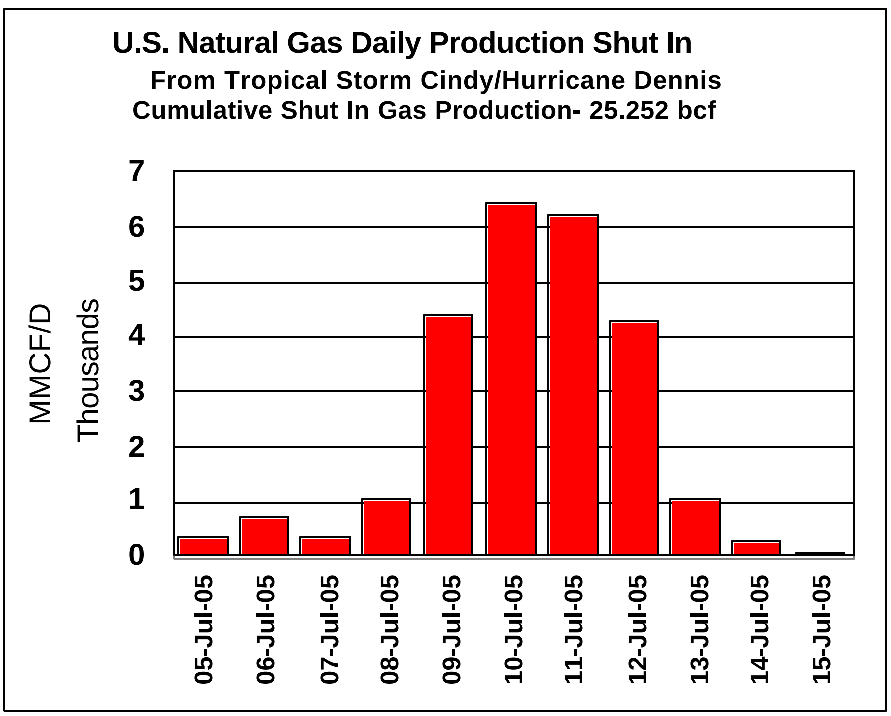
Iroquois Gas Transmission System said that due to pipeline constraints it is requesting point operators to adhere to their scheduled volumes through July 17th gas day. No due unscheduled shipper gas will be available.

NGPL said that its force majeure is still in effect along its Gulf Coast #3 mainline. Segment 17 is also reported at capacity. It noted that it is at capacity for gas received upstream of Compressor Station 155 in Wise County, TX in Segment 1 going northbound. Also ANR South Joliet #2 is at capacity for deliveries.

TransColorado Gas Transmission said that it is at capacity for deliveries through Segment 310, the La Maquina Lateral to the Blanco Hub.

Kern River Pipeline said that line pack on its system continues to be at normal operating levels, except on the north end of the system where it is high.

Texas Eastern Transmission said its M1 and M2 lines have been scheduled to capacity. Nomination increases sourced between Little Rock and Batesville for delivery outside of that area will not be accepted.



PIPELINE MAINTENANCE

El Paso Gas Company said that the Wenden GE Turbine will be taken down for mechanical inspection on July 25-26th. The Wenden Solar turbine will be closed down for inspection on July 27th. As a result the capacity of the Havasu Crossover will be reduced by 60 Mmcf/d on the 25th and 26th, while on the 27th capcity will be reduced by only 35 Mmcf/d.

National Fuel Gas said the Concord compressor unit 3 will be out of service from July 18th through July 21st.

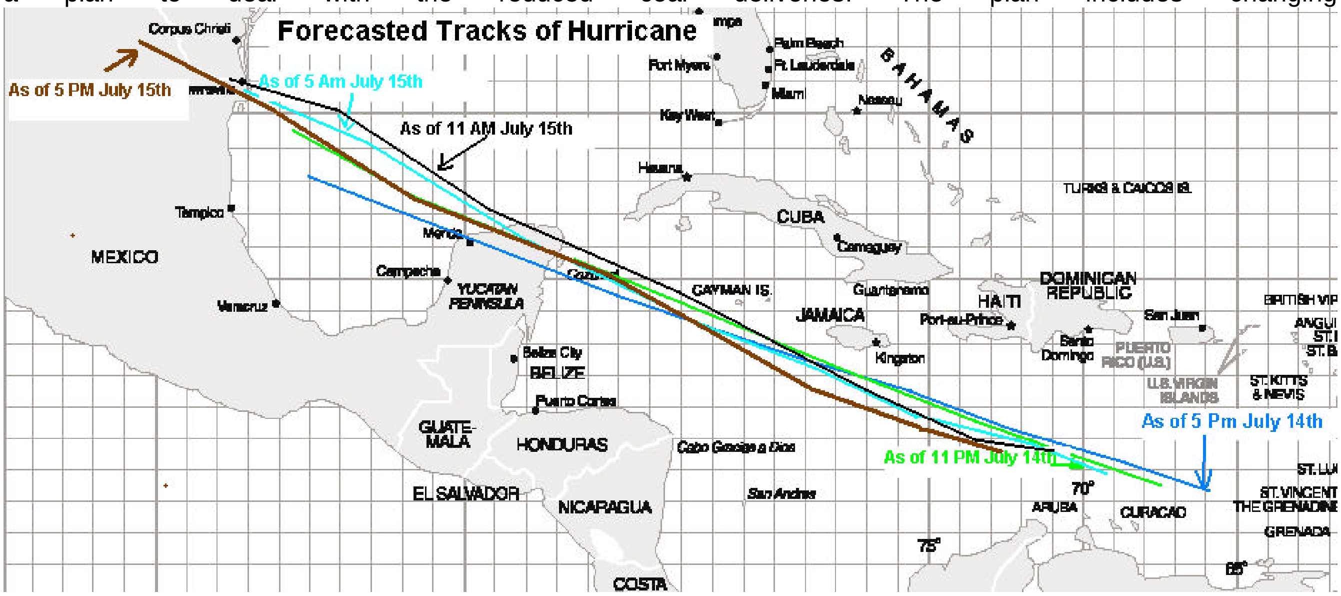
Panhandle Eastern said that the hydrostatic testing that began on June 20th along its Pleasant Hill line will be extended through July 16th. During this outage, the capacity through Houstonia will be limited to 1225 Mmcf/d and there will be no IT or overruns allowed.

Transco said the Southeast Louisiana Lateral outage has been rescheduled to begin July 16th and will last through July 31st. The work had originally been scheduled to begin July 12th. During this outage the company will not accept nominations from several blocks and thus will shut in some 100 Mmcf/d.

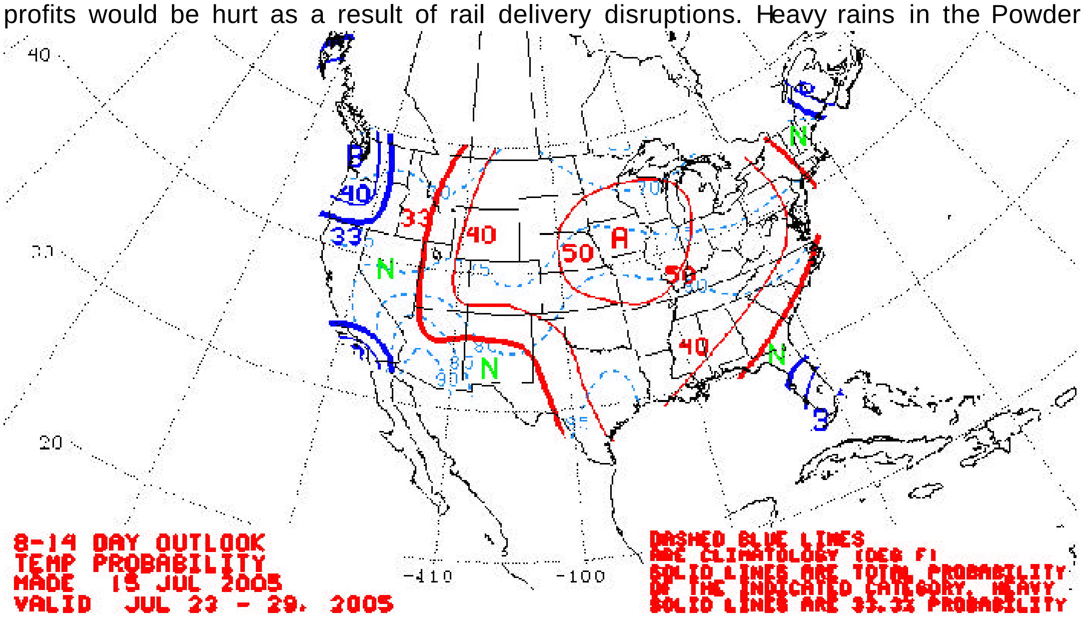
Williston Basin Interstate Pipeline said maintenance will be performed at the Glen Compressor Station for three days beginning August 15th. While deliveries could be restricted, it is not expected to be so given the lighter seasonal flows at this time.

ELECTRICITY MARKET NEWS

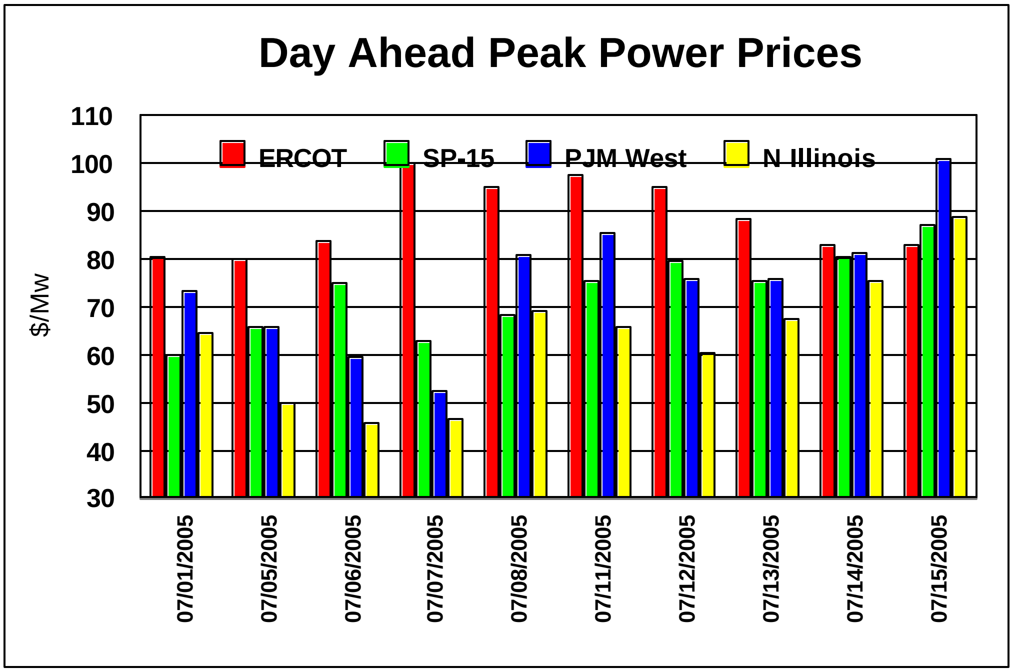
Xcel Energy reported to the SEC that it has been buying more power from the wholesale market to reduce the use of coal at its coal fired power plants owned buy its Southwestern Public Service Company subsidiary. The company reported that its coal stocks have been running low due to repairs being made to railroad tracks in Wyoming. The company fears these repairs may last until the end of the year. The company said it is developing a plan to deal with the reduced coal deliveries. The plan includes changing



dispatch of its coal-fired generation to better conserve existing coal stocks. The company has also increased power purchases and the use of natural gas for electric generation, as well as talking with customers to find ways to reduce sales levels if needed. Meanwhile two major U.S. coal producers warned today that their full year profits would be hurt as a result of rail delivery disruptions. Heavy rains in the Powder River Basin area of

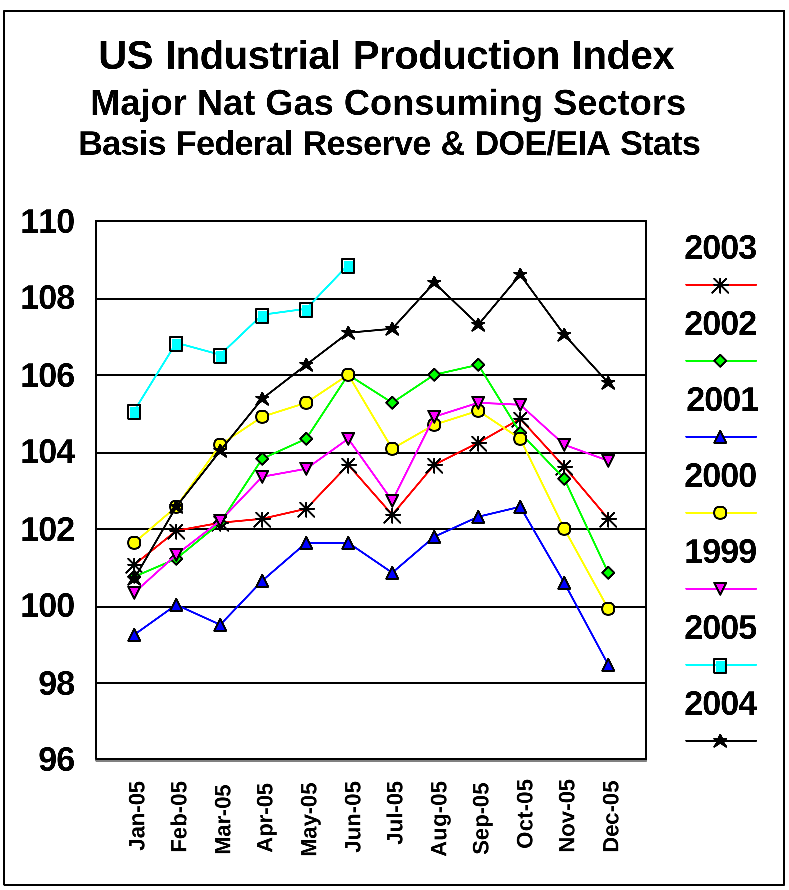


northeast Wyoming and southern Montana earlier this year damaged rail beds and that repairs may take until the end of the year to be completed. Arch Coal warned that these disruptions could lead to significant challenges for U.S. power plants. The company estimated that if current warmer than normal temperatures persist, utilities will see a rapid draw down in coal stock piles, which at the end of June they estimated were already 15% below the five year seasonal average.



Enron said today that it agreed to settle disputes with PG&E, Southern California Edison, San Diego Gas & Electric, the State of California and attorneys general of Oregon and Washington over transactions in the Western U.S. energy markets during the western energy crisis. The company agreed to pay$1.5 billion in unsecured claims and cash. Before the settlement is final though the FERC and the Enron bankruptcy court must approve it.

Due to the expectations of high electrical loads the Cal ISO declared a Restricted Maintenance Operations for today. Market participants are cautioned to avoid actions, which may unnecessarily jeopardize generator availability. California power demand was expected to reach 44,833 Mw today.



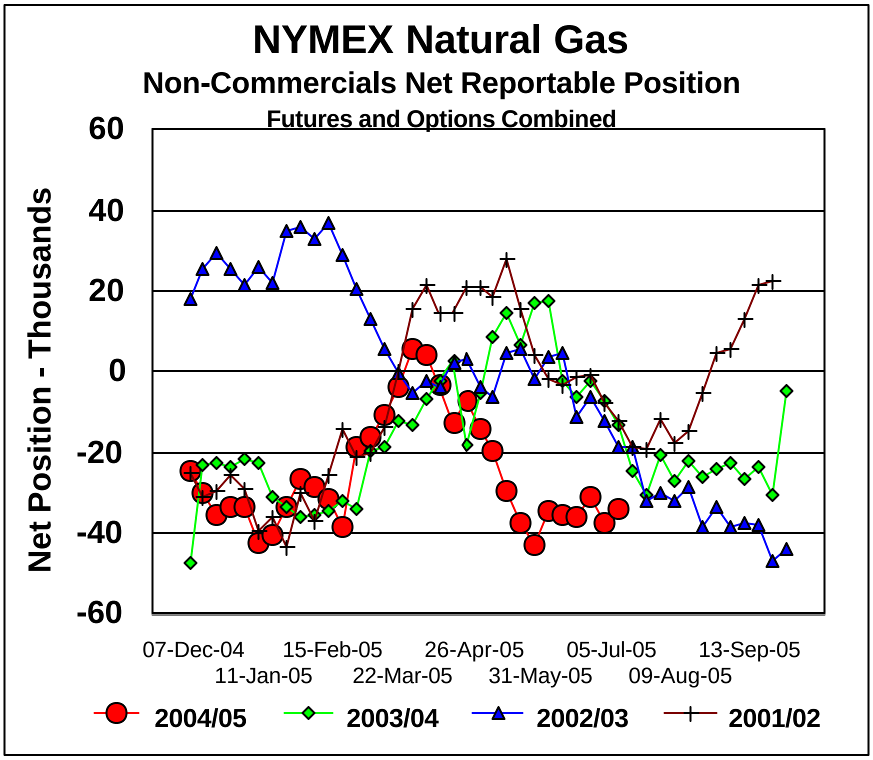
ECONOMIC NEWS

The Federal Reserve reported this morning that industrial production in June jumped a greater than expected 0.9%, as business ran at the fastest operating rate in almost five years. While utilities were operating some 5.3% higher, on the month due to warmer temperatures, overall manufacturing was up 0.4%. In the industrial sector that is the largest consumers of natural gas, the growth rate was 1.07% from May and up some 1.62% from the same month a year ago.

MARKET COMMENTARY

The natural gas market gapped higher this morning once again as a change in the forecast track of Hurricane Emily towards the north had traders on edge that the US Gulf offshore production fields were once again at risk. But as the delay wore on and the National Hurricane Center's forecast track appeared to drift back southward and the storm's intensity appeared to diminish a bit prices eased and as a result not only back filled the morning' gap but actually finished up near unchanged levels. Final volume was estimated at just 56,000 contracts, typical of a lightly traded Friday session.

Price direction early next week will be completely dependent on the evolving path of this storm. If the storm will remain south of the U.S. border we would expect that prices early next week could attempt to back fill the gap created back on Tuesday. This gap currently stands at $7.66-$7.53. Likewise while the $8.05-$8.10 resistance this week has provided an effective top for this market, a dramatic turn northward by this storm should allow a breach of this resistance and send prices soaring into the mid $8.00 range if not higher given the expectation for a significant heat wave across much of the nation for the next two weeks, which would be compounded by the loss of additional natural gas production.



This afternoon's Commitment of Traders report showed that for the week ending July 12th, the non-commercials decreased the net short position by 8,093 contract basis the futures market only report. But when viewing this group's net short position in a combined fashion of futures and options position, the net short position contracted by a more modest 3532 contracts.