



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR JULY 19, 2005

NATURAL GAS MARKET NEWS

With Hurricane Emily tracking well south of U.S. natural gas production fields in the Gulf of Mexico, fewer pipeline operators said there were still reports of producers cutting supply to their systems. The Minerals Management Service reported that 6.52% of the region's gas output has been shut in. Since Monday, Emily has shut a total of 710 MMcf of natural gas production. The production is expected to restart quickly, with several companies reporting they are already flying evacuated workers back to their platforms in the region. Duke Energy's Texas Eastern Pipeline is operating under normal conditions, with a capacity of 5.9 Bcf/d. El Paso Corp.'s Tennessee Gas Pipeline reported that supplies were running normally. Williams Co.'s 8.1 Bcf/d Transco pipeline remains the only exception, with 300-400 MMcf/d of supply still cut by producers. Williams Co.'s Gulfstream pipeline system is not experiencing any supply impact. The storm did force Mexico's Pemex to shut most of its oil production in Campeche Sound, which provides roughly 80% of that nation's total oil output.

Apache Corp. said that it has shut in 82 MMcf/d of natural gas production out of a total of 650 MMcf/d in anticipation of Hurricane Emily. The company said it has shut in production in 14 fields in its southern production area of the Gulf of Mexico and 35 platforms have been evacuated.

Shell Oil Co. said 220 MMcf/d in natural gas output is shut in onshore operations today as workers are returning to offshore operations in the U.S. Gulf of Mexico. Offshore, Shell continues to have 60 MMcf/d in natural gas production shut in due to Emily.

Williams Cos. said it is holding an open season through August 17 for firm transportation service on its Transcontinental Gas Pipeline system to serve natural gas markets in the metropolitan Washington, DC area.

Soaring gas prices prompted U.S. gas utilities to use more aggressive hedging strategies and sign longer term agreements ahead of winter last year to mitigate the impact of rising prices on consumers, according to a new report by the American Gas Association.

Generator Problems

ERCOT— Texas Genco will restart its 836 Mw Limestone #1 coal-fired power station today. The unit shut July 17 due to boiler feed pump control problems.

The Monticello #2 steam electric station tripped early this morning while at load due to a boiler swing caused by a change in system frequency. The unit is in start up, and is expected back in service later today.

MAAC— Exelon Generation's 1,143 Mw Limerick #1 nuclear unit shut at about 10 AM ET yesterday when the activation of a generator relay prompted a turbine trip then reactor trip. The unit was at full power prior to the trip. Limerick #2 remains at full power.

MAPP— The 539 Mw Prairie Island #2 nuclear unit returned to full power this morning. The unit was operating at 90% power yesterday. Prairie Island #1 remains at full power.

WSCC— Reliant Energy's 741 Mw Ormond Beach #1 natural gas-fired power station shut for unplanned reasons early today. Yesterday, the unit was available for service. Unit #2 remains available for service.

Canada— Ontario Power Generation's 515 Mw Pickering A #4 nuclear unit returned to service late yesterday. The unit shut April 2 to inspect feeder tubes.

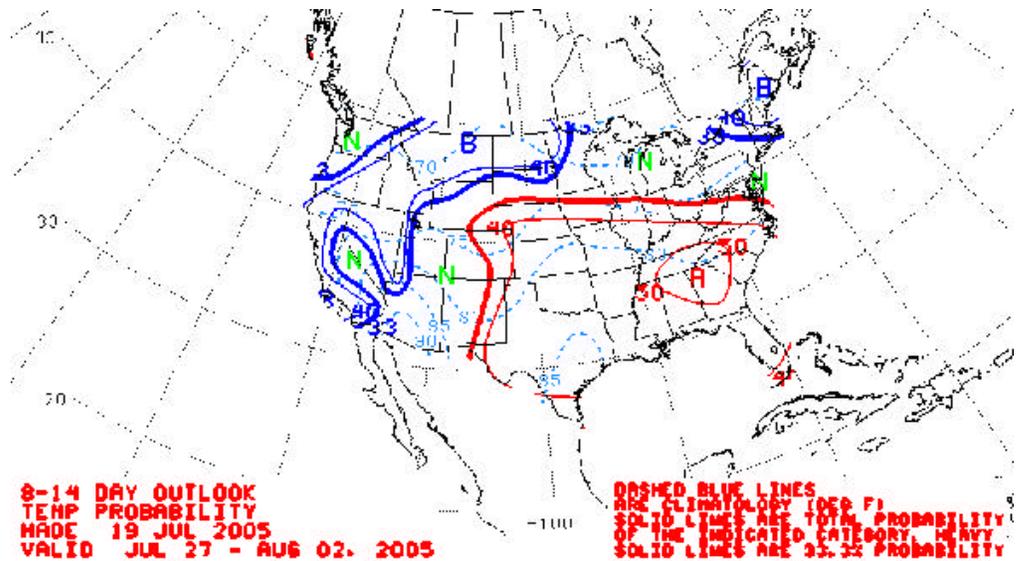
The NRC reported that U.S. nuclear generating capacity was at 95,317 Mw down 1.07% from Monday and down .70% from a year ago.

Canada's Government said it has reached an agreement with five northern aboriginal bands to help solve social problems that are holding up development of a planned C\$7 billion (\$5.7 billion) Arctic gas pipeline. The Canadian government agreed to pay C\$500 million over the next 10 years to help the groups deal with the impact of the pipeline.

The bands' demands for more infrastructure such as hospitals and schools are just one of many problems dogging the Mackenzie project.

A coalition of industry groups, including the AGA, API, the Electric Power Supply Association, and the Natural Gas Supply Association; price publishers Platts and NGI; and the futures exchanges, the Intercontinental

Exchange and NYMEX, all called on Congress to take note of the progress the industry and the marketplace has made over the past three years in voluntary price reporting and not to impose a new governmental mandated price reporting system, which the group feels could possibly prove to be counterproductive in trying to increase price transparency in the gas and power markets.



PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the failure that occurred on May 13 on the Gulf Coast #3 mainline of Natural's pipeline in Harrison County, Texas located in Segment 26. In other news, Segment 17 is at capacity today. Deliveries to Florida Jefferson are at capacity. Natural 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.

Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts sourced at Mahwah will not be accepted.

Centerpoint Gas Transmission said that on July 20 the Perryville Hub capacity will be limited to primary firm delivery obligations only. These obligations will require shippers to move to their primary delivery points. No IT and Secondary movements will be allowed. Wheeling will be permitted only with an actual incremental physical receipt from the upstream pipeline. CEGT requests that shippers cooperate and act in accordance with CEGT's instructions in this situation.

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 25% tolerance.

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.

National Fuel Gas said that the Ellisburg unit 10 will be out of service July 26 – 27. No services are expected to be affected. The Ellisburg unit is located in upstate New York.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said that Line 3125 in Midland County, Texas will be down to replace sections of pipe July 26-27. Also, El Paso said that Wenden maintenance scheduled for July 25-27 will be postponed one day. The Capacity of the Havasu Crossover will not be reduced on July 25, but will be reduced by 60 MMcf July 26 and 27 and by 35 MMcf/d July 28 from a base capacity of 650 MMcf/d.

Iroquois Gas Transmission System said that due to a mechanical failure at the Dover Compressor Station, Iroquois is at capacity through the Athens Compressor Station. Current loans, IT and ER/ED downstream of Athens is subject to allocation through today. Receipts at Brookfield are available, however no additional nominations will be allowed through the Athens Compressor Station.

KM Interstate Gas Transmission said it is continuing to work on the pulsation bottles on six Cheyenne Market Center compressor units that cracked in early March. 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 July 1. Remediation work and analysis is continuing on the remaining five units.

Questar Pipeline Company said it will be performing construction work as part of the southern system expansion project at it Greasewood facility during the week of August 1. To facilitate the work, no nominations will be accepted at MAPS 297, 313, and 352 in all cycles for August 1-5. Nominations will return to normal in cycle 1, August 6.

ELECTRICITY MARKET NEWS

The Independent Electricity System Operator, which operates the Ontario power grid, asked consumers to reduce their use of electricity for the remainder of the week as record hot weather continues to put a strain on the province's electricity system. The sustained hot weather is resulting in record demands for electricity and places operating limitations on both generation and transmission facilities. In addition, a near drought in much of Ontario has resulted in decreased supply from hydroelectric generating facilities.

The New York Power Authority activated its Peak Load Management program today, asking customers to cut back on their usage as air conditioning usage soars during a heat wave. NYPA said 14 customers, including the MTA, the New York City Department of Environmental Protection, CUNY and Citibank have committed to cut back their electricity use by a total of 61 Mw, which could power about 61,000 homes, by turning off nonessential lighting and computers, adjusting air-conditioner settings, running fewer elevators and shutting down decorative fountains. The Power Authority pays the participating customer \$40 for each kilowatt of electricity they commit to reduce when called upon.

Due to the expectation of high loads and temperatures across the California ISO Control Area, the CAISO declared Statewide Restricted Maintenance Operations for today, from 5:59 AM PT through 9:59 PM PT.

Peabody Energy Chief Executive Gregory Boyce says coal inventories at power plants are being strained by rail disruptions and high demand for coal. Boyce expects inventories to reach an all-time low by the end of the summer.

MARKET COMMENTARY

The natural gas market today appeared to take a breather, as it posted its smallest daily trading range in over a month. While the market spent most of the day in negative territory as weather forecasts continued to point to the decreasing threat Hurricane Emily would be to U.S. offshore producing fields, the prolonged heat wave east of the Rockies that was keeping electric loads relatively high, was lending support to cash natural gas prices. Final volume today was estimated at 63,000 futures traded, of which two thirds came via spread trading.

The market may be a bit uncertain on what this week's EIA storage report may show and as a result may prefer to move to the sidelines until after Thursday's storage report. Current market expectations appear to be running between a 40-60 bcf build with the most expectations coming in around the low 50's. We find this interesting given that we see last week as being the warmest week of the summer season, some 6% hotter than the prior week as well as seeing the return of industrial demand last week since it was the first full work week following the

July 4th holiday. This coupled with the loss of some 24 bcf of offshore natural gas production due to shut ins surrounding the passage of Hurricane Dennis, we feel will result in the lowest injection rate since April, possibly only 35 bcf.

As a result we would look for any further sell off as a scale down buying opportunity to get long going into this week's storage report on Thursday morning. While the August contract did back fill the gap in the daily charts from last Tuesday, the remainder of the contracts for this calendar year still have not completely back filled this gap. In the September contract, this gap remains at \$7.57-\$7.545. In the August contract we would look for support at \$7.53-\$7.505 followed by \$7.365-\$7.33, \$7.273, \$7.25 and \$7.20. Resistance we see at \$7.65 followed by \$7.75-\$7.78, \$7.815 and \$7.882. More distant resistance we see at \$8.07-\$8.10.