



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 22, 2005

NATURAL GAS MARKET NEWS

Weather forecasters were keeping an eye on a "vigorous" tropical wave along the east coast of the Yucatan Peninsula. This system is expected to move west northwestward over the next couple of days. While tropical cyclone formation is not expected as this system moves over land, conditions do appear favorable for development once it emerges over the Gulf of Mexico. Forecasters at Acuuweather are looking for this system to possibly strengthen into a Tropical Storm and possibly threaten South Texas

The Minerals Management Service reported that 107.14 MMcf/d of natural gas, or 1.07% of daily gas production in the Gulf of Mexico, is still shut in as a result of Hurricane Emily. But all platforms and drilling rigs were manned once again.

PIPELINE RESTRICTIONS

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.

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 25% tolerance. Also, FGT said that current operating conditions at the ANR St. Landry/FGT Interconnect are resulting in consistent flow of around 100 MMcf/d. Until operational conditions change, FGT will only schedule up to 100 MMcf/d at this interconnect. Normally FGT schedules up to 150 to 250 MMcf/d at this interconnect.

Northwest Pipeline Corp. said that as part of its Integrity Management program it is required to complete an anomaly inspection on the 26-inch mainline between the Mt. Vernon and Sumas compressor stations. The anomaly inspection work began yesterday and Northwest is trying to complete this work in conjunction with Duke's inline pigging work activities scheduled for July 21-23. While this work is only anticipated to require 3-4 days to complete, the condition of the anomaly may necessitate additional work activities. NWP is working with interconnects and will use its operational flexibility to attempt to mitigate any impact to customers. If nominations through this area remain roughly the same or less as they are currently, NWP does not anticipate an impact to

Generator Problems

ERCOT— TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power unit was shut today to repair a boiler tube leak.

MAAC— Exelon Generation Company continued to ramp output at its 1,143 Mw Limerick #1 nuclear unit, operating the unit at full power as of early this morning. The unit was operating at 66% yesterday after restarting Wednesday. Limerick #2 remains at full power.

WSCC— Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired power station shut for planned and unplanned reasons early today

Southern California Edison's 790 Mw Mohave #1 coal-fired power station returned to service late yesterday following an unplanned outage.

Southern California Edison's 790 Mw Mohave #2 coal-fired power station shut early today for an unplanned outage.

The NRC reported that U.S. nuclear generating capacity was at 97,198 Mw up .10% from Thursday and up 2.61% from a year ago.

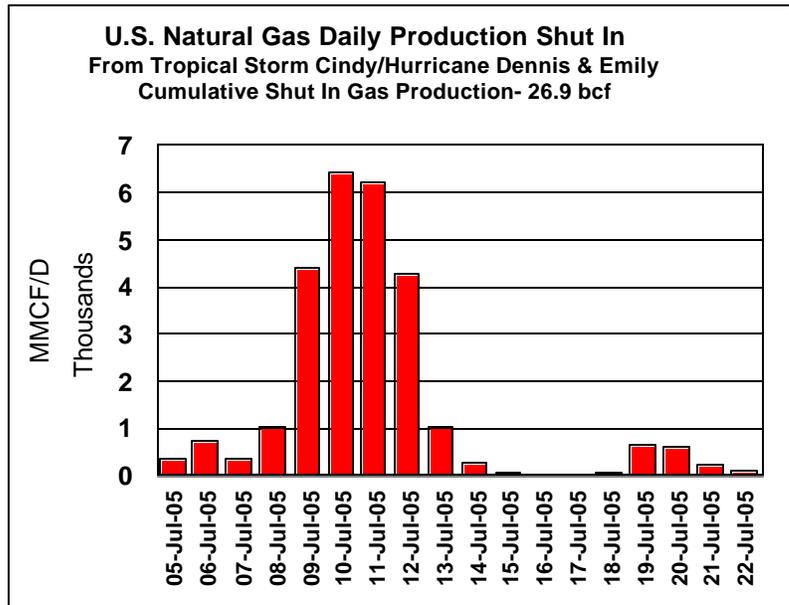
customers, however if pipeline modifications are required, possible decreases in throughput capacity in the Sumas to Mt. Vernon corridor would likely occur.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Co. said that maintenance to replace approximately 500 feet of mainline on the Saco to Morgan Creek Line has been rescheduled for August 8-12. The work will affect Receipt Point ID 00880 Whitewater and Receipt Point ID 00885 Bowdoin by approximately 8 MMcf/d August 8-11 and by approximately 2,500 MMcf/d August 12.

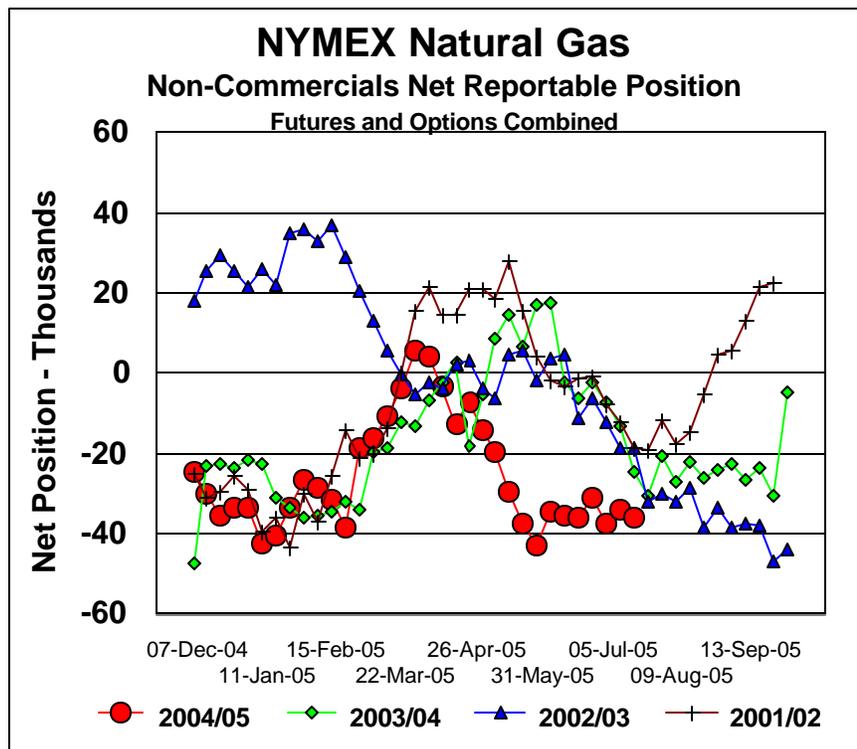
ELECTRICITY MARKET NEWS

The California ISO is continuing to urge conservation via a Flex Your Power NOW Power Watch, which it is extending through today. Yesterday's peak demand was 44,651 Mw, prompting a Stage Two Electrical Emergency after several power plant units, equaling approximately 2,000 Mw, tripped offline due to various equipment failures, some of which are heat-related. The only impact from the Stage Two was when the California ISO requested approximately 200 Mw worth of voluntary air conditioning cycling.



East Kentucky Power Cooperative said its board of directors voted last week to proceed with transmission expansion projects to deliver electricity from J.K. Smith Station. In addition to substation and related facilities at Smith Station, two 345 kV lines are planned from Smith. One line would extend approximately 18 miles to an existing 345 kV line near Sideview in western Montgomery County.

Another line would go approximately 48 miles to an existing LG&E line near Stanford in Lincoln County. These transmission lines will deliver electricity generated by Smith CTs 8-12, as well as Smith CFB 1.



The U.S. FERC terminated an investigation into possible market manipulation of supply offers by power market participants during the market launch of the Midwest ISO. In a release, the FERC said it accepted its staff's conclusions that bid offers examined were the result of market start-up and communications problems, and did not represent willful efforts to manipulate the new electricity market.

Exelon Corp. said stockholders approved the share issuance necessary for the utility to carry out

its nearly \$16 billion acquisition of Public Service Enterprise Group. The company said about 98% of votes cast were in favor of the issuance. PSEG shareholders approved the deal earlier this week.

The EIA reported that U.S. coal production for the week ended July 16 totaled 20.997 million short tons, up 8.11% from the prior weeks production.

A revised version of the two-year-old California Energy Action Plan is ready for the state's two principal energy agencies to vote on it next month, according to a brief report at the California Public Utilities Commission business meeting in San Francisco yesterday. The lead CPUC Commissioner heading the revision, Dian Grueneich, said the plan is to have the plan adopted by the California Energy Commission August 24 and the CPUC the following day.

MARKET COMMENTARY

The natural gas market began today's low volume summer Friday session relatively unchanged. Natural gas mirrored the oil complex in retracing some yesterday's sell off. The market was supported ahead of the weekend by forecasts of hot weather for much of the nation that should keep air conditioners humming. Traders were also eyeing a tropical depression south of the Yucatan Peninsula, monitoring its direction. The strong rally in the oil complex dragged natural gas up to close at 7.384, up 8.4 cents.

Next week, look for the market to be supported by a relatively low storage injection due to the production disruption caused by Hurricane Dennis and Emily. Also, since this past week was the hottest of the year, and cooling degree days are expected to be around 98 days, 12 higher than last year, the market has upside potential. Any dip in prices is an opportunity to establish new long positions or sell some out of the money puts.

This afternoon's Commitment of Traders Report has showed little significant change in the net position of non-commercials in this market. While the futures only report showed non-commercials increased their net short position by 2,083 contracts, and the combined futures and options report showed a 3299 lots increase in net short positions, effectively this sector of the market has held a position basically unchanged for the past seven weeks, one of the longest periods of relative stability, which is rather surprising given the rather volatile weather picture of the past several weeks.