



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 1, 2005

NATURAL GAS MARKET NEWS

Burning of more gas by utilities in light of coal delivery snags also adding upward pressure to Nymex gas, which pushed into \$8.20s/MMBtu. The shift adds to concerns about heat-driven power demand. Lee Fader of ABN Amro said, "people see a tightness for gas even more than was anticipated." Xcel Energy and Alliant each say they are buying more gas-fired power to conserve coal.

A federal grand jury has added charges of false reporting and wire fraud against two former natural gas traders, Michelle Valencia, 34, formerly with Dynegy, and Greg Singleton, 38, formerly with El Paso Merchant Energy.

A group of oil companies proposing to build a huge natural gas pipeline in Alaska wants the Bush Administration to provide conditional loan guarantees to make project financing easier to obtain. Congress authorized the federal government to guarantee repayment of up to \$18 billion in commercial loans for the pipeline as long as the guaranteed debt does not exceed 80% of the project's total capital costs. The pipeline would be one of the largest private construction projects ever undertaken and take 10 years to build. Supporters say the 3,500-mile pipeline will help ensure adequate and affordable gas supplies to meet growing U.S. demand.

A controversial new study by Kerry Emanuel, a prominent climate researcher at MIT, contends that the destructive power of hurricanes in the North Atlantic and North Pacific has nearly doubled over the past 30 years, at least partly because of human-induced global warming. Emanuel opines that the storms are growing larger and reaching higher maximum wind speeds than in the past. Focusing on the cyclones that have most closely measured – hurricanes striking the Eastern U.S. and typhoons in Southeast Asia – Emanuel concluded that today's storms on average, release far more energy than their predecessors did in the mid 1970s.

Generator Problems

ERCOT— Lower Colorado River Authority shut its 580 Mw Fayette #1 coal-fired station in Texas on July 29 to fix a boiler tube leak.

Texas Genco will restart its 836 Mw Limestone #1 coal-fired power unit August 1-2. The unit shut July 29 for maintenance.

AEP's 528 Mw Welsh #2 coal-fired power station shut July 30 – August 3 to perform maintenance on the boiler. The unit is expected to restart by August 4.

MAAC— Exelon Generation decreased production to 89% capacity at its 1,116 Mw Peach Bottom #3 nuclear unit to perform work on the feedwater system as well as to perform turbine valve tests. Peach Bottom #2 remains at full power.

NPCC— Entergy Corp.'s 825 Mw FitzPatrick nuclear unit returned to full power by early today. The unit was scaled back to about half power on Friday to work on a feed water pump.

Constellation Energy Group's 497 Mw Ginna nuclear power station in New York returned to full power by early today. On Friday, the unit returned to service and ramped up to 49% of capacity.

WSCC— Duke Energy Corp.'s 739 Mw Moss Landing #7 natural gas-fired power station returned to service by late Sunday. The unit was shut early Friday for unplanned reasons.

Arizona Public Service's 740 Mw Four Corners #4 coal-fired power unit returned to service by early today. The unit shut July 27 to fix a tube leak.

The NRC reported that U.S. nuclear generating capacity was at 97,038 Mw up .55% from Friday and up 2.26% from a year ago.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the pipeline failure that occurred on May 13 on the Gulf Coast #3 mainline. In other news, Segment 17 is at capacity today. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity. 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.

East Tennessee Natural Gas said nominations sourced upstream of the Flatwoods compressor station for delivery downstream of Flatwoods have been sealed to capacity. No increases in nominations flowing through Flatwoods will be accepted.

Florida Gas Transmission on 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 on Index 11 and 70 (Palestine 8inch), Index 1 and 8 (Dallas 18-inch – Tyler 12-inch), and Montpelier to Kosciusko, and Kiln to Mobile.

Tennessee Gas Pipeline said that effective Cycle 1 today, due to nominations in excess of the available capacity, Tennessee restricted the 507A-1601 Second Bayou Line. Tennessee restricted approximately 22% of supply to market secondary out of the path nominations. For the remainder of the gas day, at 507A-1601 Second Bayou Line, Tennessee will not accept any supply to market increases pathed from meters located on the 507A-1601 Second Bayou Line.

Trailblazer Pipeline Company said it is at capacity on Segment 602. ITS/AOR and secondary firm out-of path transport volumes going eastbound through Compressor Station 602 are at risk of not being fully scheduled. Therefore, ITS/AOR and Secondary Firm out-of-path transport volumes will only be available to the extent that primary firm in-path and secondary firm in-path transport volumes are not fully unutilized.

PIPELINE MAINTENANCE

Alliance Pipeline said that scheduled maintenance will require Unit #1 at the Whitecourt Lateral Meter/Compressor Station to be reduced to 24.6 MMcf for this gas day. The Whitecourt Compressor Station is located in Alberta.

El Paso Natural Gas Company said that the Bluewater Station must be down for several hours to accommodate additional testing of the new turbines on August 17, reducing the capacity of the San Juan Crossover by 45 MMcf/d.

TransColorado Gas Transmission said it will be performing maintenance at its Mancos Compressor Station on Wednesday, August 10. Capacity through Segment 250 will be limited to 380 MMcf/d. Depending on the level of nominations, AOR/IT and secondary out-of-path volumes are at risk of not being scheduled.

ELECTRICITY MARKET NEWS

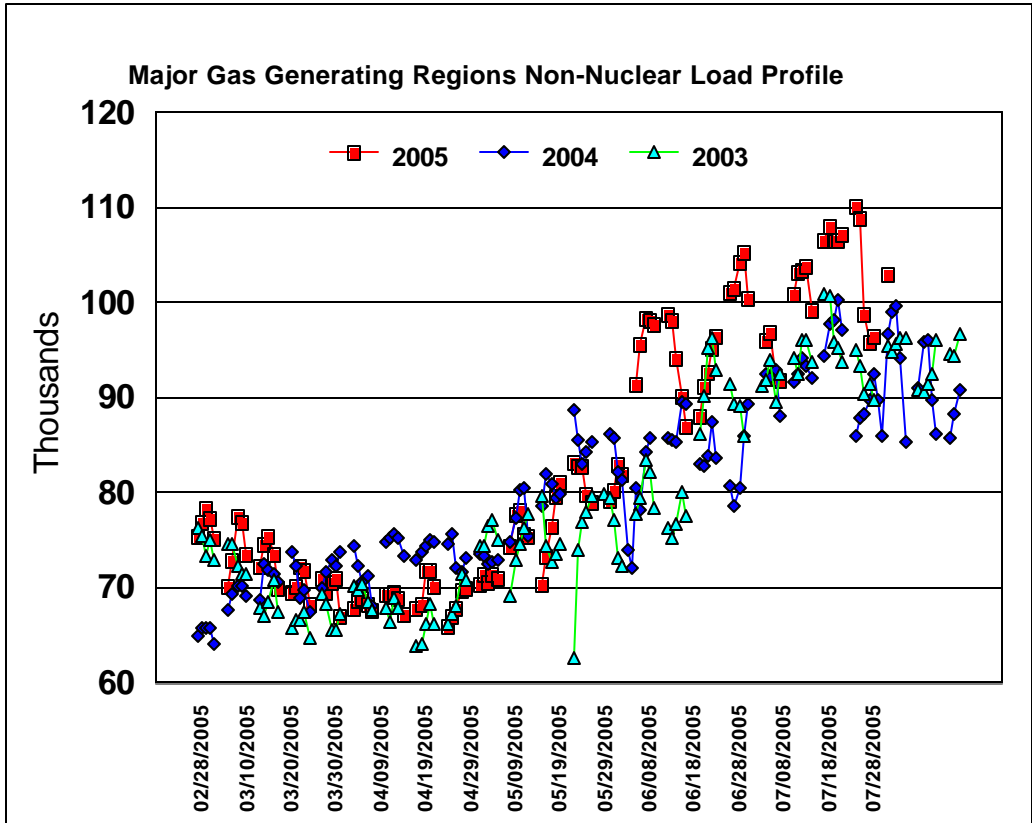
Net global electricity consumption is forecast to nearly double in the 2002-2025 period, from 14.275 billion MWh in 2002 to 21.4 billion MWh in 2015 and 26.018 billion MWh in 2025, the EIA reported in its International Energy Outlook 2005. Some 59% of the projected growth in demand occurs in the emerging economies, where power use is forecast to rise on average by 4% per year, compared with 2.6% per year worldwide. Coal and natural gas are expected to remain the most important fuels for electricity generation worldwide throughout the period, accounting for 62% of the energy used for power production in 2025.

ECONOMIC NEWS

The Institute for Supply Management said its July index of manufacturing activity rose to a reading of 56.6 from the 53.8 reading posted in June. Any index reading above 50 indicates expansion in the sector. The PMI indicates that the manufacturing economy grew in July for the 26th consecutive month.

MARKET COMMENTARY

The natural gas market opened 13 cents higher due to a plethora of news, the death of King Fahd, refinery problems in the oil complex, the storm season gearing up, and warm weather across the nation. In the morning, the natural gas market found support at 7.98 and stayed above the 8.00 level for the rest of the day. The market drifted up to 8.10 and broke through with force, establishing an all time high at 8.22. Natural gas slid off at the end of the session, mirroring crude, and finished the day up almost 27 cents at 8.154.



With the market at all time highs and having moved in such a steep manner, we expect the market to consolidate and perhaps retrace some of this upside move. We see resistance at \$8.31 and \$8.50, levels in tune with the upward trending trading channel. Support we see first at the two rising windows, at \$7.90-\$7.98, and below that at \$7.71-\$7.76. Further support we see at \$7.672, the 50% retracement level of this current upward trend that began July 25.