



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 8, 2005

NATURAL GAS MARKET NEWS

President Bush signed a sweeping energy bill that will send billions of dollars in tax subsidies to energy companies, yet do little immediately to ease gas prices or lower reliance on foreign oil.

Tidelands Oil & Gas Corp. said subsidiary, Terranova Energia, filed a permit application on Friday with Mexico's Comision Reguladora De Energia (CRE) for construction of a proposed 50 Bcf underground natural gas storage facility in the Brasil Field of the Burgos Basin near Reynosa, Tamaulipas. The facility will be Mexico's first gas storage field and is expected to be part of Tidelands' integrated cross-border gas pipeline, storage and LNG import project.

The Climate Prediction Center this morning reported that for the week ending August 6th, the U.S. saw 87 cooling degree-days, some 17.5% higher than normal and some 4.8% higher the previous week.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect 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 Columbia Gulf-Chalkley 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 Bristol compressor station for delivery downstream of Bristol have been restricted to capacity.

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 the Tyler 12-inch Index 8/Palestine 8-inch, Index 11 and 70/Dallas 18-inch Index 1 from Montpelier to Kosciusko, Kiln to Mobile, and Bayou Sale to Napoleonville.

Generator Problems

MAAC— AmerGen Energy declared an emergency alert at the 619 Mw Oyster Creek nuclear power station in New Jersey Aug. 6 when grass accumulated in the plant's intake. The unit was back at full power by early Monday.

Exelon Generation's 1,022 Mw Clinton nuclear unit reduced output by 12% to operate at 84% capacity.

SERC— Progress Energy shut both the 872 Mw Brunswick nuclear power units on Aug. 6 due to a problem with the plant's emergency diesel generators. Both units were running at full power on Friday.

Dominion Resource's 917 Mw North Anna #2 nuclear unit tripped from full power on Friday due to a lightning strike. The unit has exited the outage and ramped up to 74% power by early today.

The Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit is operating at 80% today, the unit shut over the weekend due to low water levels.

WSCC— Intermountain Power Agency's 820 Mw Intermountain #2 coal-fired power unit returned to service by late yesterday.

Canada— Ontario Power Generation's 515 Mw Pickering B #8 nuclear unit shut by early today. The unit was available for service on Friday. Pickering B #6 returned to service over the weekend.

The NRC reported that U.S. nuclear generating capacity was at 95,125 Mw down 2.08% from Friday and up .48% from a year ago.

KM Interstate Gas Transmission said that it has capacity available for receipts from CIG Arrowhead. Depending on the level of nominations, IT/AOR and secondary volumes may be scheduled.

Texas Eastern Transmission Corp. said that due to the outage between Oakland City and French Lick, the 24-inch system between Longview and Oakland City has been sealed to capacity. No increases in physical receipts between Longview and Oakland City for delivery outside that area will be accepted.

Williston Basin Interstate Pipeline said that for gas day Monday, August 8, evening cycle, 00880 Whitewater and 00885 Bowdoin are in pipeline Capacity Constraint.

PIPELINE MAINTENANCE

El Paso Natural Gas said that Line 1103 will be out of service between Afton and Florida stations for pipeline repairs August 6-13, reducing the capacity of the South Mainline by 225 MMcf/d. Based on recent scheduled volumes through this system, the outage should have little, if any, effect on markets.

ELECTRIC MARKET NEWS

The Snohomish, Washington, Public Utilities District asked FERC to prohibit bankrupt marketer Enron from collecting contract termination fees. Snohomish said the passage of the Energy Policy Act of 2005 gives FERC clear authority to ensure that Snohomish and others that signed contracts with Enron do not have to pay the company fees associated with terminating the long-term contracts after the company became financially insolvent in late 2001.

The Kansas Corporation Commission has issued an order approving a Stipulation and Agreement under which Kansas City Power & Light commits to invest approximately \$1.2 billion in the construction of a new power generation plant, environmental upgrades to existing generation facilities and energy efficiency programs for consumers. The agreement was reached through a collaborative process and agreed to by KCP&L, KCC Staff, and interveners, Kansas Hospital Association and Sprint, and submitted to the commission on April 27. Under the agreement KCP&L will construct a new 500 Mw coal-fired generation plant, Iatan 2, at the existing Iatan generation site located near Weston, Missouri, at a cost of \$734 million, to be completed by June 2010. The company will also construct 100 Mw of wind power generation, at a cost of \$130 million, to be completed by the end of 2006, with the possibility of adding an additional 100 Mw of wind generation in 2008.

Upper Peninsula Power Company and FERC have selected six hydroelectric experts as independent consultants to oversee the design, construction, and operation of the proposed rehabilitation of the development at Silver Lake. UPPCO announced plans to restore Silver Lake as a reservoir for power generation in January 2005, pending approval of a design by FERC. Studies to select a design are ongoing, and a final decision of rebuilding Silver Lake will be made when the design is determined. If that design is too costly, the project may not be done.

The EIA reported today that total net generation of electric power in May 2005 was 314.8 Twh, a decrease of 3.6% from the same month a year earlier. Generation from coal fired plants was down 2.1% while generation from natural gas and LPG was down 10.6% and 41.5% respectively. Nuclear generation was off 3.0% as well. Hydrogeneration though was up 12.2%.

MARKET COMMENTARY

The natural gas market opened higher on news of terrorist plans for Saudi Arabia as crude oil rallied to an all time high of \$64.00 a barrel. From the opening, natural gas softly drifted higher to a ninth-month high of \$8.87, mirroring the oil complex. At midday, prices began to erode quickly, erasing the daily gains, and moving into negative territory on the day as stops were elected at \$8.70. This type of nervous trading suggests the possibility of near term top. Confirmation would be a significant close under the \$8.50 level. Natural gas found support at the day's low of \$8.50, and finished down just 1.6 cents at \$8.684, just the second down day out of the last 10 trading days.

Mixed long-term weather reports concerning temperatures in the northeast have traders mixed as to whether or not ample supply will be built into storage by November 1, the start of the heating season. Continued talk of increased hurricane activity also has traders second-guessing any short positions. Any retracement in prices is

viewed as a buying opportunity considering the strength in the oil complex and the 10-day bull trend. Short speculation is best accomplished by looking into a put. Support we see at \$8.50, \$8.15, and \$7.983. Further support we see at \$7.612, and \$7.281. Resistance we see at \$8.87 and \$9.00.