



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 17, 2005

NATURAL GAS MARKET NEWS

Kinder Morgan Energy Partners and Sempra Energy are planning a \$3 billion natural gas pipeline linking the Rocky Mountains, a region forecast to become the largest U.S. source of fuel output, to the Midwest and East. The pipeline would carry as much as 2 Bcf/d from Wyoming to Ohio beginning in 2008. Houston-based Kinder Morgan would own two-thirds of the projec. San Diego-based Sempra, owner of the largest U.S. gas utility, would have a 33% stake.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission, a subsidiary of Duke Energy Corp., 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 5 percent 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, Kiln to Mobile, Palestine 8" Index 11 and 70 / Dallas 18" Index 1 Palestine 8", Index 11, 70 East Texas, and Bayou Sale – Napoleonville.

Kern River Pipeline said line pack levels have increased and are posted as high. Kern River would like to remind shippers and operators to take delivery of their scheduled quantities.

KM Interstate Gas Transmission said that until further notice, it is at capacity for deliveries through the Ulysses Lateral (Segment 340). Depending on the level of nomination, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.

Texas Eastern Transmission Corp. said that due to the previously posted outage between French Lick and Seymour, the 24-inch system between Longview and French Lick has been restricted to capacity. Increases in physical receipts between Longview and French Lick for delivery outside of this area will not be accepted. STX and ETX have been restricted to capacity. Nomination increases sourced between Mont Belvieu and Little Rock will not be accepted.

Generator Problems

SERC— Progress Energy's 900 Mw Brunswick #2 nuclear unit ramped output the final 3% and is now operating at full capacity. Brunswick #1 returned to full service yesterday.

WSCC— Tucson Electric Power's 380 Mw Springerville Generating Station #2 coal-fired unit shut August 11 for an unplanned outage that may last 3-6 weeks. The shut down was due to a control system malfunction and subsequent mechanical problem with the turbine.

The NRC reported that U.S. nuclear generating capacity was at 96,070 Mw up .02% from Tuesday and up 3.38% from a year ago.

TransColorado Gas Transmission said it is at capacity for deliveries through Segments 300/310 (Colorado/New Mexico State line). Depending on the level of nominations, secondary out-of-path volumes may not be scheduled.

PIPELINE MAINTENANCE

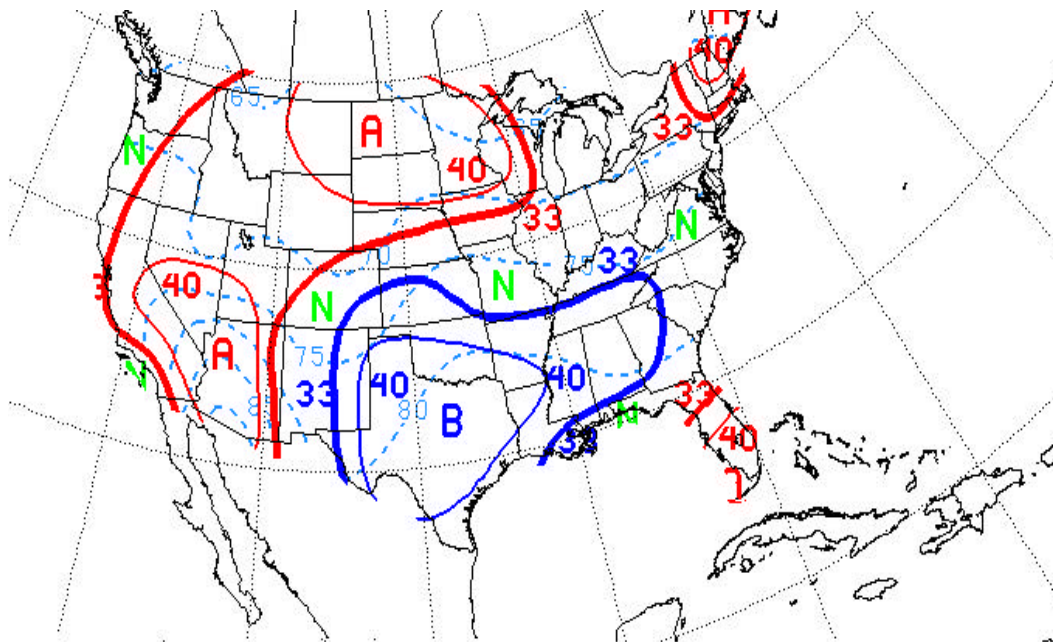
Gulf South Pipeline will be performing unscheduled maintenance on the Marksville Compressor Station Unit #4 beginning immediately and continuing until further notice. Capacity through the Marksville Compressor Station could be reduced as much as 125 MMcf/d for the duration of the maintenance.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that electricity production in the continental U.S for the week ended August 13 rose 16.3% to 92,933 GWh from the same week a year ago. For the first 33 weeks of the year, production increased 3.2 % from last year. In the 52 weeks ended August 13, production rose 2.8% from the corresponding period in 2004.

The U.S. Nuclear Regulatory Commission extended the review schedules for the three Early Site Permit applications received in late 2003 due to the unexpected volume of comments on Environmental Impact Statements and other factors. The NRC said its staff plans to finalize the reviews of the North Anna site (near Louisa, Virginia) by late December and the Grand Gulf site (near Vicksburg, Mississippi) by mid April 2006, about four months later than originally scheduled. In addition, the staff plans to finalize the review of the Clinton site (near Clinton, Illinois) by late July 2006, about nine months later than planned. The Early Site Permit process allows an applicant to address site-related issues, such as environmental impact, for possible future construction and operation of a nuclear power plant at the site. If the NRC grants a permit, the applicant has up to 20 years to decide whether to build a new nuclear unit on the site and to file an application with the NRC for approval to begin construction.

Complete Energy Holdings announced the successful completion of its \$580 million acquisition of La Paloma Generating Company, previously held by a creditor group that included financial institutions and hedge funds. La Paloma owns a 1,022 Mw gas-fired, four-unit combined cycle facility located in Kern County, California.



**6-10 DAY OUTLOOK
TEMP PROBABILITY
MADE 17 AUG 2005
VALID AUG 23 - 27, 2005**

**DASHED BLUE LINES
ARE CLIMATOLOGY (DEG F)
SOLID LINES ARE TOTAL PROBABILITY
OF THE INDICATED CATEGORY. HEAVY
SOLID LINES ARE 33.3% PROBABILITY**

The Los Angeles Department of Water and Power Board of Commissioners approved two long-term purchase agreements to buy 81,843 MWh of renewable energy – enough to provide power for nearly 10,000 homes – generated by facilities that use landfill gas-to-energy technology. The first contract is a seven-year agreement to purchase renewable power from Penrose Landfill Gas Conversion. The agreement guarantees delivery of 45,421 MWh

annually for \$19.4-\$23.4 million. The second contract is a 10-year renewable power purchase agreement with WM Solution, for at least 36,422 MWh annually at a cost of \$19.7-\$29 million.

MARKET COMMENTARY

The natural gas market opened 5 cents higher at 9.80 on the heels of Tuesday's buying and in anticipation of a bullish inventory figure tomorrow. Right off the open, Natural gas sold down about 15 cents in anticipation of the oil complex's statistics release. Like crude, natural gas spiked to its high of the day, 9.85, at the release of the numbers, and then came under pressure as reports of high prices cutting into demand began to trickle out. The Producer Price Index, released this morning indicated that wholesale prices jumped 1%, the largest increase since last October, and energy costs rose 4.4% in July. On good fund selling, the oil complex gave way, and natural gas did the same, falling to 9.46 by mid morning. The market traded sideways for the remainder of the day and finally broke down below 9.40 to the day's low of 9.37 (a support level) right at the close of the session. Natural gas settled down 36 cents at 9.391 with 68,000 contracts booked on the day. This is the biggest drop in six weeks.

Further moderation in weather reporting has reduce the demand the in the market. Weather Derivatives reported that cooling demand for the next week will run 5% above normal as compared with demand 24% above normal last week. Last week's heat wave again hindered natural gas storage injections, and estimates are centering around a 45 Bcf injection, well below last year's 77 Bcf increase and the 5-year average's 61 Bcf injection.

Today's close below yesterday's low of 9.54 could incite more bears to step into the market, but by no means has the trend decidedly changed. We see resistance at \$9.91 and above that at \$10.00. We see support initially at \$9.37 followed by \$9.205. Further support we see at \$9.00 and \$8.50.