



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 22, 2005

NATURAL GAS MARKET NEWS

Sempra Energy announced a definitive agreement to sell a subsidiary that controls two natural gas storage facilities for \$250 million to Plains All American Pipeline and Vulcan Capital. Bluewater Gas Storage in St. Clair Michigan has a current capacity of 20 Bcf, and Pine Prairie Energy Center is a planned salt-cavern gas storage project with expected capacity of 24 Bcf under development in Evangeline Parish, La.

The National Hurricane Center issued a special tropical statement regarding the eleventh tropical depression of the season, which is currently forming over the Bay of Campeche in the southern reaches of the Gulf of Mexico. According to the recent release, a special advisory on the unnamed system will be issued within the next hour and a tropical storm watch and/or warning may be required for portions of the eastern Coast of Mexico. Accu Weather noted that still on the radar is Tropical Depression 10, which has reorganized and is gaining energy east of Florida. It has the potential to turn into a minimal hurricane and hit the east coast of Florida sometime later this week, and then move into the Gulf, where the warm waters will supply a lot of energy.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 20% 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, East Texas, and Bayou Sale-Napoleonville.

KM Interstate Gas Transmission said that until further notice, it is at capacity for receipts from CIG Arrowhead (PIN 9662) due to operational conditions. Depending on the level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

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 Main Line in Harrison County, Texas located in Segment 26 just south of Compressor Station 304. In other news, Segment 17 is at capacity for deliveries. Natural is also at

Generator Problems

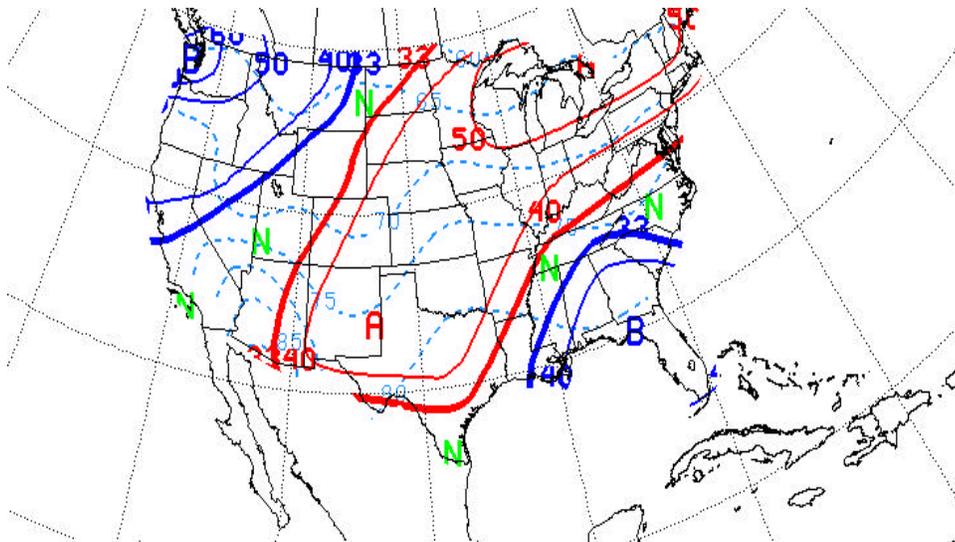
ERCOT— AEP's Pirkey Power plant unit #1 experienced a manual power off rapping to improve precipitator efficiency.

NPCC— Constellation Energy Group's 620 Mw Nine Mile Point #1 nuclear unit ramped up to 50% power as of early today. The unit was in start up on Friday. Nine Mile Point #2 continues to operate at full power.

SERC— Progress Energy's 900 Mw Brunswick #2 nuclear unit slipped to 82% over the weekend and Brunswick #1 slipped to 90% over the weekend for routine maintenance. Both units are increasing power today.

WSCC— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit is expected to return to service toward the end of this week after a problem emerged while it was in start-up over the weekend.

The NRC reported that U.S. nuclear generating capacity was at 95,503 Mw up .13% from Friday and up 1.22% from a year ago.



**6-10 DAY OUTLOOK
TEMP PROBABILITY
MADE 22 AUG 2005
VALID AUG 28 - SEP 01, 2005**

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

capacity for gas received in Segment 1 for northbound flow through Compressor Station 155 in Wise County, Texas. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity.

Texas Eastern Transmission 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

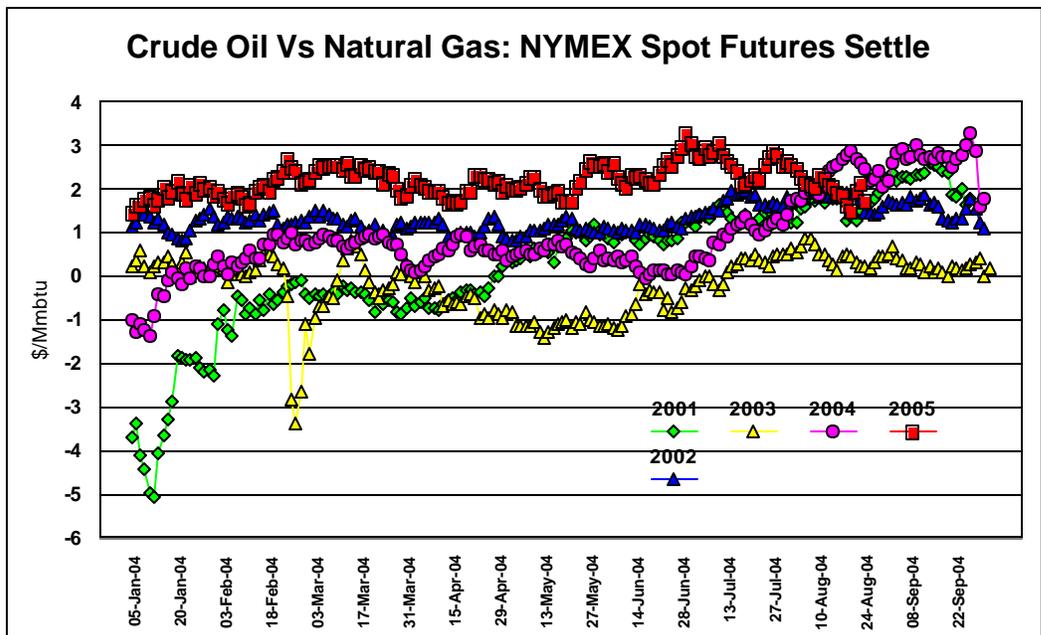
be accepted. Tetco has restricted all IT-1 and a portion of preferential nominations sourced in STX. No increases in receipts in STX for delivery outside of that zone will be accepted. No increases of physical receipts between Mt Belvieu and Longview for delivery outside that area will be accepted.

PIPELINE MAINTENANCE

National Fuel Gas said it has scheduled construction on line X from September 12-23. The line will be out of service between Shawnee Road and Nash Road Station for a one or two day period between these dates.

Williston Basin Interstate Pipeline Company said that due to the installation of a new unit at the Baker Booster Compressor Station, Receipt Point ID 04018 Baker Area Mainline and Receipt

Point ID 04015 Baker Area Grasslands Mainline will be affected by approximately 7 MMcf/d between 9:00 AM MT August 31 and 5:00 PM MT September 1.



ELECTRIC MARKET NEWS

Florida Power & Light signed a settlement with Florida's Attorney General and other groups, eliminating the utility's proposed \$430 million rate hike. Florida's Attorney General Charlie Crist had strongly objected to the rate

hike, saying utilities were not entitled to “exorbitant profit. FPL’s retail base rates will remain unchanged, except for certain specific exemptions contained in the settlement. The settlement also allows the utility to petition the Florida Public Service Commission to raise its rates should its base rate earnings fall below a 10% return on equity.

MARKET COMMENTARY

The natural gas market gapped 26 cents higher on the open due primarily to updated weather forecasts calling for heat in the Northeast, and storm activity in the Gulf of Mexico. From the open, natural gas was at the beck and call of the bulls, trading independent of the oil complex. Momentum today rallied natural gas up through 9.80 to post the day’s high of 9.84 at midday, 7 cents short of the contract high. The market fell off at the end of the session, and settled up 45 cents at 9.564.

Natural Gas’s rally today has closed its discount to Crude to just \$1.75 /MMBtu from over \$2 /MMBtu however, without bullish news for the oil complex, higher natural gas prices to further close that gap are going to find resistance. It seems buying the storm rumors fueled today’s boost, but looking forward, we expect storage figures to be bearish as last week’s cooling off decreased cooling generation demand, and if the facts of the storms don’t pose a threat to Gulf production, we will see prices cool off. We see resistance at \$9.84, today’s high and the contract high at \$9.91. We see support initially at today’s gap \$9.20-\$9.37 followed by \$9.00. Further support we see at \$8.50.