



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 2, 2005

NATURAL GAS MARKET NEWS

U.S. natural gas pipeline operators on Friday recovered a bit, with Loew's Corp. expecting natural gas flows in its Gulf South pipeline to recover to normal rates by Friday. Williams Cos. said natural gas flow in its Transco pipeline would still be cut by 500 MMcf/d from its 1.4 Bcf/d before Katrina hit. Slowly but surely those numbers are continuing to improve.

Enterprise Products Partners' announced that three gas processing plants they partially own remain off line with details sketchy as to when they might return to service is stoking concerns about prolonged supply outages. Enterprise said that its Toca Plant, which processes 1.1 Bcf/d may be online within a few weeks. It could not give a more specific timeline for its 1.85 Bcf/d Yscloskey plant and its 1.3 Bcf/d Venice plant, both operated by Dynergy. Other obstacles to getting the plants operational include securing power supplies, having passable roads and finding key personnel. Many local staff were evacuated and have had their homes damaged or destroyed.

At the halfway point of the 2005 hurricane season, William Gray and Philip Klotzbach of the Colorado State University hurricane forecast team are calling for very active storm activity to continue throughout September and October. They are continuing to call for an above-average likelihood of land falling hurricanes for the remainder of the hurricane season. Research data obtained through the end of August show that the U.S. has already experienced 110% of the average full season tropical storm activity. In an average year, 33% of the seasonal average activity occurs by this date.

There was little improvement in the amount of oil and natural gas production shut in by Hurricane Katrina as of Friday. The MMS reported 7.248 Bcf/d of natural gas still shut in or 78.6% of daily production in the Gulf of Mexico. It is down from 7.866 Bcf/d or 78.66% on Thursday.

PIPELINE RESTRICTIONS

ANR Pipeline Company said that production levels continue to increase and there are currently no operational issues on ANR's facilities in the Southeast area. The company added that it is continuing to monitor shipper nominations and the associated current production levels.

Generator Problems

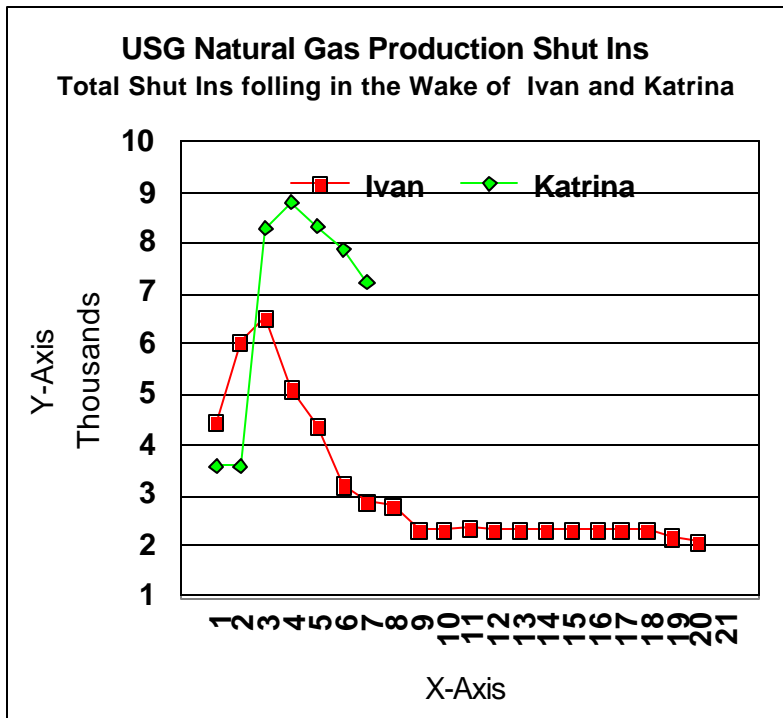
ECAR— CMS Energy Corp.'s 767 Mw Palisades nuclear unit shut early today due to a main generator hydrogen leak. The unit was running at full power yesterday.

MAAC— Public Service Enterprise Group's 1,049 Mw Hope Creek nuclear unit started to exit an outage and ramped up to 4% of capacity by early today. The unit shut August 28 due to the inoperable vacuum breaker.

NPCC— Constellation Energy Group's 497 Mw Ginna nuclear unit went off line early today to work on an electro hydraulic stop valve in the main turbine. The unit was operating at full power yesterday.

SERC— Entergy Corp.'s 978 Mw River Bend nuclear unit ramped up to 97% of capacity today. Yesterday, the unit was operating at 70% of capacity.

The NRC reported that U.S. nuclear generating capacity was at 92,134 Mw down .97% from Thursday and down 2.89% from a year ago.



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

El Paso Corp. subsidiary Tennessee Gas Pipeline said its mainline valve 528 remains shut in due to high water left from Hurricane Katrina at the Port Sulphur Compressor Station and should remain so through next Wednesday. Total production loss upstream of the valve Friday was about 900 MMcf of gas. About 150 MMcf/d has been placed back into service for meters on the Bluewater Header and another 70 MMcf/d on the TTT line 523M-2300, the company said this morning. In the meantime, physical flow and volumes are to remain at zero upstream of the Port Sulphur compressor facility in the interim. The force

majeure in place could add pressure on capacity issues on portions of the pipeline's capacity that could be rerouted. The pipeline reported outages so far at around 850 MMcf/d.

Florida Gas Transmission said that due to hot temperatures and reductions in receipt volumes into Zone 3 due to Hurricane Katrina, 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 from East Texas - Koran Area; Tyler 12-inch Index 8/Palestine 8-inch Index 11 & 70/Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko, Kiln to Mobile, East Texas, and Bayou Sale to Napoleonville.

Gulfstream has issued an Operational Flow Order as a result of the effects of Katrina, the interruption of gas supplies in the Gulf of Mexico area and warm weather conditions in the State of Florida. This OFO is effective at the start of the Gas Day August 31, and will remain in effect until further notice.

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.

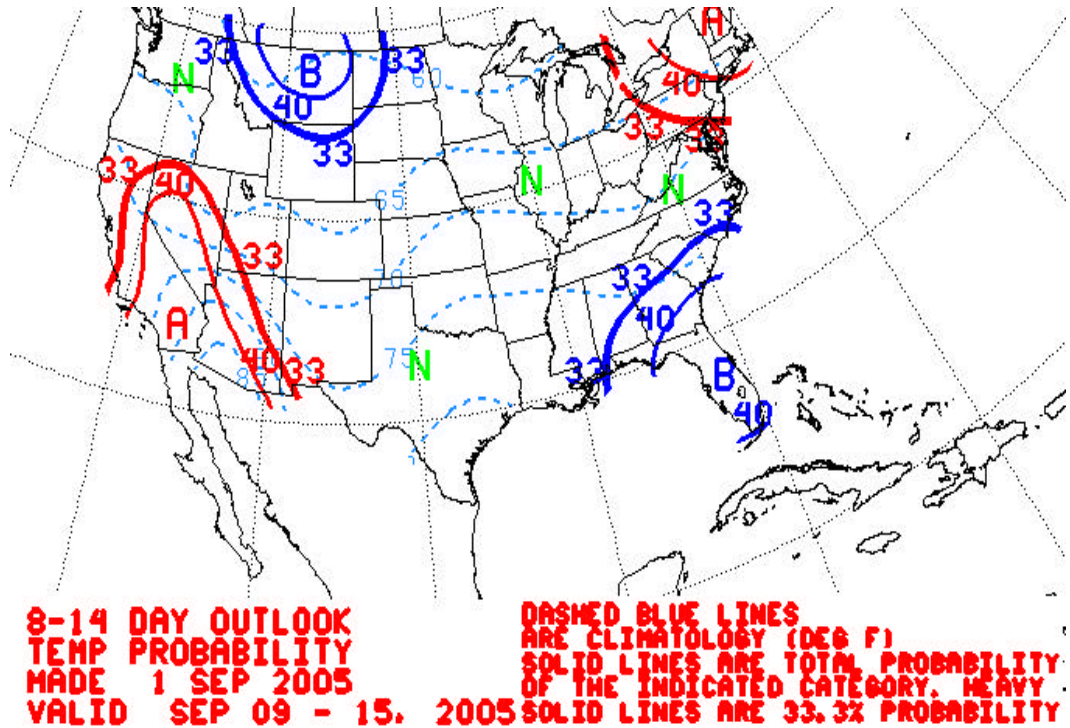
Texas Eastern Transmission said it has restricted receipts from production that remains shut-in due to Hurricane Katrina. Tetco will continue to take action to ensure physical receipts are commensurate with physical deliveries. Shippers are reminded to closely monitor their supply in the even of interruptions due to the storm. STX and ETX have been restricted to capacity. Physical receipts between Mont Belvieu and Little Rock for delivery outside of this area will not be accepted. M1 24-inch and M2 24-inch have been sealed to capacity. Physical receipts between Little Rock and Batesville for delivery outside of this area will not be accepted.

Trailblazer Pipeline Company said that it is at capacity for transport volumes going eastbound through Compressor Station 602. The scheduling of any ITS/AOR and secondary firm out-of-path transport volumes will depend on the level of nominations received and will only be scheduled to the extent primary firm in-path and secondary firm in-path are not fully utilized.

ELECTRIC MARKET NEWS

1.8 million customers along the Gulf Coast are still without power today, a little better than yesterday's reported 2.3 million in the dark. Entergy Corp. said it is making steady progress in restoring power to Louisiana and

Mississippi customers. As of last night, Entergy had electricity back on to 298,000 homes and businesses that lost power during the gigantic storm. Entergy has about 605,000 customers in Louisiana and 152,000 customers in Mississippi without power. The biggest problems in restoring power in the Greater New Orleans area is the lack of security, food, water and fuel for its repair crews who are sleeping in their trucks.



Southern Co., with about 170,000 customers out in Alabama and 181,000 out in Mississippi, said it expected to have 99% of the power restored in Alabama by September 7 but noted it would take up to four weeks to restore service in the hardest-hit areas of Mississippi. The utilities said they were restoring power to essential customers like hospitals, police, fire, communications, water sanitary services and transportation providers first, followed by the oil and natural gas pipelines and refineries.

ECONOMIC NEWS

The Labor Department said non-farm payrolls grew by 169,000 last month -- well below the 242,000 increase recorded in July. But the department also said employers created 44,000 more jobs in June and July than previously estimated. That raised the monthly average for the year to a robust 193,750. The unemployment rate, derived from a survey of households rather than businesses, dropped to a four-year low of 4.9%. The growth of average hourly earnings slowed to a 0.1% rate in August after a 0.4% gain in July. Economists surveyed by Dow Jones Newswires and CNBC had predicted a 190,000 increase in payrolls, a 5% unemployment rate, and a 0.3% wage increase.

MARKET COMMENTARY

The natural gas market opened down almost 10 cents lower as the petroleum markets eased on news of IEA imports of crude and refined products to come to the U.S. Natural gas traded to its low of 11.55 off the open and quickly rebounded back above 11.60. The market traded sideways in a 20-cent range the remainder of the day, finding resistance at 11.79. Natural gas settled down 6.6 cents at 11.691 in a relatively quiet inside trading day.

The October-November spread weakened today, as more supply came back online in the Gulf Coast region. It settled under 12 cents yesterday, and today the spread has gone out at 25 cents. Moderate weather forecasts for the Midwest and Northeast will help to establish resistance in the market as production struggles to return back to normal. The 10.00 level is lingering as the previous resistance before Katrina. We feel a conservative way to play the short side of this jittery market would be to buy a put near the 10.00 level. We see resistance initially at \$11.80 followed by \$12.00 and the contract high at \$12.30. Support we see at the bottom part of today's range at \$11.60 followed by \$11.21 and \$10.65. Further below, we see \$10.00 as a price target.