



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 8, 2005

NATURAL GAS MARKET NEWS

Baker Hughes Incorporated announced that the U.S. rig count for August was 1,435 up 37 from July and up 201 from August 2004. The Canadian rig count for August was 545, up 95 from July and up 192 from August 2004.

ATP Oil & Gas Corp. has restored production to all but seven of its Gulf of Mexico properties impacted by Hurricane Katrina bringing current production to greater than 80% of pre-hurricane levels. ATP expects to restore the remaining production during the rest of the third and fourth quarter. As a result of Katrina, ATP estimates it will defer approximately one billion cubic feet equivalent of production from the third quarter to future periods.

Ophelia has become a category 1 hurricane and has remained off the east coast of Florida. Maximum sustained winds are 75 mph as of 5:50 PM ET, and continued strengthening will be slow as the storm has stayed over the same spot. The forecasts for the movement of Ophelia remain a complex issue. AccuWeather maintains the possibility that the storm could cross Florida and enter the Gulf of Mexico. Other models including the National Hurricane Center see the storm moving north along the coast and then turning northeast away from the coast. The bottom line is that the future movement of Ophelia will be slow, and along the southeast U.S. and Gulf Coast should monitor the progress of Ophelia.

EIA Weekly Report

| | 09/02/2005 | 08/26/2005 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| Producing Region | 745 | 751 | -6 | 821 |
| Consuming East | 1543 | 1503 | 40 | 1582 |
| Consuming West | 381 | 379 | 2 | 361 |
| Total US | 2669 | 2633 | 36 | 2764 |

*storage figures in Bcf

Generator Problems

MAIN— Exelon Generation Company's 1,162 Mw LaSalle #1 nuclear unit ramped output back to full power. The unit was operating at 90% yesterday. LaSalle #2 remains at full power.

SERC— Duke Energy Corp.'s 846 Mw Oconee #3 nuclear unit ramped up to 91% of capacity by early today. Yesterday, the unit was operating at 18% after exiting an outage. Oconee #1 and #2 continue to operate at full power.

Entergy Corp.'s Waterford #3 nuclear unit moved another step closer to returning to service. The unit exited an unusual event status yesterday.

The NRC reported that U.S. nuclear generating capacity was at 95,279 Mw up .73% from Wednesday and up 3.27% from a year ago.

The Minerals Management Service reported that 4.020 Bcf/d of natural gas is still shut it, representing 40.20% of the daily gas production in the Gulf of Mexico.

PIPELINE RESTRICTIONS

East Tennessee Natural Gas said nominations sourced on the Nora line have put that line at capacity. ETNG has sealed the Nora line at the current nominated levels. No increases in physical supply sourced on the Nora line will be accepted.

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 –

Canadian Gas Association

Weekly Storage Report

02-Sep-05 26-Aug-05 03-Sep-04

| | | | |
|--------------|-------|-------|-------|
| East | 203.6 | 194.6 | 248.4 |
| West | 204.2 | 201.7 | 205.9 |
| Total | 407.8 | 396.3 | 454.2 |

storage figures are in Bcf

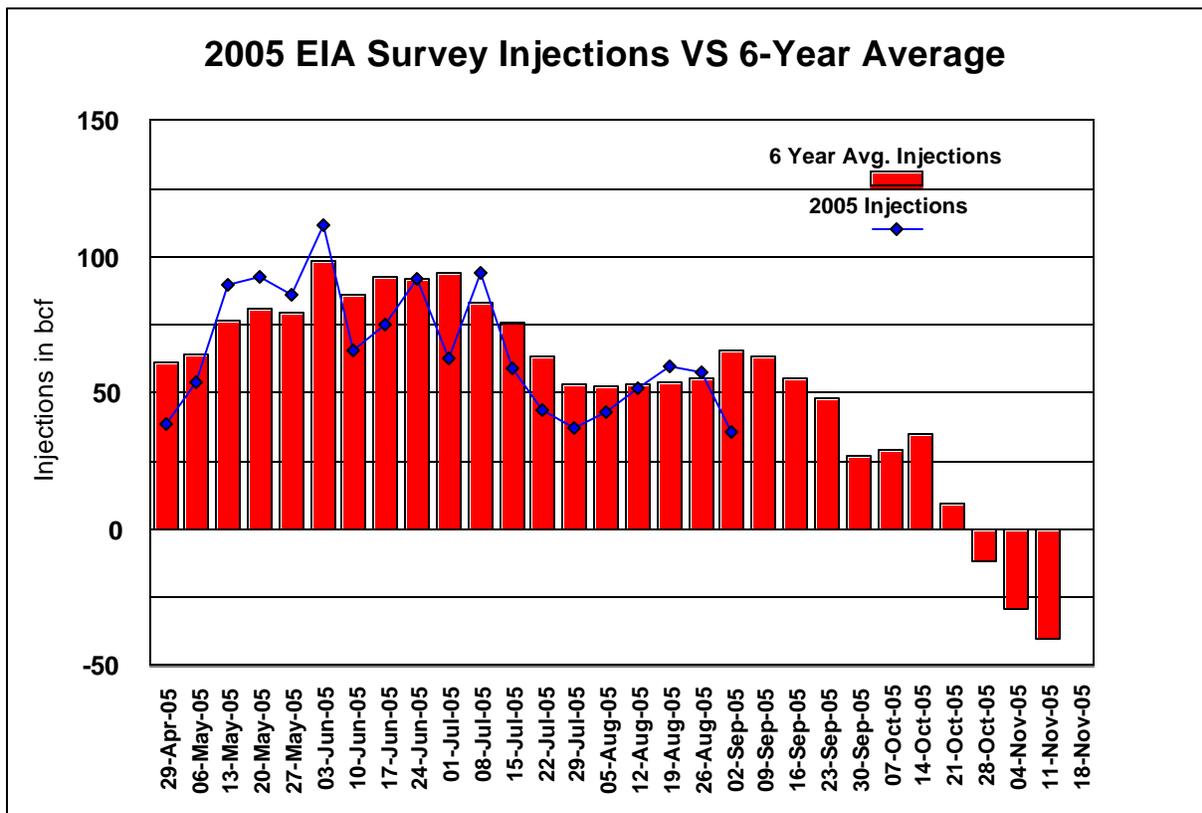
Koran Area; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko; Kiln to Mobil; East Texas; and Bayou Sale to Napoleonville.

KM Interstate Gas Transmission said it is at capacity for deliveries to Northern Natural Milligan. Based 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 it is removing the restriction placed on line pack services in the Market Delivery Zone during the timely and evening cycles for gas leaving the system.

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 event of interruption due to the storm. STX and ETX have been restricted to capacity. Receipts between Mont Belvieu and Little Rock for delivery outside of this area will not be accepted.

TransColorado Gas Transmission said it is at capacity for deliveries through Segments 300/310. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.



PIPELINE MAINTENANCE

Questar Pipeline Company said it will be performing annual maintenance at its Coleman station September 19-30. As a result, nominations through the Kanda/Coleman scheduling point to WIC, CIG and Overthrust will be limited to 240 MMcf/d in all cycles for gas days September 19-30. Based on current nominations, no impact to customers is expected.

Texas Eastern Transmission said that fall cleaning pig runs between Provident City and Joaquin that were previously scheduled from September 7-11, will now take place between September 15-19. As in the past,

receipts on the 24-inch system downstream of Longview will be restricted, and receipts between Huntsville and Longview will have extensive restrictions. All receipts between Joaquin and Longview must be shut in for the duration of the maintenance.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that the electricity production in the continental U.S. for the week ended September 3 rose 3.7% from the same 2004 week, but added that its weekly survey was based on estimates due to some companies not being able to provide data after Hurricane Katrina. For the week ended September 3, total U.S. electric production was an estimated 86,069 GWh. For the first 36 weeks of the year, production is up 3.6% from last year.

Mississippi Power employees and outside workers have restored service to 76% of the company's customers who can receive power. They are on track to restore all power by Sunday. More than 9,200 transmission and distribution workers from around the country have been brought into the area to assist with the effort. Two thousand additional workers are assisting at the company's generating plants and in support roles.

Due to the extreme emergency in the Gulf Coast area of the U.S created by Hurricane Katrina, FERC said it will waive, until September 16, the requirement to record and retain a record of each deviation of the standards of conduct. The commission said it will consider extending the waiver if it continues to be needed after that date.

Under their existing two-and-a-half-year relationship, Entergy Corp. asked the international crisis management and security-consulting firm founded by former New York Mayor Rudolf W. Giuliani to counsel the company in coping with the aftermath of Hurricane Katrina.

TECO Transport announced that its river and ocean transportation business units have resumed deliveries of coal to its sister company, Tampa Electric. TECO is shipping 23,000 tons coal to Tampa Electric via the Gulf of Mexico.

MARKET COMMENTARY

The natural gas market opened 5 pennies stronger today in anticipation of the EIA's storage report. The number came in better than analysts had predicted, a 36 Bcf injection as compared to expectations of 29 Bcf. The market sold off to a low of 10.90, breaking the 11.00 level, but rebounded and traded above 11.00, using it as a psychological support, in a sideways pattern for the rest of the afternoon. Uncertainty about when gas processing units damaged by Katrina will ramp up again, as well as concerns about pipeline integrity, continue to provide support to this market. Concerns about Ophelia also lent support to the market. The market rallied at the close sending the market into positive territory and posted a day's high at 11.38. Natural gas settled up 14.6 cents at 11.347 on a relatively quiet volume, with only 58,000 contracts booked on the day.

Tropical Storm Ophelia increased to a category 1 hurricane at 5:50 PM ET today, and the direction of that system will assuredly dictate market direction tomorrow if it crosses Florida. The market seems well supported here at these new Katrina levels and to break down to pre-Katrina levels, the market will need some macro event. There are three Hurricanes spinning in the Atlantic, and that lends psychological support to traders. On top of that, heating season is around the corner and traders are skeptical as to whether the working gas in storage, which is 95 Bcf less than last year, will meet demand this winter. We see support at \$11.00 and \$10.90. Further support we see at \$10.65 and \$10.05. We see resistance at the \$11.38-\$11.46 gap followed by \$11.80 and 11.90. Further resistance we see at \$12.25, the contract high.