



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR SEPTEMBER 23, 2004

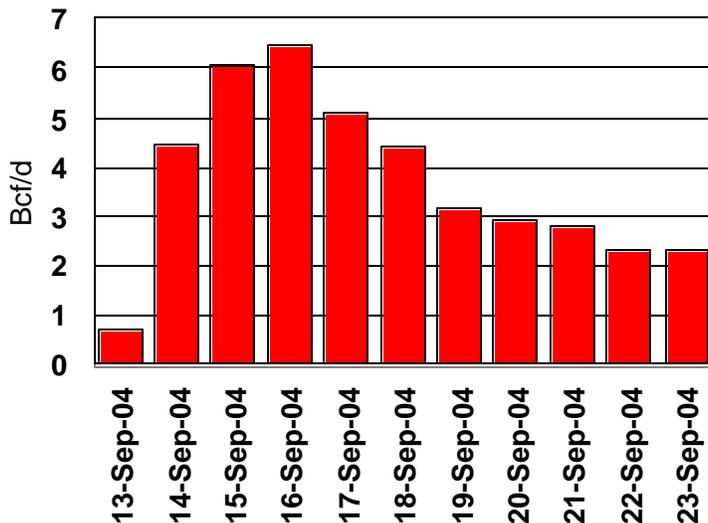
NATURAL GAS MARKET NEWS

EIA Weekly Report

	09/17/04	09/10/04	Net chg	Last Year
Producing Region	855	847	8	723
Consuming East	1704	1653	51	1550
Consuming West	383	374	9	346
Total US	2942	2874	68	2619

The U.S. Minerals Management Service at midday reported that some 471,542 b/d of crude oil production and 2.33 bcf /d of natural gas production in the Gulf of Mexico still remained off line as a result of Hurricane Ivan. On a cumulative basis some 9.6 million barrels of crude oil and 41 bcf of natural gas production has been lost over the last week.

USG Natural Gas Production Shut In Basis Reports from MMS Combined Shut in from Ivan 40.947 BCF



Generator Problems

MAAC – The 650 Mw Oyster Creek has been boosted to 92% capacity, which restarted and was warming up offline at 4% yesterday morning. The unit was shut on September 14 to repair a steam valve.

SERC – The 1,170 Mw Watts Bar is currently operating at 68% power. The unit was offline at 26% power yesterday after restarting on Tuesday.

SPP – The 966 Mw River Bend returned production to 98% capacity today, increasing production 21% on the day. The unit was curtailed to 77% on September 22 to perform scheduled control rod pattern adjustments.

ECAR – The 565 Mw lignite fired Unit #1 at the Monticello Steam Electric Station was expected to be restarted this afternoon and evening, following completion of repairs to a fan.

Based on latest NRC reports, total nuclear generation output this morning reached 91,083 Mw up 1261 Mw or 1.4% from yesterday's levels. Total generation was some 12.33% higher than the same date a year ago.

Southern Natural Gas Pipeline Co. stated that prior to Hurricane Ivan, Southern was receiving about 800 to 850 MMcf/d of natural gas at about 70 points upstream of its Toca Compressor Station. As of yesterday, Southern's field personnel have verified the integrity of the facilities associated with receipts from 31 receipt points upstream of Toca. The 31 receipt points were flowing about 385 MMcf/d prior

to Hurricane Ivan. As a result of increases in supply from various receipt points, the 31 receipts points are flowing about 345 MMcf/d.

Canadian Gas Association

Weekly Storage Report

	17-Sep-04	10-Sep-04	19-Sep-03
East	261.7	257.6	244.7
West	211.1	208.2	181.7
Total	472.8	465.8	426.5

Tropical Storm Ivan continued to move across the Gulf of Mexico and was expected to make landfall somewhere near Port Arthur, TX to Louisiana this evening. While the current system has not resulted in any additional shut ins, it appears to have delayed repair work and inspections of facilities that have been off line since last week due to

high surf and gusty winds which has kept repair workers on shore. ExxonMobil, ChevronTexaco, Anadarko, ConocoPhillips and Marathon all reported this afternoon that their offshore operations were unaffected by the storm. But late today some forecasters were looking for this storm despite moving inland would once again travel southwestward and possibly re-emerge into the Gulf of Mexico early next week.

BP reported that it has purchased a land lease option from the Port of Galveston for a planned LNG import terminal on Pelican Island. The project would have a send out capacity of 1.2 bcf/d.

PIPELINE RESTRICTIONS

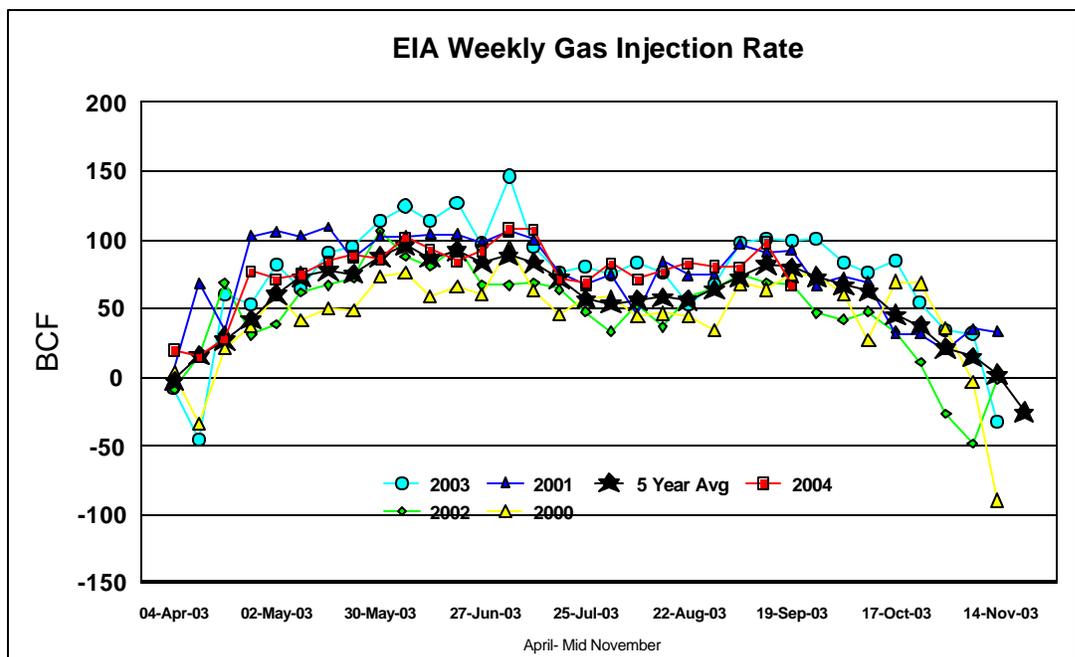
TransColorado said that until further notice, TransColorado is at capacity for deliveries through Segment 240, from the Red Vale Compressor Station to Dolores Compressor Station. Depending upon the level of nominations, interruptible flow, authorized overrun and secondary volumes are at risk of not being scheduled.

Algonquin Gas Transmission said its interconnect with Tennessee Gas Pipeline at Mahwah, NJ has been restricted to capacity for today.

Alliance Pipeline said that difficulties encountered during regular scheduled maintenance will delay the start-up of the Wimbeldon Compression Station. This delay has impact throughput capacity for today. The Gold Creek Compressor Station encountered unforeseen difficulties overnight. Operations are presently working to correct the situation but the station capacity is being impacted. Also, authorized overrun service has been changed to 6% from 10% for today.

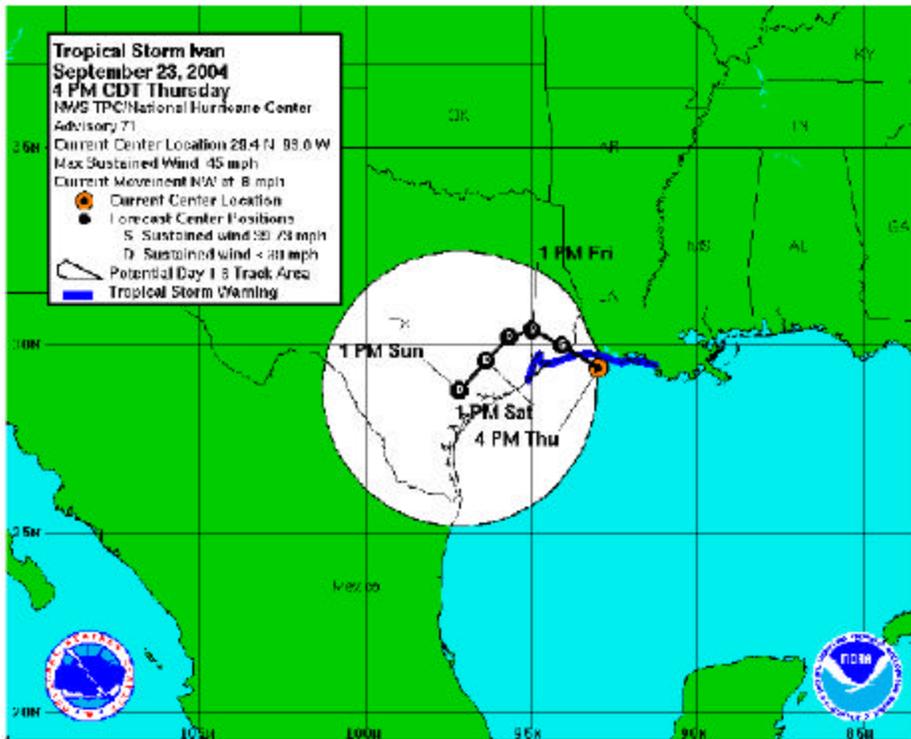
PIPELINE MAINTENANCE

PG&E California Gas Transmission has scheduled repairs at the Delevan Compressor Station from



October 2-28. PG&E anticipates capacity on the Redwood Line to slip to 2,030 MMcf, or 97% of capacity during the repairs.

Florida Gas Transmission said that it is currently performing unscheduled maintenance on one of the two compressor units at the FGT/Tennessee Gas Carnes interconnect. Starting with tomorrow's Timely Cycle, FGT will be reducing the capacity at DRN#12740 to 30 MMcf/d. Current estimates indicate that the unit will be down for approximately one week.



Questar Pipeline Company said it expects to return the Oak Spring Compressor Station to normal service and take nominations for Friday, September 24. The company also stated that maintenance on SML 70 and associated metering facilities has been completed ahead of schedule. As a result, Questar will begin accepting injection and withdrawal nominations to/from Northwest Pipeline to/from Clay Basin beginning cycle 1, today.

Newfield Exploration Company provided an

update on production volume affected by Hurricane Ivan in the Gulf of Mexico. Newfield sustained no major damage to its operated platforms. As of September 22, approximately 1 Bcfe of net production has been deferred. An additional 26 Mmcf/d remains offline today awaiting repairs to both operated and non-operated production facilities and pipelines in the Ship Shoal, Main Pass and Viosca Knoll areas of the Gulf. The company estimates that these repairs will take 30-60 days. Combined, Newfield expects that approximately 2.5 Bcfe of net production will be deferred due to Hurricane Ivan.

ELECTRIC MARKET NEWS

Dynergy Inc. received approval from the Illinois Commerce Commission of its proposed sale of Decatur, Illinois-based utility Illinois Power to Ameren Corporation. The transaction remains subject to approval by the Securities and Exchange Commission. The \$2.3 billion sale of Illinois Power to Ameren consists of the assumption Illinois Power's debt, estimated to be approximately \$1.8 billion at closing, the payment to Dynergy of \$375 million of cash, subject to working capital adjustments, and an additional \$100 million of cash that will be placed in escrow. The transaction received the approval of the FERC in July. The transaction approved by the FERC included the sale of Dynergy's 20% minority interest in the Joppa power generation facility in Joppa, Ill, to Ameren and a 2-year power purchase agreement through which Illinois Power will annually purchase from Dynergy up to 2,800 Mw of capacity and 11.3 Mwh of energy through 2006. In addition, the FERC granted approval for Illinois Power to join the Midwest Independent System Operator.

BPA today in its annual forecast of electricity supply for the Pacific Northwest said it saw sufficient generation to meet the regions needs over the next 4-5 years, but if supply shortages elsewhere in the west develop then power exports from the area by independent power producers could result in supply shortages for the Pacific Northwest and price volatility. As a result the agency said that the region can not be complacent and should continue to focus on providing adequate energy infrastructure, including new generators, transmission lines and promote energy efficiency.

MARKET COMMENTARY

The natural gas market opened lower for the second straight session today. While the market made a feeble attempt to challenge yesterday's high during the first 30 minutes of trading, it was quickly reversed once the EIA storage report was released showing a 68 bcf build in working gas inventories on the week ending September 17th. While this was less than the five-year seasonal average it was still a strong injection rate given the shut ins from Hurricane Ivan. As a result the market quickly sold off over the next 30 minutes not finding support until values approached Tuesday's lows of \$5.37. At midday prices began to recover helped in part by rebounding oil prices but also on weather updates showing that Tropical Storm Ivan had strengthened and could possible linger in the region for the next 5-7 days. In addition the news that little progress had been made in returning additional production that had been shut in seemed to help support the market from further losses. While the October and November contracts closed lower today the back months remained firm closing up 4-8 cents. Final volume was estimated at only 85,000 futures traded, down from yesterday's strong volume of 132,000. Much of today's volume though was booked prior to the afternoon, and as a result the late gains in the day were in light volume.

It appears that yesterday's high trading activity was in part driven by active short covering as open interest was reported today to have fallen on Wednesday by over 7,000 contracts.

We feel that this market has found its near term top, at least in the October contract and would look for the \$5.70-\$5.75 area to provide a resistance point to sell into tomorrow. This market though continues to see a bullish fever in the winter months both in buying the winter month futures as well as out of the money calls. Thus we would look at only the October and November contracts as the safest vehicles for shorts to participate in currently. We feel that once the October contract expires next week the selling pressure will pick up in the November contract especially as inventories continue to be built in gas before the start of the heating season. Thus selling the November \$7.00 call or even the \$7.30 calls may offer a relatively safe bet for shorting this market. While the \$7.30 calls are more than a dollar out of the money they still traded today at 9 cents. These options will expire before the heating season kicks off.

