



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 30, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported at midday today that Gulf of Mexico production continues struggle to return to service after Hurricane Ivan. The agency reported that some 484,458 b/d of oil production and 2.321 bcf/d of natural gas production remains off line.

The Destin pipeline, a gathering system owned by Royal Dutch/Shell Group and BP anticipates that by midday tomorrow, it will be able to accept gas from the Spirit and Marlin

Canadian Gas Association Weekly Storage Report

	24-Sep-04	17-Sep-04	26-Sep-03
East	262.4	261.7	252.9
West	212.1	211.1	186.5
Total	474.5	472.8	439.4

receipt points. It is already accepting receipts from its Nippon point. The throughput is subject to production platforms' capability to flow gas, the company said. About 1 Bcf/d of gas was shut in because of the damage to the Destin pipeline caused by Hurricane Ivan. BP and Shell own the Destin pipeline in a 67%-33% arrangement. It has a 1.2 Bcf/d capacity.

EIA Weekly Report

	09/24/2004	09/17/2004	Net chg	Last Year
Producing Region	867	855	12	783
Consuming East	1752	1704	48	1674
Consuming West	392	383	9	363
Total US	3011	2942	69	2820

2005 winter heating season that was released today.

Generator Problems

MAAC – The 1,143 Mw Limerick nuclear unit 2 is currently operating at 80% power, up 10% on the day. The unit was reduced to 70% capacity last Friday, with no reasons for the reduction.

MAIN – The 1,120 Mw Byron nuclear reactor 2 is back to full power, up 4% on the day.

NPCC – The 1,158 Mw Nine Mile Point 2 nuclear reactor resumed back to full power this morning, after being reported at 98% capacity yesterday. The unit lowered output earlier this week due to planned maintenance work, including control rod pattern adjustments.

ERCOT – The 750 Mw Martin Lake 3 coal-fired power unit will be shut on October 1 for maintenance. Further information has yet to be disclosed.

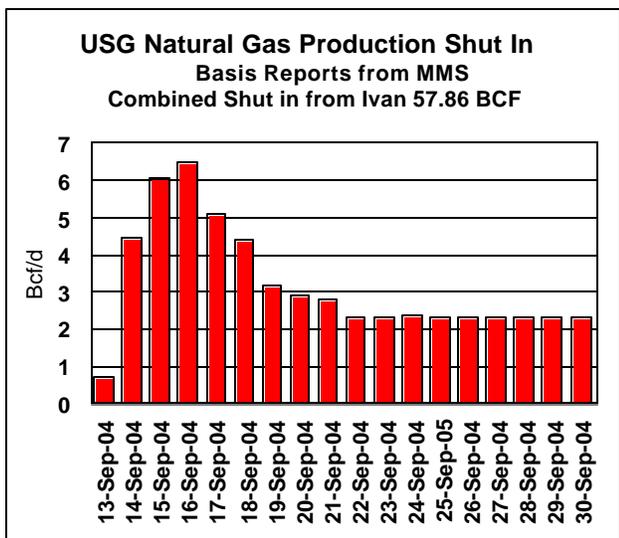
SERC – The 888 Mw Farley 1 nuclear reactor is currently coasting down for its fall refueling and maintenance outage. The unit is running at 93% capacity, off 1% on the day. The outage is scheduled for October 4-8.

The 830 Mw Brunswick nuclear unit 2 is currently operating at 74% capacity, down 22% on the day. A reason for the reduction was not immediately available.

Based on latest NRC reports, total nuclear generation output this morning reached 86,109 Mw up 240 Mw or .28% from yesterday's levels. Total generation was some 6.27% higher than the same date a year ago.

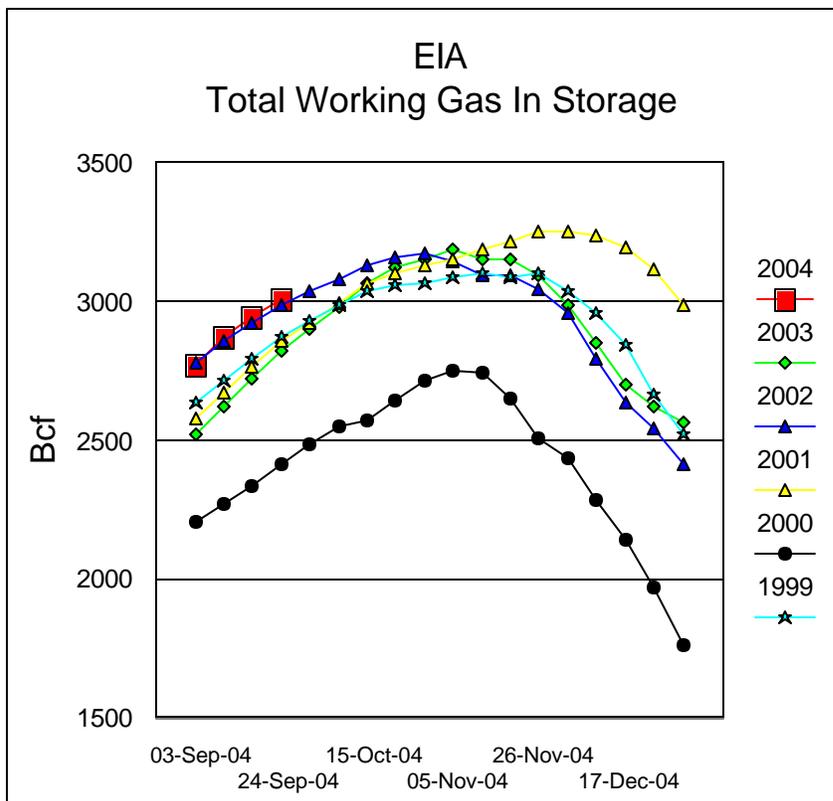
Residential natural gas customers should expect "upward pressure" on prices this upcoming winter due mostly to an expanding economy, potentially colder than normal weather and a tight balance between supply and demand, the Natural Gas Supply Association said in its outlook for the 2004-

U.S. demand for natural gas this winter is expected to increase 4.4% from last year, and prices should be higher even though inventories will be near record levels at the start of the heating season. The Natural Gas Association said, "With a tight balance between natural gas supply and demand continuing for a third straight year, heating customers and other users are in for a mixed bag of energy costs this winter." In its annual forecast, the trade group said thanks in part to an expanding U.S. economy natural gas use this winter should average 76.5 Bcf/d, up from 73.3 Bcf/d last year. There should be plenty of gas to meet demand, with inventories at the start of the heating season on November 1 expected to be at 3.2 trillion cubic feet compared to 3.155 trillion cubic feet at the beginning of last winter. Government weather experts forecast a colder-than-normal winter from the Mid-Atlantic States down through the Southeast and across to Texas, and a warmer-than-normal winter in the West. U.S. winter production of natural gas should average 49.7 Bcf/d, down slightly from 50 Bcf/d last year. To help meet demand, gas imports, which



come mostly from Canada, are expected to increase.

An increased interest in building LNG import facilities and a need for additional security requirements under the Maritime Transportation Security Act of 2002 were reasons why the Minerals Management Services and the U.S. Coast Guard signed a revised Memorandum of Understanding. The memorandum details how the two agencies will work together to regulate oil and gas activities on the U.S. Gulf of Mexico's Outer Continental Shelf to keep pace with the gas industry efforts to boost energy production, an arena that faces a multitude of evolving technologies and new engineering standards. The agencies also signed a memorandum to outline agency responsibilities on specific technical areas ranging from deepwater ports to oil spill response.



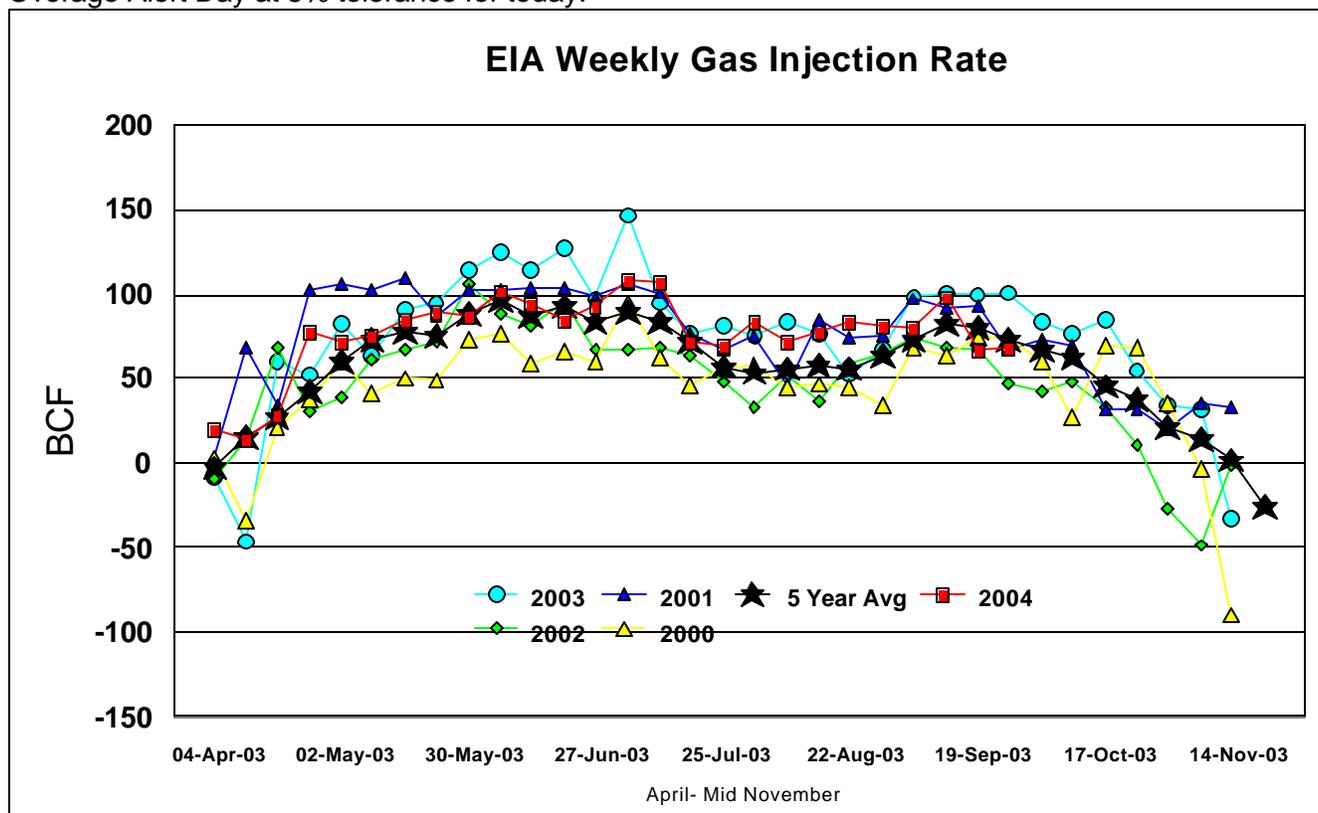
The EIA reported that additions to gas pipelines and storage expansions slowed considerably last year, due to continued problems surrounding customer creditworthiness, higher steel prices and a slow down in the growth of new gas fired power generation. The agency noted there were 49 pipeline

projects that resulted in 10 bcf/d of pipeline capacity additions and some nine storage projects that added 19 bcf of working gas storage capacity.

While two tropical waves continue to move westward across the Atlantic conditions remain unfavorable for any further development at this time. Forecasters though continue to watch an area of thunderstorms in the central Caribbean. At this point in the hurricane season this is a climatologically favorable area for storm development. This system though still has not shown any sign of further organization, but some private forecasters will keep a keen eye on it going into the weekend.

PIPELINE RESTRICTIONS

Florida Gas Transmission stated that due to high demand and warm temperatures, it is issuing an Overage Alert Day at 5% tolerance for today.



Algonquin Gas Transmission said from October 1-8, it will accept nominations for transportation sourced from the Maritimes & Northeast Beverly meter station 00215 for delivery only to Fore River Development, and Boston Gas Potter Street. From October 9-12, AGT will accept nominations for transportation sourced from the Maritimes & Northeast Beverly meter station 00215 for delivery only to Fore River Development, Boston Gas Potter Street and Boston Gas East Braintree. With the exception of the meters listed above within the specified time periods, no other deliveries on the AGT system may be sourced from Beverly meter 00215.

PIPELINE MAINTENANCE

Westcoast Energy said that repairs to the A Waste Head Boiler at Pine River Gas Plant originally scheduled for Friday September 24, will take place on Friday October 1, starting at 8:00 AM PT and continuing into next week. Meanwhile, Westcoast also stated it will be replacing the back pressure control valve on the injection well used by Kwoen Gas Plant today, which will require an acid gas

constraint being put into place. There will be no flow through Kwoen Gas Plant for approximately 12 hours and the K100 inlet compressor will continue to run.

El Paso Natural Gas Company said that the Laguna Station will have one compressor unit down to install a new lubrication system October 4 – 7, reducing the capacity of the San Juan Crossover by 20 MMcf/d. Also, line 3009 and 30100 between Eunice Station and Warren Eunice will be down for repairs for only two days rather than three. The lines will be down October 19 and 20. There will be no flow from IWAREUNI during the outage.

Alliance Pipeline announced that maintenance at the Teepee Compressor Station will now be complete on October 7 rather than October 2 as previously announced. Flow will remain at zero.

Centerpoint Gas Transmission said that unscheduled repairs on the #1 unit at the Amber Station that began on September 25 are expected to finish on October 5. Effective tomorrow, October 1, CEGT will be further reducing the capacity through Amber Station to 330 MMcf/d.

ELECTRIC MARKET NEWS

The Long Island Power Authority's Board of Trustees approved a resolution authorizing LIPA to enter into an agreement with Neptune Regional Transmission System to design, construct, own, operate and maintain a 67 mile-long undersea cable. The transmission line will allow LIPA to import up to 660 Mw of electricity from Sayreville, NJ, under the Atlantic Ocean, interconnecting with LIPA's electric grid at the Newbridge Road substation in Levittown. The Neptune project will allow LIPA to access cheaper power from New Jersey, Pennsylvania and other Mid-Atlantic states. According to the FTCPA, placement of the undersea merchant cable is scheduled to begin no later than September 1, 2006. Commercial operation is slated for June 30, 2007. The 20-year FTCPA provides LIPA with the flexibility to purchase capacity in varying amounts from zero to 660 Mw.

Reliant Energy Inc. dedicated its new \$800 million 521 Mw Seward power plant in Pennsylvania, the largest waste coal-fired generating plant in the world. During its life, the new plant will burn more than 100 million tons of waste coal collected from across western Pennsylvania. Late last year, Reliant retired two 1950's vintage coal-fired units at Seward with a capacity of 196 Mw in anticipation of the start-up of the new plant.

Dynegy expects to close its \$2.3 billion sale of Illinois Power to Ameren today, Dynegy President and CEO Bruce Williamson said in a New York financial conference yesterday. The U.S. Securities and Exchange Commission approved the sale under the Public Utility Holding Act of 1935 Monday, the last approval required, and final paperwork is now being completed. The company plans to use sale proceeds to pay down another \$140-million of debt Friday, Williamson added. After the completion of the sale, Dynegy will be left with two-business lines power generation and natural gas as well as a "much simplified capital structure."

AEP today noted that it and four other electric generators had filed motions to dismiss lawsuits by a group of state attorneys general over carbon dioxide emissions. The companies argued that federal courts would not have the authority to address global warming using federal common law and that the plaintiffs lack standing seeking redress for global warming. The other companies involved in the suit are Cinergy, TVA, Southern and Xcel Energy.

The U.S. EPA's inspector general said today that the changes the Bush administration made last year to the Clean Air Act's New Source Review provisions has seriously hampered the agency's ability to enforce the law. The official noted that the EPA's revision to the definition of routine maintenance under NSR, has allowed utilities to undertake projects up to 20% of the cost of power generating units

without being subject to NSR requirements. The inspector general recommended that the EPA administrator reconsider the NSR rule changes and specifically address its impact on enforcement activities against coal-fired utilities.

MARKET COMMENTARY

The natural gas market today appeared to take a breather from its recent breathtaking rally. The November and December contracts both posted inside trading days despite today being a storage report day. The EIA storage report basically came in near market expectations. While it posted its second straight week of injections that fell below the five-year seasonal average due to the impacts from Hurricane Ivan, the injection rate was still high enough to push working gas storage levels to over 3 tcf, some 189 bcf higher than last year. Typically one does not see working gas storage levels reach the 3 tcf level until mid-October. As a result this continued to weigh on the front month contract especially November. But the growing concerns of the prolonged delays in returning shut in production has helped fan the fears of potential supply tightness once the heating season gets underway. These concerns have been further heightened in recent days as some private weather forecasters have outlined a colder than normal start to the winter heating season. The January through March 2005 contracts finished stronger yet again today as they not only set new contract highs for the third straight session but also settled up by double digits for the third consecutive session. Final volume was estimated in the futures market at 91,000 contracts of which spreads accounted for over half of the day's activity.

We feel that traders will be reluctant to sell this market on Friday, given the proximity of unsettled weather to the Gulf of Mexico, and the warnings from some private weather forecasters that this system could quickly flare up over the weekend or early next week. In addition we feel that no serious retracement in prices will be possible until some further progress is noted by the MMS in the return of natural gas production to the market.

We see resistance in the November contract to be continued be found at \$7.03 followed by \$7.23, \$7.32, \$7.39, \$7.44, \$7.55 and \$7.63. Support we see at \$6.65, \$6.41 and \$6.37.