



ENERGY RISK MANAGEMENT

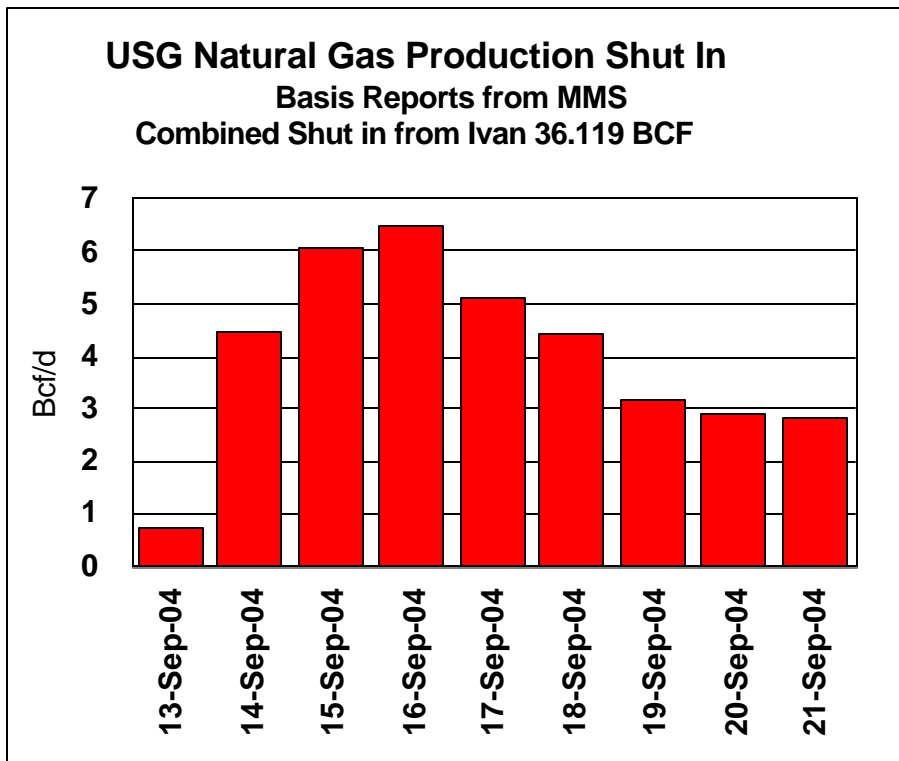
Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

POWER MARKET REPORT FOR SEPTEMBER 21, 2004

NATURAL GAS MARKET NEWS

Hurricane Ivan has so far shut in nearly 8.5 million barrels of oil and 36.2 bcf of natural gas, according to the federal Minerals Management Service. Nearly 666,000 barrels of oil and nearly 2.8 MMcf of gas remain shut in. BP reported this afternoon that some 350,000 b/d of its crude oil production remained off line and it would take 2-3 weeks before production returned to normal.



El Paso Corp. said producers still had about 270 MMcf of natural gas shut-in on its Tennessee Gas pipeline system due to damage caused by Hurricane Ivan last week. Prior to the storm, a company spokeswoman said producers shut in about 800 MMcf/d on the 6.5 Bcf/d Tennessee pipeline as a precaution against the storm.

Generator Problems

ERCOT – The 575 Mw Big Brown 1 coal-fired unit will return to service today following repairs for a boiler tube leak. The unit was shut on September 17.

MAIN – The 800 Mw Dresden 2 nuclear power unit shut on September 18 to repair a vibrating turbine and is still shut. The Dresden 3 unit continues to operate at 98% capacity as it slowly coasts down for a refueling outage.

NPCC – The 825 Mw FitzPatrick nuclear plant is currently running at 80% capacity, off 4% from yesterday. The unit is coasting down for its fall refueling and maintenance outage, which is to begin in the end of September.

SERC – The 1,170 Mw Watts Bar nuclear plant has been restarted and is currently at 13% capacity. The unit was manually tripped on Sunday in response to four dropped rods in control bank B.

Based on latest NRC reports, total nuclear generation output this morning reached 90,083 Mw up 468 Mw or .52% from yesterday's levels. Total generation was some 10.20% higher than the same date a year ago.

Tennessee has isolated the leak on the 36-inch line and is currently testing the line. The spokeswoman also said that she was not sure when that portion of the line would be available for service, but if tests were successful, it could be soon. The spokeswoman also confirmed that there were still 40 meter points on its Southern Natural pipeline system that were under force majeure, with 30 points flowing about 265 MMcf/d. Before the storm, the 70 meter points were flowing 800-850 MMcf/d.

As if it were a cruel joke, the remnants of Hurricane Ivan crossed back over Florida today and moved into the eastern Gulf of Mexico. The National Hurricane Center warned that while there are no current signs of tropical development with this area of unsettled weather, conditions may become more favorable in the next couple of days as the system moves westward. Forecasters at Accuweather warn that as the system moves into the western gulf warm water temperatures there could possibly allow the storm to quickly intensify just before landfall. Currently they see landfall somewhere between Galveston and New Orleans by possibly the weekend.

According to a report released yesterday by the Manufacturers Alliance/MAPI, U.S. manufacturers will find themselves at a growing disadvantage if LNG imports do not increase over the next several years. The study, "Liquefied Natural Gas and the Future of Manufacturing," said that while the U.S. has long enjoyed a competitive advantage over other countries because of its low natural gas prices, that edge is slowly diminishing as production from U.S. basins matures and regulatory policies prohibit new production from under-explored areas. The report also stated that due to the regional constraints, U.S. gas prices have more than doubled in the past few years and are now 25% more expensive than in Europe. "More ominously," the report added, "the inflation-adjusted price of the marginal cost to produce North American natural gas could increase by as much as 80% over the next 15 years. The report estimates that if eight new LNG terminals are built, then LNG could meet more than 22% of domestic consumption by 2010. Reaching this level of supply, would reduce natural gas costs by 20-25% below current levels, according to the study.

Massachusetts Governor Mitt Romney is asking for more time to study a proposed LNG facility in Fall River. He says federal regulators haven't adequately studied dangers posed by a terrorist attack on a tanker. Romney sent a letter to Federal Energy Regulatory Commission Secretary Magile Salas yesterday stating terrorism must be considered as a possible threat. A draft environmental report from the FERC recognized fears of a terrorist attack, but said the risks could be managed. An LNG terminal is also being considered in Maine at the Passamaquoddy Indians' Pleasant Point reservation near Eastport. A vote last month authorized tribal leaders to move ahead with the project.

Swift Energy Company announced today that operations at its Lake Washington Field in Louisiana have been resumed following the production shut-in and evacuation due to Hurricane Ivan. Based on early indications, the field has experienced no significant damage as a result of the hurricane. Both the drilling rig and completion rig are back at work in the field. The cumulative estimated production shut-in during this period amounted to less than 0.5 bcf equivalent.

Nabors Industries Ltd. announced today that one of its offshore platform rigs sustained extensive damage as a result of Hurricane Ivan. The rig involved was a 1,000 horsepower platform workover/reentry rig, MODS 141. The rig had been secured and abandoned prior to the storm and there were no personnel on board at the time. The rig was working for Murphy Exploration and Production Company on its Medusa SPAR platform in the Gulf of Mexico. Nabors personnel are making a more comprehensive assessment of the extent of the damage and instituting plans to remove the rig from Murphy's platform as expeditiously as possible so that full production capability can be restored.

The CFTC's Market Oversight Division today reported that it had found that the exchange had performed most functions adequately. The review though found that the NYMEX's audit train program be enhanced for spread trading review and its disciplinary efforts boosted to act as deterrents against trading violations.

Petal Gas Storage LLC has scheduled an open season between October 1-7th for up to 600,000 Mmbtu of firm transportation capacity beginning April 1st.

Private weather forecaster WSI, has called for temperatures to be warmer than normal for the majority of the United States during November and December.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to high demand and warm temperatures, it is issuing an Overage Alert Day at 25% tolerance for today.

PIPELINE MAINTENANCE

Kern River Pipeline recently updated its October maintenance schedule. On October 11-15, Kern River will complete required semi-annual maintenance at Goodsprings Compressor Station. The maintenance will be completed with two out of three turbines available at all times. Kern River anticipates that there will be no impact to firm transportation. Firm shippers are reminded to get their primary nominations scheduled no later than the Intraday 1 cycle to avoid the "no bumping" NAESB rule in the Intraday 2 cycle. Kern River is estimating an impact of up to 100 MMcf/d to interruptible transportation for October 11-15. On October 19, Kern River will begin required semi-annual maintenance on unit 2 at Fillmore Compressor Station, and will begin work on the accessory gear box and fuel system upgrades on unit 1. Kern River anticipates the unit 2 will be available on October 21, while unit 1 will remain down through October 22. Kern River expects that there will be no impact to firm transportation. Kern River is estimating an impact of up to 200 MMcf/d to interruptible transportation for gas days October 19-20, and approximately 91 MMcf/d on October 21-22. On October 26-27, Kern River will complete require semi-annual test of the Emergency Shut Down system and the semi-annual maintenance on units 2 and 3 at the Veyo Compressor Station. The maintenance will be completed with two out of three turbines available at all times. Kern River anticipates that there will be no impact to firm transportation. Kern River is estimating an impact of up to 157 MMcf/d to interruptible transportation for gas days October 26-27.

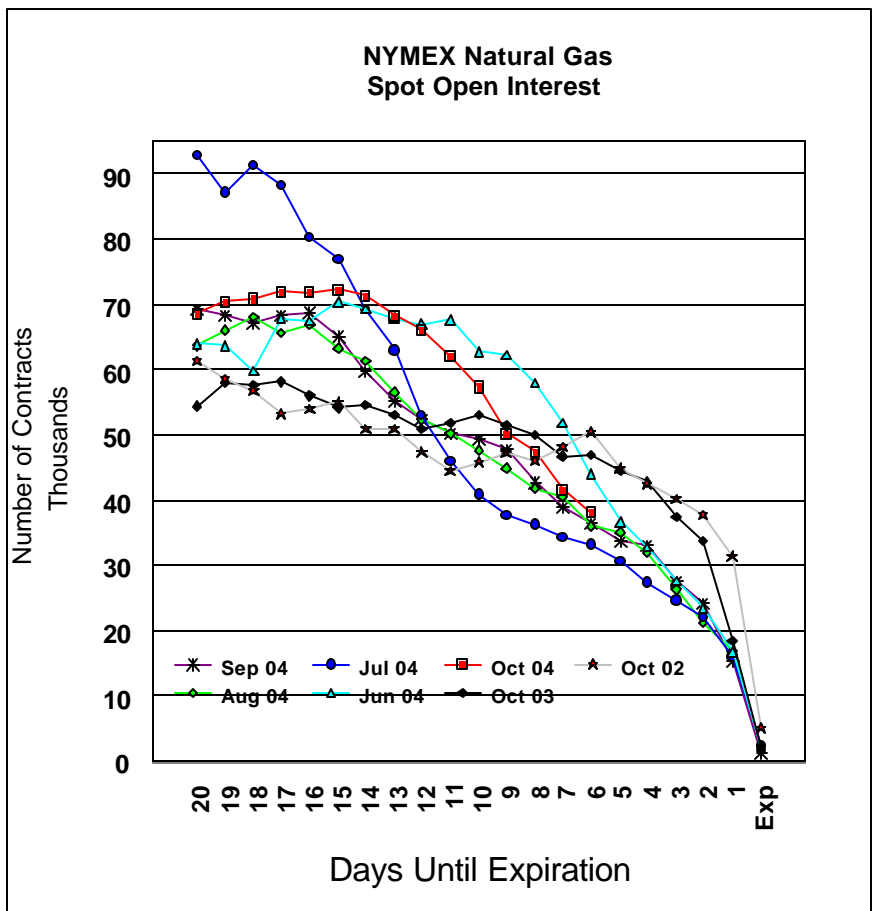
Trunkline Gas Company said there will a Texas outage from Cypress Station to Valve 33 for Department of Transportation mandated pipe replacement beginning October 1. The expected duration is 13 days. During this outage, all receipts and deliveries between the Cypress Station and Valve 33 will be shut-in. All receipts upstream of the Cypress Station must have nominated deliveries upstream of Cypress. There will also be a Texas outage from Valve Section 42-48 for Kountze ILI work beginning October 1. It is expected to last 13 days. All receipts and deliveries will be shut-in during this outage. At this time Trunkline expects to continue accepting receipts and delivery nominations between Valve Sections 33 and 42.

Transwestern stated it will be doing unit maintenance at WT-2 compressor station affecting deliveries on the West Texas Lateral. The repairs are scheduled for October 5-11. WT-2 capacity will be decreased from approximately 600 MMcf/d to 440 MMcf/d.

ELECTRIC MARKET NEWS

PSEG Power and the PJM Interconnection stated they will hold discussions on the future availability of 7 generating units in New Jersey. The 7 plants were earmarked for retirement because PSEG Power views them as no longer economically viable under the current market structure. PSEG Power filed

notice with PJM of its intention to retire the 7 units in New Jersey. In response, PJM identified certain system reliability concerns associated with the retirements. PJM stated it would initiate meetings with PSEG Power on these and other issues designed to address these concerns. PSEG agreed to the discussions. The units being considered for retirement are Sewaren 1, 2, 3 and 4 in Woodbridge Township, Kearny 7 and 8 in Kearny and Hudson 1 in Jersey City. These sites have other electric generating units that will continue to be in operation. These 7 units have a combined installed capacity of 1,132 Mw, and their current combined book value is \$23 million. Frank Cassidy, president of PSEG Power said, "While we share the view that PJM is a model regional transmission organization, the current market design does not recognize and fairly compensate generators for the value of their capacity. We acknowledge that a new capacity market, including a locational component, is under development in PJM, however PSEG Power can no longer afford to subsidize the availability of these units."



Five days after Hurricane Ivan hit the USG some 300,000 power customers in the southeast still were without power.

CenterPoint Energy in its most recent filing with the SEC, noted it expects the Texas Public Utility Commission to approve the utility to recover just under half of the \$3.7 billion it had been seeking in stranded costs in its "true-up" application.

MARKET COMMENTARY

The significant impact of Hurricane Ivan on U.S. natural gas and crude oil production continued to come into even better focus today. Some 36 bcf of production has been lost over the past week and it may take a couple of weeks for total production to be restored. This news coupled with the potential regeneration of the remnants of Hurricane Ivan into yet another tropical storm in the Gulf of

Mexico, has kept shorts looking to cover their net short positions in the October contract, as expiration is now only a week away. This market gapped higher for the second time out of the last three trading sessions and by the end of the day had seen the October contract settle at levels not seen since August 20th. Final volume was excellent with 101,000 futures traded, of which 44% was booked via spread trading.

We would look for this rally in the October contract to begin to run into more significant resistance tomorrow. We would look at today's high in the October contract at \$5.64 resistance followed by a gap in the spot continuation chart at \$5.70-\$5.75, from August 11th, \$5.76, \$5.815, \$5.83, and \$5.88. Support we see at \$5.40-\$5.39, followed by \$5.37-\$5.26, \$5.21, \$5.08 and \$4.95.

