



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR SEPTEMBER 27, 2004

Generator Problems

MAAC – The 1,143 Mw Limerick nuclear unit 2 has been cut to 70% capacity, down 30% since Friday. The reason for the reduction remains unknown.

The 1,100 Mw Salem nuclear unit 1 shut from full power as of Saturday. A reason for the outage has yet to be disclosed. Salem unit 2 is running at 98% capacity.

MAIN – The 1,120 Mw Braidwood nuclear unit 2 is currently running at 86% capacity, after having output decreased by 14% since Friday.

The 900 Mw Dresden nuclear unit 2 has ramped output to 97% power, up 82% since Friday. The unit restarted on Friday after shutting September 19 to realign a vibrating turbine. The Dresden 3 is running at 99% power.

NPCC – The 970 Mw Indian Point nuclear unit 2 is currently running at 96% capacity. The unit shut on Friday due to an erratically operating regulating valve and decreasing steam generator levels that promoted a manual reactor trip.

The 825 Mw FitzPatrick has been shut for its fall refueling and maintenance outage. The unit was last seen running at 83% capacity on Friday.

The 1,158 Mw Nine Mile Point 2 nuclear reactor has cut output to 65% power, off 35% since Friday. The reasons for the reduction remain unknown.

SERC – The 693 Mw Turkey Point unit 3 was shut as of this morning, off 50% since Sunday and down from full power on Friday. The unit shut for its scheduled refueling outage, which will include a reactor vesselhead replacement and should take as long as 2 months.

The 855 Hatch 2 nuclear unit has been shut from 99% capacity on Saturday. Operators initiated a manual reactor scram during a planned shutdown, after receiving a Group 2 isolation signal on Low Reactor Water Level.

Both 839 Mw St. Lucie nuclear reactors were shut on Friday, the day before the landfall of Hurricane Jeanne. Both units were at full power at the time of the outages and should be back running in about a week or so.

WSCC – The 755 Mw Moss Landing 6 and 7 natural gas-fired power units returned to service early this morning. The units shut on September 21 due to a tube leak in a shared startup auxiliary boiler.

All four units at the La Paloma gas-fired plant were shut early this morning due to a problem with its ammonia system. No estimate was available for when the units might return to service.

CANADA – The 535 Mw Lennox 4 oil and natural gas-fired power unit was shut early this morning. Further information has yet to be disclosed.

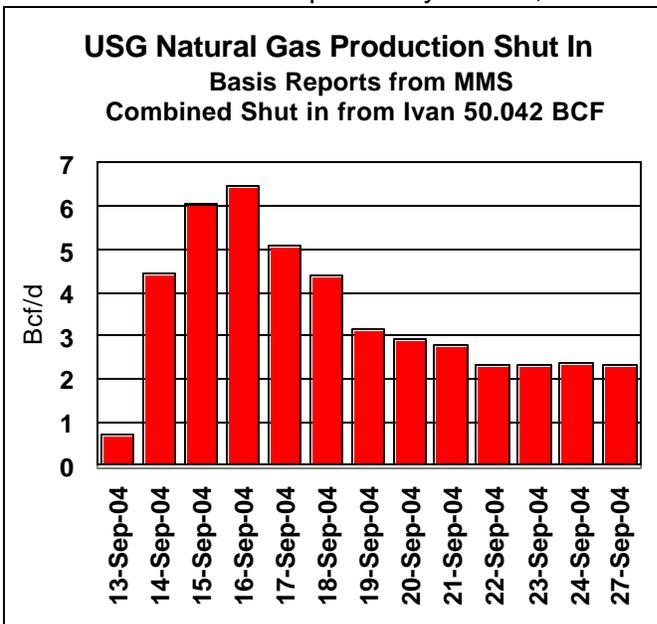
Based on latest NRC reports, total nuclear generation output this morning reached 86,583 Mw down 5,264 Mw or 5.7% from Friday's levels. Total generation was some 8.06% higher than the same date a year ago.

NATURAL GAS MARKET NEWS

The US Minerals Management Service said that 11.277 million barrels of oil and 50.042 bcf of natural gas has been shut by Hurricane Ivan. It reported that oil production is still down 491,698 bpd, while natural gas production is still down about 2.347 bcf/d. Lehman Brothers today estimated the cumulative amount of natural gas production that will have been shut in following Ivan will reach between 80-120 bcf.

Qatar plans to export some 77-mil mt/year of LNG by 2011-12 as the Persian Gulf country develops its natural gas exports and LNG shipping industry, Qatari oil minister Abdullah bin Hamad al-Attiyah told reporters Sunday on the sidelines of an energy conference in the UAE capital. Attiyah said, "We will export all of it. We could be the largest producer of LNG by 2011." Qatar currently produces some 18-mil mt/year of LNG, right behind Indonesia's current production level of 28-mil mt/year and installed capacity of 34.5-mil mt/year.

BP may help Russian gas monopoly Gazprom break into the U.S. LNG market by agreeing to swap its LNG for Gazprom's pipeline gas in Europe. Gazprom, the world's largest gas company, is eager to export to the U.S. and such a deal would give it super-cooled gas that can be shipped in tankers. Spokesmen from Gazprom and BP in Moscow confirmed that the two firms were holding talks on a number of issues in regards to this matter. Gazprom, which supplies a quarter of Europe's gas, said last week it would begin LNG deliveries to the United States in 2005 by either buying the product from other firms or swapping it for its own pipeline gas in Europe. The company also said that operations would allow it to learn more about the industry before it starts producing its own LNG next decade from the giant arctic Shtokman field and clinches long-term supply deals with U.S. customers.



The chairman of the FERC today said that North American energy companies should be able to build enough new LNG terminals to meet growing U.S. energy demand. He estimated that it will probably take another eight LNG terminals but did not see these beginning to come on-line until 2007. As a result the U.S. should see "...some rough years between now and then" he feared in terms of gas market volatility.

Southern Natural Gas Pipeline Company said it is still in the early stages of assessing damage to its system in the Main Pass Area that was caused by Hurricane Ivan. Damage assessment has been hampered by inclement weather and vessel availability. Southern expects that damage assessment will take about 2 weeks to complete assuming no further delays due to weather and vessel availability. The duration of the required repairs will depend on the extent of the damage. It is too early to give an accurate assessment of when repairs will be completed and receipt points impacted by the damage can resume flow. About 350 MMcf/d is flowing, according to the company. All other points upstream of Toca remain under the pipeline's imposed force majeure and should not flow gas. Repairs also are ongoing at Sonat's Olga Compressor Station.

Kinder Morgan said it is planning to double the size of its Markham storage field in Matagorda County, Texas, to serve Center Point Energy Gas Services and potentially other customers. The expansion,

which is expected to be finished in summer 2005, would add 6 Bcf of working gas capacity, 90 MMcf/d of injection capacity, and 250 MMcf/d of deliverability.

North American producers' debt-adjusted production-per-share growth is on track to grow nearly 10% this year, but the strong pace could actually imply "cost creep," considering it has taken average price forecasts of \$40/bbl and \$5.75/Mcf before the spending increased, according to a report by Lehman Brothers.

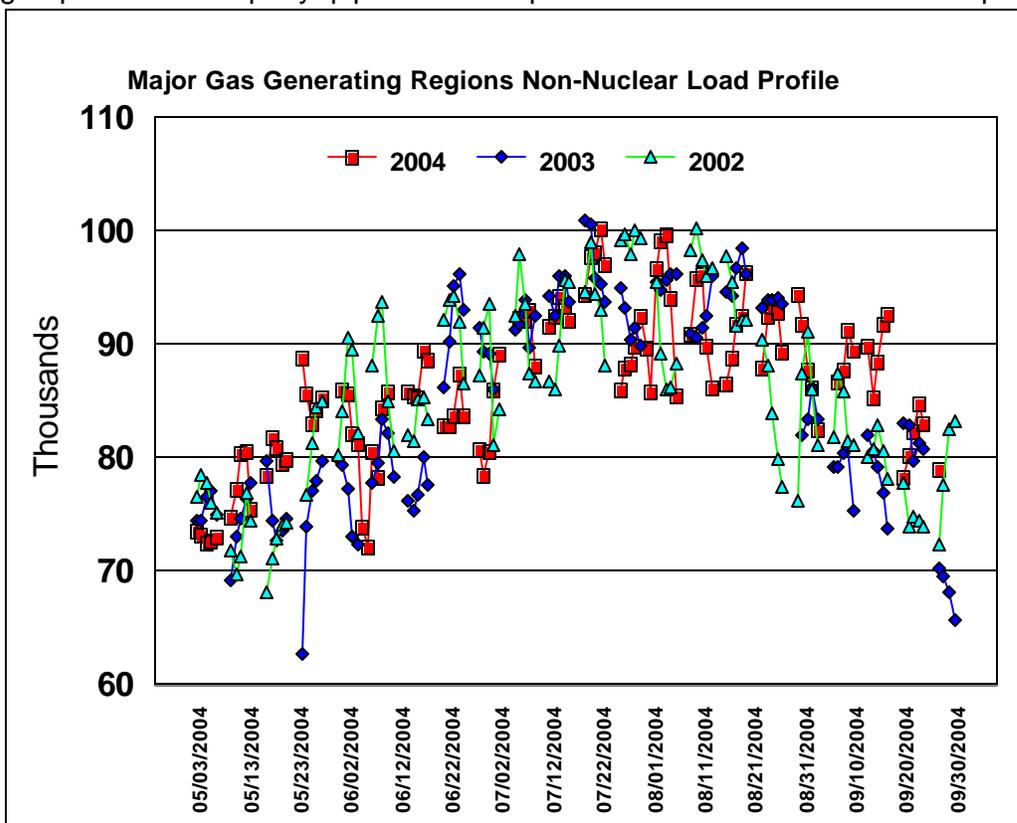
A bipartisan group of 36 senators have called on Appropriations Committee leaders to set aside \$600 million in emergency funding to assist senior citizens and low-income families with soaring energy costs this upcoming winter.

U.S. independent Forest Oil said it will need to "defer" 1.2 Bcfe of its third quarter production and 2 Bcfe of fourth quarter output due to shut-ins and infrastructure damage in the Gulf of Mexico as a result of Hurricane Ivan. Forest also said about 30,000 Mcfe/d of its production remains curtailed in the wake of the storm, 10,000 Mcfe/d operated and 20,000 Mcfe/d from non-operated sites. "The shut in production is awaiting repairs to third-party pipelines and production facilities that the company estimates will be completed in the next 2 or 3 months," Forest said.

PIPELINE RESTRICTIONS

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

Texas Eastern Transmission Corp. has several restrictions in place for today. Receipts on the 24-inch system have been restricted to capacity. Physical



increases of receipts sourced between Longview and Fagus will not be accepted. Point operators are required to flow at no more than scheduled volumes in zone STX, ETX and M1-24. This work is scheduled to be completed September 30. The Monroe line in Zone ELA has been scheduled to capacity based on supply nominations for this lateral.

Gulf South Pipeline Company said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South will be required to schedule available capacity and implement scheduling reductions for today. In East Texas/Capacity Allocation Area 8/Zone 1 Gulf South will notify affected parties when final scheduled quantities are available.

PIPELINE MAINTENANCE

Gulf Terra Texas Pipeline stated it has scheduled the pigging of the SSS 24-inch Line into Oyster Lake on October 13. Beginning October 13, Gulf Terra will utilize gas on the SSS 24-inch line to push the pig. After the pig is received, The Oyster Lake Plant will shut in to unload the liquids. During this time, gas will be diverted to the Tomcat System until the plant is dried out and the liquids are disposed. This process may take 5-6 days to complete and may result in higher than normal line pressures.

ELECTRIC MARKET NEWS

Hurricane Jeanne left more than 2.5 million Florida homes and businesses without electricity since the storm hit on September 25. The fast work of the region's power companies, however, has cut the total outages to about 1.7 million by early today. More than 1 million FPL customers were still without power this morning, down from nearly 2 million that were left in the dark over the weekend. Tampa Electric is reporting roughly 227,000 customer outages and municipal and cooperative utilities in the state say about 700,000 of their customers are without service.

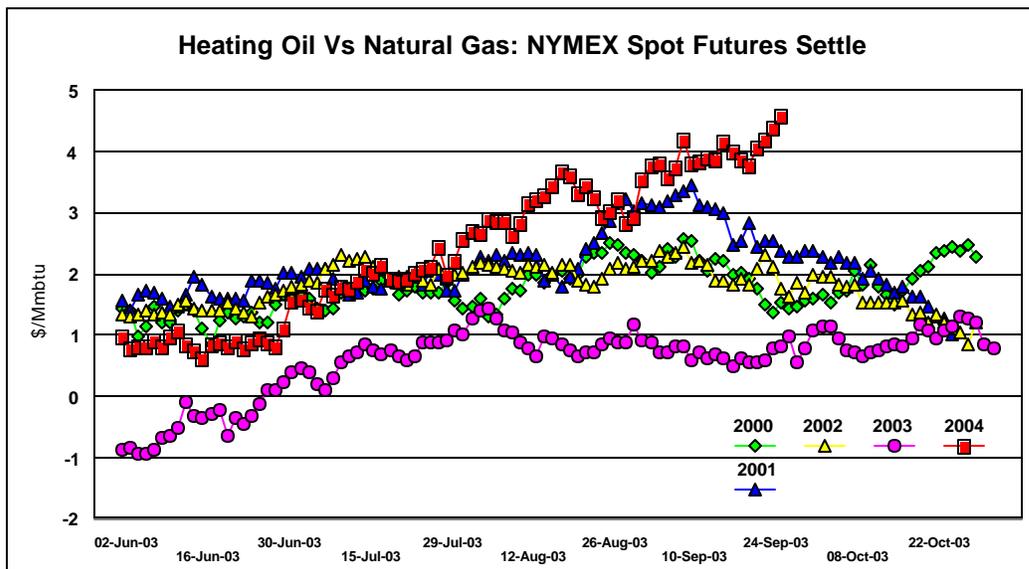
Florida Power & Light said it continues to work to restore power to its service area. The total number of customers restored since Hurricane Jeanne began battering Florida on Saturday now stands at 671,000 out of more than 1,728,000 total customers impacted. Work continued overnight amid toppled trees and scattered debris as crews focused on making repairs and restoring service to 1,057,400 customers.

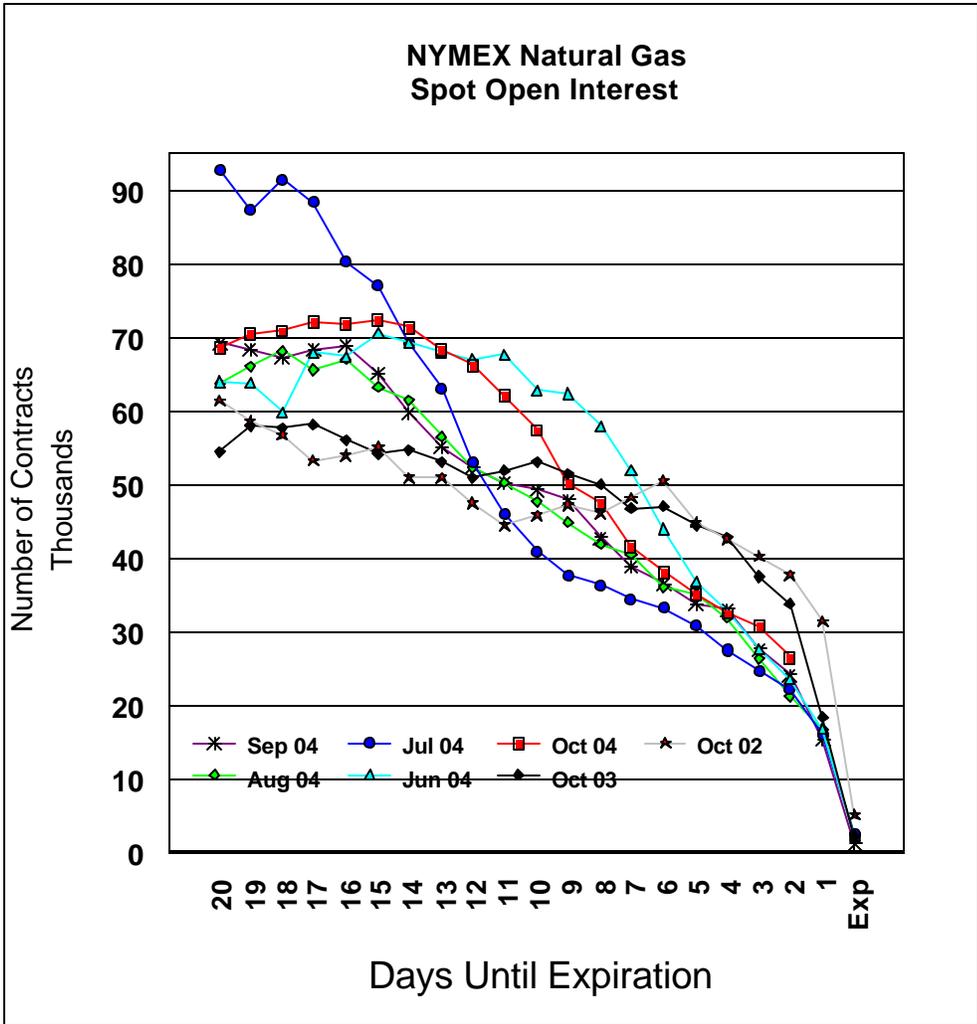
The FERC instituted a new proceeding to establish a long-term transmission pricing system Monday to replace the through and out rates for transactions between PJM and MISO. The FERC said the new pricing mechanism would benefit customers by ensuring a smooth transition in eliminating seams between PJM and MISO. The FERC issued the order after both parties in the case failed to reach a compromise pricing policy. The FERC has ordered the two parties to propose at least two proposals on pricing by October 1st and the agency will have to choose between them.

MARKET COMMENTARY

The natural gas market saw the first two contract months gap lower this morning as the prospects for poor cooling and heating demand for the upcoming week kept the bulls on the defensive despite even higher oil prices throughout the day. With options expiring

today it appeared that prices felt comfortable in being pinned to the \$5.25 price level. Volumes were rather disappointing, especially for an option expiration day with just 69,000 contracts booked on the day. This was the smallest traded volume on an option expiration session since the April options expired this past March.





We would look for tomorrow's expiration to be a bit of a wild ride. Open interest in the October contract going into expiration is at the highest level since March. We would look for prices to challenge the downside early. We see support at \$5.25, \$5.20 with more significant support down at \$5.025 and \$4.97. But given the bearish bias this market has seen in the front month recently we would look for support to return to the contract late in the day as spec shorts finally exit their positions. We see resistance at \$5.30-\$5.33 followed by \$5.39, \$5.44-\$5.45, \$5.51. More distant resistance we see at \$5.71 and \$5.865. But over the next several days we would look for the speculative selling to

find its way into the November contract as shorts reposition their positions into the new spot contract.

