



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR SEPTEMBER 28, 2004

NATURAL GAS MARKET NEWS

The Minerals Management Service said today that Gulf of Mexico production shut ins totaled 2.3 Bcf/d of gas and 490,493 bbl/d of oil based on information from 23 exploration, production and drilling companies. Gas and oil production shut ins have remained basically flat for the last several days and producers indicate that some shut ins could continue until December.

The commissioning of global energy firm Royal Dutch/Shell Group's 5 million-metric-ton-a-year LNG import terminal at Hazira in the western Indian state of Gujarat will be on schedule in November. The Shell LNG project, being built at a cost of \$600 million, will also have

Generator Problems

ECAR – The 1,260 Mw Perry nuclear power plant is currently running at 84%, down 16% on the day. The unit trimmed power overnight for fuel exchange and rod pattern adjustments. The unit should return to full power by the end of the day.

ERCOT – The 528 Mw Welsh 3 coal-fired power unit will likely return to service between September 29 – October 3.

MAAC – The 1,100 Mw Salem nuclear unit 1 was warming up at 19% capacity this morning. The unit went down for a planned maintenance outage on September 25, which included some maintenance to a main feed regulating valve. Salem 2 is running at 98% capacity.

NPCC – The 1,158 Mw Nine Mile Point 2 nuclear reactor was operating at 55% capacity as of this morning. The unit decreased in power as operators performed planned maintenance work that included control rod pattern adjustments.

SPP – The 858 Mw Arkansas One unit 2 shut from full power early this morning to repair a small crack in a weld associated with the non-nuclear portion of the plant.

The 1,135 Mw Wolf Creek nuclear plant has trimmed production to 80% capacity. The unit down-powered for a potential transformer replacement in the switchyard and the work should not require further curtailment.

WSCC – The 1,120 Mw San Onofre 3 nuclear generator shut from full power. Rumors in the market suggest the unit is scheduled to begin a refueling and maintenance outage.

The 755 Mw Moss Landing 7 natural gas-fired power unit shut to fix a problem with a backup lubrication motor. The unit is expected to return to service by this weekend.

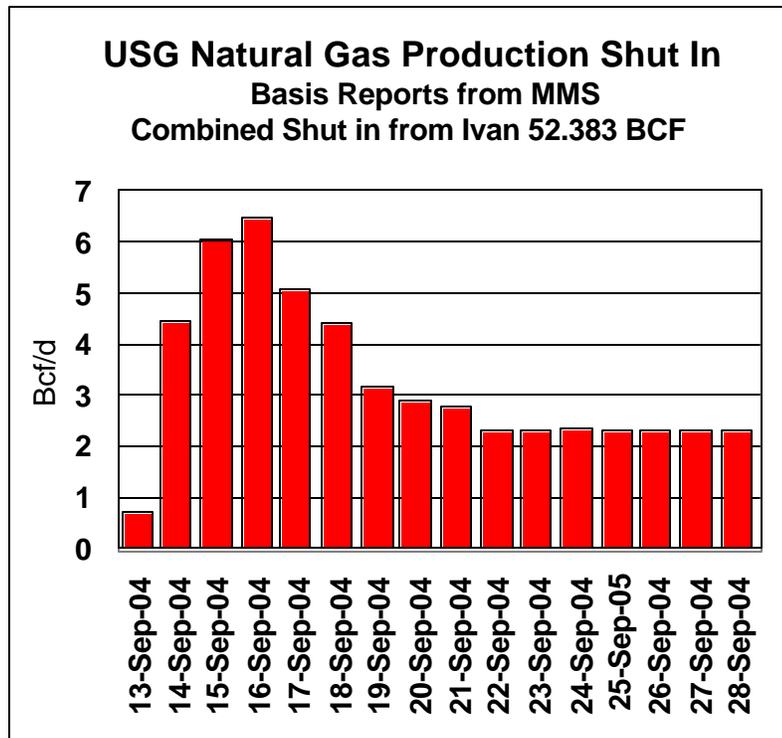
Vibrations from an earthquake were felt in the control room of the Diablo Canyon nuclear plant in central California, but the plant is continuing to operate normally.

All four units at the La Paloma gas-fired plant returned to service last night. The units were shut down early Monday due to a problem with the plant's ammonia system.

CANADA – The 516 Mw Pickering B 8 nuclear unit has been shut for a short, unplanned outage to fix a pump seal. In addition, two 285 Mw units at the Lakeview coal-fired station also shut for short-term, forced outages.

Based on latest NRC reports, total nuclear generation output this morning reached 84,451 Mw down 2,132 Mw or 2.5% from yesterday's levels. Total generation was some 5.87% higher than the same date a year ago.

a regassification facility and an all-weather, multi-cargo handling port. Shell, the world's largest privately run LNG supplier, may import the LNG from Oman, Malaysia, Australia and Nigeria for its Hazira terminal. Shell is looking to sell gas to major power producers, fertilizer and ceramic industries located along the coast of the western Indian states of Gujarat and Maharashtra that are accessible from Shell's LNG import terminal. Gas has about a 9% share in India's primary energy consumption



and overall domestic gas output is currently about 67 million cubic meters a day. According to recent industry estimates, there's a current gas supply shortfall in India at least 30 Mcm/d. While India doesn't produce any LNG, its considered to be a potential major market, as known domestic gas supplies are unlikely to keep pace with demand. Demand for gas in India is expected to more than double to 13,700 Mcm/d by 2025, the latest government estimates show.

The National Hurricane Center today continued to watch a strong tropical wave that has recently come off the African coast. The wave is moving west at about 15 knots. Short-term development looks limited since the system will encounter too much of a hostile environment for significant development anytime soon. Private

weather forecasters continue to closely watch the northwest Caribbean, which long range models have been indicating the possibility of some tropical weather development by this weekend.

PIPELINE RESTRICTIONS

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

Texas Eastern Transmission 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 zones 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.

PIPELINE MAINTENANCE

Questar Pipeline Company said it has completed repairs at Fidlar Station and has returned unit 4 to normal service. Questar has returned to normal capacity at the ML 80 scheduling point.

Alliance Pipeline stated that maintenance at the Teepee Compression Station is scheduled for today. Flow for the next four days will be brought to zero.

Natural Gas Pipeline Company of America said that it has expanded the scope of its fourth quarter maintenance. NGPL will be performing internal cleaning, smart pigging and hydrostatic testing to restore the MAOP of the Oklahoma extension 1 from Station 184 to Station 111. The actual

preparations will begin on September 28, and the duration of this work will continue through December 6. The following points are connected to both the OE#1 and OE#2 line. In preparation for hydrostatic testing, these points will be interrupted for one day sometime between September 28 – October 11, to isolate the tap valve from the OE#1 line. The date of interruption for each point is not known at this time and not all pins will be interrupted on the same day. The points will remain connected to the OE#2 line. From October 11 – November 25, NGPL will be performing maintenance to one of the compressor units at Station 184 in Beckham County, Oklahoma. Based on the expected level of nominated storage activity, NGPL does not anticipate any impact to shippers' storage scheduling. The cleaning pig run from Station 343 to Station 342 was originally scheduled on October 12 and 13. The revised dates are October 19-21. NGPL will be running cleaning pigs in the Louisiana 1 and 2 lines from Station 343 to 342. This is in Segments 25 and 23. Based on the level of expected nominations in Segments 23, 24 and 25, Natural does not anticipate any impact to shipper's transport scheduling, but some point operators may be temporarily affected. From October 12-14, NGPL will be performing pipeline maintenance and tie-in work at Compressor Station 802 in Lamar County, Texas. During this time ITS/AOR and secondary out-of-path transports through Segment 17 will be unavailable. At this time NGPL anticipates that forward haul primary firm and secondary in-path transports through Segment 17 will be at risk of not being scheduled during this 3-day outage. Also, NGPL may be requiring shippers to use in-the-path transportation to inject gas into Amarillo NSS storage during this outage. Natural will post as soon as possible any updates regarding shipper impacts during this outage.

Trailblazer Pipeline Company recently revised its maintenance plans for October. On October 12, Trailblazer will be performing maintenance on unit 2 at compressor station 602 in Lincoln County, Nebraska. Interruptible flow, authorized overrun and secondary out-of-path transports will be unavailable. Primary firm and secondary in-the-path transports may be at risk of not getting scheduled during this work. From October 19-20, Trailblazer will be performing maintenance on unit 1 at compressor station 603 in Kearny County, Nebraska. ITS/AOR and secondary out-of-path transports will be unavailable during these two days. Primary firm and secondary in-the-path transports may be at risk of not getting scheduled.

National Fuel Gas stated it has scheduled construction at Station 2078, located on Line Y-M55 near Independence Compressor Station. This work will take place on October 1 and will be completed the same day. This work will affect all services, receipts or deliveries at the Columbia Independence Point.

El Paso Natural Gas Company announced that Line 1600 maintenance between Gresham and Cornudas Stations will begin one day earlier than previously announced. The line will be shut from October 3 – 9. There will be no flow in either direction between Cornudas and Waha during the outage. The line has a normal capacity of 736 MMcf/d, but has only been scheduled to flow less than 200 MMcf/d recently. At this time, EPNG estimates that the volume that has been scheduled to Line 1600 can be diverted to Line 2000 during the outage, resulting in no effect on deliveries from Waha to western markets.

ELECTRIC MARKET NEWS

Today, Dynegy Inc. said the Securities and Exchange Commission approved the sale of its Illinois Power Company to Ameren Corp, which was the final approval needed for the deal to close. Ameren said the transaction is valued at \$2.3 billion and includes Illinois Power, which serves about 600,000 electric and 415,000 natural gas customers. Also included is Dynegy's 20% interest in Electric Energy Inc., owner of a coal-fired power plant. The deal increases Ameren stake in the 1,086 Mw plant to 80%.

MARKET COMMENTARY

The natural gas market opened today with the largest open interest in the spot expiring contract since the January 2003 contract expired. The natural gas market gapped higher this morning initially supported by crude oil breaching the \$50.00 barrier in overnight trading. This bullish price environment appeared to trigger the first round of short covering that pushed prices up to the \$5.50-\$5.51 price level by mid morning. But by the afternoon a large short covering rally took hold and by the end of the day prices in the October contract reached levels not seen in the October natural gas contract since August 11th. The back months also seemed to find a boost at midday from the news that natural gas production in the USG continued to be shut in and that some production would not be returning to the market place until possibly December. Final volume on the day was good with 101,000 futures contracts traded.

The natural gas market appears to be growing concerned by the inability of USG natural gas production to bounce back from the shut ins from Hurricane Ivan. Despite our earlier belief that speculative selling would have shifted into the November contract in the wake of the expiration of the October contract, we feel that this selling will not be unlocked until there are gains recorded in returning the production currently off line. As a result we would recommend staying on the sidelines but at the first sign of a significant return of this production we would look to sell out of the money calls in the November contract such as the \$7.40 or \$7.50 calls which tonight settled at 10.1 and 8.9 cents respectively.

We would look for resistance in the November contract tomorrow to again be found at \$6.37-\$6.38 followed by \$6.40-\$6.415. Additional resistance we see at \$6.65 and \$6.70. Support we see at \$6.20-\$6.17 followed by \$6.135, \$6.09-\$6.08, \$6.00-\$5.98, \$5.90 and \$5.83.