



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 1, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported at midday that some 484,458 b/d of USG oil production, and 2.321 bcf/d of natural gas production remained shut in Friday. Both production levels were unchanged from Thursday's levels.

El Paso's Southern Natural Gas Co. said total throughput on its Main Pass line rose slightly to 340 MMcf/d, up only 5% from Thursday. On Thursday the company added a 43rd receipt point on its Main Pass line. Prior to Hurricane Ivan, Southern was receiving about 800-850 MMcf/d of natural gas at 70 points upstream of its Toca Compressor Station. About 500 MMcf/d flowed prior to Ivan on the 43 points that were open. An El Paso spokeswoman pointed to a lack of demand as to why the flow was down. All other points upstream of

Generator Problems

ECAR – The 1,090 Mw D.C. Cook nuclear unit 2 was down-powered 51% overnight and is operating at 49% capacity. The plant is coasting down for a scheduled refueling outage.

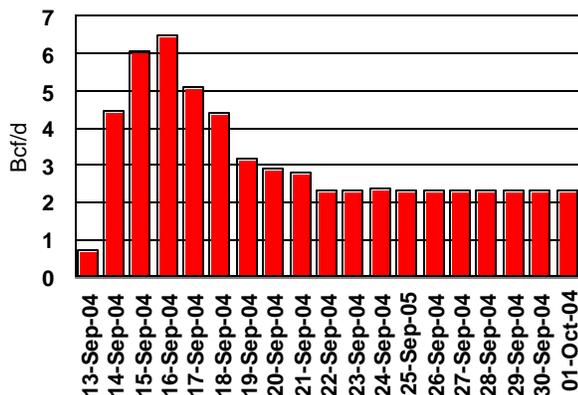
MAAC – The 1,143 Mw Limerick nuclear unit 2 is operating at full power, up 20% on the day.

MAIN – The 1,120 Mw Braidwood nuclear unit 1 is currently running at 94% capacity, down 6% on the day. The reason for the reduction has yet to be disclosed.

SERC – The 830 Mw Brunswick nuclear unit 2 is currently operating at 96% capacity, ramping power 22% overnight.

Based on latest NRC reports, total nuclear generation output this morning reached 85,846 Mw down 263 Mw or .30% from yesterday's levels. Total generation was some 5.33% higher than the same date a year ago.

USG Natural Gas Production Shut In
 Basis Reports from MMS
 Combined Shut in from Ivan 60.182 BCF



Toca remain under the force majeure and should not flow gas until they have been released from the force majeure.

El Paso subsidiary Tennessee Gas Pipeline said Friday that 670 MMcf/d of gas is flowing two weeks after Hurricane Ivan, more than 60% of what had been regularly flowing before the storm. Total Tennessee Gas Pipeline throughput impacted by Ivan is now only about 195 MMcf/d. On Tennessee Gas's Blue Water System, outages from the 26-inch line now total about 75 MMcf/d; outages from the 36-inch line total 10 MMcf/d. The 36-inch is in operation, with the exception of lateral points isolated. The company also stated that it found additional damage on the 26-inch lateral line,

requiring further assessment on the pipeline.

U.S. factory growth stayed strong in September while construction spending the prior month hit a record high for a seventh straight month, according to two reports today, showing the economy's expansion remains solid. The Institute for Supply Management's manufacturing index slipped slightly to 58.5 in September from 59.0 the prior month. That was the index's lowest level in nearly a year but still represented healthy growth for factories. It was also the 16th straight month of expansion. Economists had anticipated the pace growth in the manufacturing to moderate after the sector posted the strongest stretch of growth in more than two decades during the first half of the year. Overall the reports suggested the Federal Reserve will keep hiking the federal funds rate a steady pace for the rest of the year despite some speculation that recent signs of tepid consumer spending and hiring would prompt the central bank to pause.

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.

Texas Eastern Transmission Corp. said that due to pig runs in STX/ETX, receipt points between Huntsville station and Longview station have been restricted to the capacity required to run the pigs. No increases of physical supply between Huntsville and Longview will be accepted. Also, the 24-inch system between Longview and Fagus has been nominated to capacity. No increases of physical supply between Longview and Fagus will be accepted.

PG&E California Gas Transmission has called a system wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. The pipeline restriction has 0% tolerance, with shippers who violate the OFO subject to a \$1.00/Mcf monetary penalty.

Panhandle Eastern Pipeline Company said that its E-301 Compressor went down on September 15 and is not presumed to be back in service until October 8. As of October 1, capacity through the Selling segment will be 270 MMcf/d.

PIPELINE MAINTENANCE

Southern Natural Gas Pipeline Co. said that two changes have been made to its schedule of October maintenance. Pipeline integrity work east of Southern's Dearmanville Compressor Station previously scheduled for October 4-12, has now been changed to October 8-16, 2004. This could reduce capacity east of the station and going north on the Chattanooga Line. Pipeline integrity work on the 14-inch Ocmulgee-Atlanta line, previously scheduled for October 4-8, has been changed to October 18-22. The company also said that it will not be able to serve the Oglethorpe Power Smarr Plant during these repairs.

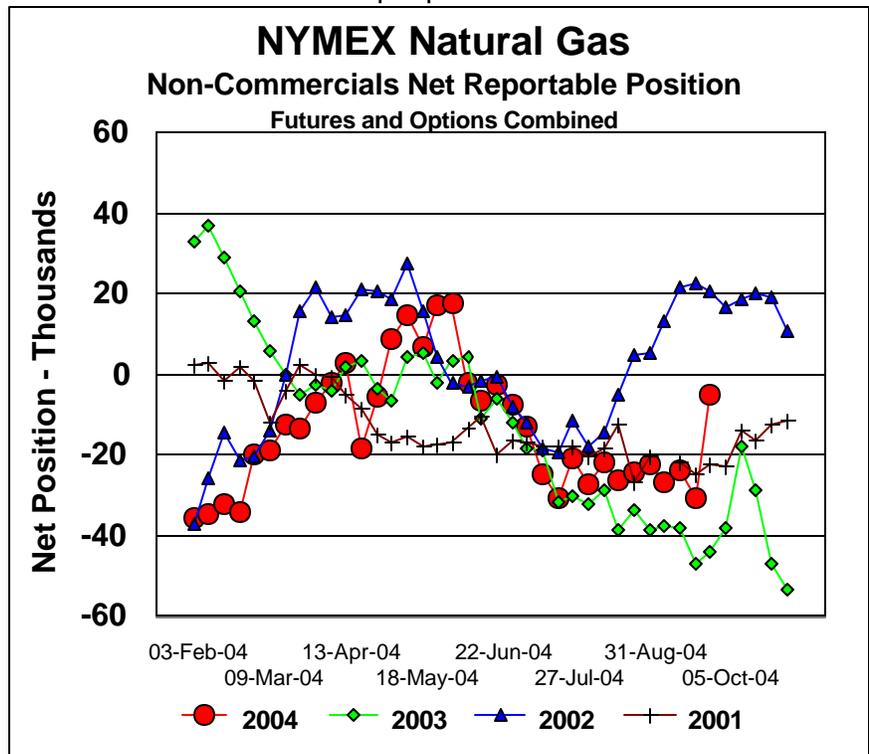
Natural Gas Pipeline Company of America said overhaul maintenance on one of the compressor units at Station 812 in Atoka County, Oklahoma will be finished today, one day later than previously announced. This project began on September 2. NGPL said that scheduling will return to normal levels effective Saturday, October 2.

Alliance Pipeline recently updated its maintenance schedule for the first week of October. Regular scheduled maintenance will require one of two pumps at the Scotford facility to be unavailable for 12 hours on October 6-7. Daily capacity will be reduced to 7.99 MMcf/d. The compressor at the Gold Creek AB30 facility will be offline 8 hours for required maintenance on October 7. Daily capacity will be

restricted to 28.4 MMcf/d. Unit 1 at the Carson Creek AB47 facility will be offline 8 hours for required maintenance on October 5. Daily capacity will be restricted to 13.6 MMcf/d.

ELECTRIC MARKET NEWS

DPL Inc. announced today that the Dayton Power and Light Company have successfully integrated its 1,000 miles of high-voltage transmission into the PJM Regional Transmission Organization. As a part of Ohio’s electric deregulation law, all of the state’s investor-owned utilities are required to enter an RTO. The role of the RTO is to act as an independent third party to manage the regional transmission grid and allow power to move freely between markets. The PJM grid runs from the East Coast to Illinois and serves 44 million people.



Today, PJM Interconnection assumed functional control of American Electric Power’s eastern transmission grid of nearly 22,300 transmission miles, however AEP will continue to own its transmission system. The four states included are Indiana, Kentucky, Michigan and Tennessee. “Our membership in PJM will provide economic benefits and help improve transmission system reliability for customers throughout the 12-state PJM region,” said Michael G. Morris, AEP’s chairman, president and chief executive officer. “It also provides a boost to competition among wholesale electricity suppliers.”

WPS Resources Corp. stated a Duquesne Light Holdings Inc. unit has terminated a \$120 million deal to sell a power generating station in Pennsylvania to a WPS unit. In a filing with the U.S. Securities and Exchange Commission, WPS said its WPS Power Development unit received notice of the termination on Thursday from Duquesne Power, which cited an unfavorable ruling from Pennsylvania utility regulators for the move. WPS said it does not believe Duquesne has a valid right to terminate the agreement, and it is now reviewing its options. It also believes it is entitled to a termination payment of about \$5.5 million.

MARKET COMMENTARY

The natural gas market gapped lower this morning as limited short term demand continued to limit the spot needs for natural gas and seemed to calm fears that shut ins from Ivan would prevent continued strong injections of natural gas into storage. While prices remained contained within a sideways 10 cents trading range for the first 3 hours of trading when 70% of the volume was booked, prices did stage a late day rally which backed filled the morning’s gap and erased most of the day’s loss. This rally was once again started at the 1 PM “witching hour”. The uplift in values though did not seem to come from funds in natural gas but rather from a spill over effect, as oil prices lead by gasoline surged higher. (FYI the gasoline market saw nearly half of its daily volume booked between 1 PM and the close.) Natural gas saw a typical light Friday trading session, with just 48,000 futures contracts traded, with spreads accounting for only a third of this trading activity.

This afternoon's Commitment of Traders Report surprised us as it showed the non-commercials had moved from a net short futures position of 25,574 contracts to a net long position of 1,544 lots. This dramatic net change in position was only through Tuesday September 28th, and thus did not include the massive Wednesday rally in which prices surged to \$7.23 before settling the day up 56 cents. We can only conclude that this net long position has grown even further, as short positions were continued to be liquidated.

We would look for this market to continue to watch several factors next week, tropical weather forecasts, heating/cooling demand levels, return of USG production, and the ability of oil prices to hold the \$50.00 level. We feel that as long as oil prices can maintain the \$50 plateau it will be hard for natural gas to post any significant retracement from last week's rally, as a general bullish fever will continue to grip the energy markets. Temperature outlooks appeared to moderate today and thus heating and cooling demand appear will remain limited over the next couple weeks, but the impact of this on prices will be erased unless some improvement is made in returning additional production to the market. While it appeared that from news reports from various pipelines that this was beginning to occur government statistics have yet to reflect this. Finally as we enter the latter half of the Atlantic hurricane season, there appears to be some risk for some tropical development in the southern Gulf of Mexico next week. If this risk is removed then sellers may feel more comfortable in returning to this market, especially given the high working gas storage levels that we see currently and the prospects to still add another 250-300+ bcf added to these inventory levels by the end of the injection season, making it an all time record storage number, and in our mind will at least return price pressure at least on the November contract.

We see resistance at \$6.63, \$6.755, \$6.83-\$6.845, \$6.92, \$6.99, \$7.03 and \$7.23. Support we see at the gap at \$6.605-\$6.37, \$6.23, \$6.00-\$5.98.