



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 4, 2004

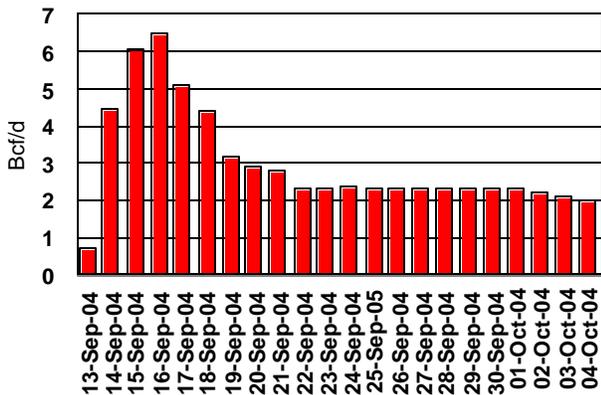
NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that some 480,285 b/d of crude production remained shut in following in the aftermath of Hurricane Ivan. Some 1.978 bcf/d of natural gas production also remained shut in, but this was the first significant improvement in returning natural gas production in nearly two weeks.

The Destin Pipeline reported that late Friday its Gulf of Mexico natural gas pipeline had ended its force majeure event and was accepting gas from all receipt points after being shut due to Hurricane Ivan.

Tennessee Gas Pipeline said Monday that it was able to return to service its 26 inch line that was damaged by Hurricane Ivan. The company said it was accepting nominations and gas flow

USG Natural Gas Production Shut In
 Basis Reports from MMS
 Combined Shut in from Ivan 66.126 BCF



Generator Problems

MAIN – Exelon Generation Co's 800 Mw Dresden 3 nuclear unit cut its power by 31% to 68%. A reason for the reduction in power was not immediately available.

NPCC – Constellation Energy Group's 1,158 Mw Nine Mile Point 2 nuclear unit cut its power by 35% to 65% over the weekend for maintenance.

SERC – FP&L's 839 Mw St. Lucie 1 nuclear unit is operating at 99% of capacity after it was shut on September 26. The unit was restarted over the weekend.

Southern Nuclear Operating Co's 855 Hatch 2 nuclear unit increased its power to 69% of capacity. The unit was shut following the discovery of a caution tag that was out of service. Its 888 Mw Farley 1 nuclear unit was shut on Saturday for its fall refueling and maintenance outage. It was operating at 91% on Friday.

SPP – Entergy's 936 Mw River Bend nuclear unit tripped automatically off line on Friday due to an electrical fault on the main generator. The unit had been running at 95% of capacity at the time of the incident. It is expected that the unit will remain off line since it had been scheduled for a refueling outage in mid-October. Separately, its 858 Mw Arkansas Nuclear 2 is operating at full capacity on Monday. The unit was restarted this weekend. Its 836 Mw Arkansas Nuclear 1 unit cut its power by 2% to 98% of capacity.

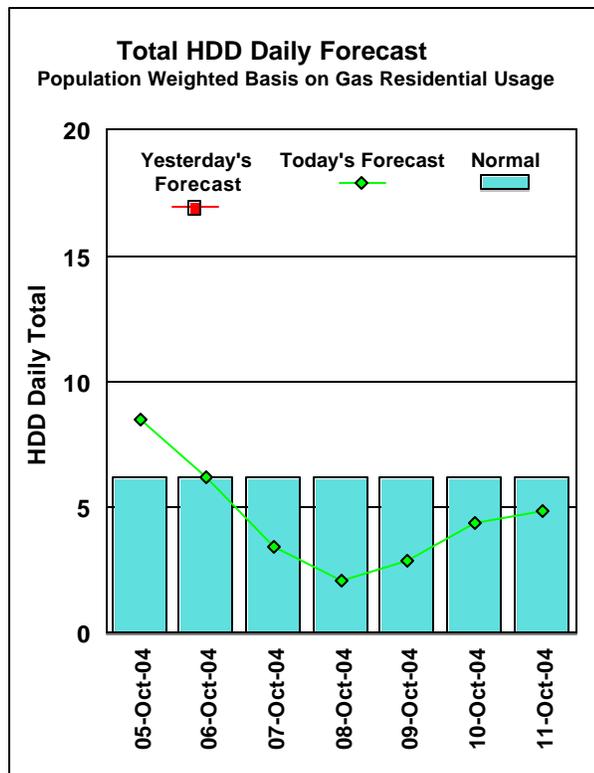
ERCOT - Texas Genco's 760 Mw Limestone 2 coal fired unit tripped off line Sunday.

WSCC – Constellation Energy's 830 Mw natural gas fired High Desert power plant returned to full power on Monday following recent repairs.

Arizona Public Service's 1,270 Mw Palo Verde 3 nuclear unit was shut on Monday for a planned refueling outage. The unit was operating at full capacity on Friday.

Based on latest NRC reports, total nuclear generation output this morning reached 83,659 Mw down 2,187 Mw or 2.55% from Friday's levels. Total generation was some 7.41% higher than the same date a year ago.

at meters located between Ship Shoal 198 and Station 523. The company though said Ship Shoal 198H and 146A remained shut. The company declined to give details on how much volume would be restricted. In addition the company said it was limiting some storage injections at all storage fields until levels were reduced. The company also said it would not accept "park agreements" with future month withdrawals.



El Paso's Southern Natural Gas Co said total throughput on its Main Pass line increased slightly to 360 mmcf/d, up 6% from Friday. It said damage assessments are continuing in the Main Pass area.

Unocal Midstream & Trade is holding a non-Binding open season through October 27th for 6 bcf of natural gas storage capacity at its proposed Sabine Pass Gas Storage Facility. Construction of the new facility is scheduled to start in 2006 with commercial operations beginning in 2008.

BP estimated that its 3Q2004 production of oil and natural gas rose some 11% from year ago levels, but was down from the second quarter as a result of annual maintenance work and shut ins from Hurricane Ivan.

Platt's reported that a federal grand jury may hand down an indictment Monday against former El Paso traders for false reprting of natural gas trades. The Houston Chronicle reported over the weekend that as many as 15 former traders have been notified by the

U.S. Attorneys office that they may face charges of price manipulation, conspiracy and wire fraud.

While several tropical waves were moving across the Atlantic basin today all seemed to be experiencing wind shear that was preventing any organization or intensidifaction from taking place. But one tropical wave that forecasters were keeping a closer eye on was in the Bay of Campeche. There is a large area of convection or thunderstorms associated with this system and while its proximity is close to land which is hindering development, it is expected to drift northward and possibly form an area of low pressure off the coast of south Texas by Wednesday and then drift northward, or northeastward. Winds are expected to only reach 25-35 knots by late in the week but the possibility remains open for further development with the system possibly reaching tropical storm force winds.

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 Monday.

Gulf South Pipeline Co said upon its review of nominations, NNS demand and other factors, Gulf South will be required to schedule available capacity and implement scheduling reductions for Monday.

PIPELINE MAINTENANCE

Questar Pipeline co said it has completed its repairs and pigging units at ML-40 and has returned to normal capacity on the Southern system as of Monday.

Southern Natural Gas Pipeline Co will perform maintenance at its Bienville Compressor Station from October 18 to October 21.

Transwestern will allocate the P-3 compressor station down from 263 mmcf/d to about 170 mmcf/d from Monday through Friday due to repairs. It said unplanned maintenance on unit#5 is due to internal damage to the compressor.

ELECTRIC MARKET NEWS

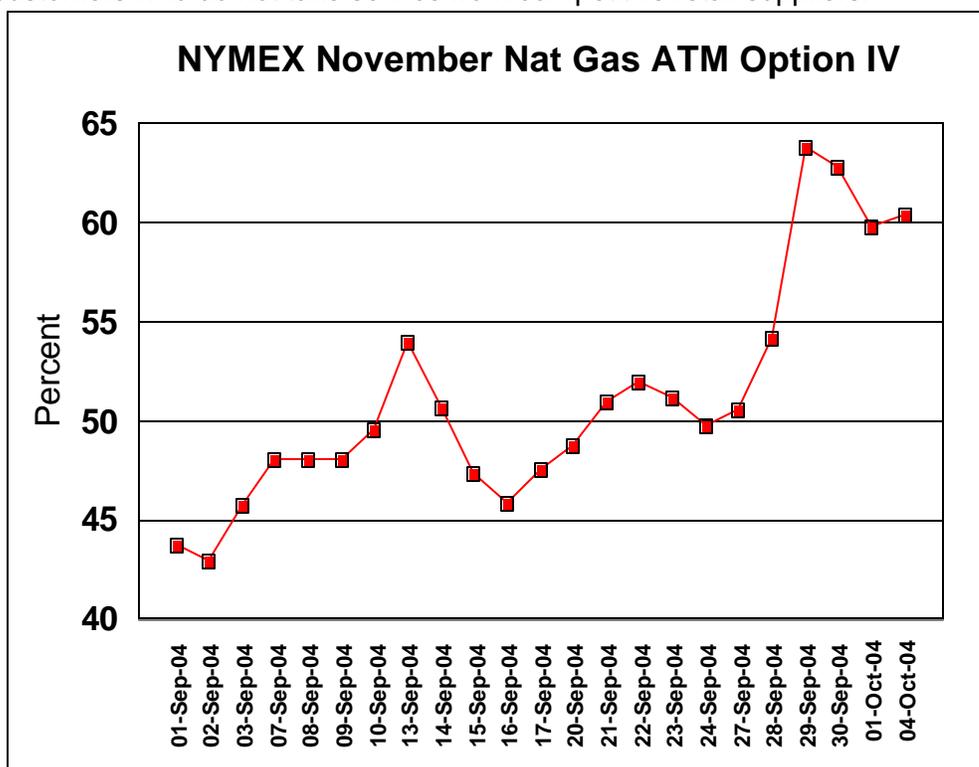
Real time posted prices on Cal ISO OASIS jumped into triple digits again for the second week day in a row, as a result of the Pacific DC Intertie being down for maintenance. The Cal Iso reported Monday that it was experiencing high Southern California Import Transmission loading.

The FERC approved the Southwest Power Pool's status as a regional transmission organization on Monday. This approval though was subject to certain revisions, which must be filed with the FERC by December 1st.

The Potomac Edison Co, Allegheny Power, Baltimore Power Gas and Electric Co, Delmarva Power & Light Co, Conectiv Power Delivery and Potomac Electric Power Co have issued a Request for Proposals for full requirements wholesale electric power supply to meet their Standard Offer Service obligations in their Maryland service territories. Each utility will provide market based supply service to some or all of its electric customers who do not take service from competitive retail suppliers.

MARKET COMMENTARY

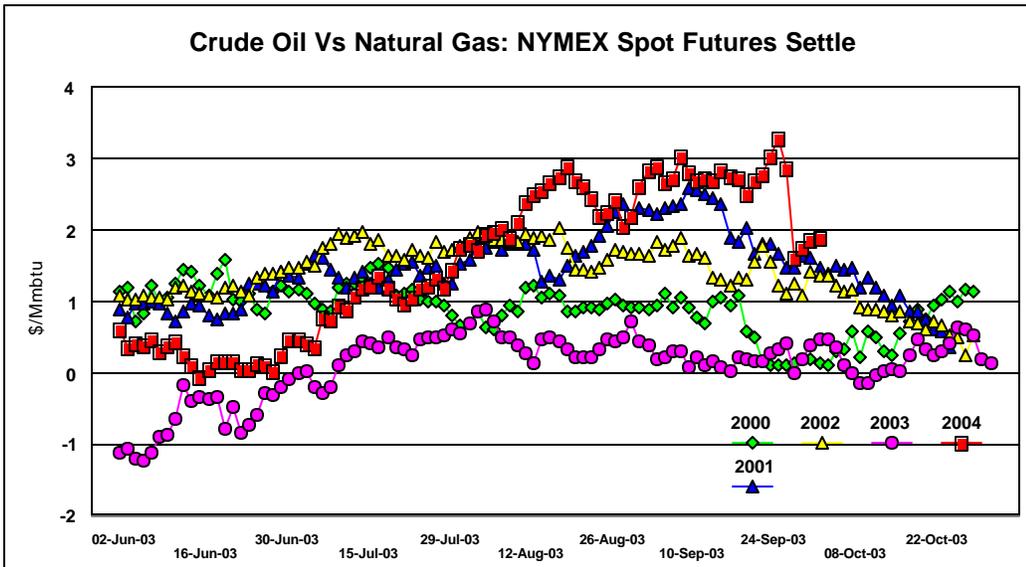
The natural gas opened lower for the third consecutive session as spot cash natural gas values continued to remain under pressure as weather related demand remained depressed. The futures market though quickly reversed course, as oil prices appeared to stop dead in its tracks and look to return towards the \$50.00 price level. While the market was able to break above Friday's highs it was unable to unlock any significant fresh buying



and as a result local long liquidation quickly sent prices tumbling back towards Friday's lows before support was found again. While prices did bounce off these lows the market failed to generate much interest throughout the remainder of the day and as a result the market posted its lightest trading session since July 2nd, with just 43,500 futures traded on the day. The November contract settled down 4.7 cents its third consecutive settlement. The back months though continued find underlying support and settled up 5.7 to 3.2 cents on the day.

Optin activity was relatively modest today as well with just over 25,000 contracts traded, with puts holding a slight edge over calls. By far the most active strike on the day was the January \$5.00 put which traded over 2600 times on the day between 1.7-2.0 cents, above Friday's settlement of 1.4 cents. Today's price action appeared to have been driven by buying interest as market makers settled this strike below its trading range at only 1.1 cents.

We feel the first significant return of natural gas production in nearly two weeks should help to slowly pressure spot prices over the next several days. We see significant support in the November contract at \$6.62-\$6.605, followed by \$6.59, \$6.465 and \$6.37. Additional support we see at \$6.23, \$6.195, \$5.995, \$5.875 and \$5.78. Resistance we see at \$6.87, \$6.92, \$6.99, \$7.03 and \$7.23.



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