



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 5, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that production has begun to return service at a faster rate than in previous days. As of this morning some 1.736 bcf/d of natural gas production remained off line down 12.2% from Monday. Since September 11th some 67.86 bcf of production has been lost. BP said today that for the most part its offshore production facilities of gas and oil had been repaired but the return of its shut in production was being delayed due to transportation problems persisting.

BP Energy Co. said today it signed a five-year contract with Marathon Oil Corp. under which they will supply them with 58 Bcf of natural gas in the form of LNG. Interest in LNG is seen as one way to fill a looming natural gas shortage because it allows gas to be imported by means other than a pipeline. In the U.S., four import terminals have been reopened and more new ones are planned. Marathon will take

Generator Problems

MAIN – The 1,120 Mw Braidwood nuclear unit 1 has been shut for standard refueling and maintenance outage. Information on when the unit will restart and return to full power has yet to be disclosed.

The 800 Mw Dresden 3 nuclear unit is currently operating at 91% capacity, up 23% on the day. Reasons for the substantial curtailments are still unknown.

NPCC – The 1,158 Mw Nine Mile Point 2 nuclear reactor is currently operating at 96% capacity, up 31% on the day. The plant down-powered over the weekend for maintenance.

SERC – The 855 Mw Hatch 2 nuclear unit ramped output 21% on the day, and is running at 90% power. Unit 2 was down-powered after maintenance personnel discovered a caution tag out for service air to the drywell was active and the valves were open October 1, rendering the valves inoperable.

The 839 Mw St. Lucie nuclear unit 2 is presently running at 85% power after the reactor restarted late yesterday. St. Lucie unit 1 restarted this weekend and is operating at 99% capacity.

SPP – The 936 Mw River Bend nuclear unit automatically tripped on October 1 due to an electrical fault on the main generator. Also, one of the unit's service transformers also tripped due to an electrical fault. A return schedule has yet to be disclosed.

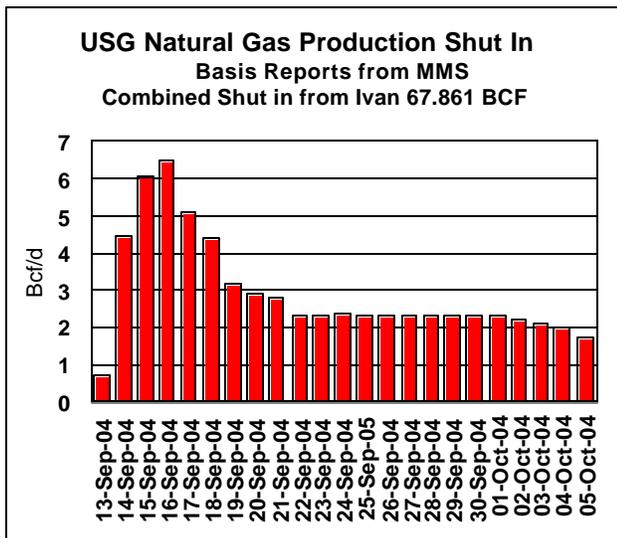
ERCOT – The 565 Mw Monticello 1 coal-fired unit has been reduced in capacity to work on primary air fan ductwork. The company said it would keep the boiler warm to minimize the time the unit is out of service. This event is scheduled to be completed today.

WSCC – The 750 Mw Four Corners 5 coal-fired power unit will return to service soon after shutting yesterday for minor maintenance. A specific return date has yet to be disclosed.

The 830 Mw High Desert natural gas-fired plant is preparing to start operating. The unit curtailed by 769 Mw, compared with just 42 Mw late yesterday following repairs on a failed torque converter.

Based on latest NRC reports, total nuclear generation output this morning reached 84,543 Mw up 884 Mw or 1.1% from yesterday's levels. Total generation was some 8.36% higher than the same date a year ago.

delivery of the natural gas at its Elba Island regasification terminal in Georgia, where the company holds the rights to deliver and sell up to 58 Bcf of natural gas annually. Marathon said the price of the LNG will be linked to the Henry Hub Index.



Forecasters continued to watch a tropical system in the southwestern Gulf of Mexico. Forecasters from Accuweather continue to look for this system to move northward this week and remain offshore of Texas and approaching Louisiana by Sunday evening. They see the possibility of tropical storm force winds developing with wave forecasts of 10 feet for the coastal regions of Louisiana later this week.

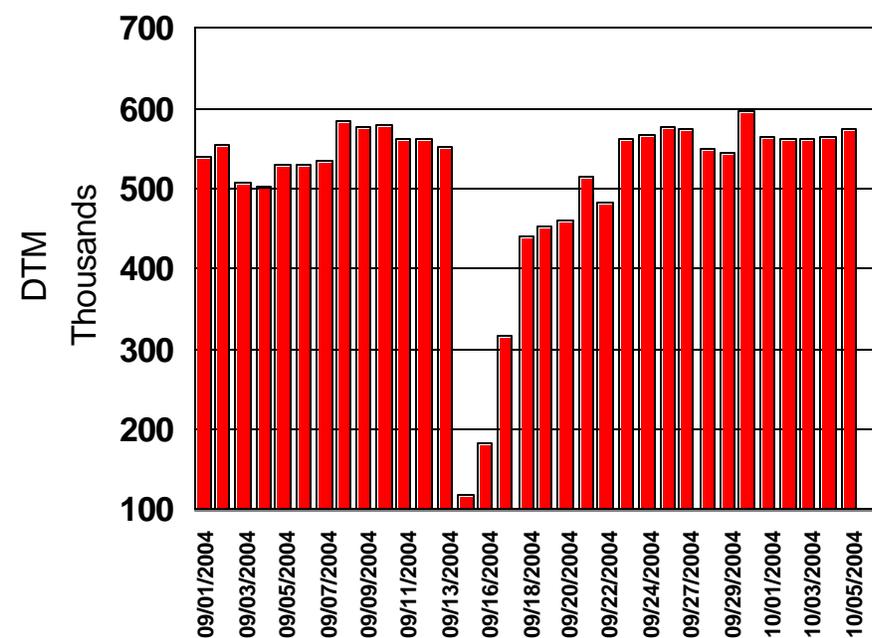
PIPELINE RESTRICTIONS

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

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.

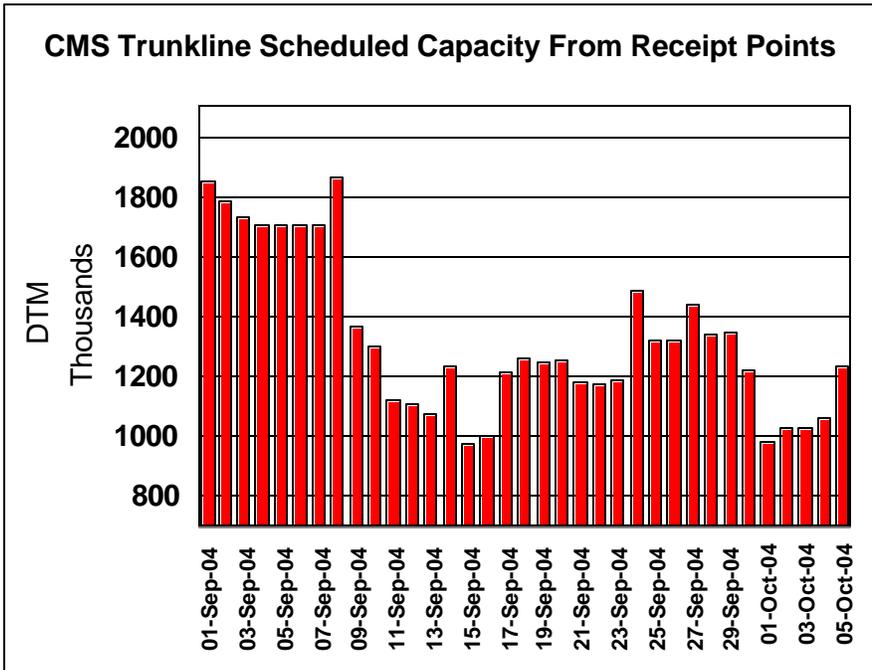
Natural Gas Pipeline Company of America said that on Saturday, October 2, it had an unexpected outage on one of the two compressor units at Station 812 in Atoka County, Oklahoma. NGPL anticipates this unit to be back available on Thursday, October 7. Effective today, NGPL will be scheduling Segment 16 at a reduced capacity. Interruptible flow, authorized overrun and secondary-out-of-path transports will be at risk. Primary firm and secondary-in-path transports should not be affected.

Sea Robin Pipeline Scheduled Capacity from Receipt Points



Southern Natural Gas Pipeline Co. stated that it is currently experiencing receipts in excess of scheduled quantities and pipeline capacity west of the Bienville Compressor Station in north Louisiana which is threatening the operational integrity of the system. If the situation does not improve Southern may be required to implement a Type 5 operational flow order for longs effective Thursday, October 7, until further notice.

Texas Eastern Transmission Corp. said that due to pig runs in STX/ETX, receipt points between

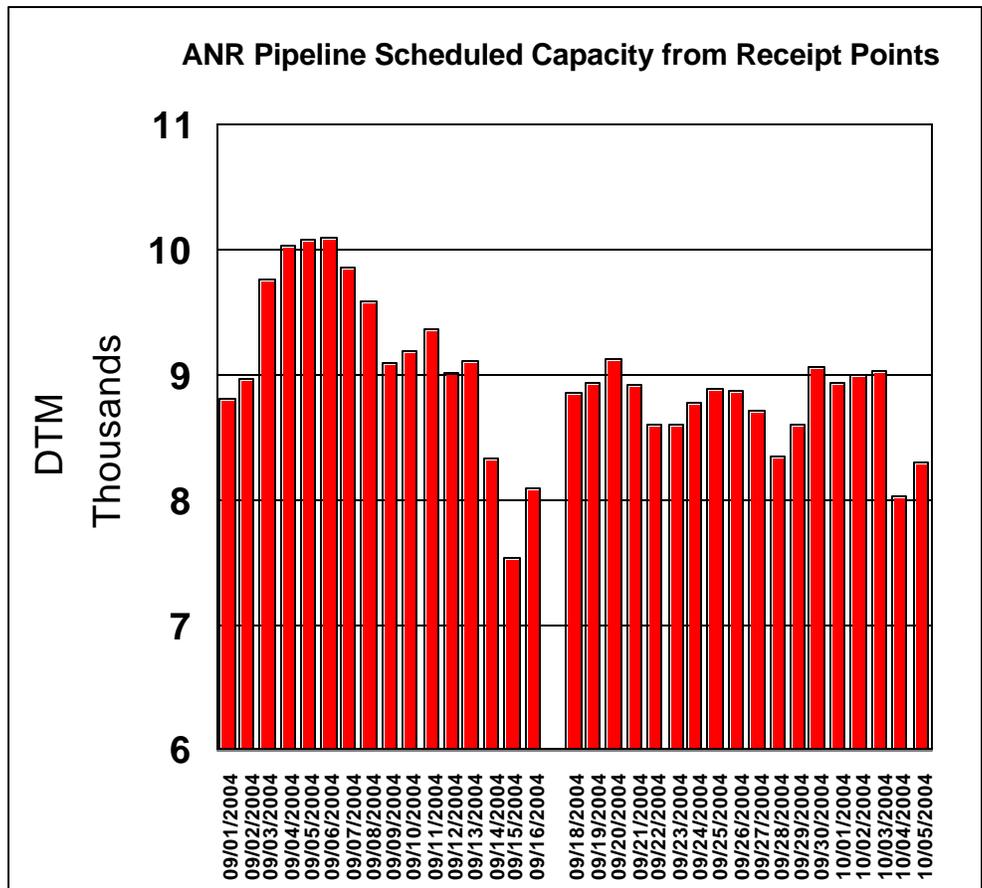


Huntsville station and Longview station have been restricted to the capacity required to run the pigs. No increases of physical supply between Huntsville and Longview will be accepted. Also, the 24-inch system between Longview and Fagus has been nominated to capacity. No increases of physical supply between Longview and Fagus will be accepted.

TransColorado said that a force majeure event has occurred at its El Paso Blanco delivery point. El Paso has notified TransColorado that it is unable to take full delivery of the nominated volumes due to the appearance of a liquid

substance in the gas stream. TransColorado personnel are currently investigating this problem. A timeline for resolution has not been determined. Until further notice, TransColorado will be scheduling

down volumes for delivery to the El Paso interconnect. At the new level of scheduled volumes, primary firm services scheduled through this meter will currently not be impacted. Based upon expected nominations, secondary firm service will be limited and interruptible flow and authorized overrun service will be unavailable. However, going forward the scheduling number may change, which could put primary firm services at risk.



PIPELINE MAINTENANCE

Centerpoint Gas Transmission said that

unscheduled repairs at the #1 unit at the Amber Station that began on Saturday, September 25 have been completed. Shippers are no longer under operational alert.

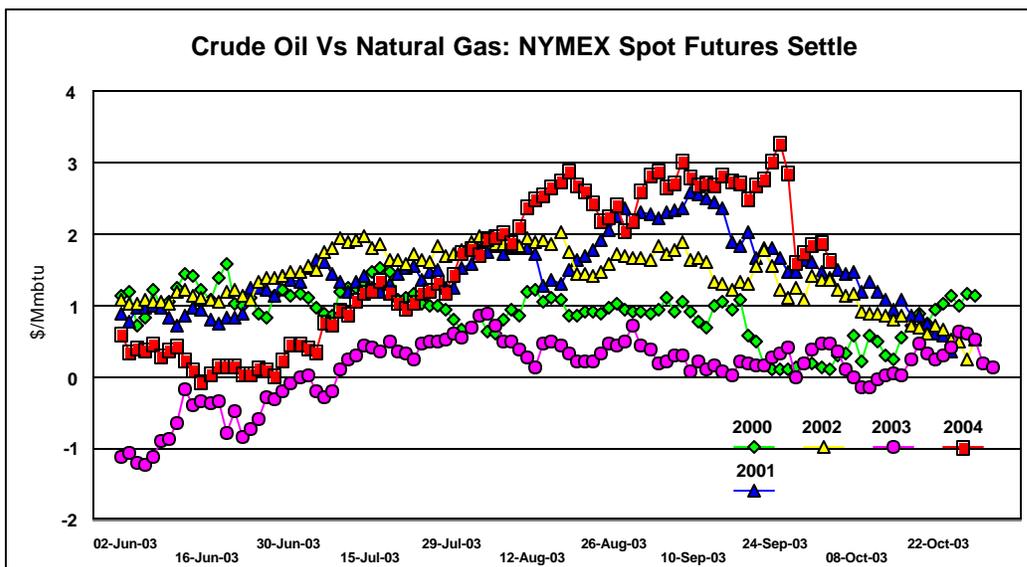
Dominion announced that it expects production from its Devil Tower field in the Gulf of Mexico to restart between late October and mid-November. In addition, the company reaffirmed that unit production resumes, it has a comprehensive insurance program to reimburse for delayed production beyond an estimated \$9 million after-tax loss of income. Hurricane Ivan interrupted production from three wells on September 15. A fourth well near completion at the time of the hurricane is also expected to begin production between late October and mid-November. A new completion rig needed to bring the facility's remaining four wells into production is expected to be available for installation in about 90 to 120 days. The four wells will then be sequentially completed and brought into production.

ELECTRIC MARKET NEWS

American Electric Power has signed wholesale power supply agreements with nine electric cooperatives and municipal utilities in Virginia and Texas. The nine separate agreements total 637 Mw of load for AEP. AEP will supply power to the City of Bedford, Va., Bristol Virginia Utilities in Bristol, Va., the City of Danville, Va., the City of Martinsville, Va., the City of Radford, Va., the City of Salem, Va., the town of Richlands, Va., the City of New Castle, Va., and the City of Seymour, Tx. AEP is the largest wholesale suppliers of generation to municipal utilities and cooperatives. Including the nine new agreements announced today, AEP will provide approximately 2,570 Mw of load to 52 municipal utilities and 20 electric cooperatives in the United States.

Southern Company signed a contract to provide 50 Mw of wholesale power to North Carolina Municipal Power Agency Number 1 in order to help the agency meet its peak summer power demand between 2007 and 2010. NCMPA1 is managed by ElectriCities of North Carolina, headquartered in Raleigh, and is comprised of 19 municipalities located in piedmont and western North Carolina. Power to supply the NCMPA1 contract will be generated from Southern Company's existing wholesale plant capacity. The contract follows two previous wholesale power agreements that have been reached during the past four years between Southern Company and NCMPA1.

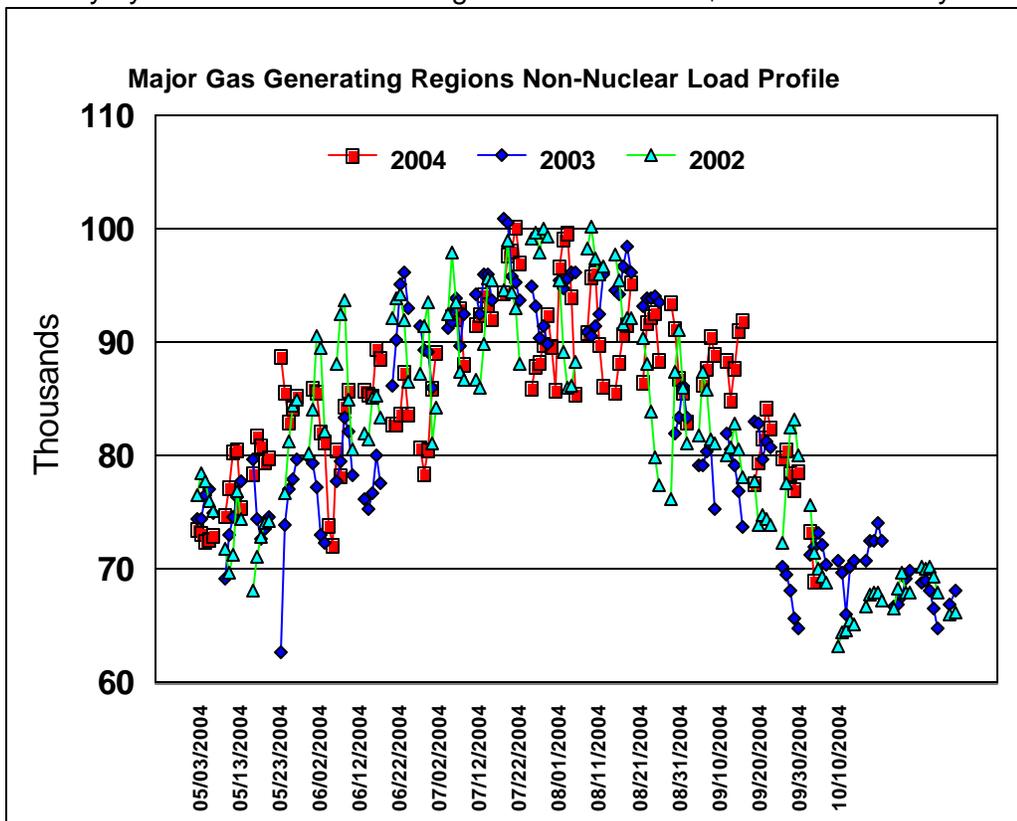
Manitoba Hydro said today that with water conditions returning to normal over the last several months they have resumed short term and opportunity export sales of power that had been severely curtailed or discontinued during the recent drought period.



MARKET COMMENTARY

The natural gas market gapped higher this morning. Prices were supported by surging oil prices, an unsettled weather event in the southwestern Gulf of Mexico, which at least could delay further the

return of shut in production in the USG, as well as a bullish forecast from a private weather forecaster, calling for a colder than normal November. Prices though remained basically in a sideways trading pattern for much of the day, but as the afternoon wore on the anticipation for another bullish report out of the MMS seemed to fuel a rally in both crude oil and natural gas markets. The natural gas market actually by 2 PM returned to the highs of last week at \$7.23 before finally finding resistance. Given the



report from the MMS actually showed that natural gas production was making good progress in returning to the market over the last 24 hours, seemed to prompt some profit taking that allowed prices to retrace some 38% of day's up move from the morning's lows by the close. Prices though still settled strong, up 43.9 cents in November, with the December-March contracts up 47.9-39.9 cents. Final futures volume on the day was pegged at 72,000 contracts.

We are just not a believer that this market, and especially the November contract should continue to work higher given the fact that by the end of this month we could be looking at record storage levels to start the winter. This coupled with the outlook for relatively modest weather related demand, along with limited generating needs for gas given high nuclear generation levels currently in our mind will act as a brake on spot cash natural gas prices and as the month progresses act as a drag on November natural gas futures values. We thus remain comfortable in remaining short \$8.00 and \$8.50 calls in November, which settled at 19.7 and 12.3 cents respectively.

We see resistance tomorrow at \$7.23 once again, with additional resistance at \$7.39, \$7.55, \$7.63 and \$7.715. Support we see at \$7.02, \$6.87, \$6.62-\$6.605, \$6.465 \$6.37 and \$6.23.