



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 11, 2004

NATURAL GAS MARKET NEWS

There was no update today from the U.S. Minerals Management Service on progress in restoring shut in production from Hurricane Ivan, due to the Columbus Weekend Holiday.

The platform and pipeline damage from Hurricane Ivan is proving more difficult to repair than some producers thought as recently as last week. The Minerals Management Service said on Friday that although about 1 Bcf/d of the 1.8 Bcf/d of gas production currently shut in could return to service by the end of October, it may take much longer to restore the remaining 800 MMcf/d portion.

El Paso subsidiary Tennessee Gas Pipeline said about 715 MMcf/d of gas is flowing three weeks after Hurricane Ivan, a positive improvement of 7% since last week. But a lack of demand in the southern central U.S. has eased that total flow and restricted pipeline repairs and assessments. Total Tennessee Gas Pipeline throughput impacted by Hurricane Ivan is about 395 MMcf/d. That includes production levels from Viosca Knoll and Medusa, accounting for about 260 MMcf/d of the total production affected. On the company's Blue Water System, repair outages from the 26-inch in Block 198 totals only about 10 MMcf/d; outages from the 36-inch line in block 144 only about 6 MMcf/d; which is less than 20 MMcf/d between the two pipes. A second

Generator Problems

MAAC – The 1,110 Mw Peach Bottom 2 unit increased capacity to 91% power today. On Friday, the unit, which was shut September 15, started to exit a refueling outage and had ramped up to 11% capacity.

The 1,100 Mw Hope Creek nuclear unit was shut-in this morning. The unit was operating at 100% capacity on Friday, and a reason for the shut-in has yet to be known.

MAIN – The 517 Mw Point Beach 2 nuclear unit was cut to 50% capacity as of early today. The unit was cut over the weekend for scheduled transmission line maintenance.

SERC – The 846 Mw Oconee 3 nuclear unit was shut on Saturday for a refueling outage and is expected to be down until mid to late December. Operators plan to replace the steam generators during the outage.

The 921 Mw North Anna 1 nuclear unit returned to full power early this morning. The unit was operating at 62% capacity on Friday as it continued to exit a refueling outage that began September 13.

The 872 mw Brunswick 1 nuclear unit returned to full power today, after being cut to 67% power on Friday. The unit was down powered to do some line work on one of the four power lines connecting the plant to the transmission system.

ERCOT - AEP's 528 Mw coal fired Unit #2 at the Welsh Power Plant was expected to be restarted this evening following completion of repairs to a boiler tube leak.

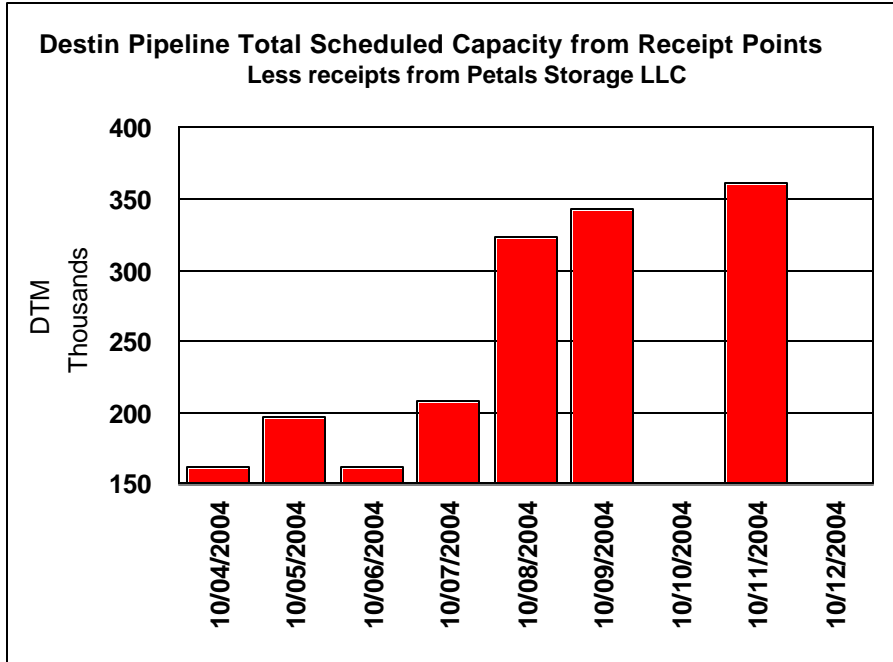
SPP – The 1,235 Mw Wolf Creek nuclear power unit is back to operating at full power. The unit was automatically shut on October 7 due to a lightning strike in the switchyard.

The 936 Mw River Bend nuclear unit ramped up to 97% capacity as of early this morning. On Friday, the unit was operating at 23% power as it started to exit an outage that started on October 1 due to an electrical fault on the main generator.

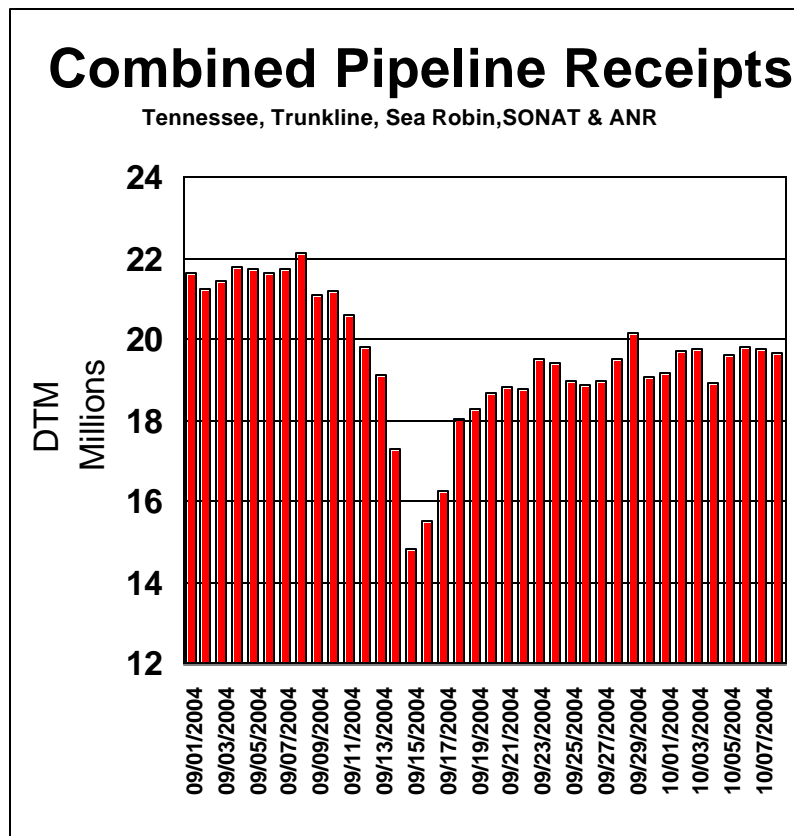
26-inch line in Block 77 remains shut in, with assessments and repairs delayed due to weather. The Tennessee Gas main line extends from South Texas and the Northeast U.S., including New York City and Boston. Prior to Hurricane Ivan, the main pipeline listed 1.09 Bcf/d of gas.

El Paso's Southern Natural Gas Company announced that total throughput on its Main Pass line rose to 385 MMcf/d, up roughly 4% from last week. The company still has 43 of 70 receipt points running on its Main Pass line, displaying no change from a week ago. Damage assessments are continuing in the Main Pass area. Repairs to Olga Compressor Station continue. Inclement weather from Tropical Storm Matthew has set back assessment efforts,

the company said. Prior to Hurricane Ivan, Southern Natural Gas was receiving about 800-850 MMcf/d of natural gas at about 70 points upstream of its Toca Compressor Station. About 27 points upstream



of Toca remain under the force majeure. The MMS lists as still shut –in two Sonat 24-inch lateral lines from Main Pass 293 and Main Pass 289, plus an 18-inch lateral line from Main Pass 306.



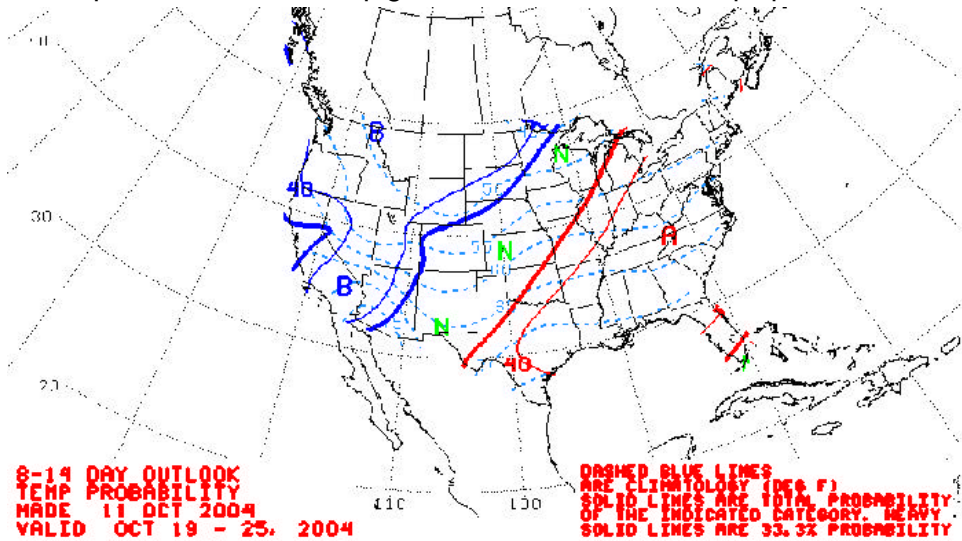
The US Senate on Monday approved legislation that would provide government financial support a proposed pipeline to move Alaska's natural gas supplies to the lower continental US. The loan guarantees should make it easier and cheaper for private energy companies to get financing for the pipeline. Supporters of the pipeline say the pipeline is needed to help ensure the US had adequate and affordable gas supplies to meet increasing demand. Alaska's north slope holds an estimated 32 tcf of gas, while total US gas demand is expected to reach 22 tcf this year.

PIPELINE RESTRICTIONS

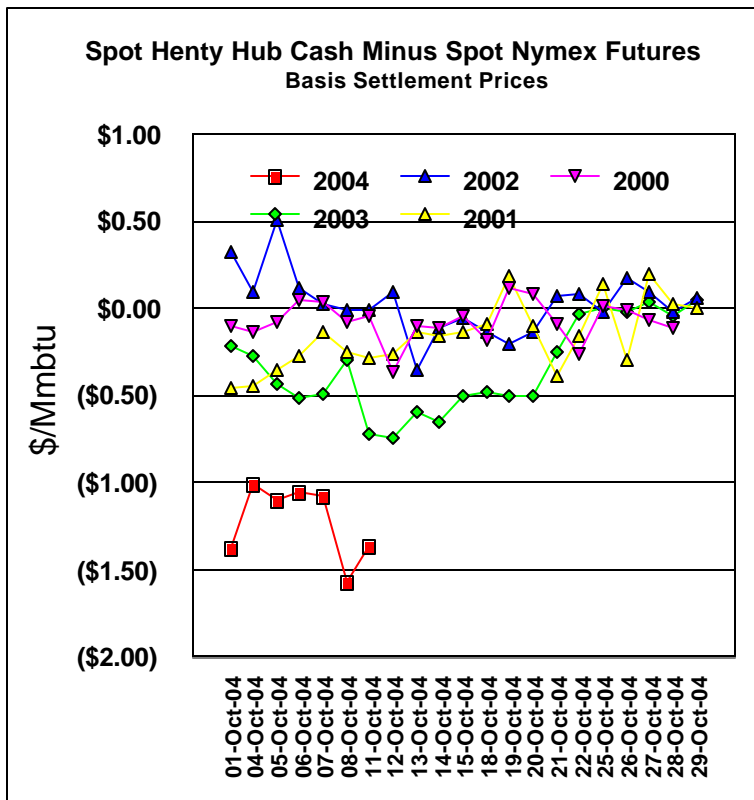
Florida Gas Transmission said that due to high demand and warm temperatures, it is issuing an Overage Alert Day at 25% tolerance for today.

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.

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.



Southern Natural Gas Pipeline Co. announced that the Bear Creek Storage Field shut-in test is scheduled to be completed today. Meanwhile, the Muldon Storage Field shut-in test will begin on Tuesday, October 12 and continue through Monday, October 18. These shut-in tests constitute a force majeure event.



Tennessee Gas Pipeline stated that due to nominations in excess of available capacity, Tennessee anticipates restricting through a pro-rata portion of secondary-out-of-path nominations pathed through Niagara River effective Timely Cycle, 9:00 AM CT today.

ELECTRIC MARKET NEWS

Northern Indiana Public Service Company issued a Request for Proposals seeking bids on power supplies designed to meet new and existing standards for reliability proposed by the Midwest Independent Transmission System Operator and the North American Electric Reliability Council, as well as anticipated customer power requirements. The RFP requests power purchase bids of 150 Mw to meet the highly varying electricity demands of NIPSCO customers, as well as bids for a 250 Mw block of power to supplement existing generating capacity during the peak summer months.

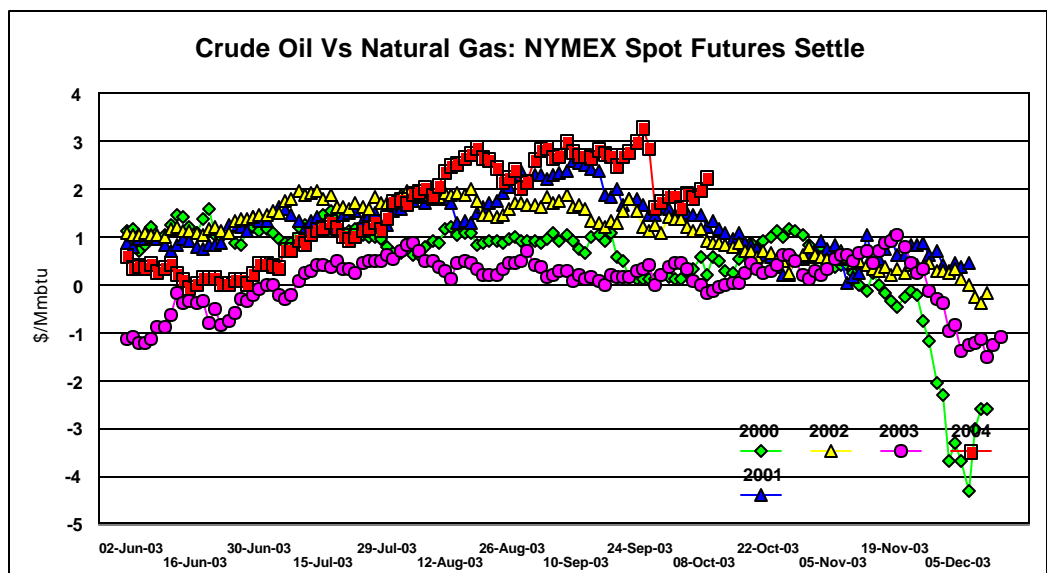
Kewaunee Nuclear Power Plant began a scheduled refueling outage on October 9, which included the final phases of a \$20 million project to install a new reactor vessel head. During this outage, more than 550 contractors will assist plant staff with extensive routine inspections and approximately 4,000 preventive maintenance activities, in addition to replacing the reactor vessel head. "A new reactor vessel head represents a major investment in Kewaunee that will ensure continued safe, economic and reliable operation of this vital source of electricity for the region," said Tom Coutu, site vice president for Kewaunee. The new reactor vessel head is the first of five to be installed under contracts signed earlier this year by Nuclear Management Company with Westinghouse Electric Company. NMC is undertaking replacement of the reactor vessel heads proactively as inspections continue to demonstrate the structural integrity of the existing heads. It was not immediately known when the unit would restart after the work.

A federal judge on Sunday directed that the Enron-Sierra Pacific case be sent back to U.S. bankruptcy court, to reconsider whether Enron Power Marketing was owed \$336 million by Nevada Power. The judge ruled that the bankruptcy court's summary judgment original regarding the matter was "inappropriate"

because of several outstanding factual issues in the breach of contract case.

MARKET COMMENTARY

The natural gas market opened lower for the second straight session as weather based demand continued to be limited, along with swelling storage levels kept the pressure on the futures market.



While spot cash prices improved slightly this morning they still significantly lagged behind the futures market and thus should continue to act as a drag on further gains in the futures market. In fact today crude and heating oil continued their march higher setting new contract highs again while natural gas futures settled lower especially in the front two months which were off by 17 cents in the November 11.1 cents in the December contract. Final volume on the quasi holiday session was relatively light with just 52,000 futures traded.

On a technical basis this market saw the daily stochastics roll back to the downside today in a convincingly fashion for the first time since the late August-early September sell off. We see critical support for this market tomorrow at \$6.953, the upward trend line of the last month. This trend line was breached at the start of this evening's Access trading session, but we would like to see this confirmed tomorrow before looking at this market possibly starting a new bearish trend. We see addition support tomorrow at \$6.94, \$6.915-\$6.87, \$6.605-\$6.596, \$6.37 and \$6.335. Resistance we see at \$7.06, \$7.13, \$7.19, \$7.25 and \$7.44.

