



ENERGY RISK MANAGEMENT

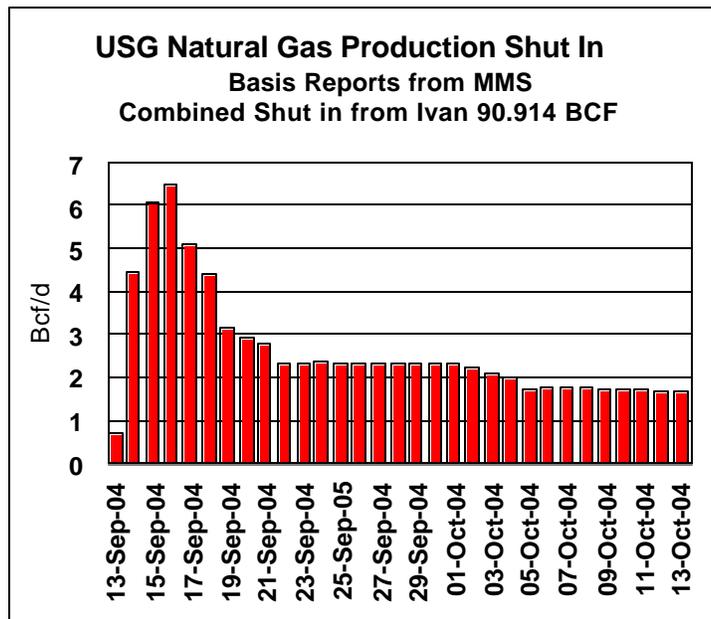
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POWER MARKET REPORT FOR OCTOBER 13, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that absolutely no progress had been reported over the past 24 hours in returning shut in production in the Gulf of Mexico. The agency reported that 471,328 b/d of crude oil remained shut in, while 1.706 bcf/d of natural gas production was still off the market.



El Paso's Southern Natural Gas Reported today that total throughput on its Main Pass Line is 415 million cf/d up 19% from Tuesday. The company noted that it had added its 44th receipt line to the pipeline Wednesday, but other point still remained off line. The company said that damage assessments are continuing in the Main Pass area. Repairs to the Olga Compressor Station also are ongoing.

Generator Problems

MAAC – The 1,148 Mw Peach Bottom 2 nuclear unit is running at 80% capacity, down 11% on the day.

MAIN – The 500 Mw Point Beach 2 nuclear unit ramped output 51% this morning and is operating at full power.

NPCC – The 970 Mw Indian Point nuclear unit 2 was running at 97% power this morning. A reason for the reduction has not been confirmed but rumors in the market suggest that the unit is approaching a refueling and maintenance outage.

SERC – The 695 Mw Robinson 2 nuclear power plant went offline this morning, after being reported at full power yesterday. The unit shut to repair the packing in a manual valve around a pressurizer spray valve in the reactor coolant system.

ERCOT – the 444 Mw coal fired Unit #4 at the Sandow Steam Electric Station was expected to be restarted this afternoon following overnight boiler maintenance.

SPP – The 1,135 Mw Wolf Creek nuclear plant is currently operating at 99% power, after gaining 18% on the day. The plant was originally taken offline October 7 after experiencing an automatic reactor trip due to a main turbine trip.

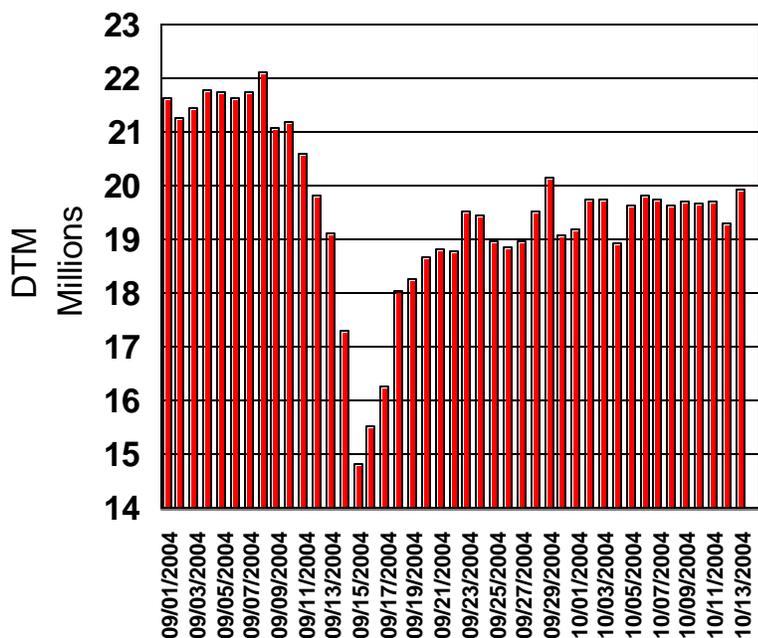
Based on the latest NRC reports, total nuclear generation output this morning reached 84,126 Mw down 377 Mw or .45% from yesterdays' levels. Total generation was some 8.02% more than the same date a year ago.

Liquefied natural gas imports rose 20% in the third quarter of 2004 over the second quarter to a record level of about 2.1 Bcf/d, according to the Lehman Brothers. The imports of LNG are increasing due to

much higher domestic gas prices and much lower LNG technological and tanker construction costs. Lehman's analyst Tom Driscoll expects LNG imports to increase 30% overall in 2004 to average about 1.9 Bcf/d and more than double in the next four years to about 3.9 Bcf/d. He sees LNG imports accounting for 7.5% of total U.S. supply by 2008. Gas prices rose to more than \$5/MMBtu in 2003 and have touched above \$8/MMBtu in price for winter gas this fall. Driscoll also said that the increase in LNG imports points to a declining overall gas supply picture in the U.S. Total LNG imports increased 20% from the second quarter, led by a 50% rise at the Lake Charles facility and nearly 90% increase coming from Algeria. From a year ago, imports were up about 15%, with imports into Cove Point, Md., up 300%, offset by a nearly 20% decrease at Lake Charles. Strong levels of imports came from Trinidad and Algeria, accounting for nearly 90%

Combined Pipeline Receipts

Tennessee, Trunkline, Sea Robin, SONAT & ANR

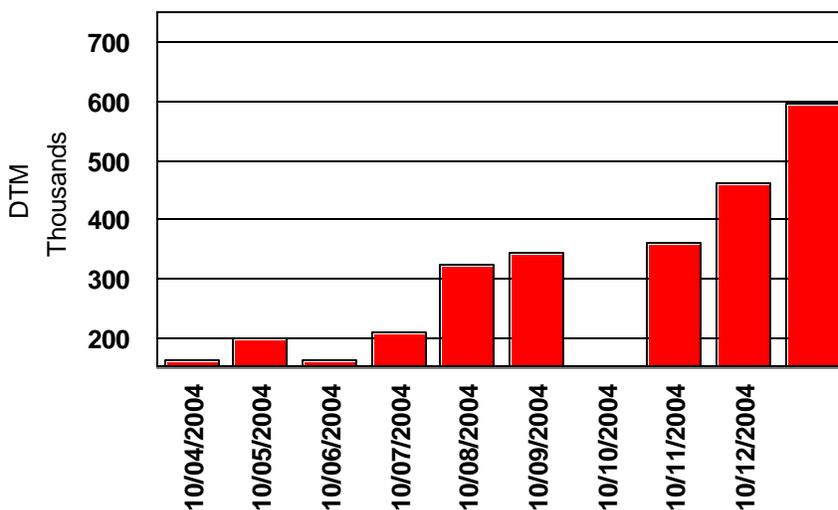


of the total. Interestingly, only 70% of total U.S. regasification capacity is being used. Increased imports coming from Algeria, Malaysia and Australia were offset by smaller totals from Nigeria and Qatar. Expansions at current terminals and proposed new terminals to be built should double U.S. baseload capacity from about 2.9 Bcf/d to about 5.6 Bcf/d in 2008.

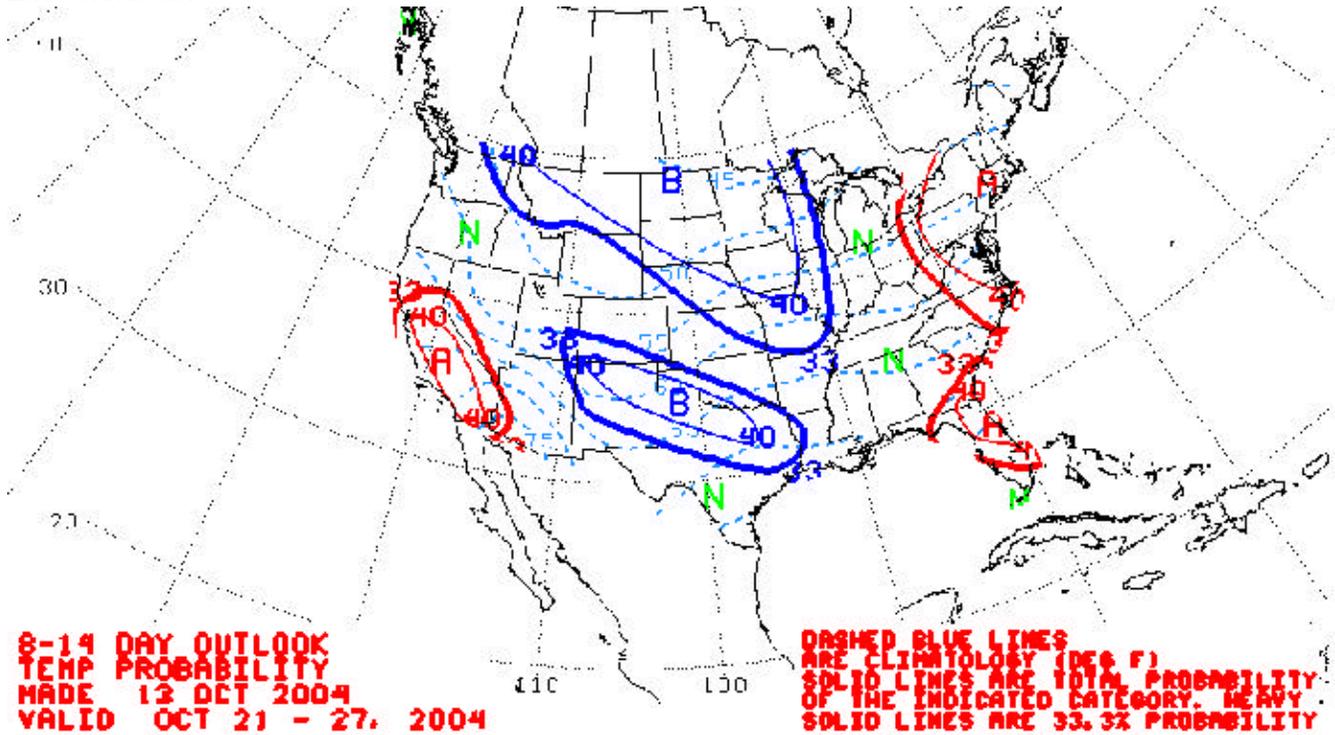
The former director of market oversight for the CFTC, said today that he felt the CFTC's investigations into price manipulation and false trading within the energy merchant industry was nearing an end.

The NYMEX today announced that it will introduce a Henry Hub natural gas penultimate swap futures contract on its electronic Clearport system beginning next Sunday. The first month listed will be November 2004 and will be available for 72 consecutive months. It will be financially settled against the NYMEX

Destin Pipeline Total Scheduled Capacity from Receipt Points
Less receipts from Petals Storage LLC



natural gas futures contract settlement price on the next to last day of trading. Each contract will be for 2500 Mmbtus.

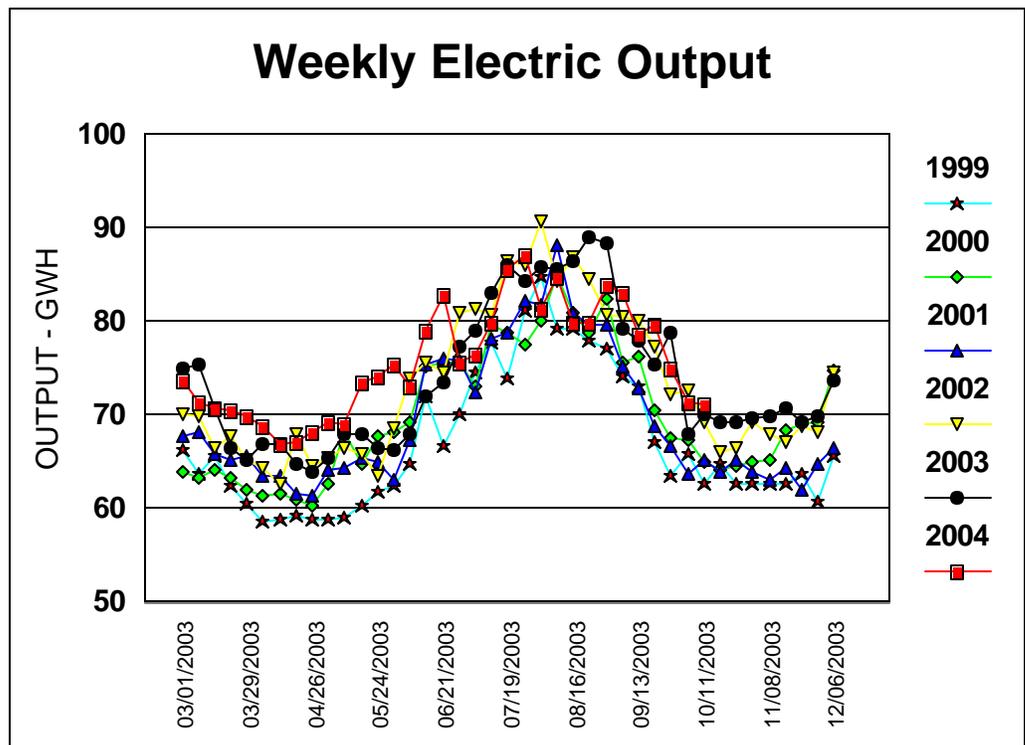


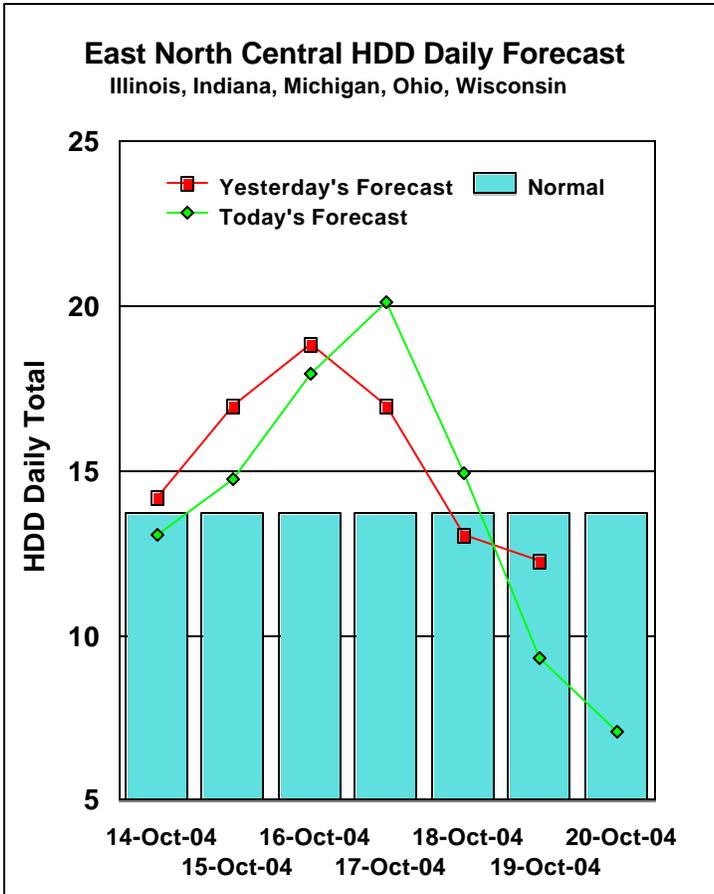
PIPELINE RESTRICTIONS

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

El Paso Natural Gas Company said that the Belen 2 turbine tripped offline yesterday due to vibration. At this time, neither the nature of the failure nor the duration of the outage has been determined. The capacity of the San Juan Crossover will be reduced by 30 MMcf effective Cycle 1, October 13 and continuing until further notice.

Texas Eastern Transmission Corp. stated that due to a pipe replacement at Batesville, receipt





points between Longview station and Batesville station have been restricted to the capacity required to run the pigs. No increases of physical supply between Batesville and Longview will be accepted.

Northern Border Pipeline Company said that its Compressor Station No. 17 is scheduled to be unavailable for service for three days next week. This force majeure event will require a reduction in firm capacity downstream of the Harper interconnect by approximately 130 MMcf/d. This outage is expected to impact flows from October 19-21.

PIPELINE MAINTENANCE

Gulf South Pipeline Company said that it is performing unscheduled maintenance on its Carthage Compressor Unit 6 effective immediately and continuing until further notice. Capacity through the Carthage Compressor Station could be reduced as much as 24 MMcf/d during the maintenance.

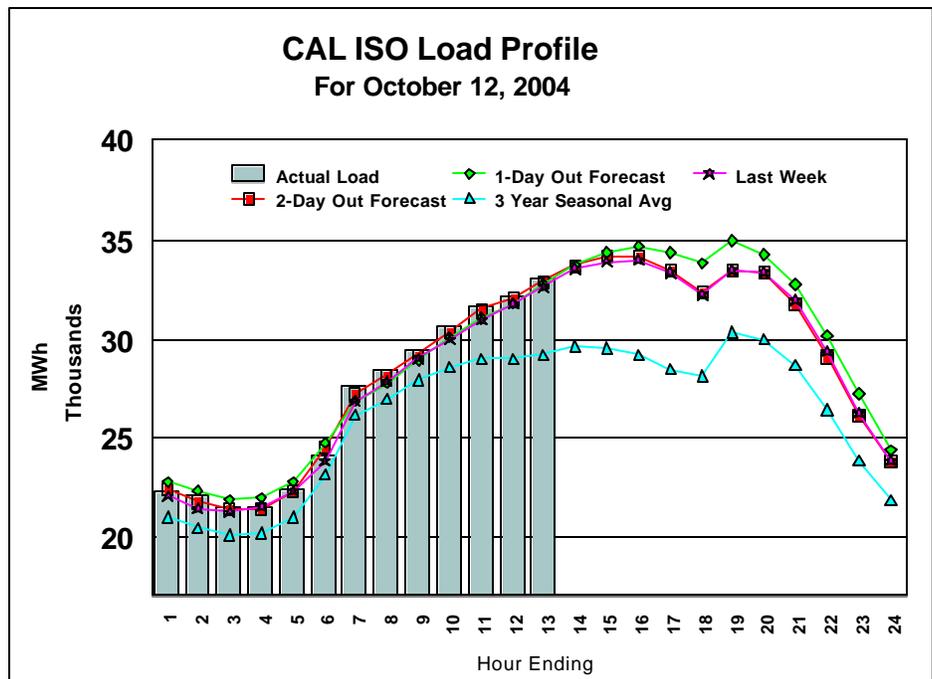
ELECTRIC MARKET NEWS

The NYMEX reportedly will de-list its floor traded electricity contracts after the final trading day of October 29th.

The Edison Electric Institute reported today that for the week ending October 9th electrical production in the continental U.S. stood at 71,113 Gwh, off 0.33% from last week but some 1.54% higher than the same week a year ago.

MARKET COMMENTARY

The natural gas market gapped lower this morning in sympathy with lower oil prices. But futures prices quickly found some support as cash markets appeared to firm on some near term buying in the cash markets due to higher than normal cooling demand in the west and the anticipated approach of colder temperatures into the central part of the country that was expected to boost



heating demand there higher than normal over the next several days. Prices rallied for much of the morning, actually outpacing the oil markets for a change. But by the afternoon session, the raging stamped of bulls back into the oil market after the 1 PM "witching hour" saw oil take back the price lead, but it still dragged natural gas values higher as heating oil continued to see its price premium over natural gas widen for the forth consecutive day. By the close, November natural gas had backfilled the gap from yesterday's lower opening, and as a result posted an outside trading session as it settled positive for the first time in four trading session, up 21.5 cents. Final volume on the day was excellent with 90,000 futures traded.

Even with some 14 bcf shut in over the week ending October 8th, the market currently is looking for an injection of some 70 bcf basis tomorrow's EIA storage report. For the same week last year, stocks rose some 77 bcf, with the five-year seasonal average running at a 63-bcf injection rate. Given the limited cooling and heating needs over the week, and the lower electrical generation needs, we feel that a 75-80 bcf build is a good possibility.

We feel that today's retracement of some 50% of the past week sell off is not the start of a new bull move in the November contract. While there are some that continue to talk about the inability of the market to regain lost production from Hurricane Ivan, we feel that there will be some reported gains in the next several days that may help pressure values once again. We see the reports of increased receipts along several key USG pipelines as emerging evidence that gains are be made even if they did not show up in today's MMS report. In addition the early bullish exuberance over a colder than normal latter half of October appears to have been premature and as a result poor gas demand should pressure prices will once again as owners of natural gas struggle to find storage to place their gas into before the start of the official winter heating season. As a result we feel one probably can still see another selling opportunity in November natural gas. We would look to be a scale up seller of November from \$6.95-\$7.10. We see support coming into this market at \$6.80, \$6.65, \$6.50 and \$6.37.