



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 19,2004

NATURAL GAS MARKET NEWS

The MMS reported some further improvement in the amount of production still shut in the Gulf of Mexico. It stated that there was still 429,158 bpd of crude oil production shut in on Tuesday, down from 457,550 bpd on Monday. It also reported that there was still 1.544 bcf of natural gas shut in.

Two more former natural gas traders for El Paso Corp. have pleaded guilty to reporting bogus deals in a widening investigation of the industry. Donald Guilbault, 51, and William Ham, 45, accepted convictions on Monday for falsely reporting gas trades to industry newsletters in 2000. Prosecutors say the men are cooperating with a continuing investigation into the industry, which U.S. Attorney Michael Shelby said earlier this month was infected with an "epidemic" of similar manipulation. Another former co-worker, Dallas Dean, pleaded guilty last week to the same count. A fourth man, 41-year-old Christopher Bakkenist, is expected to do the same soon. The convictions carry a maximum of five years in federal prison, although each defendant is expected to receive leniency for his cooperation. The scandal was exposed following the collapse of former giant energy trader Enron Corp.

A San Diego state Superior Court judge has set for trial a class-action lawsuit alleging Sempra Energy and its two California utilities conspired with El Paso Natural Gas Corp. and others to raise wholesale natural gas prices at the California-Arizona border during the energy crisis of 2000-2001. The plaintiffs said that economists estimated there could be \$9 billion in potential damages involved.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline stated that it is currently investigating a possible anomaly between Station 313 and MLV 314. No service impact is anticipated at this time.

Generator Problems

MAPP – The 778 Mw Cooper nuclear unit is currently running at 15% capacity, down 85% on the day. The unit has down-powered to inspect a turbine vibration.

NPCC – The 470 Mw Ginna nuclear unit returned to full power early this morning following weekend repairs. Yesterday, the unit was operating at 3% capacity after exiting a repair outage to fix a check valve.

SERC – The 1,100 Mw McGuire 1 reactor was taken offline early this morning, after operating at 27% capacity yesterday. A reason for the reduction has yet to be disclosed.

Based on the latest NRC reports, total nuclear generation output this morning reached 81,585 Mw down 469 Mw or .57% from yesterday's levels. Total generation was some 4.80% more than the same date a year ago.

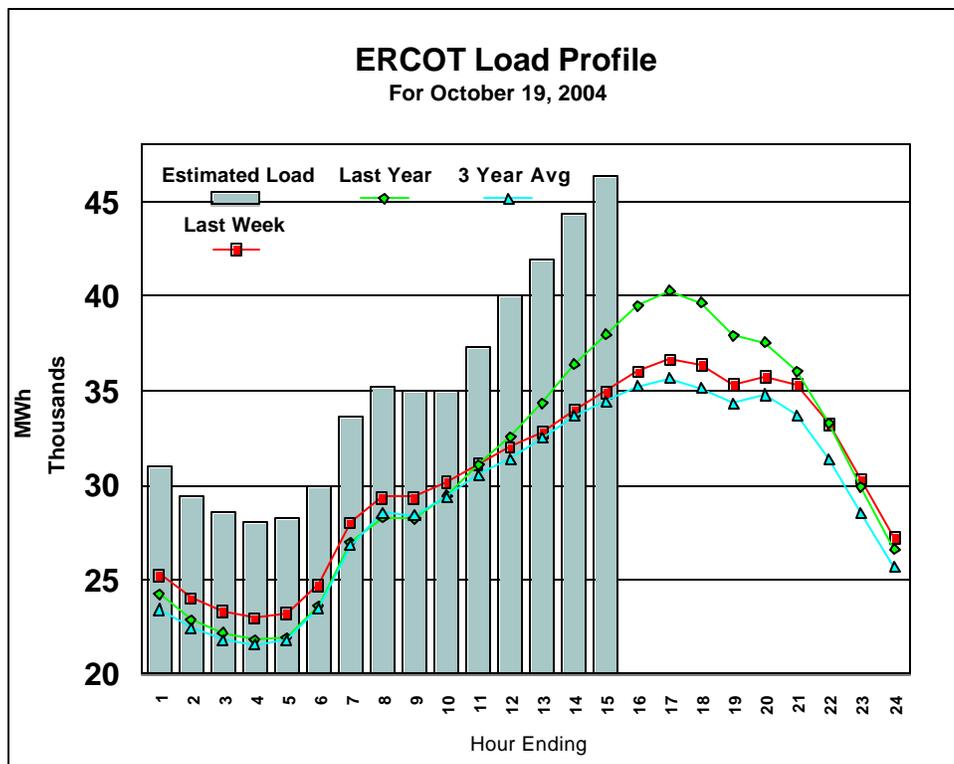
Texas Eastern Transmission Corp. stated that due to a pipe replacement at Batesville, receipt points between the Longview and Batesville stations have been restricted to the capacity required to run the pigs. No increases of physical supply between Batesville and Longview will be accepted.

TransColorado stated that it and El Paso are continuing to work to resolve the gas quality issue at the El Paso Blanco interconnect, PIN 36105. However, due to the continued presence of liquid substances in the pipeline, the force majeure will continue until further notice. Of the progress that has been made concerning this issue, TransColorado is able to schedule to a slightly higher capacity. Therefore, as of yesterday, interruptible flow, authorized overrun, and secondary out of path volumes may be scheduled depending on the level of nominations. Also, based on the current level of nominations, primary FT is anticipated to be fully scheduled.

PIPELINE MAINTENANCE

Colorado Interstate Gas Company and Wyoming Interstate Company have revealed plans for October maintenance. In Wyoming, at the Table Rock Compressor Station, one unit will be out of service

November 1-30 due to unexpected maintenance. Capacity through the station will be reduced to 9 MMcf/d. At the Oregon Basin Compressor Station, annual ESD system checks will be performed November 10 at 8:00 AM MT for 4-6 hours. In Colorado, at the Kit Carson Compressor Station, one unit will be out of service November 1-30. Capacity through the station will be reduced by 30 MMcf/d. In addition, annual Department of Transportation ESD system checks will be performed on November 17 at 8:00 AM MST for 4-6 hours. At the



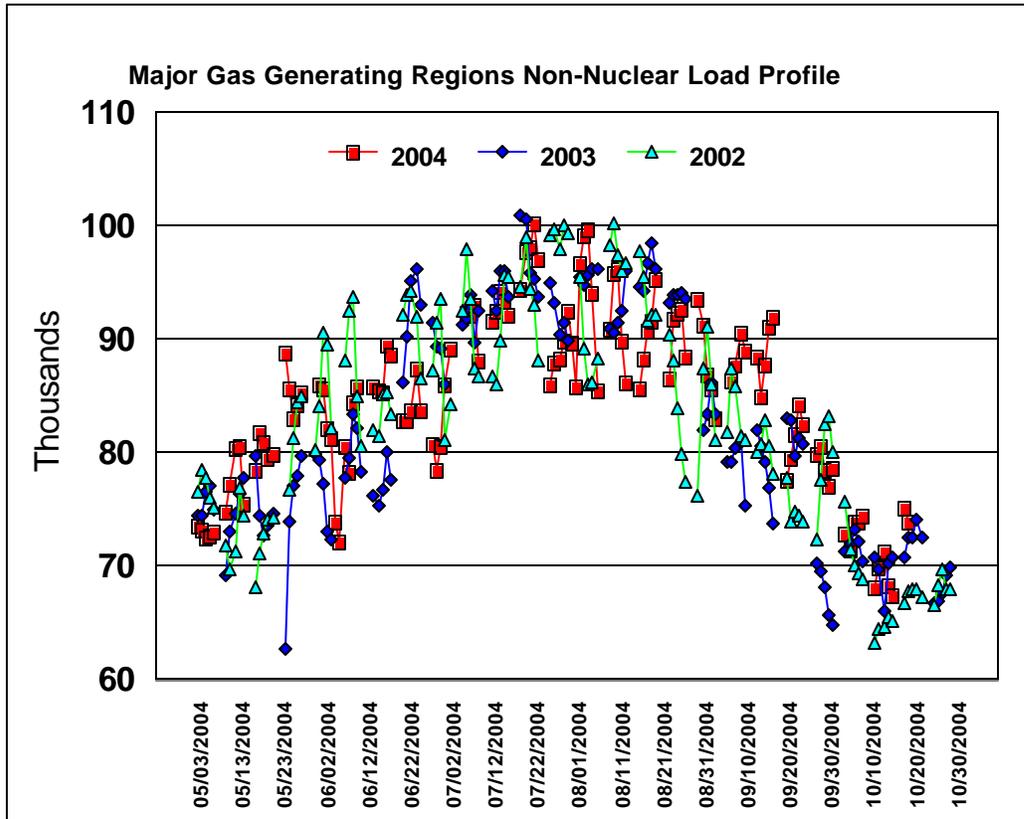
Springfield Compressor Station, annual DOT ESD system checks will be performed on November 3 at 4:00 AM MT for 6-8 hours. South of Springfield, Colorado, the 3A 20-inch south of Springfield Station will be taken offline November 3 for 16 hours. The capacity through SPC will go to zero during this outage. Depending on weather related operations CIG may be able to honor all nominations through SPC. At the Kim Compressor Station, one unit will be out of service November 8-13. Also, annual DOT ESD system checks will be performed on November 8 at 8:00 AM MT for 6-8 hours. The Sturgis Meter Station will be shut in November 9 at 8:00 AM CT for 16 hours to install new custody measurement. Volume will go to zero during this outage. The Morton County Compressor Station will be shut in November 10-15 for station control upgrades. The capacity from Morton to Mocane will be reduced to 230 MMcf/d.

El Paso Natural Gas Company said that Line 1200 repairs between San Juan Mainline and Gallup Stations scheduled to begin October 20 have been delayed to October 25 – November 6, reducing the capacity of the San Juan Basin by 15 MMcf/d.

Alliance Pipeline said that minor maintenance at the Morinville Station scheduled for tomorrow will impact authorized overrun flow. Repairs are scheduled to last only 6 hours.

ELECTRIC MARKET NEWS

NYMEX announced yesterday that, beginning with the November 1 trading session, it will waive the fees associated with the trading and clearing of all financially settled electricity contracts through the end of the year. Exchange fees, clearing fees, and cash settlement fees will be waived for the PJM daily, weekly, and monthly electricity futures contracts; the New York Independent System Operator electricity futures



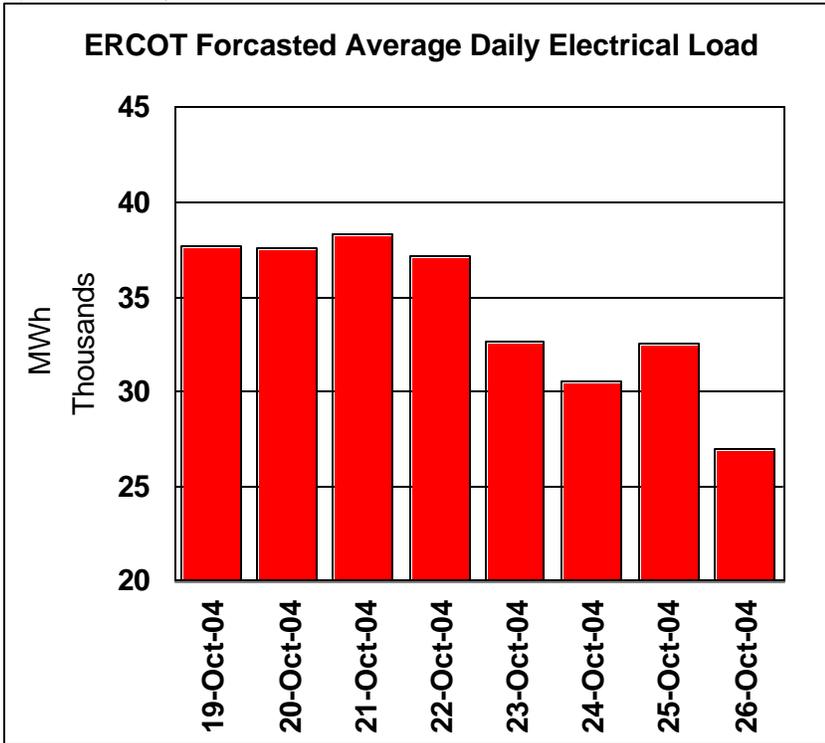
contracts for Zones A, G and J; and the Dow Jones electricity price index futures contracts for Mid-Columbia, North Path 15, South Path 15, and Palo Verde. The waivers will coincide with the listing of the PJM monthly electricity futures contract exclusively on NYMEX ClearPort. In addition, the liquidity incentive program to trade electricity futures on NYMEX ClearPort has been amended so that, while liquidity providers will continue to be rewarded for posting bids and offers, customers will no longer pay to take the other side of the trade. The incentives for each contract are: PJM monthly futures, \$1.20; PJM weekly futures, \$0.32; PJM daily futures, \$0.08; NYISO futures for Zones A, G and J, \$1.00; Dow Jones electricity price index futures, \$1.44. Exchange President James E. Newsome said, "The Exchange has taken these steps as part of its plan to consolidate electricity futures activity into a single venue, expanding upon a liquidity base of 67,000 lots of open interest, including 31,000 in the financially settled monthly PJM electricity futures contract."

The U.S. competitive retail power market is expected to expand only slightly over 2003 levels this year but is expected to find better growth rates in 2005, 2006 and beyond, according to a report from KEMA Inc.

MARKET COMMENTARY

The cash market surged higher again today by 35-70 cents as near record heat seemed to be gripping Texas while some heating demand was recorded throughout the northeast that seemed to help send

buyers scurrying into the market to buy for some short term needs. This seemed to give a kick to the spot futures market this morning to challenge the highs from yesterday at \$7.03. While this resistance level seemed to hold through midday, a second assault on this level during lunch hour finally breached this resistance that set off some stops a drove prices another 10-13 cents higher before the end of the trading session. Volume though during this afternoon rally though was not particularly impressive, and final volume on the day was only estimated at 63,000 futures traded. The November contract finished up on the day some 31.7 cents.



The NYMEX reported at midday that natural gas open interest increased by an impressive 6121 contracts on the day, in what has to be seen as new longs coming into this market, a trend that most likely continued again today.

We still are not a believer in this market at these lofty levels and as a result would continue to be a scale up seller of this market. We see the heat in Texas beginning to moderate as the week wears on and with it we feel prices will moderate as well. We see resistance at \$7.16 followed by \$7.225 and \$7.44. Support we see at \$7.03, \$6.91, \$6.83, \$6.75, \$6.70 and \$6.63-\$6.60. Our target remains at \$6.40-\$6.37 for the November contract.