



ENERGY RISK MANAGEMENT

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

www.e-windham.com

POWER MARKET REPORT FOR OCTOBER 25, 2004

NATURAL GAS MARKET NEWS

El Paso's Natural Gas Co. said 47 receipt points in Main Pass area are flowing about 455 MMcf/d, about 11% less than was flowing prior to Hurricane Ivan. The pipeline added the Mississippi Canyon receipt point over the weekend. The 21 other points upstream of Toca remain under force majeure and should not flow gas the company said. Prior to Hurricane Ivan, Southern was receiving about 800 to 850 MMcf/d of natural gas at 68 points upstream of its Toca Compressor Station. Damage assessments are continuing in the Main Pass area, with repairs to the Olga compressor station ongoing. Late last week, the pipeline extended its repair timeline for damaged Main Pass gas line from Hurricane Ivan to as much as a year away.

The Texas Railroad Commission set November 2004 natural gas production allowables for prorated fields in the state to meet market demand of 17.8 Bcf. That represents a decrease of 11.2 Bcf when compared with actual production of 28.9 Bcf in November of last year. In setting the November 2004 allowable, the Commission used history production figures from November 2003 and producer forecasts for November 2004 demand, adjusting figures to account

Generator Problems

ERCOT – The 750 Mw Martin Lake 1 coal-fired power unit shut yesterday for boiler tube leak repairs. A return time and date have yet to be disclosed.

MAIN – The 1,120 Mw Braidwood 1 nuclear unit ramped output to 30% capacity early this morning. The unit exited a refueling and maintenance outage. The unit was shut for the refuel on October 4.

MAPP – The 565 Mw Duane Arnold nuclear unit is currently operating at 9% capacity, after being down-powered 84% over the weekend.

NPCC – The 951 Mw Indian Point 2 nuclear unit shut early this morning. The unit was last seen running at 90% capacity on Friday. Electricity traders guessed the unit shut for a planned refueling outage expected to start in late October.

The 762 Mw FitzPatrick nuclear unit is currently running at 16% capacity after exiting a refueling and maintenance outage. The unit shut on September 25 for the outage.

SERC – The 1,129 Mw Catawba 2 nuclear unit is currently operating at 20% capacity after exiting a refueling and maintenance outage early today. The unit was shut on September 11 for the refuel.

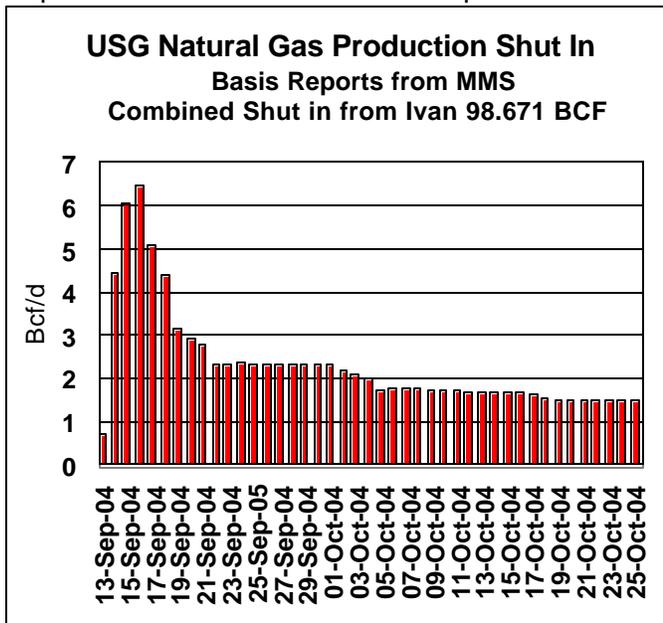
The 1,148 Mw Sequoyah 1 nuclear reactor was taken offline over the weekend after operating at full power on Friday. Reasons for the reduction in power were not immediately available.

WSCC – The 755 Mw Moss Landing 6 and 7 natural gas-fired power units returned to service over the weekend. The units shut on October 18 to reroute the electric line from the generator to the switchyard because the lines ran through five old units.

The 1,100 Mw Diablo Canyon 2 nuclear unit is operating at 18% capacity today. The unit began to down power yesterday in order to begin a scheduled refueling outage. The unit was running at full power on Friday.

Based on the latest NRC reports, total nuclear generation output this morning reached 77,361 Mw down 2,746 Mw or 3.4% from Friday's levels. Total generation was some 3.69% less than the same date a year ago.

for well capability, new wells and other factors. Texas gas storage reported by the Commission for September 2004 is 319.4 Bcf compared with 278.8 Bcf in September 2003. The October 2004 gas storage estimate is 334.2 Bcf. Gas well gas from prorated fields account for about 7% of total gas well production. Preliminary statewide production reported for August 2004 is 28.5 million barrels of crude oil and 379.7 Bcf of gas well gas. The next statewide hearing is set for November 23.



The MMS reported a slight improvement in the amount of natural gas production still shut in the Gulf of Mexico. It stated that there was 1.517 bcf/d of natural gas shut in on Monday, down from 1.521 bcf/d on Friday. A total of 98.7 bcf of natural gas has so far been shut by Hurricane Ivan.

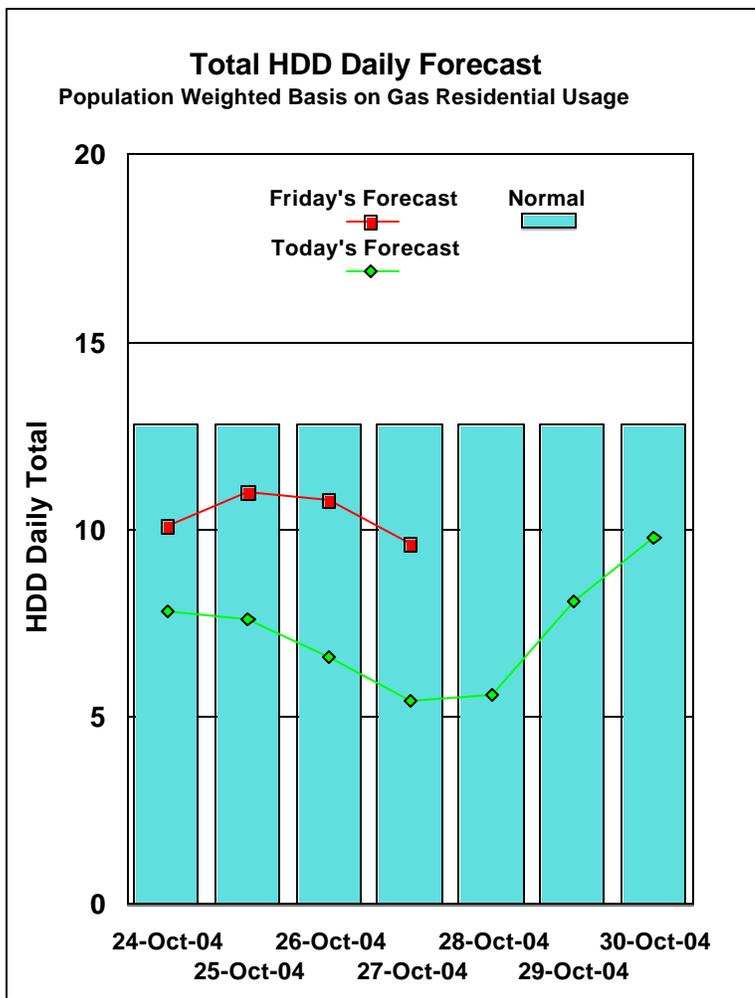
Wisconsin Public Service said it expects its natural gas heating prices this winter to be about 25% higher than they were last winter, assuming normal temperatures, the company warned

today. The company reported that it has already bought and placed into storage one-third of gas it will need for this winter.

The U.S. Securities and Exchange Commission is scheduled to consider Tuesday whether to require hedge funds with over \$20 million under management to register with the commission. Some industry estimates place some \$900 billion to \$1 trillion under this form of management. There are also some 8,000-8500 funds worldwide, with at least 150-200 very active in the energy sector. The vote is expected to be close.

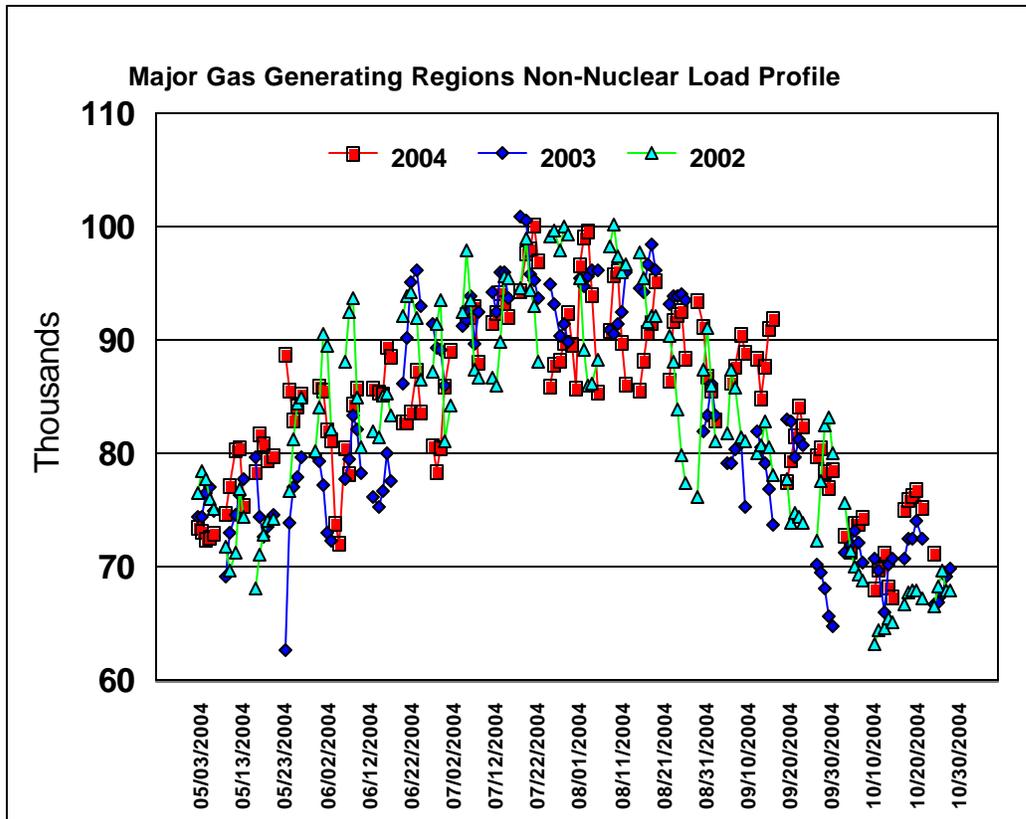
The Climate Prediction Center reported this morning that for the week ending October 23rd the nation saw some 76 HDD, two less than normal while cooling degree days reached 15 CDD some 6 better than normal. For the week ending October 30th the Center is looking for only 59 HDD some 37% less than normal.

WSI Corp said today that they are looking for the eastern and southern



parts of the country to see a “cold period”, while the western and northern areas of the country should see warmer than normal temperatures on average from November through January.

Energy consultant Stephen Smith today warned that while it is possible that this week’s gas storage report could be as small at 16-17 bcf and as a result storage levels will fall short of a new record this year, winter natural gas prices may already have reached their peak.

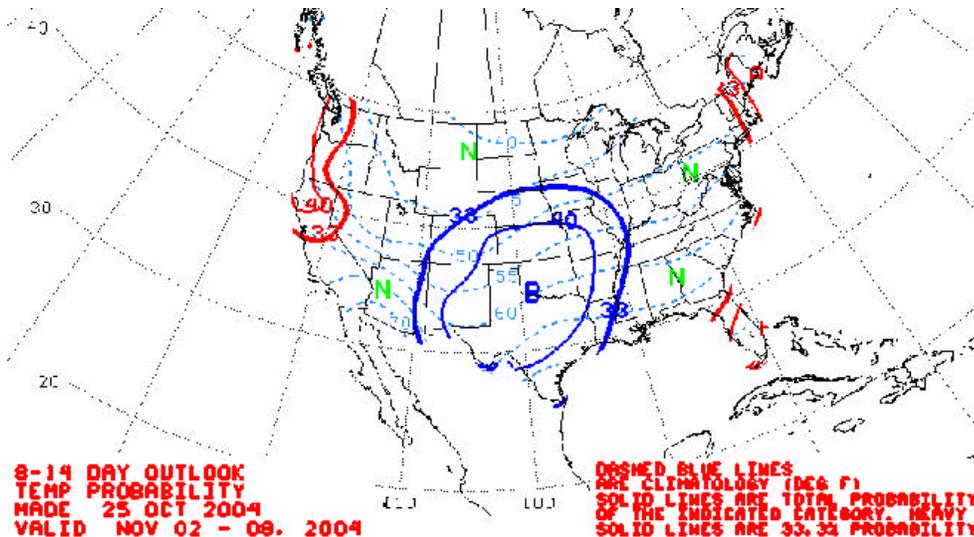


PIPELINE RESTRICTIONS

Texas Eastern Transmission Corp. stated that due to restrictions to pipe replacement between Pemex and Santa Fe, receipt points and delivery points between Pemex and the pipe replacement location have been nominated to zero for the duration of the outage. No gas may be scheduled at any location in the outage area. This line work is scheduled to be completed on October 28.

PIPELINE MAINTENANCE

Southern Natural Gas Pipeline Co. said that maintenance needs to be performed on one of the three compressor units at its Muldon Storage Field. The maintenance is required to correct cracking found in the valve cap area of the compressors. A corrective plan is being developed for the one unit with an identified maintenance need. Inspections are being scheduled on the remaining two units to determine if maintenance is required



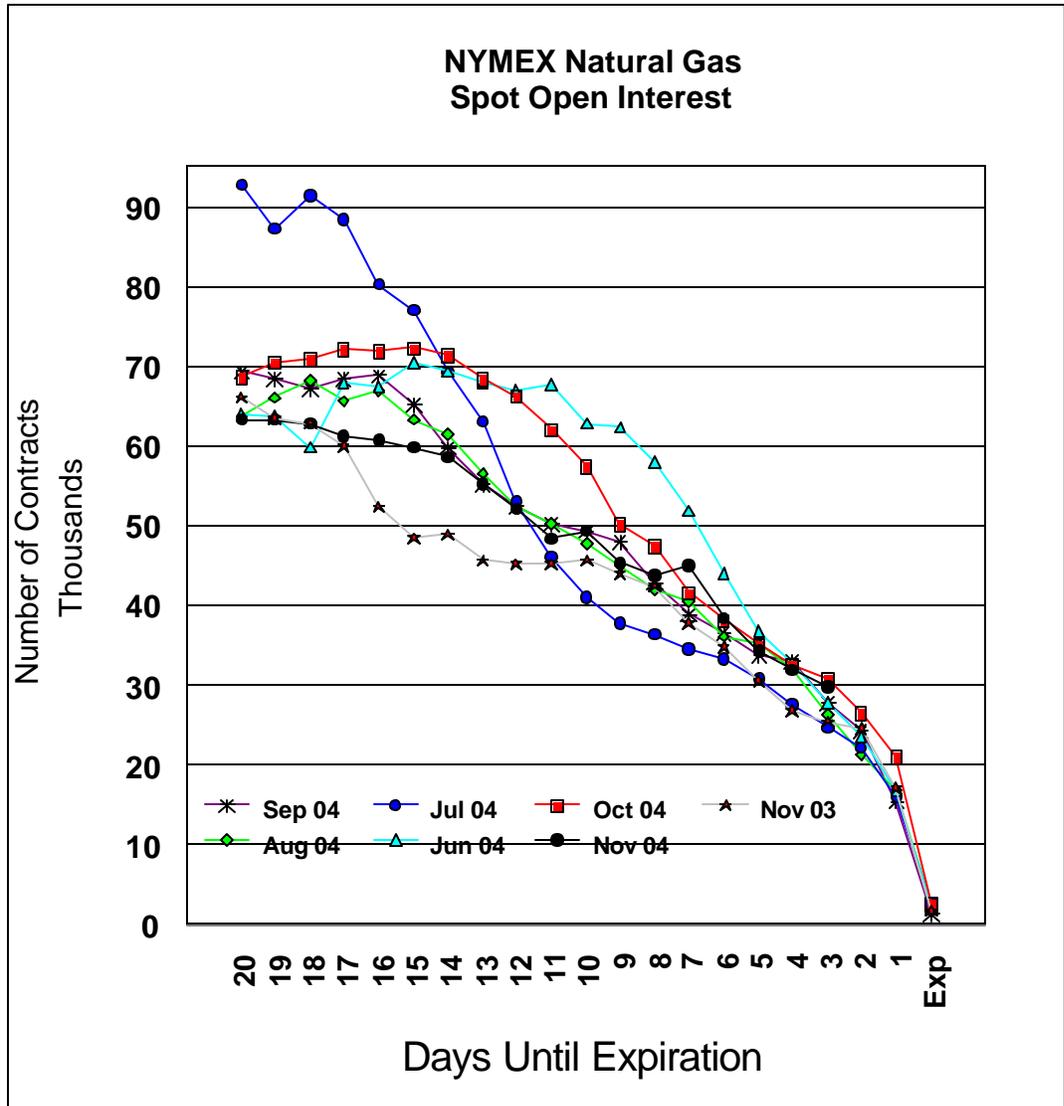
on those units. The company did not release dates for yet unscheduled outages.

EL Paso Natural Gas Company said that Leupp 1D turbine maintenance scheduled for October 25-26 has been postponed to November 22-23. Previously posted capacity reductions on the North Mainline for the affected dates have changed accordingly. The new North Mainline capacity reductions will be: October 25 and 26 – 5 MMcf/d; November 22 and 23 – 70 MMcf/d.

ELECTRIC MARKET NEWS

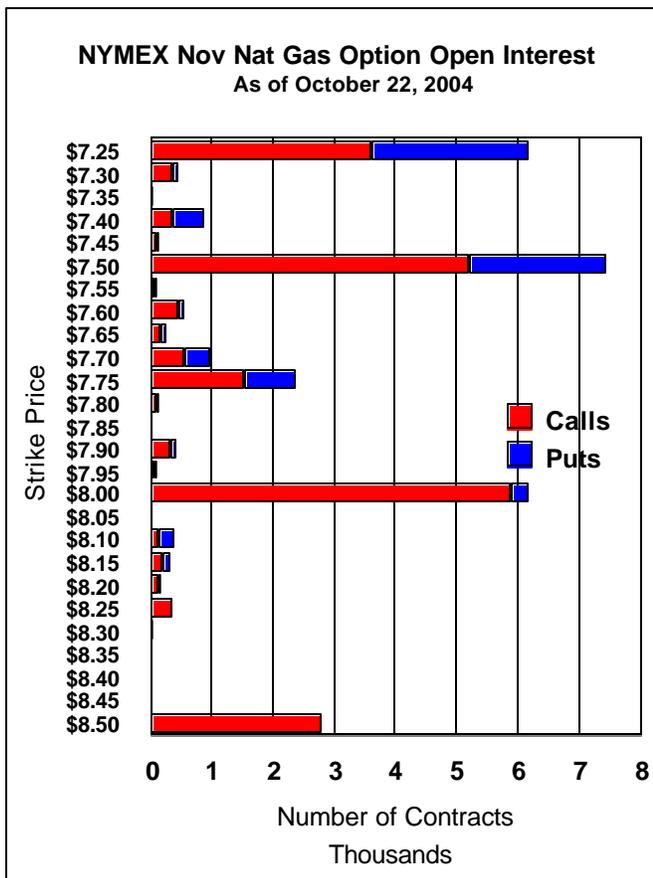
U.S. retail customers could save \$10-billion through lower electricity prices if every state followed the restructuring model adopted by 13 states with retail choice. Similarly, if Canadian provinces followed the Alberta model of a restructured power market residential customers in that country could save more than \$1-billion, according to the Fraser Institute. Despite some setbacks in California and Ontario, restructured power markets can work and advocates of competition should continue to press for open markets. Examining restructured markets in Australia, the UK, New Zealand and North America, the Institute found that greater supply and lower electricity prices benefit consumers and that regulators are missing opportunities to save consumers money if they don't take action. States that have yet to reform their markets could see prices drop by almost 9% over five years, which would be double the drop that occurred in those states between 1997 and 2002.

At the Edison Electric Institute financial conference today several key speakers noted that the recent high prices for natural gas could open the way for the development of new nuclear generation sources in the U.S. as well as renewable energy sources such as wind energy. Other speakers noted that the single most important issue facing the industry is providing adequate transmission facilities.



MARKET COMMENTARY

The natural gas market today opened at basically unchanged levels but prices quickly came under pressure as weather forecasts for this week were seen as moderate with heating demand for natural gas running some 37% less than normal. But some unexpected nuclear outages helped to support some regional cash markets as the morning wore on and futures and cash prices were able to recover from the early morning sell off. But as the afternoon wore on the prices eroded and by the end of the day, the futures market settled down for the first time in six trading sessions. Final volume was estimated at only 67,000 futures traded.



We continue to feel that with electrical loads expected to decline as the week wears on as well as a limited heating demand for gas, price pressure on both futures and cash prices should remain. We continue to look for prices to have the potential to at least challenge backfilling the gap in the daily November charts at \$7.32-\$7.16 before the contract expires on Wednesday. Near term support we see at \$7.77, followed by \$7.535, \$7.37. Resistance we see at \$8.13, \$8.23 and \$8.43. Given the price spike from late last week we do not expect tomorrow to see price volatility associated with option expiration.