



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 27, 2004

NATURAL GAS MARKET NEWS

The MMS reported some improvement in the amount of natural gas production still shut in the Gulf of Mexico. It stated that there was 1.314 bcf/d of natural gas still shut in, down from Tuesday's 1.514 bcf/d.

The FERC will look into the recent spike in the U.S. natural gas prices and will take appropriate action, if needed, the head of the agency stated today. On Tuesday, U.S. natural gas futures traded on the NYMEX soared to a 20-month high of \$8.46 per million British thermal units before ending at \$8.40. The increase was attributed by traders to a rally in the crude oil market, covering of short positions and a firmer cash market. Chairman Pat Wood declined to say whether he thought U.S. natural gas prices should be at the current high level when stockpiles were approaching record highs for the start of the winter heating season. Last week, the EIA reported that total U.S. natural gas inventories rose to 3.223 Tcf and was on track to break the recent record high of 3.254 Tcf set in November 2001. The EIA will release

its next weekly inventory report tomorrow morning. However, Wood said that if the rise in natural gas prices was a legitimate response to demand, "then that's the way it works." Meanwhile Huntsman Chemical today reiterated its call for tighter natural gas price movement limits on the NYMEX and also called for an investigation into gas price movements and market participants actions on the NYMEX.

The chairman of the Independent Petroleum Association noted today that the trade group has met with Congressman Barton about the possibility of re-introducing some of the gas-related provisions from the energy bill in separate legislation when the new Congress convenes next January. Issues the group is seeking legislative remedies are on: enhanced access to federal lands for gas exploration; improvements in the Coastal Zone Management Act; support for exploration efforts to continue to allow the use of hydraulic fractionation to stimulate production from older wells.

Generator Problems

MAAC – The 1,148 Mw Peach Bottom nuclear unit 2 restored to full power this morning, up 9% on the day. The unit was down-powered on October 22 to conduct routine tests and maintenance.

NPCC – The 825 Mw FitzPatrick nuclear plant is currently operating at 96% capacity, up 21% on the day. The unit was running at 75% capacity yesterday, after restarting over the weekend from a refueling and maintenance outage.

SERC – The 1,129 Mw Catawba 2 nuclear unit returned to full power this morning, up 19% on the day. The unit restarted Monday after shutting September 13 for a scheduled refueling outage, which included a 10-year inspection of the reactor vessel, as well as an inspection of the reactor vessel bottomhead.

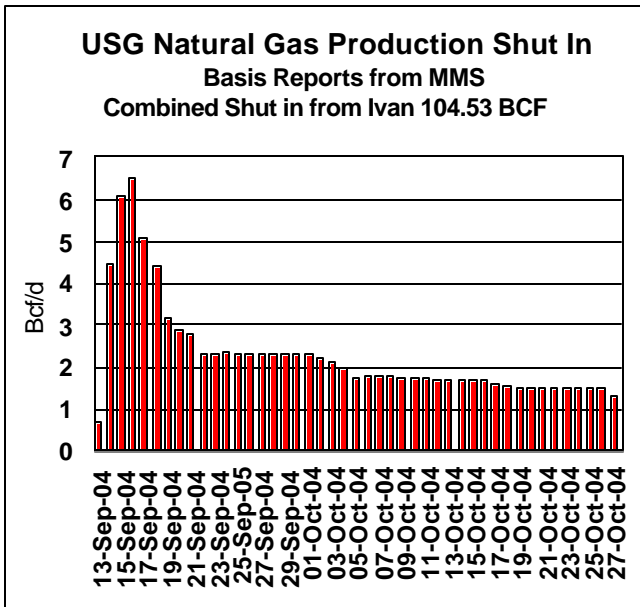
WSCC – The 485 Mw Alamosa 5 gas-fired unit shut early this morning in a planned outage. Unit 5 joins units 3 and 4, which shut on October 22 and October 26, respectively.

Based on the latest NRC reports, total nuclear generation output this morning reached 78,453 Mw up 244 Mw or .31% from yesterday's levels. Total generation was some .94% higher than the same date a year ago.

PIPELINE RESTRICTIONS

Iroquois Gas Transmission System stated that effective on November 1, the South Commack gate station will be shut-in for maintenance. It is expected to be out of service through November 5. Nominations for South Commack gate will not be accepted for November 1-5.

Gulf South Pipeline Company said that due to capacity limitations in the East Texas Capacity Area, Gulf South is requesting all shippers with receipts in the East Texas Area to balance their transportation and storage contracts by conforming receipts into the system with the deliveries being taken from the system, and to receive and deliver quantities at a uniform hourly rate of flow as practicable. If shippers do not voluntarily comply with these provisions, Gulf South may be forced to declare a Critical Period or issue an Operational Flow Order, which could result in severe penalties for shippers.



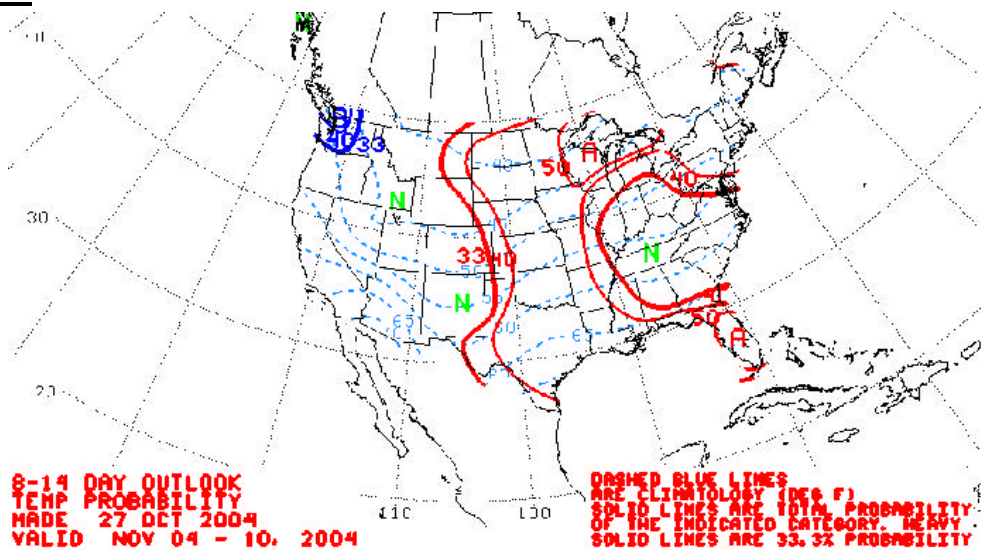
Texas Eastern Transmission Corp. said that due to restrictions associated with pipe replacement between Pemex and Santa Fe, receipt points and delivery points between Pemex and the pipe replacement location have been nominated to zero for the duration of the outage. No gas may be scheduled at any location in the outage area. This line work is scheduled to be completed on October 28. In addition, the 24-inch line between Longview and Fagus has been nominated to capacity. No increases in physical supply between Longview and Fagus will be accepted.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas

supplies on its system.

PIPELINE MAINTENANCE

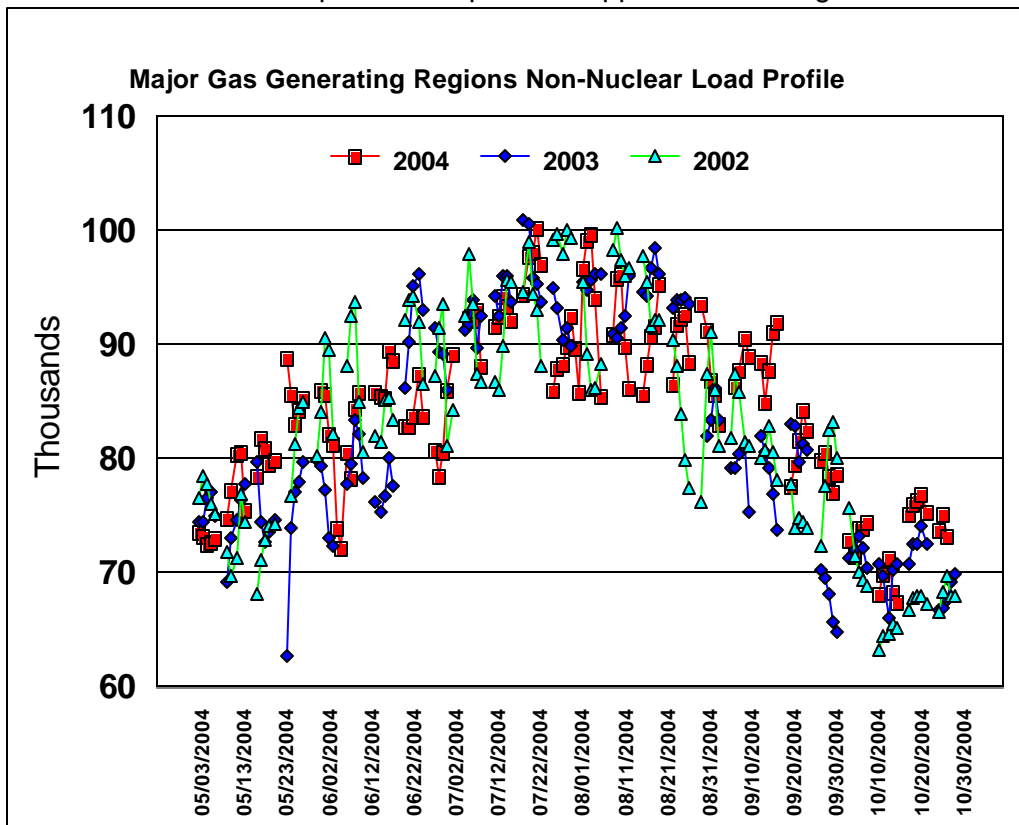
Southern Natural Gas Pipeline Co. recently released its November/December maintenance projects. Starting November 1 and lasting for about two weeks, Southern will be performing maintenance at its White Castle Compressor Station. During this time, Southern will not be able to receive gas at the LRC Interconnect. This work constitutes



an event of force majeure. From November 1 until mid January 2005, White Castle has been and will continue performing emission upgrades to all compressor station units during this time. Some impact to the level of service during this time is possible. Bear Creek will be performing engine maintenance one unit at a time starting Monday, December 6 through Friday, April 1, 2005.

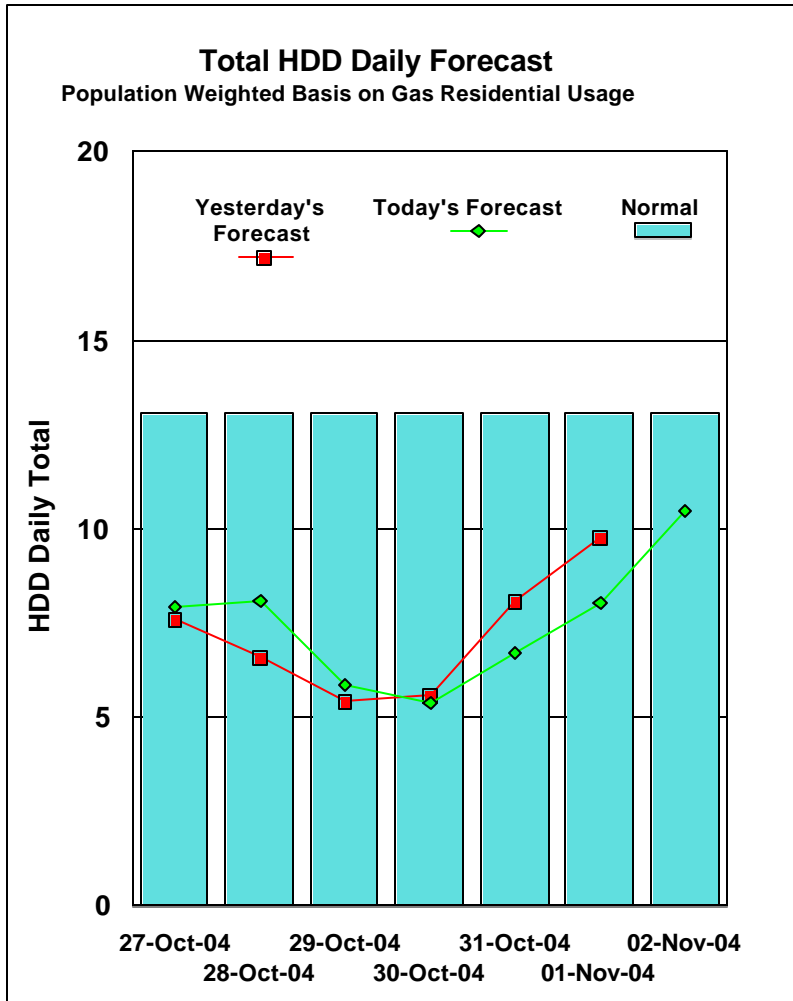
El Paso Natural Gas Company said Line 1200 maintenance that began yesterday must be called off due to a faulty valve that prevents isolation of the section of pipe that is to be repaired. The capacity of the San Juan Basin will be returned to normal effective Cycle 2, October 27. The line will be taken out of service again when a replacement valve has been procured.

Trailblazer Pipeline Company said that on November 16 and 17; it will be performing maintenance on units at Compressor Station 601 and 603. Trailblazer is coordinating work at both station at the same time to minimize overall potential impact to shippers' scheduling.



Florida Gas Transmission recently released its slate of maintenance projects for November. During the month, FGT will begin routine horsepower and pipeline maintenance in Zone 1, 2, and 3. On November 1 FGT will be performing annual maintenance on each of the three turbines at compressor station 75 in Zone 2. The maintenance work will take approximately 18 days. During this work FGT will

schedule up to approximately 925 MMcf/d through station 75. On November 2 FGT will be upgrading compressor station valves at compressor station 11 in Zone 3, taking approximately 3 days. During this work FGT will schedule approximately 1,900 MMcf/d through station 11. On November 8 FGT will be performing pipeline maintenance on the 24-inch mainline between compressor stations 6 and 7 in Zone 1. The maintenance will take around 5 days. During this work FGT will schedule up to approximately 250 MMcf/d through station 7. On November 10 FGT will be upgrading compressor station valves at compressor station 8 in Zone 2. The maintenance work will take about 2 days. During this work FGT will schedule up to approximately 850 MMcf/d through station 8. On November 12 FGT will be performing pipeline maintenance on the 22-inch line on the East White Lake Lateral Southern Section upstream of compressor station 75 in Zone 2. This work will last 2 days. During this work FGT will schedule up to approximately 350 MMcf/d on the East White Lake Lateral Southern Section. On November 16 and 19 FGT will be performing pipeline maintenance on the 24-inch mainline between compressor stations 6 and 7 in Zone 1. The maintenance will take approximately 1 day for both of the



days of maintenance. During this work FGT will schedule up to approximately 150 MMcf/d through station 7. On November 16 FGT will be upgrading compressor station valves at compressor station 9 in Zone 2. The maintenance work will take about 3 days. During this work FGT will schedule up to approximately 1,050 MMcf/d through station 9. On November 30 FGT will be performing compressor unit maintenance on both of the compressors at station 4 in Zone 1. The maintenance work will take approximately 4 days. During this work FGT will schedule up to approximately 150 MMcf/d through station 4. Also on November 30 FGT will be upgrading compressor station valves at compressor station 10 in Zone 3. The maintenance work will take approximately 3 days. During this work FGT will schedule up to 1,100 MMcf/d through the station.

Williston Basin Interstate Pipeline Company said that the Baker Area Grasslands Mainline maintenance has been extended from October 29, through November 5. Due to unscheduled maintenance at Baker

Booster, there may be a potential restriction at Point ID 04015 Baker Area Grasslands Mainline. At this time Williston does not anticipate any restrictions to the system. Also, the Little Beaver Plant maintenance has been extended from October 26, through October 29; at 5:00 PM CT. Due to unscheduled maintenance at the Little Beaver Plant there may be a potential restriction at Point ID 04018 Baker Area Mainline.

ANR Pipeline Company announced it has moved the dates of their repair work in the Southeast Area Fuel Segment from November 1-15 to November 8-22. During this time their meter from Garden Banks Gas Pipeline at South Marsh Island 76 will be shut in. Therefore, during this outage, Garden Banks will be unable to accept nominations for delivery to ANR at Meter 992106. All other delivery points on Garden Banks will be available for gas deliveries.

ELECTRIC MARKET NEWS

Electricity production in the continental U.S. for the week ended October 23 rose 3.8% from the same 2003 period to 70,854 GWh, according to the Edison Electric Institute. The South Central region showed the largest year-on-year percentage gain in output, rising 17.9% to 11,648 GWh. The Pacific Southwest region meanwhile, showed the biggest year-on-year percentage decline, falling 6.8% to 5,130 GWh. For the first 43 weeks of the year, production totaled 3,200,989 GWh, up 1.8% from last year. For the 52 weeks, production rose 1.6% to 3,834,129 GWh.

WPS Resources Corporation announced that its subsidiary, Wisconsin Public Service Corporation, has received all necessary permits from the Public Service Commission of Wisconsin and Wisconsin Department of Natural Resources to proceed with construction of a 500 Mw coal-fired electric generator. The new facility near Wausau, Wisconsin will be located on an existing 345-acre site on which several other units are currently operating. Weston 4 is expected to be operational in June of 2008.

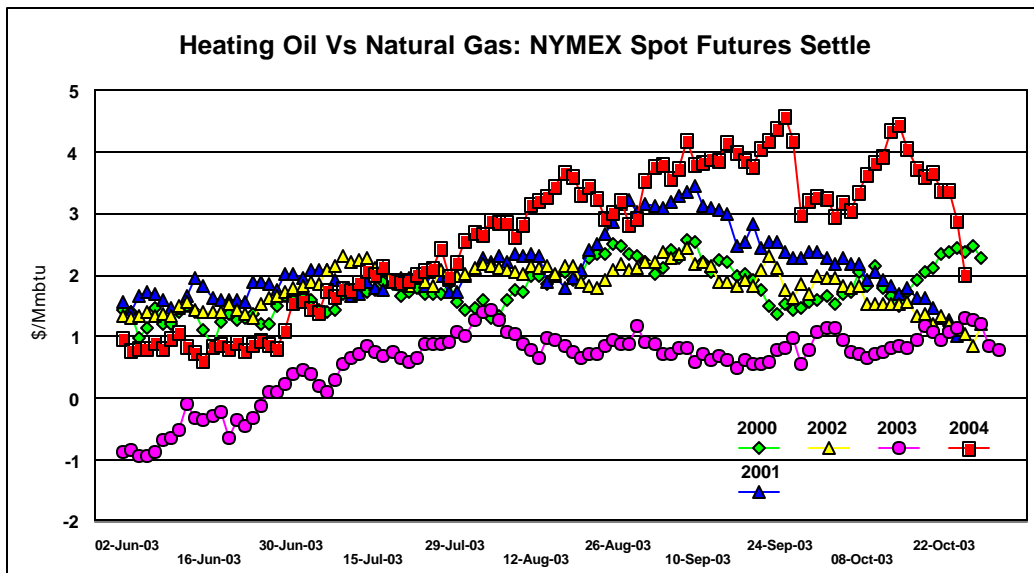
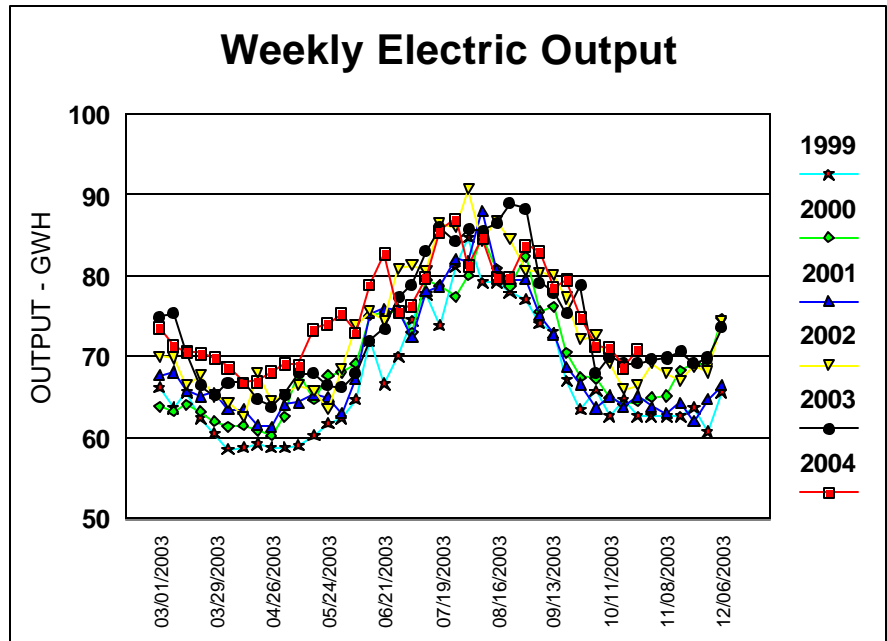
MARKET COMMENTARY

The natural gas market gave a new appreciation to the term “volatility” today. The market posted a 96-cent trading range in the expiring November contract. The spot contract seemed initially supported this morning by nervous shorts covering

positions that they suddenly found themselves with overnight following the assignment on out of the money calls following yesterday’s option expiration. But with moderate near term weather forecasts coupled with some hedging by private weather forecasters that the start of winter like temperatures in November may be pushed back a bit, natural gas prices began to erode after the opening. When oil prices collapsed following the release of the oil inventory statistics at mid-morning, natural gas followed heating oil values lower. By the end of the day the November contract had retraced some 50% of its up move from the past two weeks in just one day, but also saw the premium that heating oil held over the contract reduced by nearly \$1 per Mmbtu and reach the smallest level since late July, and thus suddenly making

natural gas values look cheap. Final volume on the day was estimated at a moderate 82,244 futures contracts.

The market is anxiously awaiting the release of tomorrow’s EIA storage report. Market expectations for the report appear to be centered around a 40 bcf injection for



the reporting period. The 5-year seasonal average is for a build of 38 bcf, while last year saw a 55 bcf build. Our estimate is for a 50 bcf build, which if realized we feel would place this market possibly on the defensive once again tomorrow.

With the daily stochastics crossing back to the downside today for the first time in seven trading sessions, one could cautiously look for the potential of additional selling pressure on this market, especially if there are no dramatic changes in the weather forecast. Adding to this downward pressure could be the return of natural gas production from the USG, which today saw the largest gain in production recovered since October 5th, as well as the December contract finding selling pressure on it as it becomes the new spot contract.

We would look for support to be found in the December contract at \$8.785, followed by \$8.75-\$8.74, \$8.575. More distant support we see at \$8.426 and \$8.38-\$8.35. Resistance we see at \$9.015, \$9.10, \$9.185 and \$9.20. More distant resistance we see at \$9.41 and \$9.46.