



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 29, 2004

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported today that the amount of USG production shut-in today equaled 327,372 b/d of crude and 1.19 bcf/d of natural gas.

The U.S. grew more slowly than expected in the third quarter at an annualized 3.7%. The data exposed strong consumer demand and beat the 3.3% growth rate in the second quarter. But the headline growth rate was dragged down the rising trade deficit. At the start of this month many economists were looking for growth of closer to 5% over the quarter. Meanwhile the National Association of Purchasing Management-Chicago painted a slightly different picture, as it reported its index for October rose to a robust 68.5 from 61.9 in September. Most economists had been expecting a decline to 59.

El Paso's Southern Natural Gas Company stated 48 receipt points in Main Pass area are running about 400 MMcf/d, about 21% less than was flowing prior to Hurricane Ivan. Demand in the area has been slight over the past several weeks, a major reason for the reduced gas flows. Twenty other points upstream of Toca remain under force majeure and should not flow gas. Before Hurricane Ivan, Southern was receiving about 800 – 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 at the Olga Compressor Station still taking place.

ExxonMobil Corp.'s LNG import terminal planned for Mobile Bay, AL, which was on shaky ground from the start due to intense local opposition, was cancelled.

PIPELINE RESTRICTIONS

Generator Problems

MAAC – The 1,148 Mw Peach Bottom 2 nuclear unit resumed to full power this morning, up 14% on the day.

MAIN – The 1,120 Mw Braidwood 1 nuclear unit is back to operating at full power, up 12% on the day. The unit restarted over the previous weekend after shutting earlier this month for refueling.

MAPP – The 565 Mw Duane Arnold is warming up today at 17%. The unit was taken offline over the prior weekend to repair a small circulating water tube leak in the main condenser system.

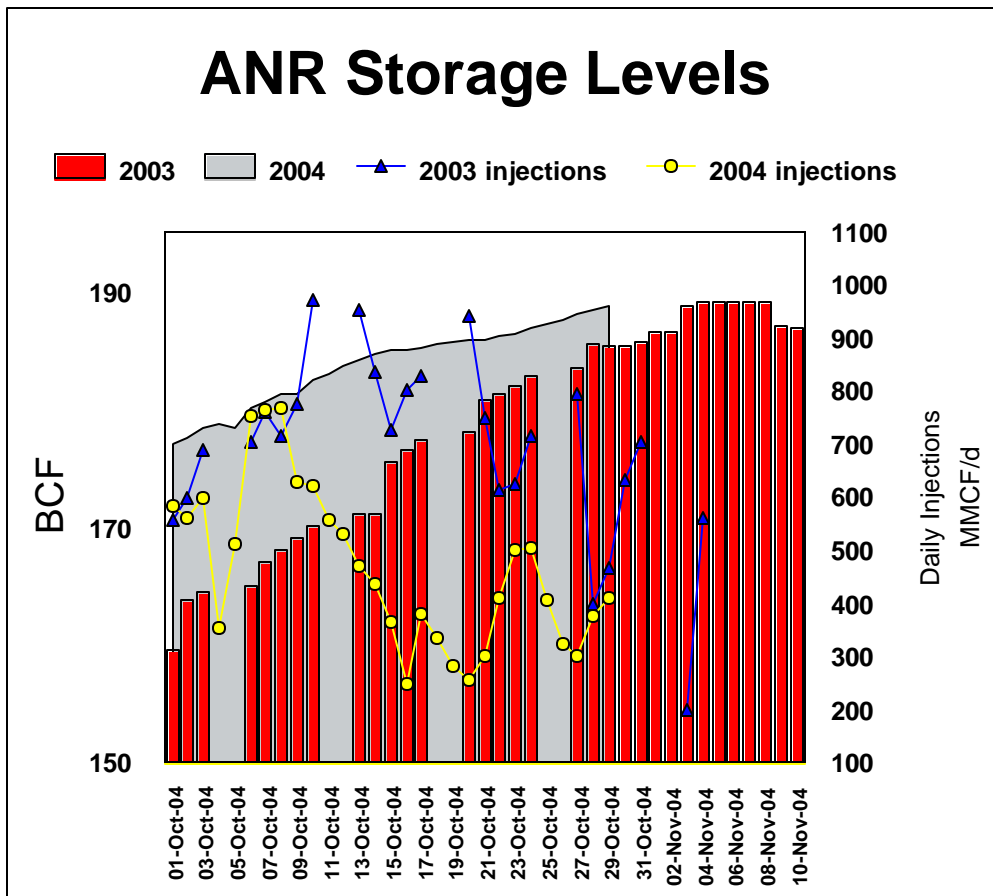
NPCC – The NRC has approved a request by Entergy Nuclear Operations to increase the generating capacity of Unit 2 at the Indian Point Energy Center by 3.26%.

WSCC – The 830 Mw High Desert natural gas-fired plant continued to increase power late last night. The unit was curtailed by 297 Mw late Thursday, down from 767 Mw early Thursday.

CANADA – The 516 Mw Pickering B 5 nuclear unit shut this morning for a short maintenance outage. A return timetable has yet to be announced.

Based on the latest NRC reports, total nuclear generation output this morning reached 77,923 Mw up 282 Mw or .36% from yesterday's levels. Total generation was some 1.43% lower than the same date a year ago.

Texas Eastern Transmission Corp. said that it has limited ability to accept makeup imbalance gas volumes for the remainder of the month. Such due pipe makeup must be scheduled in a ratable manner over the balance of the month. Tetco will no accept requests for a makeup to be made solely over the weekend.



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. The pipeline restriction has a 9% tolerance.

El Paso Natural Gas Company said that the Unauthorized Overpull Penalty situation continues. The Washington Ranch storage facility is currently on maximum withdrawal. El Paso urges its customers to immediately review their supply/demand balance, and the

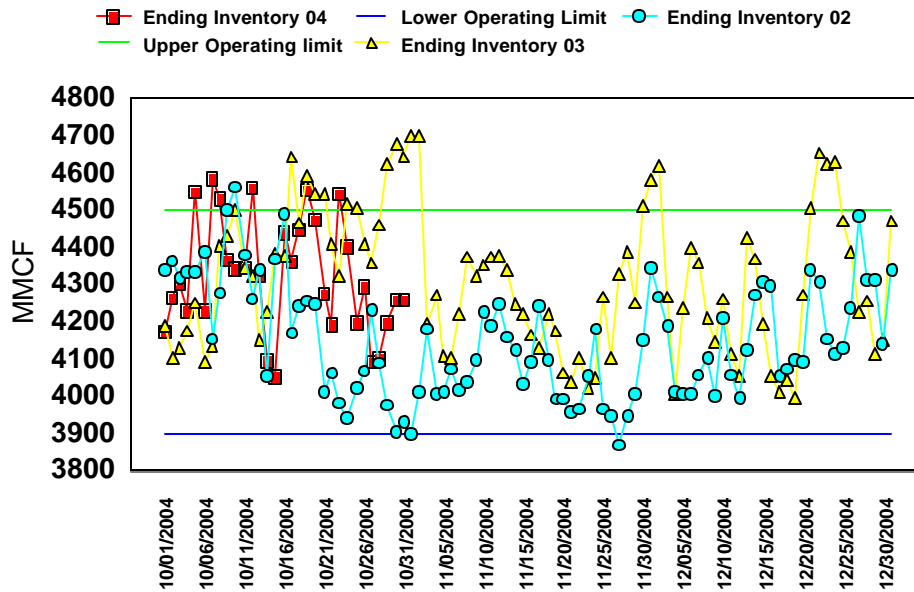
performance of suppliers to insure sufficient gas is being delivered to El Paso to cover the gas being taken off the system. After resumption of Line 1200 maintenance in the San Juan Basin, there is still some available capacity from San Juan, and there is plenty of capacity available from the Permian/Waha area. To insure system integrity, El Paso will place limits on scheduled volumes at interconnects that are under performing.

PIPELINE MAINTENANCE

Alliance Pipeline stated it has pushed scheduled maintenance at the Teepee Creek Compressor Station to 9:00 AM AT November 3. Scheduled maintenance at this compression/meter facility was originally intended to be performed on October 2. The station will be offline for 8 hours as a result and capacity will be lowered for November 3 to 30 MMcf/d of gas.

Questar Pipeline Company said it has completed repairs to the Greasewood compressor station and will be accepting nominations up to 25 MMcf/d to TransColorado at MAP 297.

PG&E System Wide Inventory Status



Gulf South Pipeline Company said that scheduled maintenance on the Index 63 Beaumont Line is complete. Gulf South will accept nominations for confirmation.

Tennessee Gas Pipeline announced that a leak has been identified on the 24-inch line between Eugene Island 250 and Bluewater Header in the Eugene Island 240 area. Columbia Gulf Transmission has shown that repairs will

begin in 3-4 days. As a result the following CGT and Tennessee Gas Pipeline meters will be shut in once repairs begin: Meter 11127 Eugene Island 338A, 11567 Eugene Island 294A, 11769 Eugene Island 315A, 11846 Eugene Island 316A, 18021 Eugene Island 251A, 18022 Eugene Island 331B, 18024 Eugene Island 314A and C, 18025 Eugene Island 314B, 18067 Eugene Island 262, 18088 Eugene Island 4165.

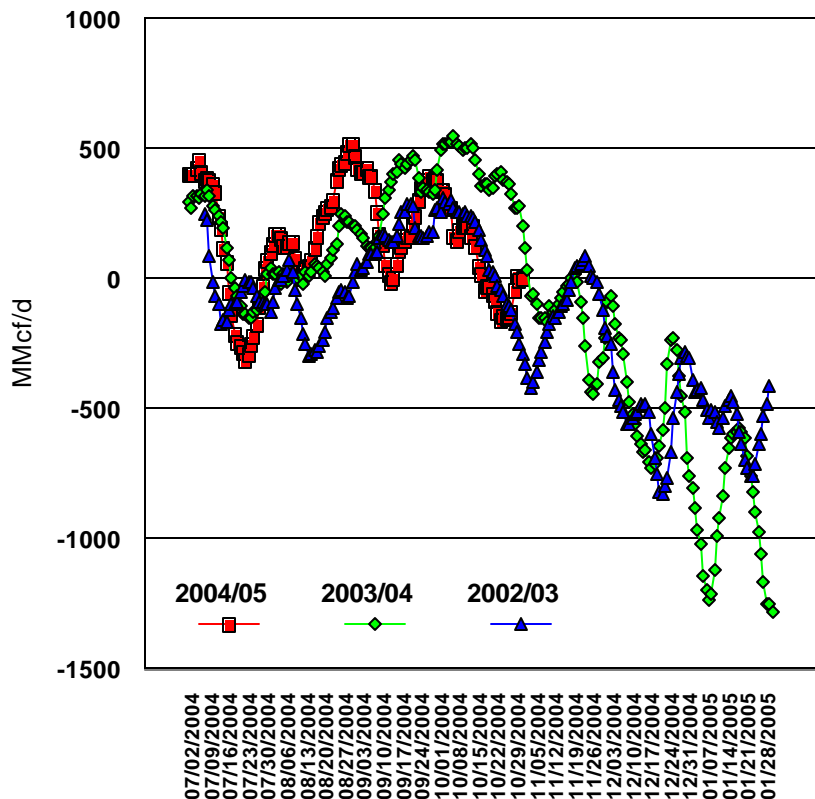
Natural Gas Pipeline Company of America said it will be performing maintenance on one of the three compressor units at Station 346 in Cameron Parish, Louisiana on November 2-23, instead of the previously scheduled dates of November 15 – December 6. Depending on the level of nominated activity in Segment 24 interruptible flow, authorized overrun and secondary out-of-path transports may be at risk of not getting scheduled.

ELECTRIC MARKET NEWS

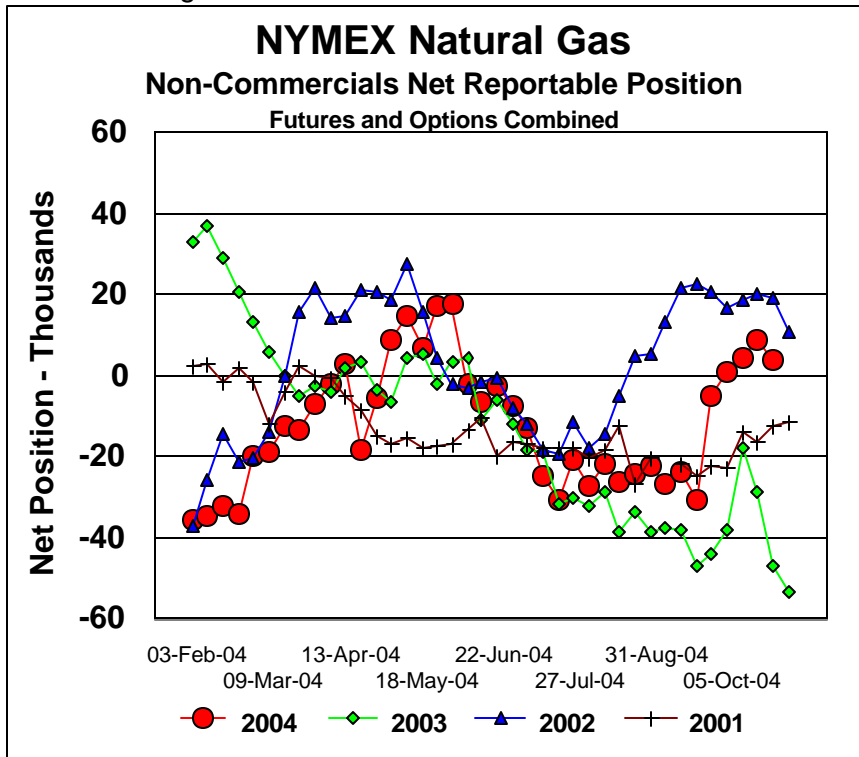
The U.S. NRC renewed the operating licenses of Chicago-

Net Daily Change in Storage at California Gas Transmission

7-Day Average



based energy company Exelon Corp.'s 1,600 Mw Dresden and 1,752 Mw Quad Cities nuclear stations in Illinois for an additional 20 years. With the renewals, the NRC extended the licenses for the 800 Mw Dresden units 2 and 3 to December 22, 2029, and January 12, 203, respectively, and the licenses for both 876 Mw Quad Cities units 1 and 2 to December 14, 2032. The Dresden and Quad Cities license renewals bring the total number of renewals to 30 reactor units.



MARKET COMMENTARY

This market opened lower this morning but failed to gain much traction in either direction. Traders seemed content to wait for next week and see what the latest weather forecast would bring. Prices went out near the day's high's it seemed, helped for the most part by the late afternoon strength in oil prices. Final futures trading volume was estimated today at just 40,000 futures traded, the smallest trading volume in two weeks.

Tonight's Commitment of Traders Report based on open positions through October 26th showed that the non-commercials decreased their net length 4,600-5,400 contracts, on the week while

futures spreads declined by 5600 lots, the first weekly decline in ten weeks. This seemed to be reflecting the large exiting of the front to nearby spreads, in which so many had built positions over the preceding weeks.

We would look for this market to take its direction from the latest intermediate temperature outlook. If in fact the first outbreak of a prolonged cold spell is in the cards in next week's forecast then this market will quickly turn on a dime and rally back. But if the forecast pushes back the arrival of this cold air mass once again then this market will continue to fall. We see initial support at \$8.60 followed by \$8.53, with more significant support at the gap in the daily charts at \$8.35-\$8.38. Resistance we see initially at \$8/68 followed by \$8.885, \$8.995 and \$9.105.