



ENERGY RISK MANAGEMENT

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

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 5, 2009

NATURAL GAS MARKET NEWS

Weather forecasters this morning were finally able to focus on a tropical system once again in the Atlantic, Invest 91L. Currently this is an area of widespread, but disorganized showers and thunderstorms some 900 miles east of the Lesser Antilles. The system is expected to move west-northwestward through somewhat favorable environmental conditions and slow development is expected, possibly becoming a tropical storm over the next 23 days. The forecast models currently have the system tracking towards the Caribbean and then turning north once the system reaches the western Caribbean.

The National Weather Service today said that for the current week ending October 10th, gas home heating customer weighted demand will be nearly normal but still would be 20% higher than levels recorded a

Generator Problems

MISO – Exelon's 1043 Mw Clinton nuclear unit has exited its refueling outage and was up to 95% power this morning. The unit had gone off line on September 30th for repair work.

Xcel Energy's 572 Mw Monticello nuclear unit returned to full power this morning. The unit had been only at 30% power on Friday.

Exelon's 867 Mw Dresden #3 nuclear unit was shut on Saturday when a problem arose with a main steam valve.

NPCC – Constellation Energy's 494 Mw Ginna nuclear power station has exited its refueling outage and had ramped up to 74% power Monday morning. The unit had been shut on September 13th for refueling.

OPG's 490 Mw Nanticoke #2 and #4 coal fired units were taken off line for repairs this morning.

WSCC – APS 1314 Mw Palo Verde #2 nuclear unit was shut early Monday possibly for a planned 8-week outage.

PG&E's 1118 Mw Diablo Canyon #2 nuclear unit was shut on Sunday to begin a planned refueling outage that was expected to last for five weeks.

Energy Northwest's 1131 Mw Columbia nuclear power station ramped up and was at 96% power Monday morning. The unit had been at just 1% power on Friday.

SPP & ERCOT – Luminant planned to restart its 565 Mw Monticello #1 coal fired power station this morning. The unit was shut over the weekend due to an air imbalance in the boiler.

SERC – TVA's 1104 Mw Browns Ferry #2 nuclear unit has exited its recent outage and was back to 37% power this morning. The unit had been shut on September 29th for repairs.

Southern's 876 Mw Hatch #1 nuclear unit dropped to 57% capacity Monday morning. The unit had been at full power on Friday.

Progress Energy's two Brunswick nuclear units were both back to full power Monday morning following their exits from outages last week.

SCANA's 966 Mw Summer nuclear unit was off line this morning possibly to start a scheduled October refueling outage.

The NRC reported this morning that 78,415 Mw of nuclear generation capacity was on line, down 0.9% from Friday and off 6.1% from the same time a year ago.



year ago.

The AGA said Monday that U.S. consumers should see lower natural gas bills this winter compared to last year due to above normal gas supplies and lower well head prices. Piedmont Natural Gas said on Monday its residential customers in Tennessee, North and South Carolina would see a 10-20% reduction in their heating costs this winter. Centerpoint Energy last week said it would pass along cheaper wholesale prices for natural gas to its customers in Minnesota, which are expected to be 20% lower this winter.

ExxonMobil's president of gas and power marketing said Monday there

were signs of a rebound in global gas demand, but added there were question marks over a recovery's sustainability. He noted that despite falls in demand for LNG over the last year, the market remains in balance, adding that the LNG market will grow by 4% each year to 2030. He sees India and China as the two major growth markets for LNG.

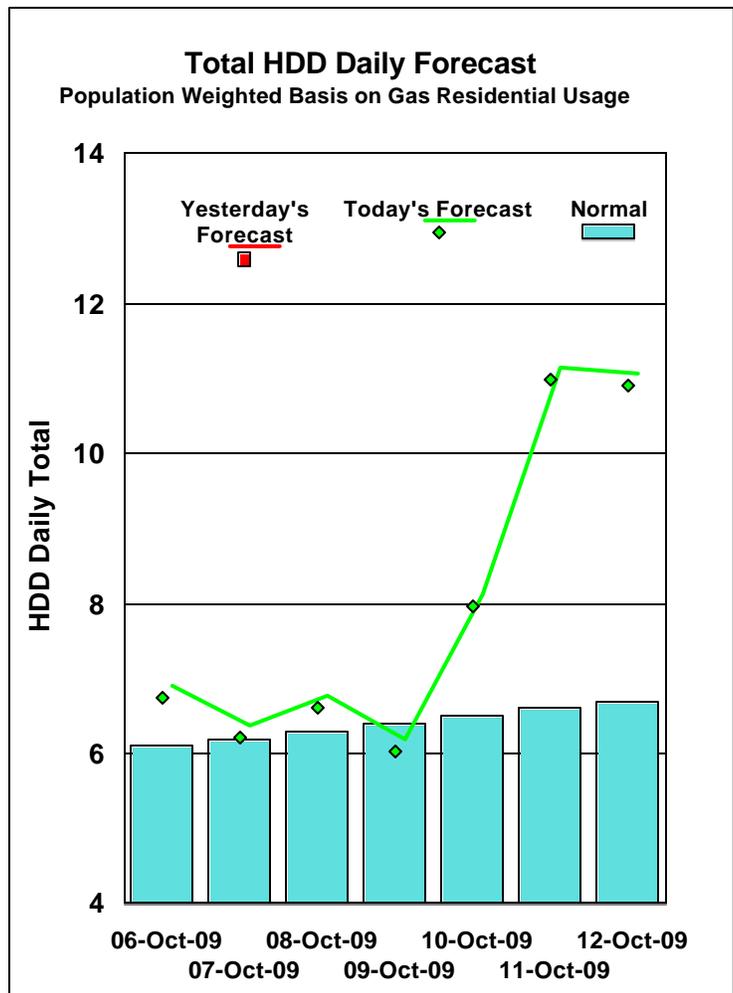
The Mekaines LNG tanker was scheduled to arrive at the South Hook terminal on October 12th.

Sonatrach said it is in talks with PDVSA over a joint venture in two LNG projects.

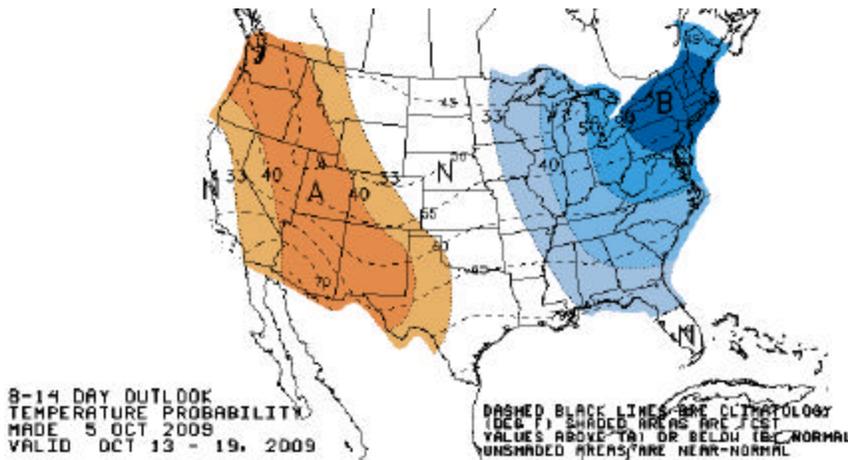
ERG's joint venture with Royal Dutch Shell to build a LNG terminal in Italy will miss its projected 2013 start up target after delays arose around permitting problems. The new projected start up date has been shifted back to 2014.

VTB Capital said that Gazprom is likely to resume gas purchases from Turkmenistan over the next two months. Gazprom suspended purchases in April following a blast on the pipeline linking the two countries. While the line was repaired earlier, imports had remained suspended while Gazprom was seeking better terms for the purchases. Before the blast Gazprom was importing about 50 bcm per year.

Goldman Sachs in a research note today said that commodity markets in their view have priced in financial recovery and not economic recovery, but the global economy



is now at a bottom. The head of global commodities for the bank noted that commodity prices fell last year because of the economic crisis and not because prices were too high. He noted that oil prices currently are not pricing in economic recovery, only the improvement of the credit markets.



NYU Professor Nouriel Roubini, who accurately predicted last year's market collapse, warned over the weekend that global stock markets have risen too much, too soon and too fast. He noted that the real economy is barely recovering while markets are rapidly increasing. He said a correction could occur in the fourth or first quarter of next year. George Soros this weekend warned the "bankrupt" U.S. banking system will hamper its

economy, thus highlighting doubts about the sustainability of the global recovery. He looked for the economic recovery to be "very slow" Meanwhile technical analyst Robert Prechter warned that U.S. stocks may suffer a "major decline" after they have risen to their highest level in almost a year two weeks ago. He said U.S. stocks may suffer a "major decline".

European markets found support in the news that Europe's manufacturing and service industries

expanded more than initially estimated. U.S. markets found support in the ISM index that showed the service sector has stabilized and posted modest expansion for the first time in a year. Meanwhile JP

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	994,700	\$2.887	\$0.568	(\$2.019)	\$0.338	(\$1.757)
Chicago City Gate	622,100	\$3.051	\$0.639	(\$1.855)	\$0.374	(\$1.707)
NGPL- TX/OK	956,400	\$2.826	\$0.561	(\$2.080)	\$0.296	(\$1.884)
SoCal	581,900	\$3.078	\$0.627	(\$1.828)	\$0.362	(\$1.622)
PG&E Citygate	682,100	\$3.752	\$0.617	(\$1.155)	\$0.352	(\$0.975)
Dominion-South	348,900	\$3.004	\$0.609	(\$1.903)	\$0.344	(\$1.761)
USTRade Weighted	20,864,600	\$2.981	\$0.603	(\$1.925)	\$0.34	(\$1.757)

Morgan said today that they see global services and manufacturing activity expanded for a second consecutive month in September, with the manufacturing sector leading the way. This was the second month in a row that its index posted growth, following 15 months prior of contraction.

PIPELINE MAINTENACE

Transco said it will be conducting valve replacement work on the 30-inch North Markham Lateral from October 13th-October 16th. During this work receipts from the Central Texas Gathering System that are scheduled to be delivered to Station 30 or points upstream or downstream of Station 30 on the mainline will be limited to 125 Mdt/d. In addition deliveries to Dow Wharton and Tennessee Wharton will not be delivered.

PIPELINE RESTRICTIONS

TransCanada said the investigation of the NPS 20 Peace River Mainline Pipeline between the Dryden and Meikle compressor station has been extended. Segment 1 capability remains restricted to 3500 MMcf/d or 92.1% of the firm service. The expected completion date is now October 6th.

ELECTRIC MARKET NEWS

Genscape said power output for the week ending October 1st fell 6.2% from the prior week and down 7.9% from the same week in 2008.

The U.S. EPA is formally reconsidering a memorandum issued under the Bush Administration regarding when the government should regulate carbon dioxide emissions from industrial facilities. The memo called for facilities to be required to obtain permits for only pollutants that are controlled under the Clean Air Act. The EPA said it continues to favor that interpretation.

At a trade conference in London Monday executives and academics discussed the potential for burning coal underground as being one of the next breakthroughs to increase world's energy supply. The concept is still untested on a commercial scale. The technology calls for injecting air or oxygen into a coal seam, which is burned and heated to produce then pipe to the surface an energy rich gas that contains hydrogen, methane and carbon dioxide. The gas could be burned to produce electricity or liquefied and turned into a liquid carbon fuel. This potential appeals conceptually to Germany, which has half of its coal reserves below 1500 meters and too deep for mining. Researchers are working on particular problems, especially the danger of contaminating ground water, as well as the extra greenhouse gas emissions from a new focus on burning high carbon coal.

MARKET COMMENTARY

The natural gas market saw today yet another strong upward trading session. Traders appeared to remain focused on the significantly colder than normal temperatures expected to roll into the Midwest and the northeastern United States by this weekend and last into next week as well as an uptick in tropical activity on the door step of the Caribbean. But despite this two-day, 12% price bounce, we remain skeptical of the sustainability of this price rally, especially in the November contract given the significant price discount the cash market is showing to the November futures.

Open interest reported at midday by the NYMEX showed that between Henry Hub futures and swaps posted the first net gain on a combined and adjusted basis out of the last six trading sessions, as total open interest grew by 6,741 on Friday, in apparent new longs coming into this market. In addition it appears that the U.S. Natural Gas Fund, also on Friday had the equivalent of some 1600 lots of new open interest being added to their long position via a OTC swap position.

We continue to feel that being a scale up buyer of put spreads is warranted as well as a scale up seller of the November- April spread which tonight came in 14.7 cents from Friday.

Outright we see resistance at \$5.07 and \$5.133 followed by \$5.226, \$5.446 and \$5.511. Support we see at \$4.77, \$4.552 and \$4.437. Additional support is seen at \$4.351 and \$4.281.

The EIA will release its official forecast for winter heating fuel supplies, demand and costs on Tuesday.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.