



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 4, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center continued to watch Tropical Storm Tomas today but it saw it as no threat to the Gulf of Mexico as it was expected to move north-northeast over the next several days and eventually across the Bahamas and into the Atlantic. But forecast models are pointing to the potential development of yet another late season tropical cyclone in the Caribbean next week with the potential to roam about the Caribbean for another week. The ultimate direction and strength of this storm though differs widely from one model to the next at this time.

The NRC reported today that some 79,022 Mw of generating capacity was online today, up 0.3% from yesterday and 5% higher than the same day a year ago.

EIA Weekly Report

	10/29/2010	10/22/2010	Change	10/22/2009
Producing Region	1218	1192	26	1189
Consuming East	2087	2048	39	2081
Consuming West	516	514	2	514
Total US	3821	3683	138	3784

*storage figures in Bcf

The CEO of Chesapeake said today that his company is still pursuing an equity partner for its Marcellus Shale acres. Statoil has expressed interest in acquiring more ownership in the region. The company also noted it has acquired 100,000 acres in

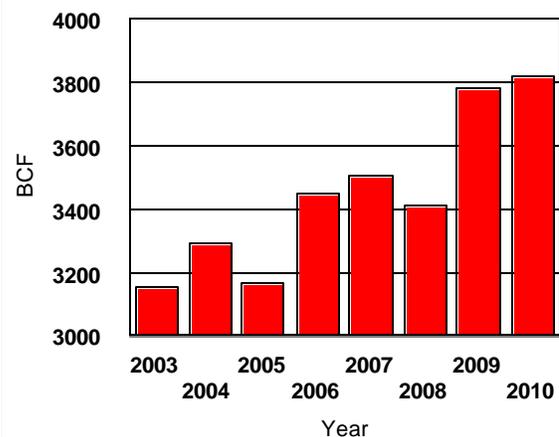
Williston basin and does not expect to see a joint venture there for these acres. The company again repeated its expectation that the Niobrara joint venture will likely close next year.

The volume of Russian gas transported through Ukraine to Europe rose by 5.99 percent year-on-year to 76.6 billion cubic meters in January-October 2010 after transporting 72.3 bcm in January-October 2009. In early 2009, flows of Russian gas through pipeline across Ukraine's soil to Europe were disrupted by a dispute over prices between Kiev and Moscow.

Iraq's Oil Ministry expects to sign initial contracts for the Mansuriyah and Akkas gas field on November 14th. South Korea's Kogas and Kazakhstan's KazManuaiGas Exploration & Production won a bid for Akkas field in western Iraq at auction on October 20th, while Kuwait Energy and Turkey's TPAO won the Siba gas field located in Iraq's southern oil hub of Basra.

The Ejnan Qatari LNG tanker is expected to unload at Belgium's Zeebrugge terminal on November 19th, according to local port authority. The vessel can

U.S. Working Gas Inventories
as of the week ending October 29th

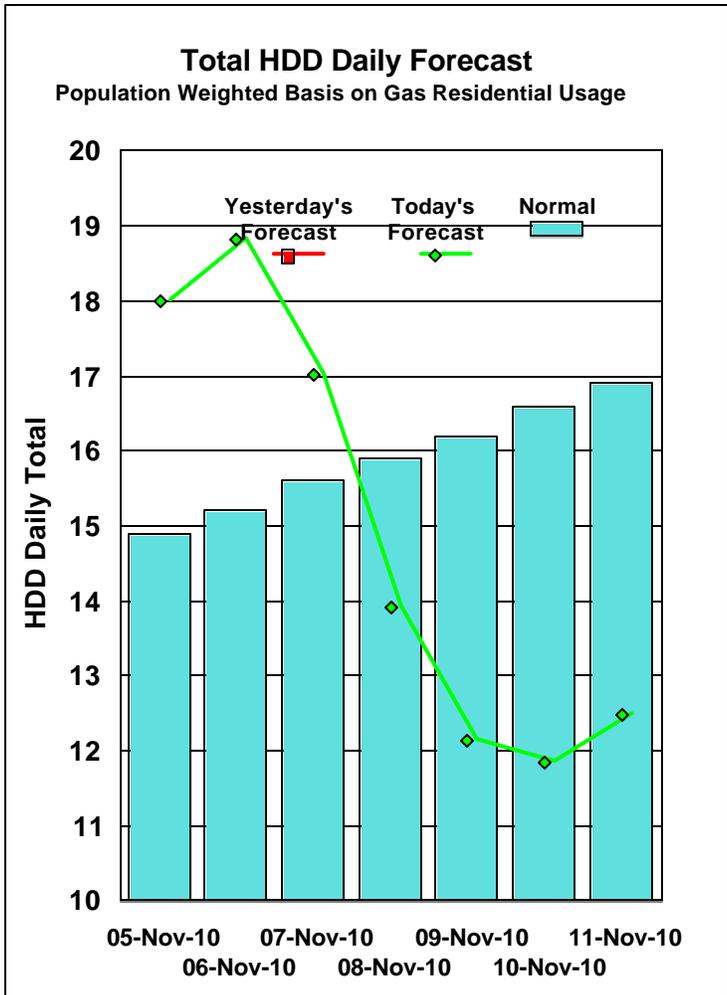


carry up to 145,000 cubic meters of super-cooled natural gas.

The global Intercontinental Exchange sees its two planned German gas futures contracts attracting more international presence in mainland Europe's biggest gas market. The exchange will launch contracts on November 17th for physical delivery at Germany's two biggest hubs, the NetConnect Germany and Gaspool. Traders on ICE will be able to transact the three countries' markets on one platform, cutting their margin requirements and using spread opportunities. The ICE move could dent growth hopes at an existing three-year old contract on rival bourse EEX, as exchanged-based gas trading is still young and limited in Germany.

Canadian Enerdata weekly survey of Canadian natural gas in storage shows 634.2 bcf, which is a 0.9% increase from last week's figure of 628.1 bcf.

The Energy Information Administration's report of natural gas will be released one day in advance on Wednesday, November 10th at Noon EST.



ECONOMIC NEWS

The Labor Department reported that US productivity bounced back in the third quarter as output growth increased and labor costs fell. Nonfarm business productivity increased at a 1.9% annual rate in the July to September period after falling by 1.8% in the second quarter. The report showed that unit labor costs fell at a 0.1% annual rate last quarter compared to a 1.3% rise in the second quarter. Nonfarm business output increased 3% during the third quarter at an annual rate.

The Labor Department also reported that the number of US workers filing new claims for unemployment benefits increased by 20,000 to 457,000 in the week ending October 30th. The previous week's levels were revised upward to 437,000 from 434,000. It reported that the four week moving average increased by 2,000 to 456,000 from the prior week's revised average of 454,000. The number of continuing claims for unemployment benefits fell by 42,000 to 4,340,000 from the preceding week's revised level of 4,382,000. The unemployment rate for workers with unemployment insurance in the week ending October 23rd was 3.4%, down 0.1% from the prior week's unrevised rate of 3.5%.

The average same store sales increased 1.6% in October. The October same-store sales increase was the 14th consecutive month of increases for US retailers. Based on reports from 28 retailers tracked by Thomson Reuters, 14 beat expectations, while 10 missed.

ELECTRICITY NEWS

The Dutch government has shelved a plan to store carbon dioxide underground in Barendrecht because of a three-year delay and local opposition. Netherlands is already using seabed storage of CO2 and local authorities are in talks about storage in northern Netherlands despite this recent issue

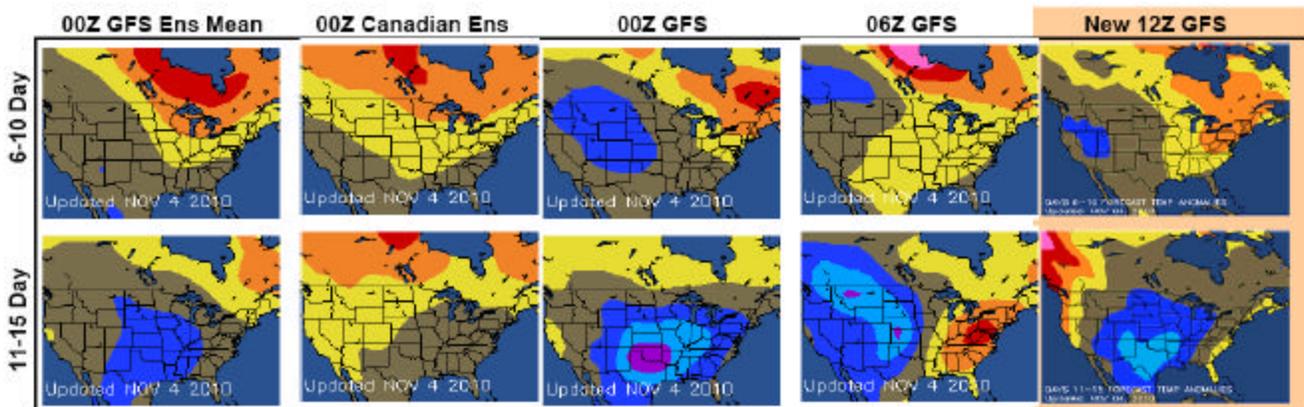
in the western part of the country. There are plans to capture the CO2 emissions of two new electricity generators in the north and transport the carbon dioxide via a pipeline to the gas fields. The Netherlands has used up much of its natural gas.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	572,400	\$3.525	\$0.171	(\$0.242)	\$0.225	(\$0.446)
Chicago City Gate	777,800	\$3.828	\$0.261	\$0.061	\$0.309	(\$0.304)
NGPL- TX/OK	688,300	\$3.471	\$0.174	(\$0.296)	\$0.222	(\$0.594)
SoCal	341,200	\$3.597	\$0.237	(\$0.170)	\$0.285	(\$0.522)
PG&E Citygate	836,800	\$4.059	\$0.082	\$0.292	\$0.130	\$0.140
Dominion-South	307,400	\$3.800	\$0.189	\$0.033	\$0.237	(\$0.303)
USTRade Weighted	22,219,800	\$3.622	\$0.177	(\$0.145)	\$0.22	(\$0.446)

Power utility Entergy Corp said it was exploring the sale of its 605-megawatt nuclear plant in Vermont, months after the state Senate voted to shut it in 2012 due to

pollution issues. However, the state Senate's overwhelming decision to shut the plant was led by the current unofficial Governor-elect Peter Shumlin, a Democrat. Citigroup analysts estimate the plant contributes 30 cents to Entergy's full-year earnings per share. No decision has been made to sell the plant.

Forecast Model Comparison



The EIA reported this afternoon that U.S. production of coal for the week ending October 30th was some 20.410 million short tons, down 3.6% from the prior week but some 4.2% better than the same week a year ago. Year to date coal production is some 0.5% less than the same time a year ago.

MARKET COMMENTARY

The natural gas market received the EIA storage report in bearish fashion despite the report coming in within most analysts' expectations. Prices tumbled back down to yesterday's lows before stabilizing, and after several failed attempts to convincingly breach this level prices jumped back at mid afternoon as it appeared a major trader was prompted to cover shorts, especially as the midday updated temperature forecast appeared to be colder for the 11-15 day period than previously expected. But as prices rallied back later this afternoon they still failed to breach yesterday's highs as record seasonal inventories did not appear to be prompting new bulls to return to this market.

As a result we continue to feel that bears will be willing to short this market on any rallies. We see initial resistance at \$3.90-\$3.928, \$3.965 and \$4.017. Additional resistance we see at \$4.054, \$4.144 and \$4.187 and the gap in the December chart at \$4.236-\$4.252. Support we continue to see at \$3.75-\$3.743, \$3.721 and \$3.656-\$3.41. While we typically do not like to short calls going into the winter, we still feel that basis current weather forecasts it appears that the December contract should be able to expire without a significant bull run in the cards especially given the record storage levels. As a result

one could look to be a scale up seller of the \$4.00 calls which tonight settled at 10 cents and are set to expire in less than three weeks on November 23rd.

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