



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 28, 2009

NATURAL GAS MARKET NEWS

Cabot Oil & Gas said today that while it has stopped hydraulic fracturing of its natural gas wells in Susquehanna County, Pennsylvania, until it has completed state-order compliance measures, the company said it still expects to meet its production guidance for the third quarter.

BG Group's Seri Alam LNG tanker was expected to arrive at the Elba Island LNG terminal from Egypt on Monday.

TransCanada reported that an explosion and line break occurred on its 30-inch line some 37 miles northwest of North Bay, Ontario on Saturday, September 26th. A company spokesman said it had isolated the area and rerouted the gas through the area on other lines. There are a 36 inch and a 42 inch line that runs parallel to the affected pipeline through the area. They did not expect an impact on service to customers. The company was still investigating the cause of the problem.

Widely regarded long-term weather forecaster Matt Rodgers, a forecaster for Commodity Weather Group said today that the U.S. Northeast and Great Lakes region could see its coldest winter in a decade due to the expected weak El Nino pattern for this winter. He noted there was a 70-75% probability that a weak El Nino will result in a colder than normal winter for this section of the country.

Dominion Pipeline said today that is seeking a pre-filing status for its \$600 million Appalachian Gateway pipeline project, which seeks to move shale and traditional gas production from West Virginia and southeastern Pennsylvania to storage fields and other pipelines in Pennsylvania. Total firm transportation delivery from the project is 484,260 Dth/d. Construction would begin in 2011 and to be in service by 2012.

Generator Problems

MAPP – Dominion Resources 536 Mw Kewaunee nuclear power unit was offline today. The unit had been at full power on Friday. The unit is believed to be down for planned refueling and maintenance.

NPPD's 758 Mw Cooper nuclear unit was shut early Monday. The unit had been at 89% capacity on Friday, coasting down to a planned outage.

FRCC – Progress Energy's 838 Mw Crystal River #3 nuclear unit was shut early by operators for planned maintenance and refueling. The unit had been at full power on Friday.

SPP & ERCOT – Entergy's 995 Mw Arkansas Nuclear 2 unit was at 98% power this morning, up 1% from Friday.

STP Nuclear reported its 1250 Mw South Texas #2 nuclear unit was at 20% power this morning after being restarted on Sunday. The unit went off line for maintenance on September 16th.

WSCC – Energy Northwest's 1131 Mw Columbia Generating Station was at 14% power this morning, down from full power levels on Friday. The unit reportedly was going to be shutdown for unscheduled maintenance.

Southern California Edison's 1070 Mw San Onofre #2 nuclear unit was shut early Monday. The unit had been at 99% power on Friday.

The NRC reported this morning that 82,160 Mw of nuclear generation capacity was on line, down 2.4% from Friday and off 3.25% from the same time a year ago.

Reuters reported that ExxonMobil's Umm Slal LNG tanker was enroute to the South hook LNG terminal from Qatar.

The Russian press reported today that Russia's European customers including those in Germany, Italy and Turkey, plan this year to take up to \$2.8 billion

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	438,700	\$3.541	(\$0.064)	(\$0.229)	\$0.065	(\$0.238)
Chicago City Gate	719,400	\$3.671	\$0.021	(\$0.099)	\$0.076	(\$0.208)
NGPL- TX/OK	615,500	\$3.505	(\$0.027)	(\$0.265)	\$0.028	(\$0.345)
SoCal	411,500	\$3.735	\$0.093	(\$0.035)	\$0.148	(\$0.131)
PG&E Citygate	808,600	\$4.141	\$0.084	\$0.371	\$0.139	\$0.233
Dominion-South	150,800	\$3.580	(\$0.054)	(\$0.190)	\$0.001	(\$0.198)
USTrade Weighted	16,781,500	\$3.604	\$0.010	(\$0.166)	\$0.06	(\$0.238)

less gas than stipulated in take-or-pay contracts with Gazprom. The Russian press said that European customers were seeking talks with Gazprom over payment issues and these customers were looking towards Russian flexibility with the Ukraine recently as a basis for revision in terms. Russian Prime Minister Putin this month agreed that the Ukraine could import much less gas in 2010 than previously agreed, saving the Ukraine economy from potentially huge fines.

PIPELINE MAINTENANCE

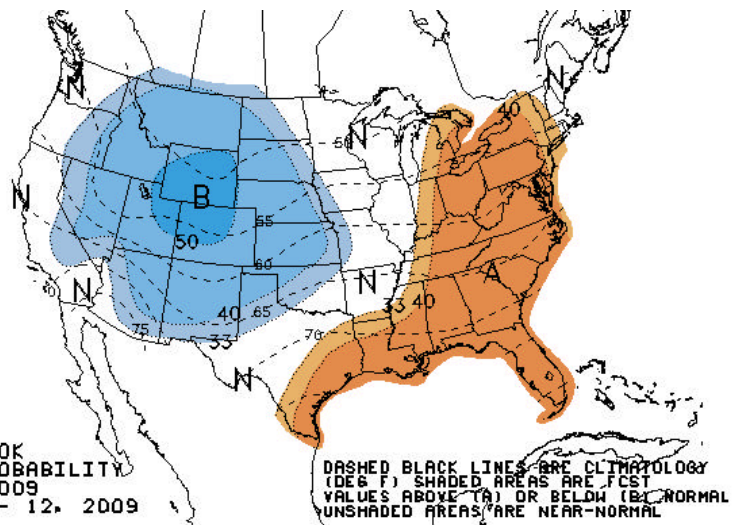
Gulf South said it would be performing planned maintenance at its pipeline interconnect with Transco at Walthall beginning September 30th and lasting through October 1st. Physical flow will be shut during the work. The company though did not expect any impact to shippers based on current system operating conditions.

PIPELINE RESTRICTIONS

Southern Natural Gas said today it has canceled the type 6 OFO.

ELECTRICITY NEWS

Genscape reported that U.S. power output for the week ending September 24th fell from the week before by 0.2% and was some 2.1% less than the same week a year ago.



The FERC last week

ruled in favor of a complaint brought earlier in the year against Cal ISO's policy that does not require buyers and sellers to share responsibility for default shortfalls. The FERC noted that "it is beyond doubt that buyers as well as sellers benefit from a liquid wholesale energy market, thus because all market participants benefit from their participation in liquid ISO/RTO markets, it would be equitable for a default loss allocation rule to apply to all market participants." However, the FERC also rejected some complainants suggestions that sellers can account for their exposure under the existing rule by pricing the risk into their bids. As a result the agency has sent the matter to a trial-type evidentiary hearing, but held the hearing in abeyance pending the results of settlement judge procedures in order to give the parties time to reach a negotiated resolution by June 30th.

MARKET COMMENTARY

The natural gas market finished lower today driven down for the most part by the expiring October contract which settled down over 26 cents while the back months were off 5-10 cents. The continued inability of the cash market to match the futures market seemed to weigh on prices, especially in the afternoon as the trend line support for the past month was finally breached.

With the November contract becoming the spot contract tomorrow we continue to feel it will see follow through selling pressure not only tomorrow but for the remainder of the week, especially if the oil markets can remain on the defensive. Fundamentally inventories appear will continue to build, especially given limited heating demand that is expected for the first half of October. Technically this market appears to be over bought. The 9 day slow stochastics appear ready to roll over tomorrow for the first time since September 3rd. As a result we would look for this market to test initial support at \$4.672 followed by \$4.147, \$4.241 and \$4.064. Resistance we see at \$4.99 followed by \$5.133 and \$5.473.

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