



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 1, 2009

NATURAL GAS MARKET NEWS

The EIA reported today that U.S. natural gas storage levels climbed to an all time high of 3.589 tcf of gas last week. EIA in recent weeks has revised higher its estimate of total U.S storage capacity to 3.9 tcf.

The FERC staff has issued a favorable EIS for Blue Sky Gas Storage project for Logan County, Colorado. The facility will be for 4.4 bcf of working gas capacity. The facility would have a capacity of delivering and receiving 100 MMcf/d.

Generator Problems

MISO – Operators at DTE’s Fermi #2 nuclear unit were forced to shut down the 1122 Mw nuclear unit due to a hydrogen gas leak.

NPCC - NextEra shut the 1244 Mw Seabrook nuclear unit for scheduled refueling. The plant had been at full power on Wednesday.

SPP & ERCOT – STP Nuclear’s 1280 Mw South Texas #1 nuclear unit was shut for planned refueling and maintenance the company confirmed today

SERC – Progress Energy restarted both of its Brunswick nuclear units. Unit #1 was at 3% this morning while its sister unit was at 15% power..

The NRC reported this morning that 78,658 Mw of nuclear generation capacity was on line, down 3.8% from yesterday and off 8.9% from the same time a year ago.

New York State’s Department of Environmental Conservation published its proposed rules regarding drilling in the Marcellus Shale region within the state. The proposed regulations would require gas companies to specify the composition of fluid used for their hydraulic fracturing operations. Before fracking a well, drillers would have to ensure that the operation met the state’s technical requirements and would be required to submit plans for mitigating greenhouse gas emissions, noise and visual impacts. The plans would also regulate water use during development. The regulations would require mandatory baseline testing of private water wells within 1000 feet of a drill site, as well as state inspectors being present during hydraulic fracturing operations.

National Grid said today that they see Britain being more comfortably supplied this winter with power and gas as the economic recession continues to erode energy demand. The company is looking for a 2.5% fall in weather corrected demand, compared with last winter, largely due to the decline on power generation needs for gas.

EIA Weekly Report

	09/25/2009	09/18/2009	Change	09/26/2008
Producing Region	1145	1126	19	829
Consuming East	1955	1917	38	1848
Consuming West	489	482	7	421
Total US	3589	3525	64	3098

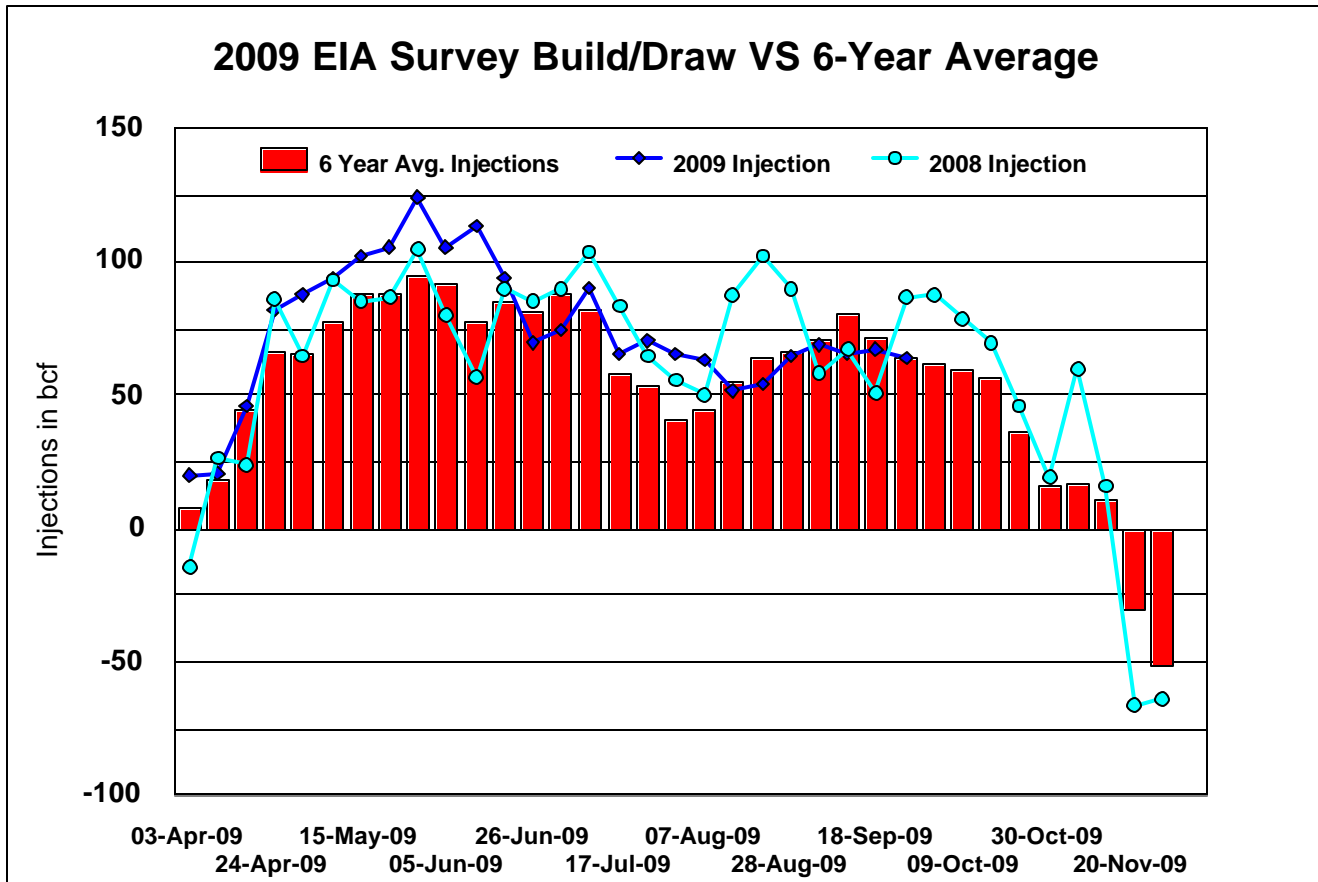
Reuters reported today that gas storage levels across Europe rose in the week ending September 28th, with storage in Britain and Belgium at 99% full.

South Hook port officials said the delivery of ExxonMobil’s Umm Slal LNG tanker has been rescheduled to October 6th, two days later than originally set.

Uzbekistan said it has restored gas supplies to Tajikistan, after it had repaid most of its debt.

The head of the consortium seeking to build the Nabucco Pipeline said today that the pipeline is looking to use gas from Iraq and Azerbaijan as its first main sources, and thus allow the pipeline not to be dependent on a single source of supply. The line is scheduled to begin operations in 2014. The pipeline company though has not ruled out utilizing Russian supplies as well.

Despite promises to the IMF and the European Union to raise both household gas prices on September 1st and utility prices by October 1st as a condition for receiving \$16.4 billion bailout package, the Ukrainian government has failed to do so. Political pressure appears to be behind the



reluctance of government officials to institute the agreement prior to the January 17th presidential elections. It is not clear whether the IMF would withhold a fourth tranche of funds worth \$3.8 billion due to the failure to raise prices. Naftogaz was declared to have gone into restricted default on its \$500 million Eurobond when it failed to redeem its September 30th maturity.

Canadian Gas Association

Weekly Storage Report

	25-Sep-09	18-Sep-09	26-Sep-08
East	235	232.2	220.1
West	351.5	347.7	327.2
Total	586.6	579.8	547.3

GDF Suez has approached Yemen LNG asking that it be allowed to divert some LNG cargoes from Yemen to the Pacific Basin. Under the current contract, which will begin in 2010, LNG shipped by GDF Suez from Yemen is earmarked for U.S. terminals and is based on U.S. gas prices, with the option to divert five cargoes a year to European markets. GDF Suez will have the capacity to deliver 2.55 million tones of LNG per year

from Yemen.

According to the Labor Department, initial claims for jobless benefits increased by 17,000 to 551,000 in the week ending September 26th. The previous week's level was revised from 530,000 to 534,000. The four week moving average of new claims fell by 6,250 to 548,000 from the previous week's

revised figure of 554,250. The number of continuing claims in the week ending September 19th fell by 70,000 to 6,090,000 from the preceding week's revised level of 6,160,000. The unemployment rate for workers with unemployment insurance for the week ending September 19th was 4.6%.

The Commerce Department reported that personal income increased by 0.2% in August compared to July while spending increased by 1.3%. Personal saving as a percentage of disposable personal income was 3% compared to 4% in July.

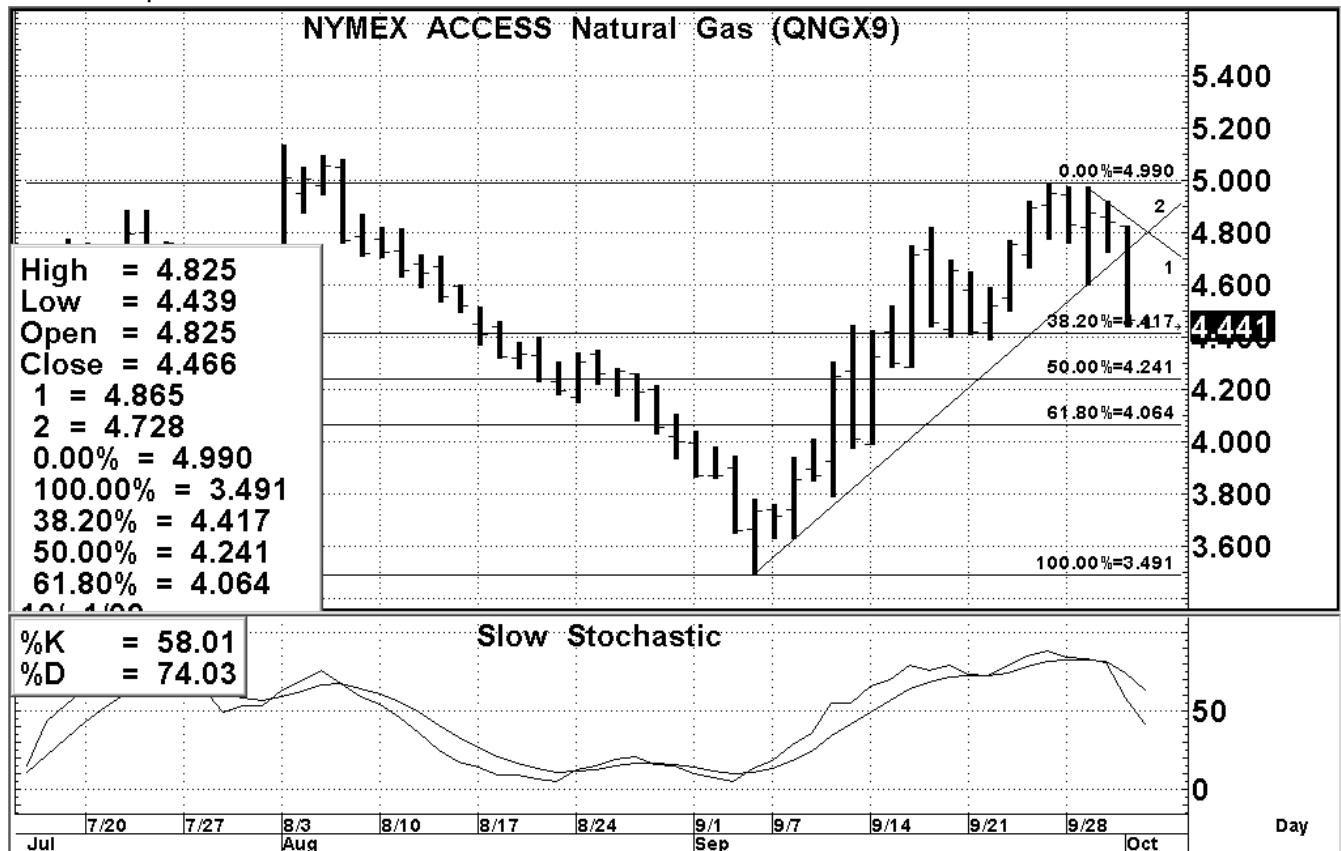
PIPELINE MAINTENANCE

Gulf South said it would perform meter maintenance on the Carthage Junction Bi-Directional facilities beginning October 20th and continuing for three days. Capacity utilizing the Area 8 to Expansion Area 16 scheduling group will be reduced to 0 Dth for the duration of the work.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,343,900	\$2.913	(\$0.332)	(\$1.625)	(\$0.031)	(\$0.998)
Chicago City Gate	771,500	\$3.035	(\$0.325)	(\$1.503)	(\$0.029)	(\$0.945)
NGPL- TX/OK	1,175,100	\$2.839	(\$0.356)	(\$1.699)	(\$0.060)	(\$1.104)
SoCal	550,500	\$3.148	(\$0.292)	(\$1.390)	\$0.004	(\$0.862)
PG&E Citygate	672,800	\$3.911	(\$0.206)	(\$0.627)	\$0.090	(\$0.322)
Dominion-South	296,900	\$2.951	(\$0.326)	(\$1.587)	(\$0.030)	(\$1.008)
USTrade Weighted	22,127,800	\$2.983	(\$0.327)	(\$1.555)	(\$0.03)	(\$0.998)

PIPELINE RESTRICTIONS

Rockies Express Pipeline said nominations have been received and scheduled for October. Effective for gas day October 1st and until further notice, REX has capacity constraints at several points on its system, CIG Frewen Lake, WIC Bitter Creek and Trailblazer Lone Tree. NNG Gage is at capacity for delivered quantities.



El Paso Natural Gas increased to high, the probability of declaring a strained operating condition or critical operating condition due to a high line pack.

Natural Gas Pipeline declared a force majeure event on Wednesday after identifying a leak in the pipeline on Segment 1, north of the Love County Lateral in Carter County, Oklahoma.

MARKET COMMENTARY

The natural gas market started the day on the defensive as softer cash prices weighed on the futures market. Technically the market received a push lower when the month long trend line in the November contract was breached at \$4.728. Prices received an additional shove to the downside following the release of the EIA's storage report. While the report basically came in within expectations, it appeared the reality of working gas stocks in the nation had climbed to an all time high finally was driven home to the bulls and they exited the market, sending prices spiraling even further downward. By midday prices in the November contract had nearly retraced 38% of the rally of the past month before finding support and allowing prices to trade in a relatively sideways pattern for the remainder of the day.

We see support in this market tomorrow at \$4.417 followed by \$4.328, \$4.24, \$4.192 \$4.064 and \$3.942. Resistance we see at \$4.577, \$4.649, \$4.715, \$4.78, \$4.81 and \$4.963. More distant resistance we see at \$4.99 and \$5.10.

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