



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 7, 2009

NATURAL GAS MARKET NEWS

The National Hurricane Center continues to have some difficulty in forecasting the future path of Tropical Storm Henri. The latest forecast now has the storm heading westward rather than curving northward and out to sea. Forecasters though see wind shear ripping the storm apart over the next two days and within 72 hours the storm will have dissipated. The National Hurricane Center is also watching an area of disorganized showers and thunderstorms that are associated with a tropical wave located some 800 miles east southeast of the Windward Islands. Development if any of this system is expected to be slow to occur as it moves west northwest at about 15-20 mph. The NHC sees a less than 30% chance of this system becoming a tropical cyclone over the next 48 hours, but then again that is what they were saying several hours before they announced the existence of Tropical Storm Henri yesterday afternoon.

The EIA today said that U.S. natural gas drilling activity would need to start rising soon in order to meet demand. It did note that it appears that

Generator Problems

MISO – Exelon's 1043 Mw Clinton nuclear unit was at 97% capacity up 14% from yesterday.

Exelon's 912 Dresden #3 nuclear unit was at 15% capacity this morning. The unit was taken off line back on October 3rd.

NPCC – OPG's 490 Mw Units #2 and #8 at the Nanticoke coal fired power station returned to service this morning. Both units had been shut for maintenance earlier this week.

Dominion's 882 Mw Millstone #2 nuclear unit was shut down this morning. The unit had been at full power yesterday.

Constellation Energy said its 610 Mw Ginna nuclear unit was running at 99% power this morning, up 16% from yesterday.

SPP & ERCOT – Luminant planned to restart the 575 Mw Unit #2 at the Big Brown coal fired power plant. The unit tripped off line on Tuesday.

WSCC –Energy Northwest's 1150 Mw Columbia Generating Station was at 65% power this morning, off 27% from Tuesday.

SERC – TVA's 1100 Browns ferry #2 nuclear unit was at 89% power this morning, off 3% from yesterday.

The NRC reported this morning that 77,350 Mw of nuclear generation capacity was on line, down 0.5% from yesterday and off 8.2% from the same time a year ago.

drilling activity has stabilized in recent weeks.

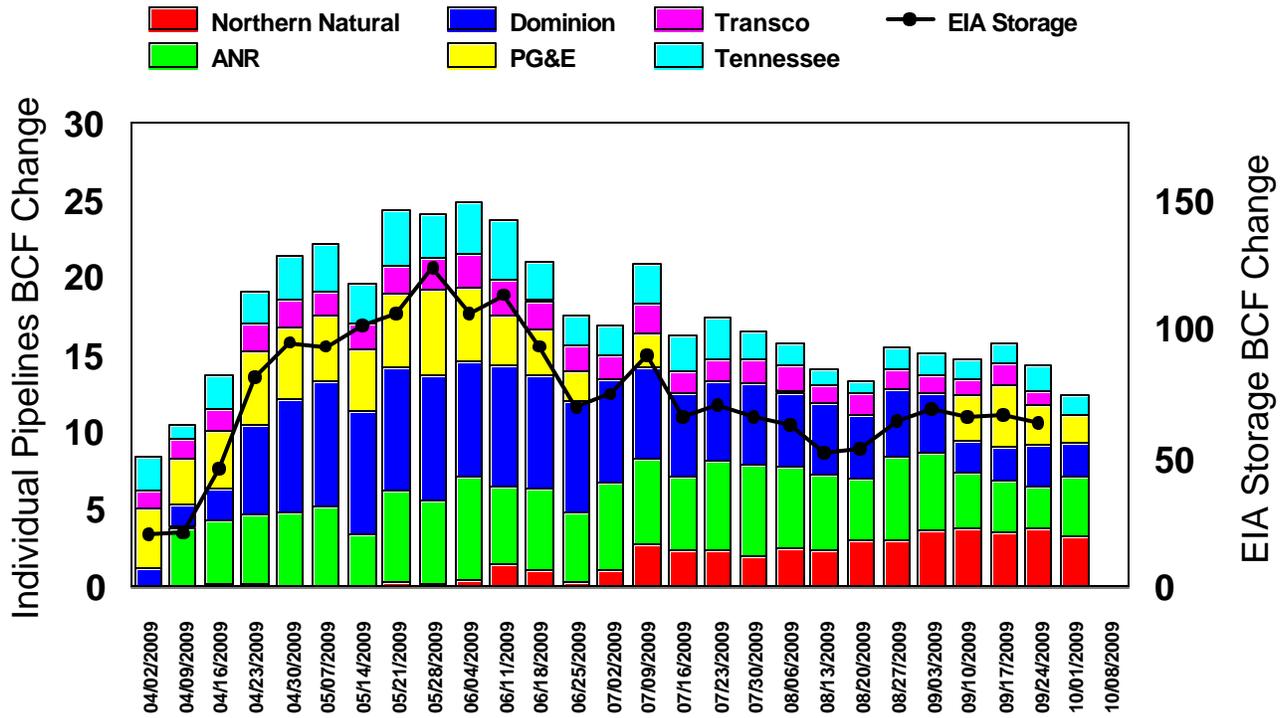
The CEO of Qatargas said today that global LNG prices will remain under pressure next year as new supply continues

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	805,000	\$3.704	\$0.479	(\$1.219)	\$0.549	(\$1.669)
Chicago City Gate	657,000	\$4.117	\$0.601	(\$0.806)	\$0.655	(\$1.571)
NGPL- TXOK	990,600	\$3.744	\$0.516	(\$1.179)	\$0.570	(\$1.817)
SoCal	406,300	\$3.905	\$0.465	(\$1.019)	\$0.519	(\$1.593)
PG&E Citygate	637,700	\$4.680	\$0.542	(\$0.243)	\$0.596	(\$0.874)
Dominion-South	243,700	\$3.953	\$0.481	(\$0.970)	\$0.535	(\$1.642)
UTrade Weighted	20,990,200	\$3.896	\$0.495	(\$1.027)	\$0.55	(\$1.669)

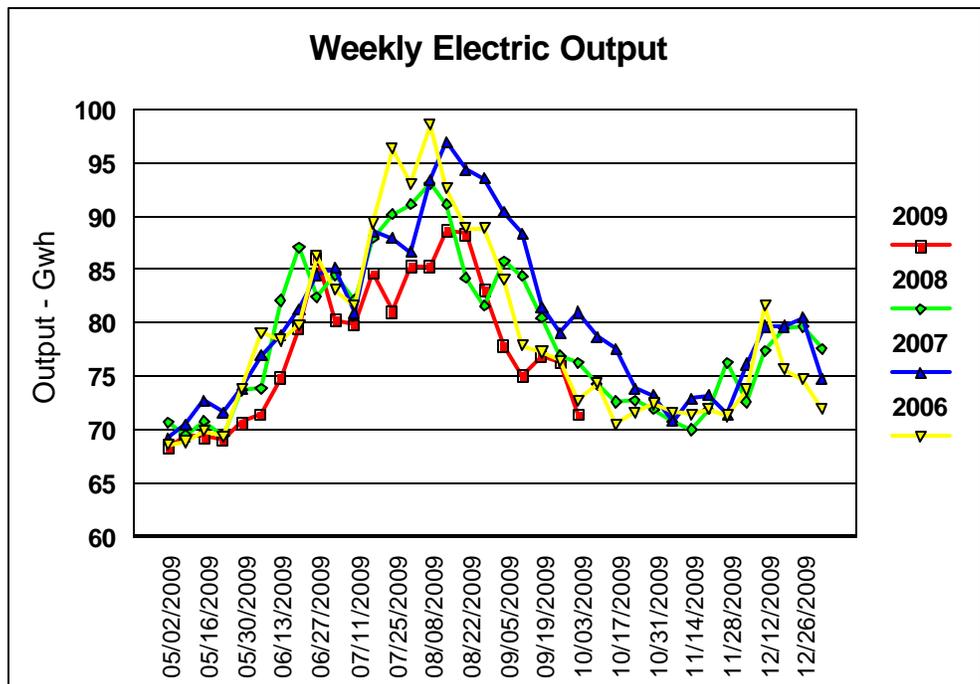
Weekly Change In Nat Gas Stocks



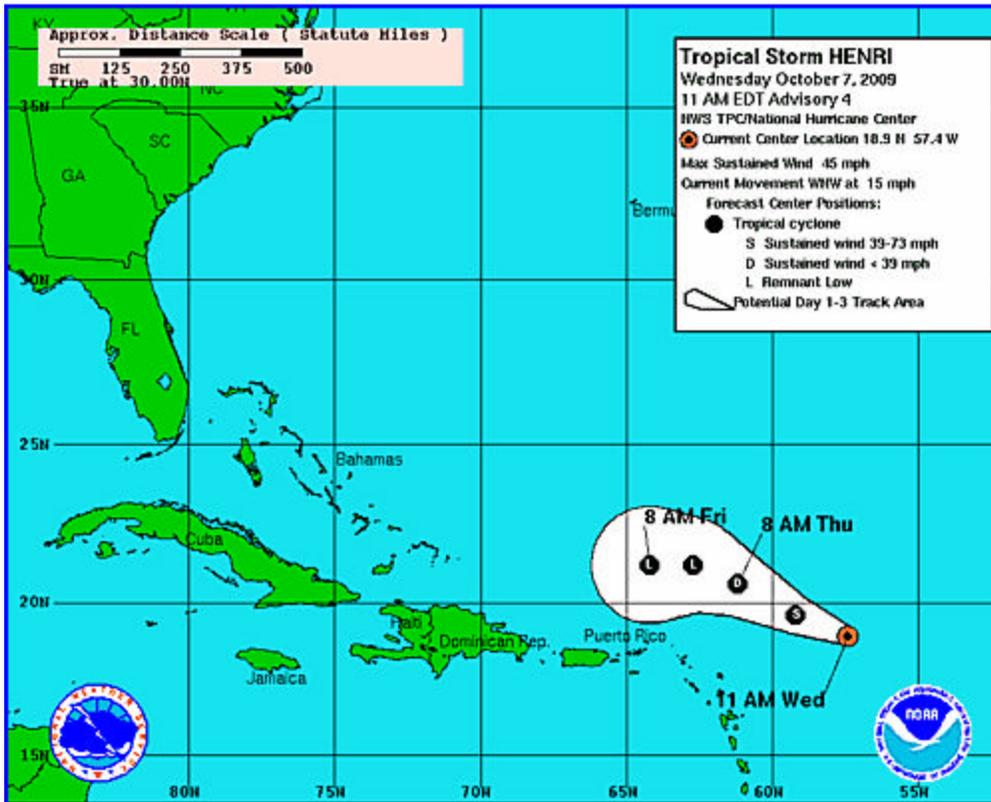
to come on line and demand is expected to remain weak. He looked for the UK gas market to remain oversupplied for the next 2-3 years. He also noted that the new Qatargas 2 Train 5 production facility, which began production in September, is currently running at about 50% capacity and is expected to ramp up to full capacity by the end of this month.

Petgas Trading (the UK subsidiary of Malaysia's Petronas) and Gazprom are in talks to expand gas ventures beyond Britain. Where the two companies have collaborated on bringing LNG cargoes into Britain in August and September.

South Korea's KOGAS said it expects to have a 1.01 million tonne LNG surplus, slightly higher than the usual 930,000 tonnes by the end of March 2010 as a result of slow demand. But the company expects it will need to import nearly 4



million tons more of LNG by the end of next year as gas demand rises with the expected rebound in economic activity. The country's LNG imports fell for the eight consecutive month in August from a year earlier due to high existing inventories, low utility demand and poor industrial demand.



Barclays Capital said in a research note that if this winter is 10% colder than normal it could result in working off the overflowing storage situation that the market currently faces.

A Kremlin official said today that Russia and Turkmenistan have agreed to resume supplies of Turkmen gas to Russia, but declined to give an exact date for the resumption. Shipments were suspended back in April following a pipeline explosion.

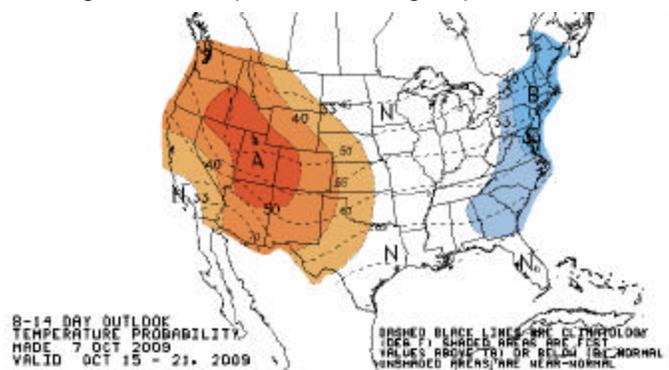
Gazprom and Repsol are once again

discussing the possibility of jointly producing LNG on the Yamal Peninsula. The two sides are scheduled to have another round of negotiations in December.

Gazprom confirmed that it has received full payment from Naftogaz on time for its September gas purchases from Gazprom.

GDF Suez said today that the wide spread between long term European natural gas prices, which are linked to oil and spot gas prices will persist for some time due to weak demand. The company felt that this disconnect could continue at least through the end of 2010 and maybe longer.

Trinidad's energy minister said today that his nation has not cut production of LNG, despite lower global natural gas prices. But he did note that the country may not go ahead with expansion of its LNG production given that there is not enough gas for the expansion.



The head of the US Commodity Futures Trading Commission, Gary Gensler, expressed concerns about House Financial Services chairman Barney Frank's draft derivatives bill, saying it will allow too many companies to evade central clearing requirements. Although the bill does contain many similarities to the Obama administration's draft derivatives proposal, it deviates in a few key areas. It does not require all standard derivatives to be traded on regulated platforms and instead offers only

incentives for trading. The bill also focuses more on regulating major big swap dealers like Goldman Sachs or Morgan Stanley and major traders who hold a significant number of positions and would allow many more companies to qualify for exemptions from the clearing requirements than Obama's proposal. The draft bill will allow the CFTC and Securities and Exchange Commission to ban certain kinds of transactions. The head of the CFTC said the lack of a trading mandate in Frank's bill could be problematic. Meanwhile, the director of the SEC's new division of risk, Henry T.C. Hu said House Financial Services chairman Barney Frank's draft may leave gaps in oversight and weaken the SEC's power to monitor fraud and manipulation. He said the bill's ambiguous definition of risk management may leave a large number of corporations unregulated.

The CME Group chief Terry Duffy said the US Commodity Futures Trading Commission risks driving trades out of regulated markets into unregulated platforms if it excessively controls speculation. The CFTC aims to rein in speculation in energy and commodity markets. The CFTC is reviewing rules on how many futures contracts that hedge funds, investments banks and other speculators can control. The CME warned that the CFTC's attempts to curb participation in a regulated marketplace could backfire.

Credit Suisse Group AG said more than half of investors surveyed by the company plan to hold an overweight position in commodities in the next 12 months. Of the 180 investors surveyed last month, 51% said they expected to hold an overweight position in the next year, 34% a neutral weighting and 13% underweight compared with 25% overweight now, 38% neutral and 30% underweight. The most likely route for commodity investment will likely be active indexes or funds, followed by exchange-traded funds.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline said repairs to its 26 inch diameter pipeline in Ship Shoal 156 has been completed and the relayed pipeline segment has been tested. Contingent upon weather improving, Tennessee and its contractors plan to begin the process of opening isolation valves on the line.

PIPELINE RESTRICTIONS

Rockies Express Pipeline is at capacity for deliveries through Segment 650 (rock Springs to Wamsutter effective for today and until further notice.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that for the week ending October 3^d, electric production stood at 71,468 Gwh down 3.8% from a year ago and off some 6.4% from the prior week.

MARKET COMMENTARY

The natural gas market today posted an inside trading session as it appeared to tread water as traders awaited the release of tomorrow's storage report. The continued outlook for record cold temperatures moving across the Plains and into the Northeast next week appeared to help temper some of the weakness displayed by the oil market following the release of the oil inventory report.

Market expectations for this week's EIA Natural Gas Storage Report appear to be running between a 50-75 bcf injection level, with the average of expectations coming in around a 62 bcf build. A year ago stocks for this week rose an adjusted 87 bcf while the five year average reflects a 70 bcf increase. Our estimate is a bit lower looking for a 55 bcf build. Which we feel is realized would push prices back up for a possible retest of the \$5.13 area.

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