



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 8, 2009

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning noted that Tropical Storm Henri, now a tropical depression remained poorly organized. It appeared wind shear and dry air were rapidly reducing deep convection to the point that the NHC was on the verge of discontinuing advisories on the storm shortly. They see the system being a remnant low with 12 hours and dissipated within 72 hours. The track of the system though may find itself over the Florida Straits early next week and could still be the seeds for another tropical system. The NHC was also watching an area of showers and thunderstorms associated with a tropical wave located 300 miles east of the southern Windward Islands that remains poorly organized. Little chance of near term development is expected and based on model plots does not appear will be a threat to the Gulf of Mexico.

Generator Problems

MISO – Exelon's 912 Mw Dresden #3 nuclear unit was at 93% power this morning, up from just 15% power yesterday.

NPCC – Constellation Energy's 621 Mw Nine Mile #1 nuclear unit was at 10% power. The unit tripped off line on October 5th.

SPP & ERCOT – Luminant Generation's 1150 Mw Comanche Peak #2 nuclear unit was shut down this morning, down from 99% power from yesterday. The unit is believed to have begun a refueling outage.

WSCC – Energy Northwest reported its 1150 Mw Columbia nuclear unit was at full power up 35% from yesterday.

SERC – TVA's 1100 Mw Browns Ferry #2 nuclear unit was back to full power this morning, up 11% from yesterday.

Southern's 876 Mw Hatch #1 nuclear unit was at 98% power, up 40% from October 7th.

The NRC reported this morning that 77,677 Mw of nuclear generation capacity was on line, up 0.4% from yesterday and off 7.7% from the same time a year ago.

Imperial Oil said today that it welcomed the news that Canadian regulators had finally set a date for final arguments in the review of the proposed Mackenzie natural gas pipeline. The review is to take place in April 2010. The company though declined to say if construction could start next year even if Imperial and its partners get regulatory approval. The line would carry 1.9 bcf/d of natural gas from the Northwest Territories to the Alberta border.

EIA Weekly Report

	10/02/2009	09/25/2009	Change	10/02/2008
Producing Region	1169	1145	24	862
Consuming East	1992	1955	37	1893
Consuming West	497	489	8	431
Total US	3658	3589	69	3185

*storage figures in Bcf

NOAA said Thursday that it looks for the El

Nino weather pattern to strengthen to at least moderate strength during this coming winter and as a result expects to see temperatures this winter in the United States to be 1% warmer than last year and also 1% warmer than the average of the prior 30 years.

The CFTC said Wednesday that thirteen natural gas financial basis contracts listed by ICE are being scrutinized for possible heightened federal oversight. These contracts are PG&E Citygate, Waha, Malin, HSC, Dominion-South, AECO, Permian, TCO, San Juan, TETCO-M3, Zone 6-NY, Chicago and NGPL TXOK. The CFTC earlier this week noted that it may impose additional regulations on 11 of ICE's cash settled electricity contracts as well. The agency also noted that it is also considering new regulations for the carbon spot contract listed by the exempt commercial market arm of the Chicago Climate Exchange.

Canadian Gas Association

Weekly Storage Report

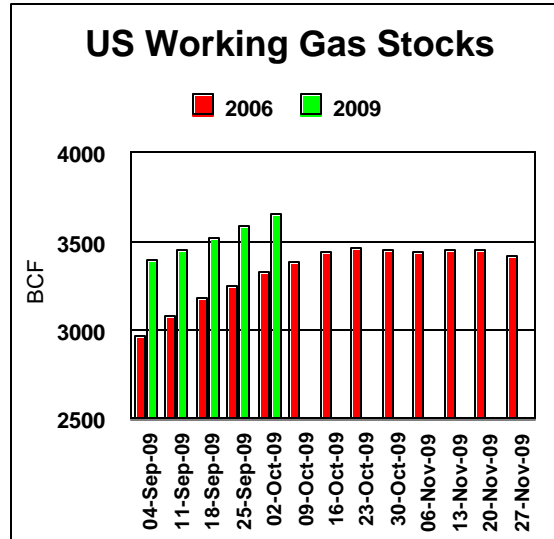
	02-Oct-09	25-Sep-09	03-Oct-08
East	239.2	235	226.9
West	357.3	351.5	332.4
Total	596.5	586.6	559.3

storage figures are in Bcf

According to British port officials two LNG tankers are scheduled to arrive on Britain on October 12th and October 15th.

Chevron reported this afternoon that its net production of natural gas in the United States for the first two months of the 3Q2009 averaged 1.412 bcf, up 1.2% from the second quarter, but off 1.3% from a year ago.

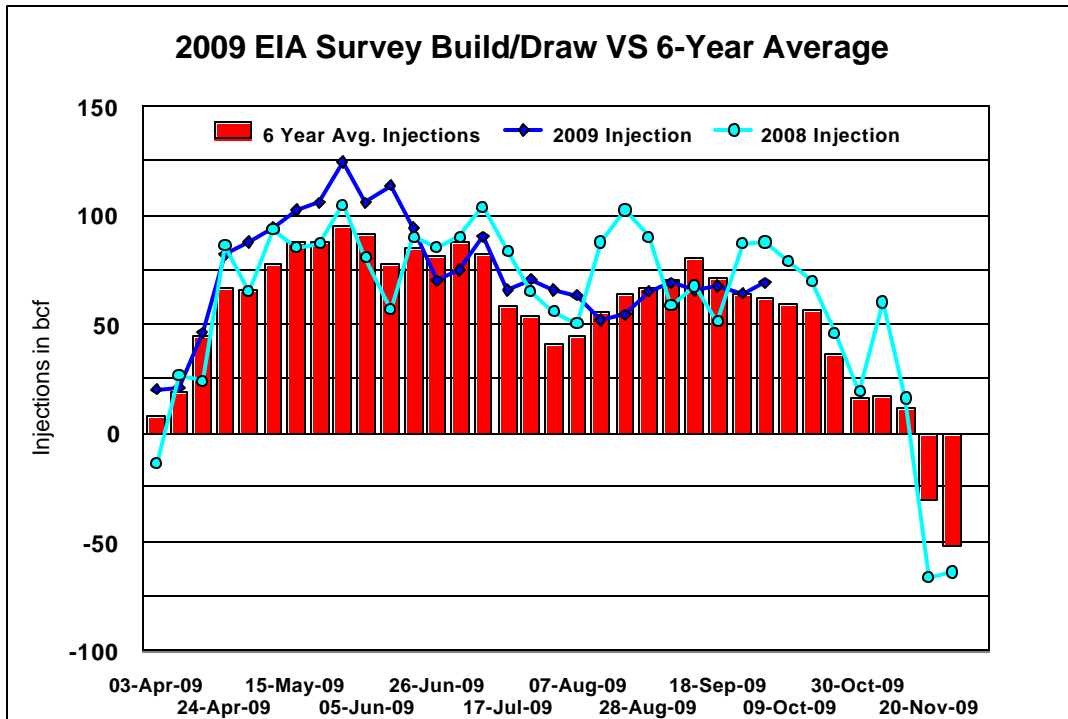
BP Indonesia has reportedly restarted its first train at the Tangguh LNG plant after shutting it to resolve problems since its start up earlier this year. The train was restarted on September 25th with production expected to commence some time this month. The plant has a capacity of 7.6 million tones per year via two trains. It is currently expected to ship just 16 cargoes this year versus the original goal of 56 cargoes.



The CEO of E.ON Ruhrgas said that they expect the Nord Stream natural gas pipeline to receive its first approval by the end of October, with all the

remaining approvals expected by the end of the year. Construction of the line is expected to begin next April.

Azerbaijan said it could start production at the second stage of its Caspian offshore field Shah Deniz in 2016, if transit talks with Turkey are completed next year. It noted that once transit talks with Turkey are



completed it would begin talks with potential customers and operators of transportation systems, hopefully some time early next year.

The CEO of Total SA warned today that attempts to renegotiate long-term natural gas supply contracts while prices are low will hurt investment. He felt global gas supplies will likely remain in surplus until

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	1,188,700	\$4.243	\$0.539	(\$0.745)	\$0.405	(\$1.482)
Chicago City Gate	840,800	\$4.618	\$0.501	(\$0.370)	\$0.436	(\$1.344)
NGPL- TX/OK	1,042,300	\$4.188	\$0.445	(\$0.800)	\$0.380	(\$1.637)
SoCal	500,500	\$4.451	\$0.547	(\$0.537)	\$0.482	(\$1.422)
PG&E Citygate	644,800	\$4.997	\$0.317	\$0.008	\$0.252	(\$0.747)
Dominion-South	286,000	\$4.363	\$0.409	(\$0.626)	\$0.344	(\$1.450)
USTrade Weighted	22,678,800	\$4.366	\$0.470	(\$0.622)	\$0.41	(\$1.482)

approximately 2013 but that in the long term significant investments were need to meet future demand.

Gazprom said today that it is looking to gain a 10% share of the

U.S. natural gas market within five years, following a similar path it has utilized in the UK market. Gazprom looks to use LNG from its Sakhalin-2 project to supply U.S. customers and is also looking at swapping pipeline gas in Europe to obtain supplies for the United States. Longer term the company is looking to supply the United States with LNG from its giant Shtokman field, which is expected to come on line in 2015.

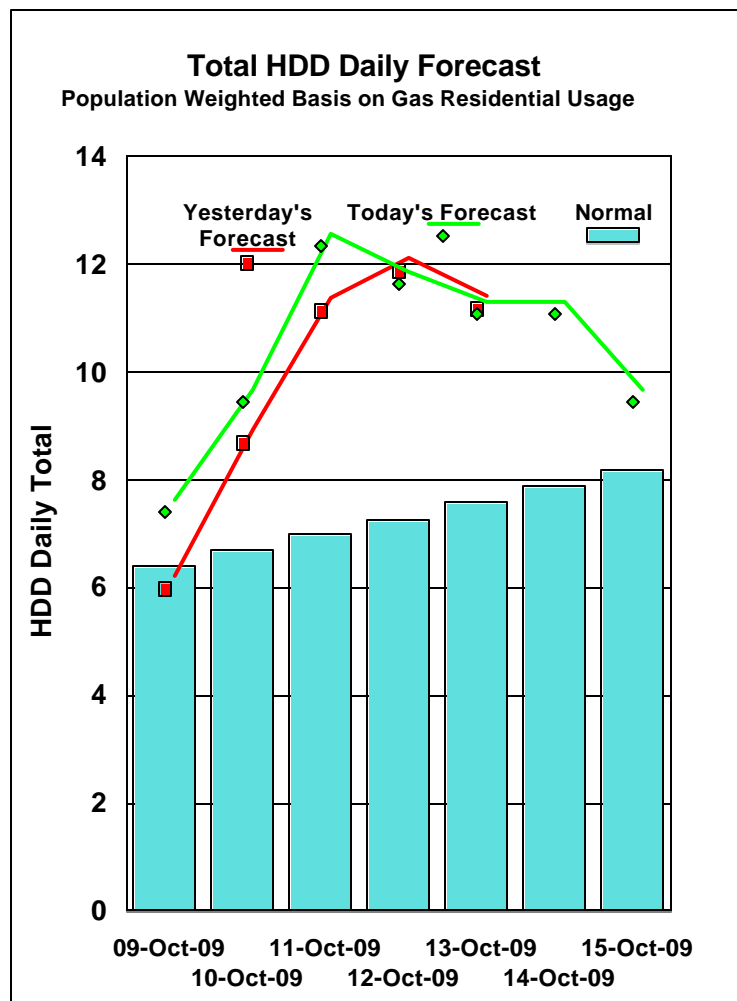
The CEO of Malaysia's Petronas said today that Malaysian LNG facilities are running at capacity. He noted that a new supply contract with China for LNG as well as spot demand from both China and India has taken up the slack demand for LNG in the Asian market.

Reuters reported today that European natural gas storage levels increased on the week ending October 5th, except for Eurohub. NBP is currently at 99.6% of capacity while Germany is at 95.5% and EuroHub at 89.1%.

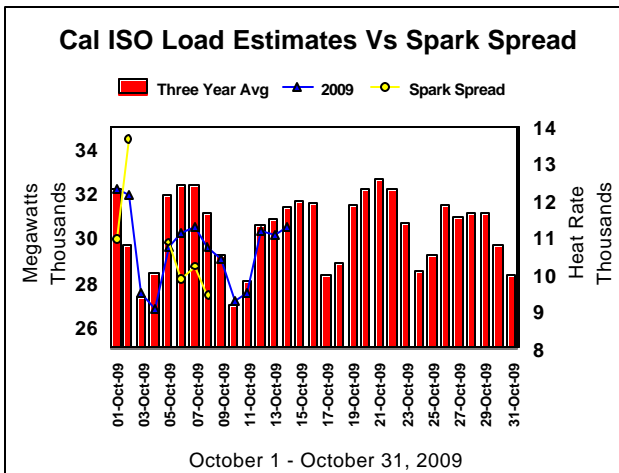
Royal Dutch Shell said Thursday that it will use its floating LNG technology to develop its Prelude and Conserto gas discoveries in the Browse Basin off the northwest coast of Western Australia.

The U.S. Labor Department Reported this morning that initial applications for unemployment benefits fell to the lowest level since January.

The Commerce Department reported at mid morning that U.S. wholesale inventories fell for the 12th consecutive month, while sales posted their largest rise in more than a year.



Wholesale inventories fell 1.3% in August, after dropping a revised 1.6% in July. Sales rose 1% in August, following 0.6% increase in July. Market expectations had been for a 1% decline in inventories while a gain in sales of only 0.7%.



The Pennsylvania Public Utility Commission today approved a \$77.8 million refund for Columbia Gas of Pennsylvania customers. The refunds are for residential, commercial and industrial customers who received service between October 1, 2008 and September 30, 2009. The refund is the result of sustained reduction in natural gas prices that occurred since Columbia had filed its quarterly adjustment.

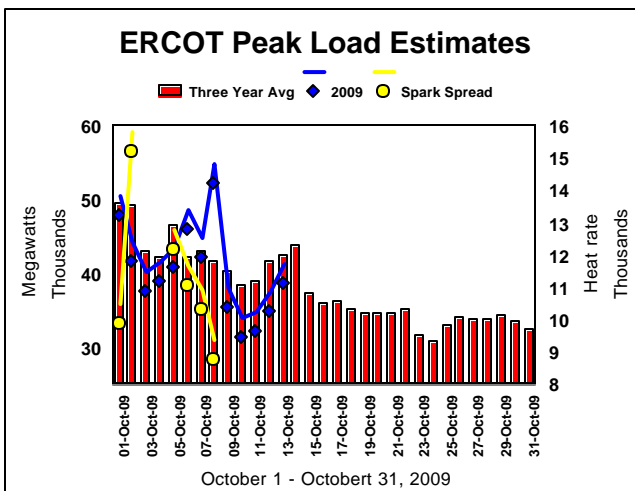
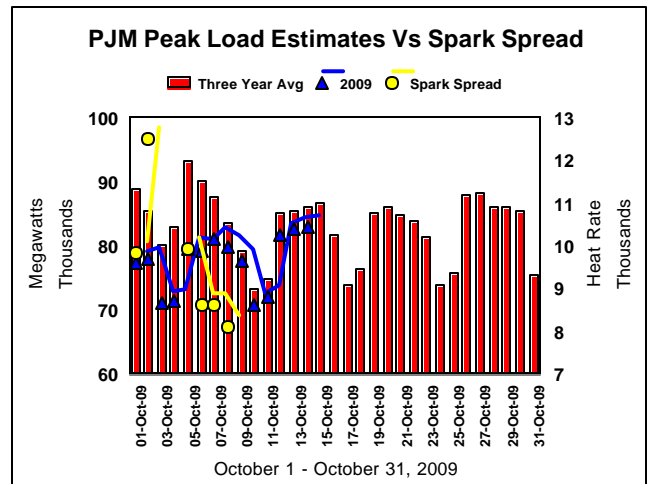
The CEO of BP said Thursday that natural gas offers the cheapest and quickest way to cut emissions of carbon dioxide. As other technologies,

such as carbon capture and storage are years away from being commercially viable. Meanwhile a three-year study released by the International Gas Union at the World Gas Conference this week said economic and environmental factors should push global natural gas demand to more than 4 trillion cubic meters a year (141 tcf/y) by 2030.

PIPELINE MAINTENANCE

Questar Pipeline said it will be replacing two block valves on ML 68 West of Greasewood from October 27th through October 29th, forcing ML 68 out of service. Additionally, due to the work, no gas will flow east from Fidlar cutting Fidlar scheduling point to zero, while no gas will flow west to Fidlar from Greasewood and Rifle areas forcing several point to be nominated.

Transco will perform maintenance at HI 154 on October 12th. The work is expected to take 10 hours and will force the shut in of approximately 50 MMcf of gas flow from upstream producers.

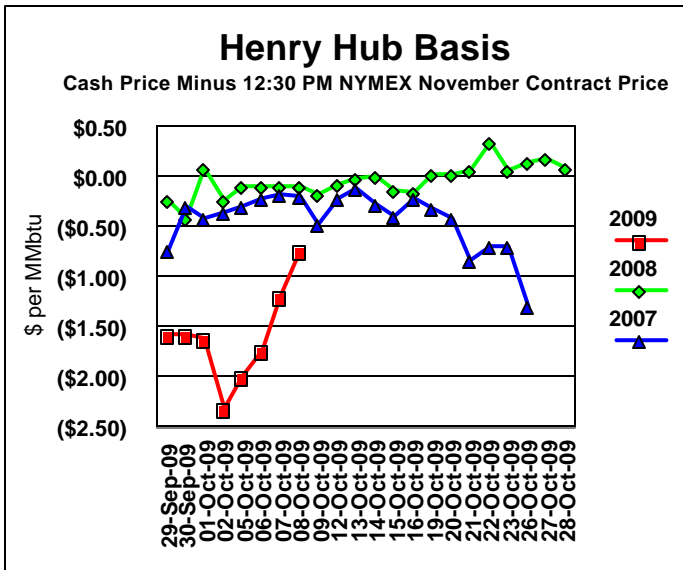


ELECTRIC MARKET NEWS

The FERC said Thursday it has approved a \$25 million civil penalty as part of a settlement with FPL stemming from a February 2008 blackout that resulted in loss of power to millions of customers in South Florida for several hours. FPL also agreed to a broad program of remedial measures to enhance its system and operations to prevent future problems.

MARKET COMMENTARY

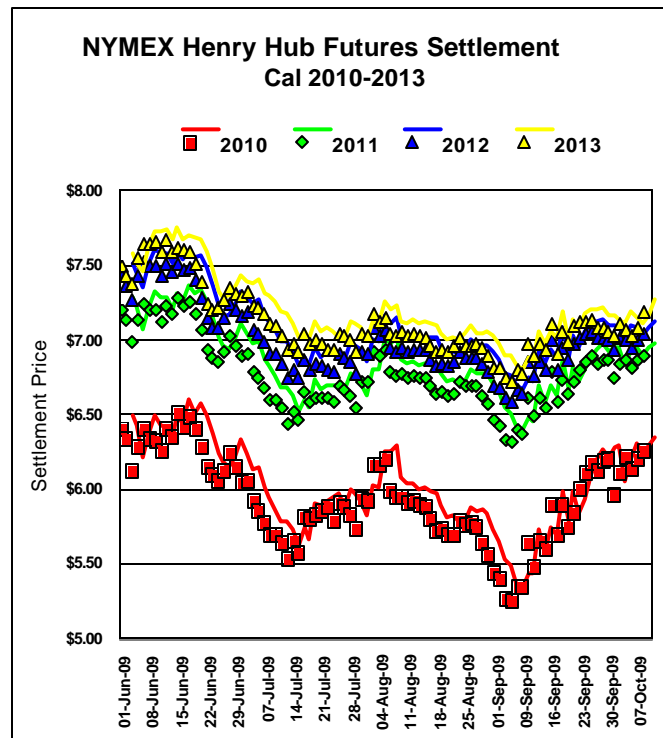
The natural gas market this morning shook off a modestly bearish storage report and was able to finish the day higher for the second consecutive trading session. Several factors continued to



support this market. Weather remains the primary support. The cash markets continue to firm and take back its steep discount to futures given anticipation of the early season cold snap sweeping across the northern third of the nation over the next several days, that could possibly bring measurable snowfall to Chicago on Sunday and possibly to inland areas north of New York City at the start of next week. In addition the economic news continued to spur the commodity markets higher in general as an asset class. With the dollar falling to its lowest level in over a year, commodities led by gold and oil are attractive trading vehicles for traders looking to shelter their dollar exposures.

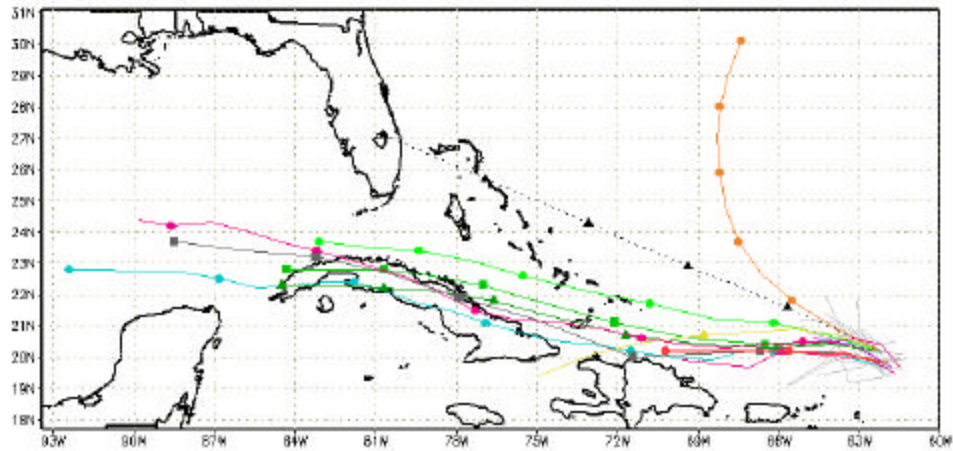
Open interest was basically unchanged yesterday as the combined futures and adjusted futures and swaps in the Henry Hub contracts increased by only 68 lots after growing by over 25,000 contracts over the prior three trading sessions. Despite some buying interest in the United States Natural Gas Fund earlier in the week it appears to have fallen quiet again as no additional buying over Tuesday or Wednesday was reported.

While we remain negative on this market we continue to feel that one can only play this market from the short side through put spreads for the November contract, given the volatility spill over from other markets such as the dollar and the oil markets. We would recommend keeping an eye on the on the Calendar 2010 strip which we for a producer could be an interesting opportunity to be a scale up seller of over the next couple of weeks from \$6.25-\$6.50, given the overall expectations for a warm winter and the poor prospects in our mind for a rapid rebound in industrial activity.



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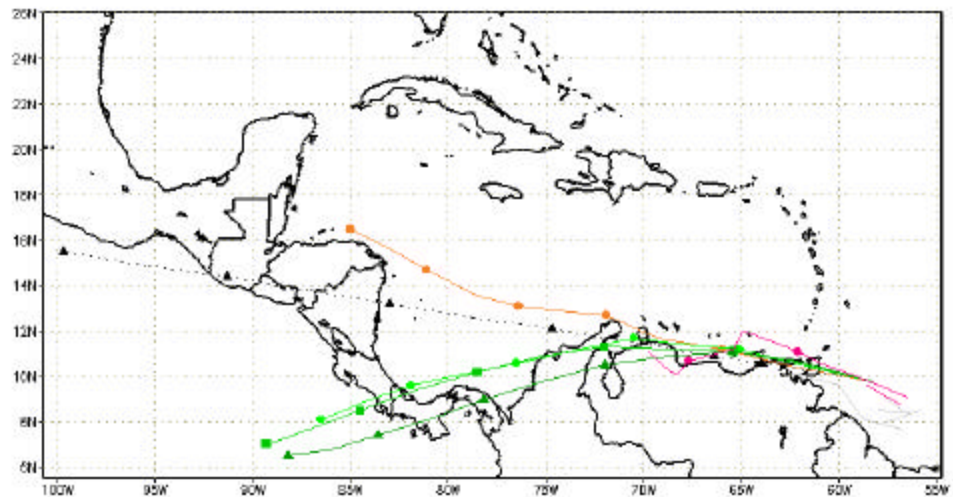


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