



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 9, 2009

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning down graded Tropical Depression Henri to just remnant low located some 250 miles northeast of Puerto Rico. The system was moving west-northwest at 12 mph. Forecasters continued to look for hostile wind shear conditions to tear apart the system and keeping it from staging any tropical cyclone formation for the next few days as it begins to move in a more westerly path. The NHC also continued to watch a tropical wave near the Windward Islands, but the system became less organized overnight. Development is not anticipated as it interacts with the northern Venezuela coast over the next couple of days as it moves westward.

Reuters reported that the Qatari LNG tanker Murwab was expected to arrive at the Sabine Pass LNG terminal on November 2nd.

Generator Problems

MISO – Exelon's 1164 mw Byron #1 nuclear unit has exited its refueling outage and had ramped up to 44% power. The unit had been shut since September 14th for refueling.

Exelon's 912 Mw Dresden #3 nuclear unit was at 99% power up 6% from yesterday.

NextEra 580 Mw Duane Arnold nuclear unit was off line this morning. The unit had been at full power yesterday.

RFC- Duke Energy's 1195 Mw coal fired Cayuga power plant ramped up its generators late Thursday and was at 52% power this morning.

AES Great Plains 777 Mw AES Ironwood gas fired power plant was shut down overnight.

AES's 2052 Mw coal fired Harrison power plant ramped its generators back on line Thursday night and was running at 24% capacity Friday morning.

Dominion's 1320 Mw Kincaid coal fired power plant ramped its generating units back online late Thursday night and was at 80% power Friday morning.

NPCC – Constellation Energy's 621 Mw Nine Mile #1 nuclear unit was at 43% capacity this morning up 33% from yesterday.

WSCC – PG&E's 404 Mw Unit #1 Helms hydropower station returned to service Thursday afternoon. The unit had been off line since October 5th.

SRP's 822 Mw Coronado coal fired power plant tripped off line Thursday was has returned to service and was at 95% power this morning

PacificCorp's 2318 Mw Jim Bridger coal fired power plant tripped off line Thursday but was back to 96% power this morning.

SERC – NRG Energy's 514 Mw gas fired Big Cajun #1 power plant was back online Thursday.

Duke Energy's 2110 Mw Marshall coal fired power plant ramped up on Thursday night and was at 53% power this morning

The NRC reported this morning that 77,847 Mw of nuclear generation capacity was on line, up 0.2% from yesterday and off 7.5% from the same time a year ago.

BP's CEO said Thursday that he estimates the United States "may now be sitting on between 50-100 years worth of recoverable 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	1,589,300	\$3.923	(\$0.320)	(\$0.957)	(\$0.261)	(\$1.206)
Chicago City Gate	885,900	\$4.260	(\$0.358)	(\$0.620)	(\$0.250)	(\$1.022)
NGPL- TX/OK	880,500	\$3.841	(\$0.348)	(\$1.039)	(\$0.240)	(\$1.370)
SoCal	506,900	\$3.994	(\$0.457)	(\$0.886)	(\$0.349)	(\$1.161)
PG&E Citygate	450,000	\$4.727	(\$0.269)	(\$0.153)	(\$0.161)	(\$0.476)
Dominion-South	295,700	\$4.038	(\$0.325)	(\$0.843)	(\$0.217)	(\$1.169)
USTrade Weighted	22,113,400	\$3.998	(\$0.369)	(\$0.882)	(\$0.26)	(\$1.206)

Baker Hughes reported this morning that drilling rigs searching for natural gas in the United States stood at 726 rigs an increase of 14 rigs from last week. Current rig

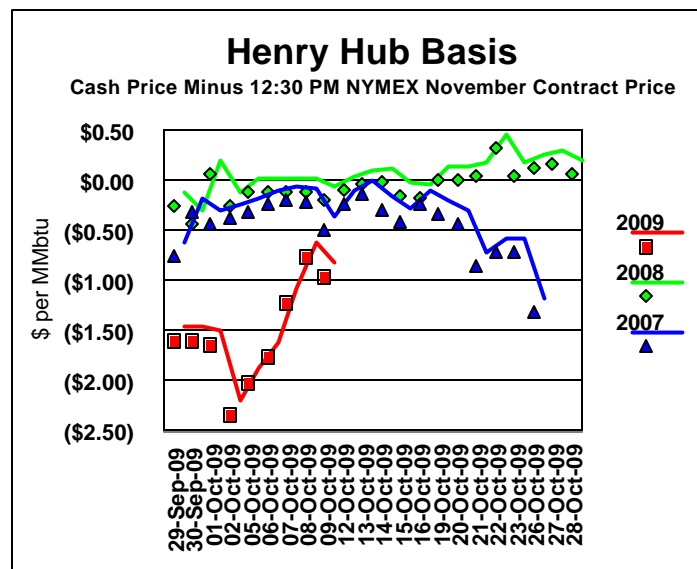
activity is down 53% from last year. Baker Hughes reported that while vertical or conventional drilling rigs have fallen over 60% from last year, horizontal drilling rigs have declined just 26% as they remain relatively active in shale play areas.

The Rockies Express Pipeline reported that work is progressing on the REX East construction project that will establish service on the pipeline to Clarington, Ohio. The company remains optimistic that a November 1st in service date is still on target.

Tenaska Capital Management said Thursday that it plans to build a gas gathering system with multi market capability to take advantage of the opportunity of the Haynesville formation. They said they expect this play to have the capacity to be one of the most productive of the deep shale formations in the United States.

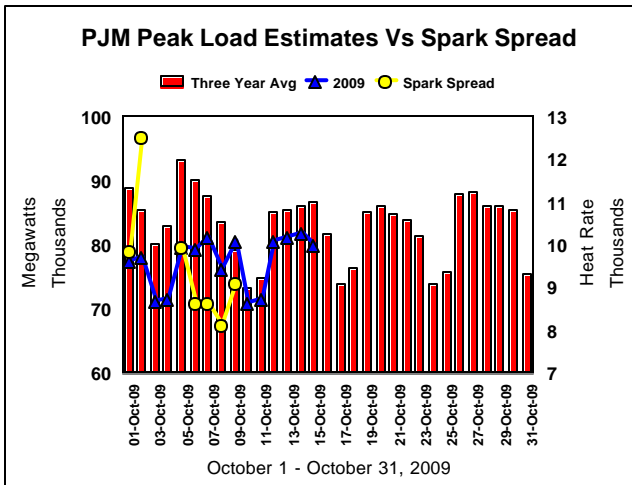
Boardwalk Pipeline said it has received authorization from pipeline regulators to operate its Fayetteville and Greenville Laterals at standard operating pressures.

The Canadian National Energy Board said yesterday it was dropping its 1994 multi-pipeline return equity formula that was used to determine the cost of capital for pipeline companies, due to the considerable changes in financial and economic circumstances. The NEB said the cost of capital will be determined by negotiations between the pipeline companies and their shippers or by the NEB if a pipeline company files a cost of capital application.



NOAA said the average temperature in September for the lower 48 states was above the long-term average by one degree. Below normal temperatures in the Northeast and the South were offset by record highs recorded in the West and above normal temperatures in the Northwest and the northern tier of states. Both California and Nevada experienced their warmest September on record.

It appeared that Pennsylvania Governor Rendell was close to signing that state's budget into law on Friday, minus a tax on natural gas drilling in the Marcellus Shale. The budget though appeared to contain a plan to lease more state forest land to gas drillers.



The head of the National Iranian Gas Company said today that his company is in the midst of an aggressive expansion of its natural gas production, as the country attempts to move to natural gas as being the main source of energy inside the country and part for export. Iran's goal is to reach output of 1 bcm per day by 2014 vs its current output of 600 million cubic meters per day.

Belgium's port authorities noted that two Qatari LNG tankers are expected to arrive at the Zeebrugge import terminal on October 15th and October 17th.

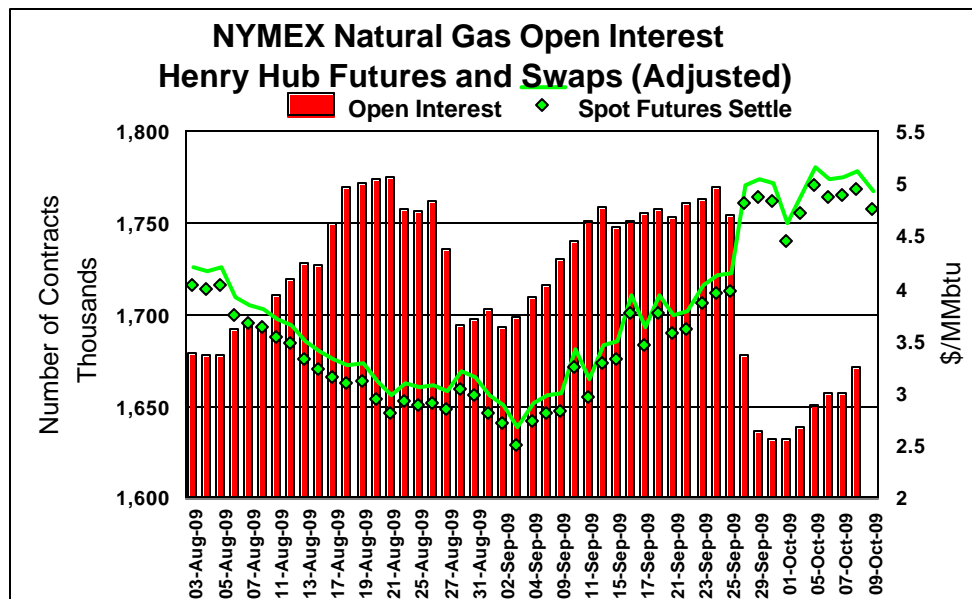
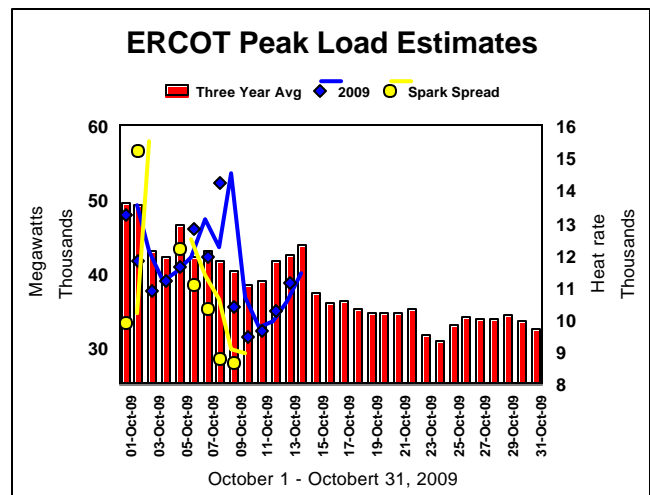
South Korean KOGAS said today it had sold 1.54 million tones of LNG in September, up 1.4% from a

year earlier. Household and commercial demand was up 3.2% while power generation demand for the gas was down 0.4%

PIPELINE RESTRICTION

Southern Natural Gas said it expects storage requirements to be at or above firm injection entitlements. The company noted that a Type 6 OFO was implemented on October 3rd and remains in place until further notice.

Northern Natural Gas said the force majeure for deliveries on the Marquette branch line, including primary firm transport, will continue throughout the 2009-2010 heating season. The company said, successfully scheduling volumes East of Wakefield, Michigan is based on receipt volumes scheduled at the Wakefield interconnect.



REX said that effective for October 9th and until further notice, it has capacity available for delivered quantities to NNG Gage. Based on the current level of nominations, interruptible transport/authorized overrun and secondary quantities may be scheduled.

California Gas Transmission has issued a system wide OFO for October 10th due to high inventory. Tolerance was set at 8%.

PIPELINE MAINTENANCE

Southern Natural said the Muldon shut-in test that began on October 6th will continue to October 16th. During this period each supply service customer will be allocated 36% of its currently effective daily injection quantity and daily withdrawal quantity posted on SoNet Premier during the test

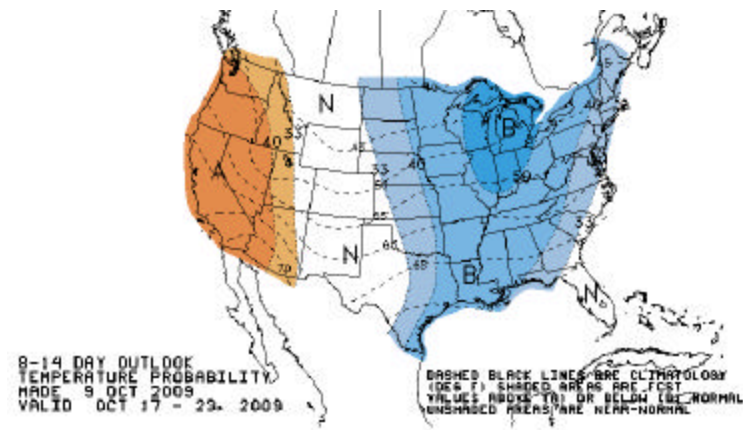
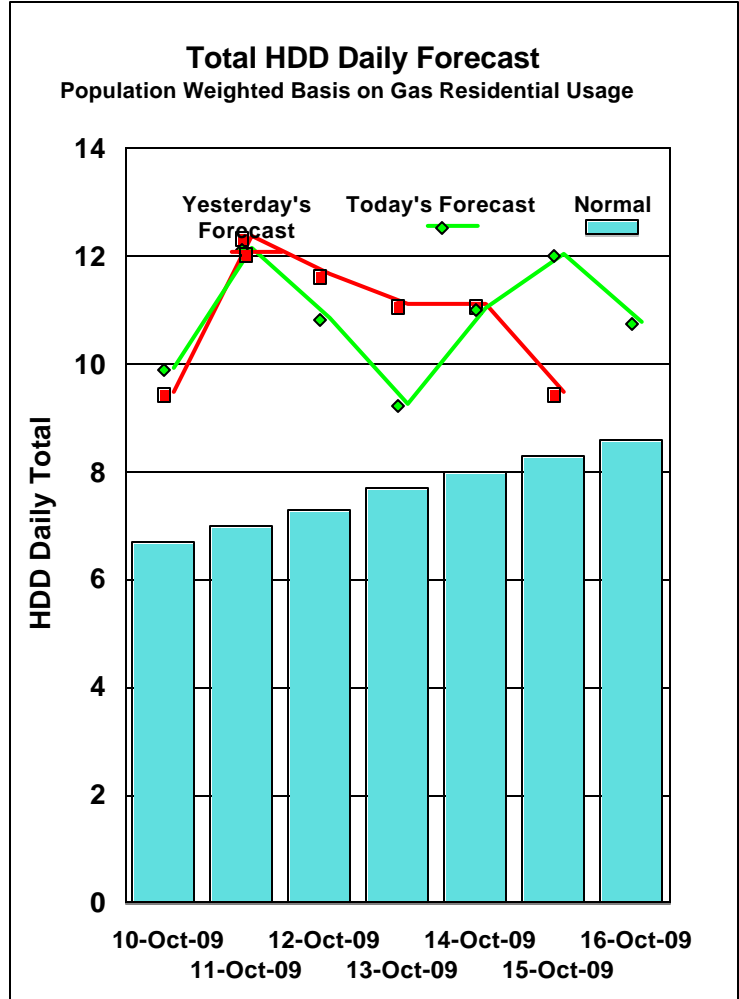
ELECTRIC MARKET NEWS

The EIA reported Thursday afternoon that U.S. coal production for the week ending October 3rd increased to 20.484 million short tons, up 2% from the prior week but 13% less than the same week a year ago. Year to date coal production is off 6.6% from a year ago.

The NRC said it has launched a special investigation of a crack in a containment-building wall at Progress Energy's 838 Mw Crystal River nuclear power station in Florida. The unit was shut on September 26th for an extended refueling outage.

MARKET COMMENTARY

On ICE, the Henry Hub cash trading point saw its most active session since July 7, 2008, as 1,589,300 Mmbtus were traded today. Today's volume at this Hub was some 57% more than the prior 5-day average daily volume. Surprisingly though this near term high volume did not equate to higher prices, but lower prices, with the futures market settling at its lowest level in a week. While forecasts continue to look for the next two weeks to have higher than normal heating demand, some private weather



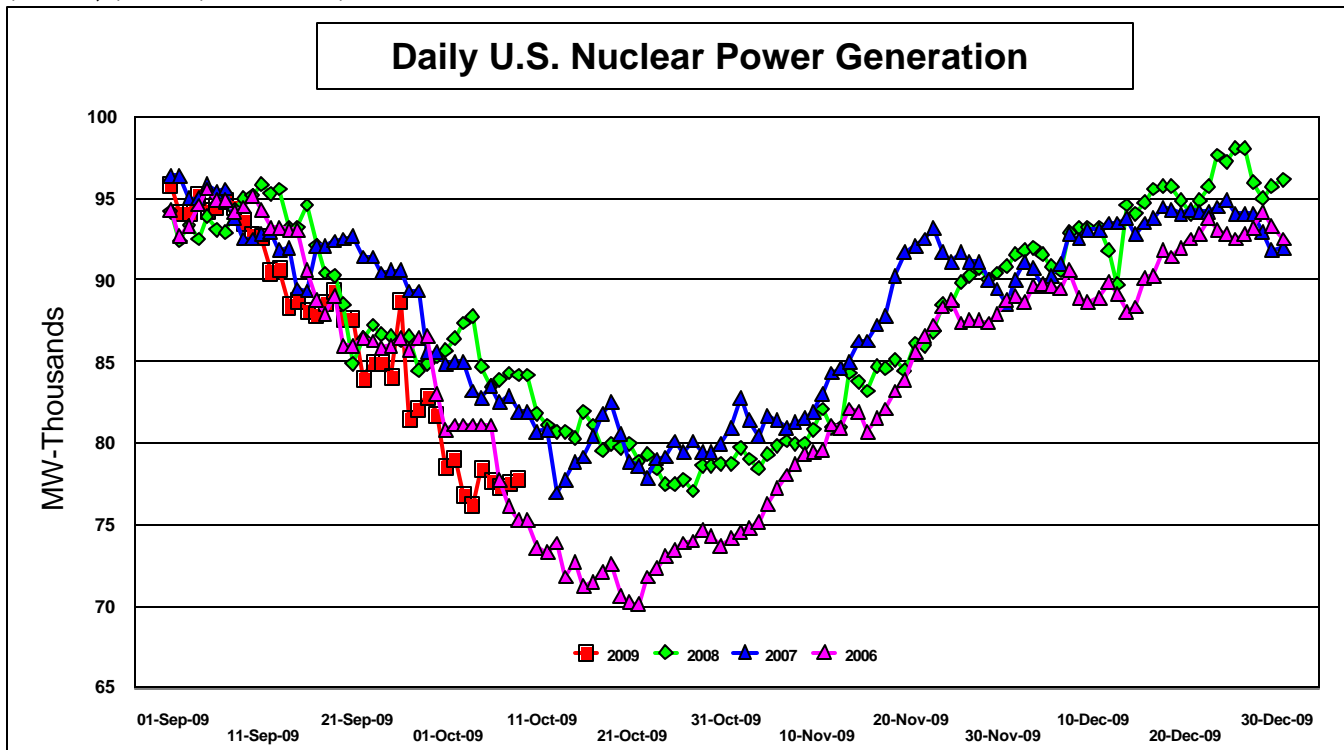
forecasting services are already warning of a flip in the temperature pattern by mid-November with temperatures across much of the major population areas moving to above normal readings.

We were a bit surprised this afternoon when the exchange released their open interest report based on yesterday's trading. It showed that total open interest in the Henry Hub futures and swaps on a combined adjusted basis grew strongly yesterday by over 14,000 contracts

basically all in the 2010 contract months.

We still see this market experiencing price pressure as we go into November, once the real heating season starts. In addition we feel that the current higher than normal nuclear maintenance work will be drawing to a close by that time also removing some additional electric power demand for gas. We see

initial support next week at \$4.609 followed by \$4.498, \$4.306 and \$4.113. Resistance we see at \$4.992, \$5.12-\$5.13 and \$5.47.



Despite the Columbus Day holiday next week the weekly EIA Natural Gas Storage report will be released as usual on Thursday at 10:30 am EDT.

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