



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 15, 2009

NATURAL GAS MARKET NEWS

The NOAA released their latest long-term weather forecast today and it noted that this winter would see El Nino dominate the weather pattern. Its forecasters are calling for this winter to be warmer and drier than average in the northern part of the nation while the southern section of the country will be wetter and cooler.

Total said today that its \$4.5 billion LNG project in Yemen finally started production today, some eight months after its initial start date. The facility has two trains with a combined capacity of 6.7 million tones per year. The second train though is not expected to come on line for another 12 months.

The FERC today issued a favorable environmental review of the Fayetteville Express Pipeline project, which aims to increase takeaway capacity from the Fayetteville Shale play to markets in the Midwest, Southeast and Northeast.

The Indonesian gas distribution firm PT Perusahaan Gas Negara said today it is seeking LNG supplies for the floating LNG receiving terminal that it is building in North Sumatra. The terminal would have a 1.5 million tonne per year capacity and would be completed by 2012.

Generator Problems

MISO – FPL's 514 Mw Point Beach #2 nuclear unit was shut early Thursday, for an expected refueling and maintenance outage. The unit had been at 96% capacity yesterday.

RFC- Exelon's 1112 Mw Peach Bottom #3 nuclear unit ramped up to 73% power Thursday morning, up 40% from yesterday.

NPCC – OPG's 490 Mw Unit #5 at the Nanticoke coal fired power plant in Ontario has returned to service early Thursday. The unit had been off line since October 8th.

SERC – SCE&G's 986 Mw Summer nuclear unit was at 53% capacity, down 2% from Wednesday.

SPP & ERCOT- Luminant's 750 Mw Martin Lake #1 coal fired power plant was being late Thursday night to repair a tube leak.

AEP's 528 Mw Unit #3 at the Welsh coal fired power plant was being taken off line Thursday afternoon to investigate and repair a boiler reheat tube. The unit is expected to be off line for three days.

The NRC reported this morning that total U.S. nuclear generation stood at 75,074 Mw down 0.1% from yesterday and down 8.4% from a year ago.

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	1,080,000	\$3.879	\$0.061	(\$0.639)	\$0.008	(\$0.529)
Chicago City Gate	1,010,500	\$4.674	\$0.181	\$0.156	\$0.086	(\$0.169)
NGPL- TXOK	1,165,100	\$3.898	\$0.043	(\$0.620)	(\$0.052)	(\$0.765)
SoCal	337,900	\$4.129	\$0.022	(\$0.389)	(\$0.073)	(\$0.543)
PG&E Citygate	931,000	\$5.146	\$0.102	\$0.628	\$0.007	\$0.367
Dominion-South	465,700	\$4.449	\$0.099	(\$0.069)	\$0.004	(\$0.360)
USTRade Weighted	24,854,100	\$4.206	\$0.103	(\$0.312)	\$0.01	(\$0.529)

Reuters reported that while gas storage levels on the week across continental Europe increased, led by EuroHub, up 8.3% and Germany up by 1.1%, storage

levels at NBP fell 1.7% on the week.

South Korea reported that its imports of LNG fell for a ninth consecutive month in September from a year ago due to high stocks and low demand from local utilities. The government reported that it imported 1.19 million tones in September down 35% from a year earlier.

Canadian Gas Association

Weekly Storage Report

	09-Oct-09	02-Oct-09	10-Oct-08
East	233.2	235	231.5
West	361.2	351.5	339.8
Total	594.4	586.6	571.2

storage figures are in Bcf

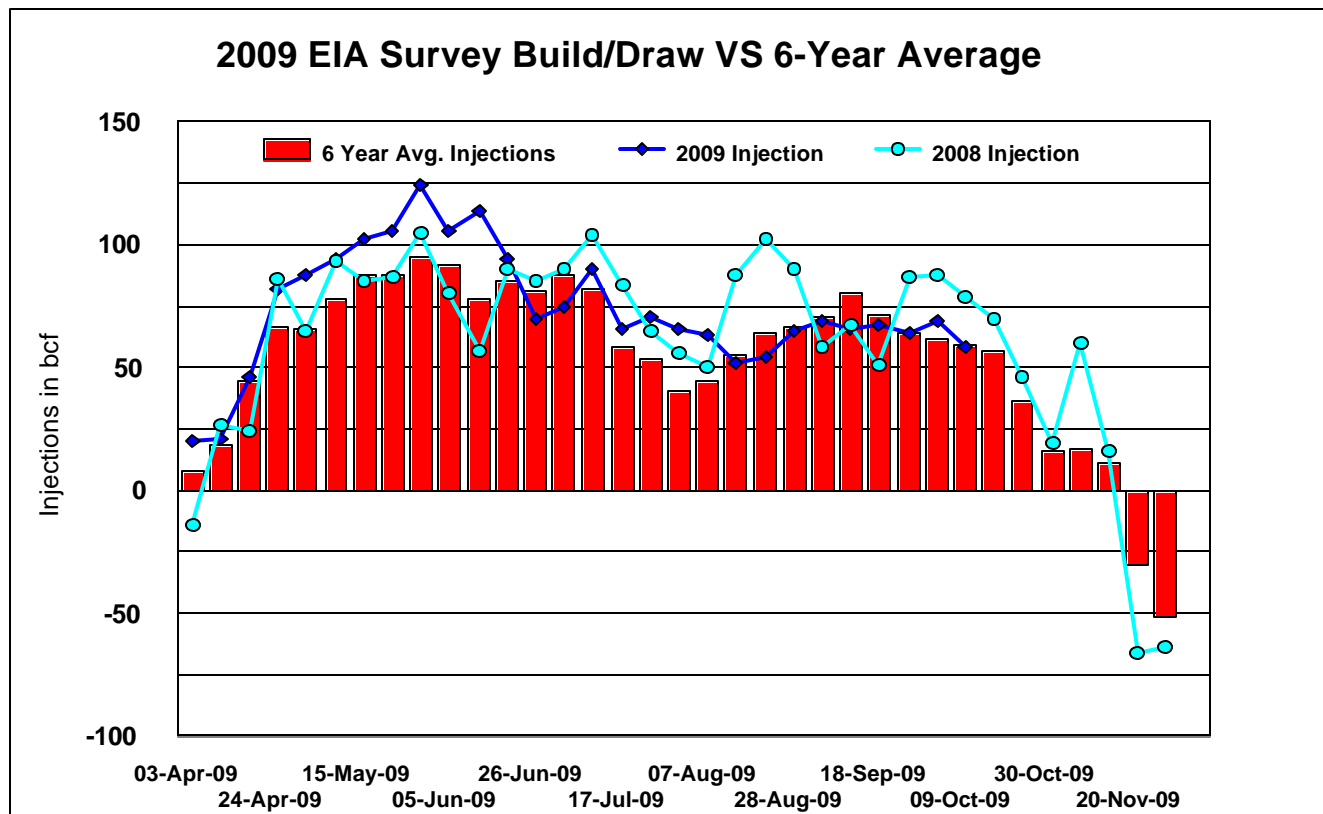
PetroChina said today that it will seek to rapidly expand its natural gas production, possibly doubling or more its natural gas output by 2015 and matching crude oil production. During the first 6 months of this year the company produced gas equivalent of 170 million barrels of oil compared to 420 million barrels of crude production.

EIA Weekly Report

	10/09/2009	10/02/2009	Change	10/10/2008
Producing Region	1182	1169	13	888
Consuming East	2030	1992	38	1938
Consuming West	504	497	7	439
Total US	3716	3658	58	3266

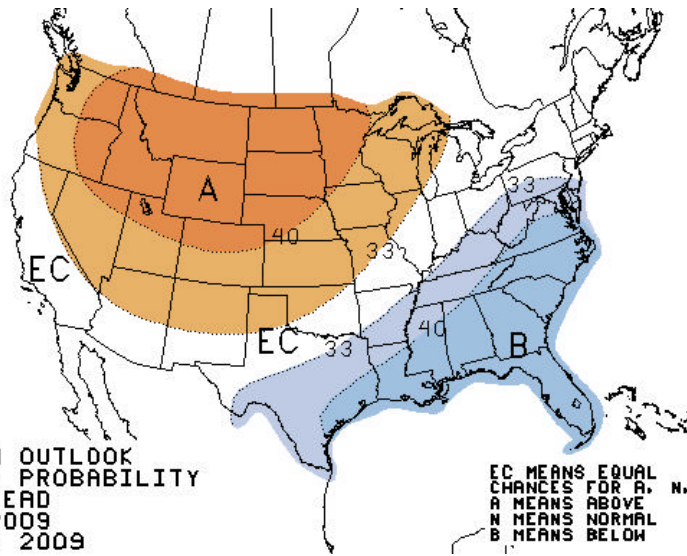
The U.S. Department of Labor reported that applications for jobless assistance fell by 10,000 to 514,000 in the week ended October 10th. Lower than forecast, from a revised 524,000 the week before. The total number of people collecting unemployment also decreased.

The Federal Bank of New York reported that manufacturing in the New York region expanded in October at the fastest pace in five years. The Empire State index jumped to 34.6 from 18.9 in



September. Readings above zero indicate expansion. But the Philadelphia Fed index on manufacturing in its region did not grow as much as expected by the market. While it expanded it was at a much slower rate than last month.

The House of Representatives Financial Services Committee today approved by a wide margin a measure that calls for sweeping overhaul of the \$500 trillion OTC market.



The SEC and CFTC regulators reportedly are considering creating a joint enforcement squad to investigate and root out fraud in the markets.

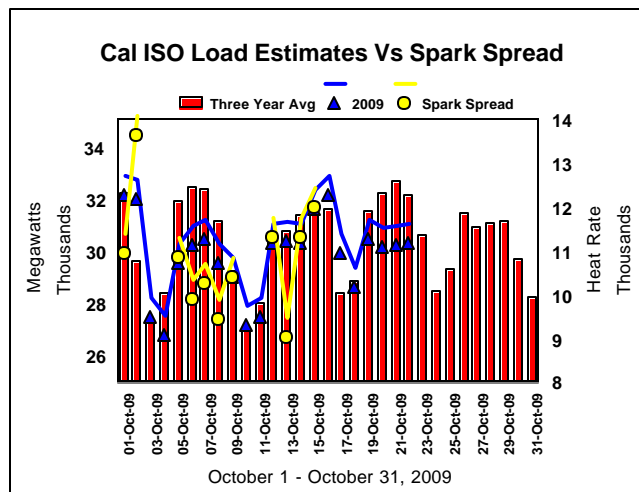
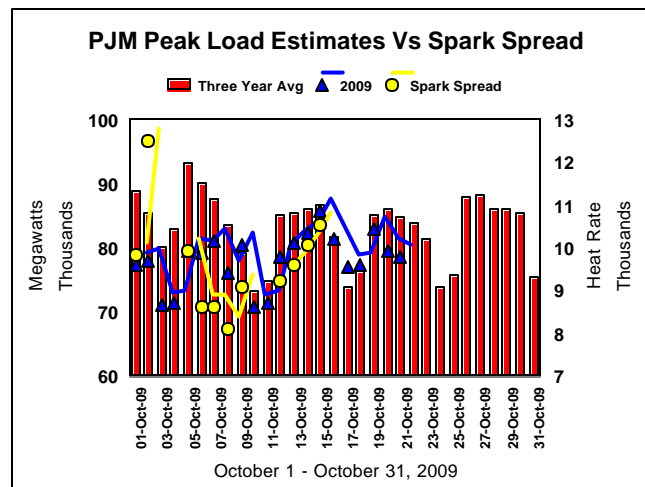
Despite JP Morgan bank reporting earlier this week that its risk in commodities had gradually risen this year and was approaching levels not seen since before the financial crisis, Goldman 3Q2009 results reflect a different picture. Goldman reported that its commodities VaR has

fallen by 47% from a year ago to \$27 million, and fell 32% from the second quarter. Some analysts were speculating that Goldman was possibly looking for the dollar weakness to be nearing an end and when the dollar begins to strengthen, the price of commodities would retreat.

The CME Group announced yesterday that would launch trading and clearing services on November 1st for trade date November 2^d for European style options on calendar futures strip in natural gas as well as option on the summer and winter natural gas futures strip. In addition the exchange will offer an option on the calendar futures strip in PJM and the Central Appalachian contracts.

PIPELINE MAINTENANCE

Gulf South has moved up its planned system maintenance at the Jackson Compressor Station



to October 24th from October 26th. The work is expected to last 10 days. Based on anticipated system operating conditions and nominations utilizing the Jackson Compressor Station, the company may be required to reduce Primary Firm Transportation service delivering to Texas Eastern.

PIPELINE RESTRICTION

Tennessee Gas Pipeline said today that it has restricted through 100% of Market to Supply Interruptible Service nominations pathed through the Niagara Spur Backhaul.

Questar Pipeline said today that it would allow imbalance payback nominations from the pipeline

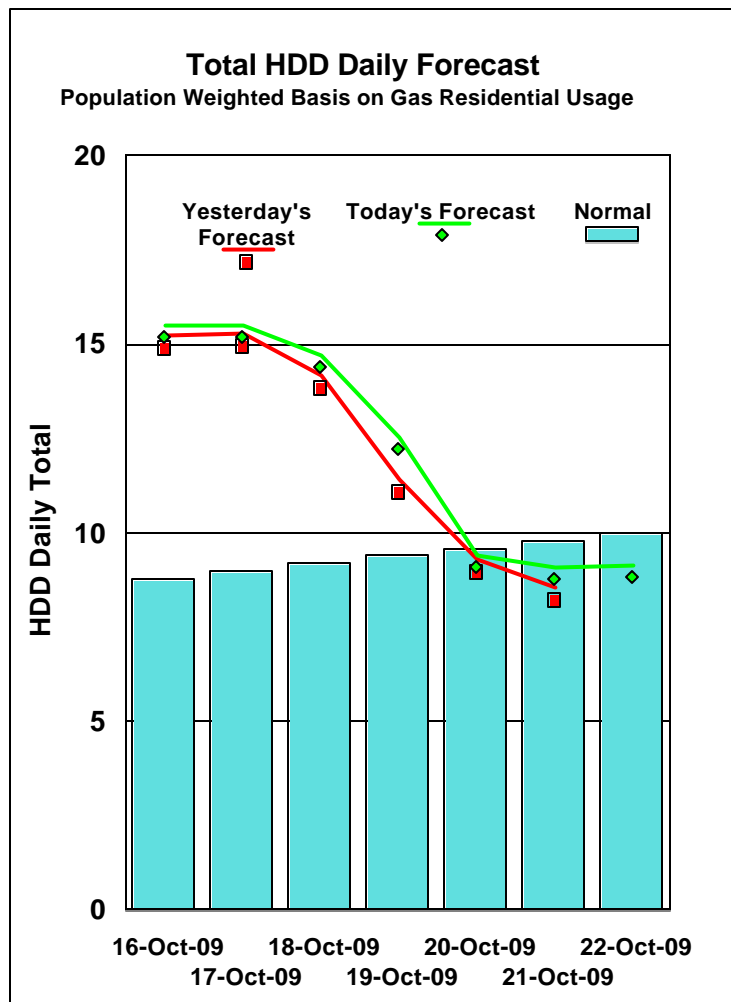
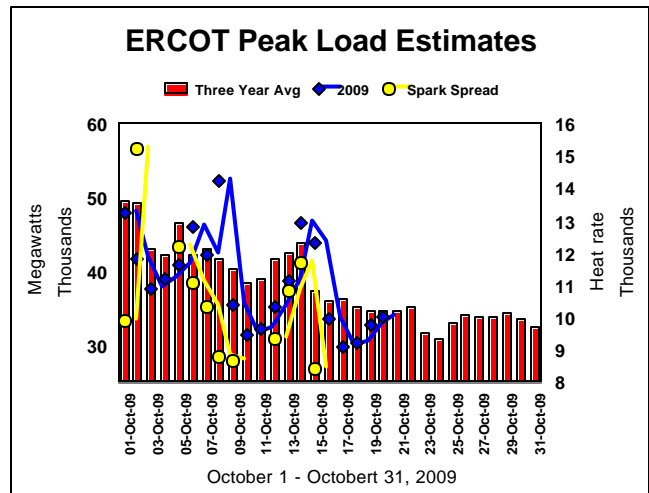
to the shipper. Due to high inventory the company's Clay Basin Balancing account, no imbalance payback nominations from the shipper to the pipeline will be allowed until further notice.

ELECTRIC MARKET NEWS

Reuters reported today that while its earlier forecast from a month ago had been for 20,000 Mw of nuclear generating capacity that would be lost at the height of the autumn refueling and maintenance period, that total number of lost generation has edged closer to 24,000 Mw, in part due to unexpected outages and other planned outages taking longer to complete than originally expected. A year ago the fall maintenance period saw 18,300 Mw of generating capacity off line, with the five-year average of 19,000 Mw.

The board of PJM Interconnection has approved \$1.4 billion in transmission upgrades for the regional grid.

The EIA reported today that U.S coal production totaled 20.6 million short tons for the week ending October 9th. This is nearly equal to last week's level and 11.5% lower than the same week a year ago.



The EPA has released a previously unpublished 2007 draft report from the Bush Administration in which the EPA had suggested that the government should regulate greenhouse gas emissions because they endangered public welfare.

NRG has received state regulatory approval for the construction of air pollution control equipment at its Indian River coal fired power plant in Delaware. The facility listed as one of the 50 dirtiest power plants in the nation will become one of the cleanest after the work. The approved plan requires Indian River's two oldest units, Units #1 and Unit #2 to be shut down on May 1, 2011 and May 1, 2010 respectively and calls for construction of back-end pollution control equipment on Units #3 and Units #4 by December 31, 2011.

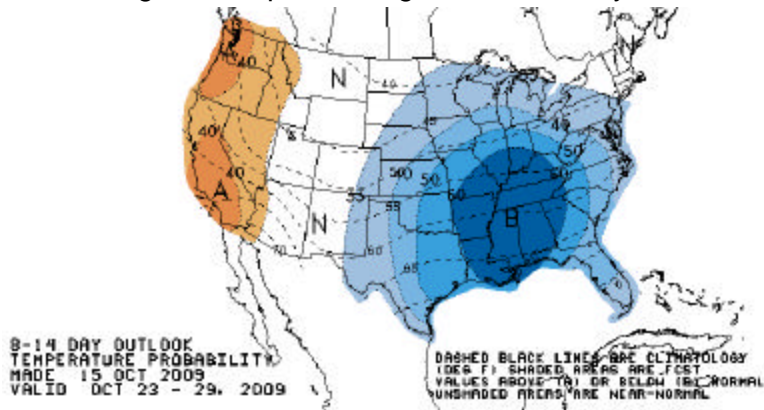
PG&E reported that more than 29,000 of its customers were still without power following the severe wind and storm damage from earlier in the week.

MARKET COMMENTARY

Today's EIA storage report came in slightly larger than expected and it helped to send November natural gas prices tumbling

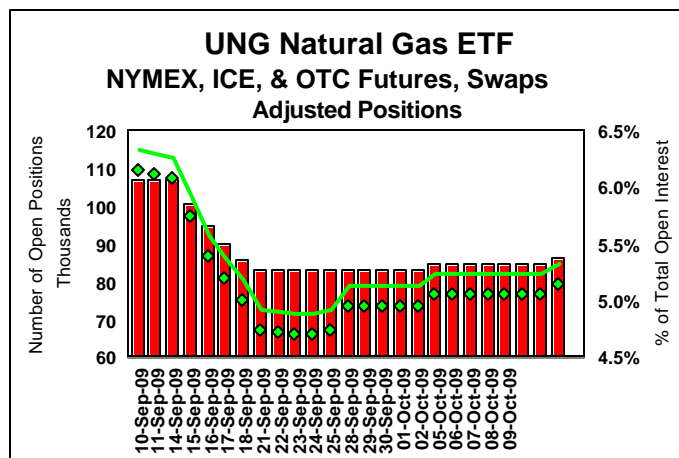
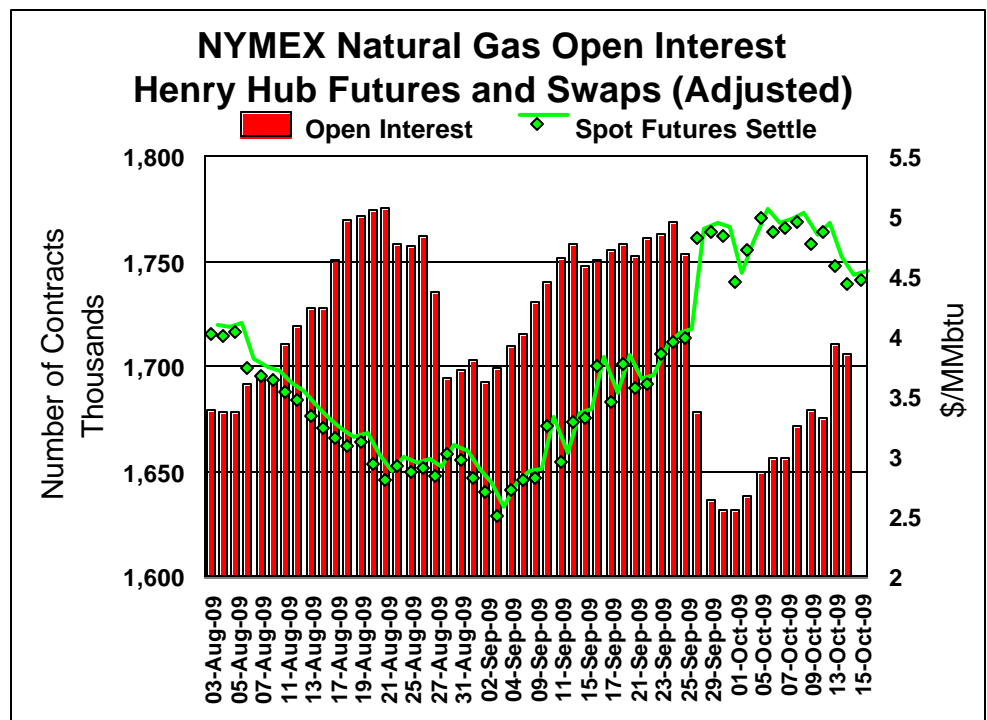
before support was found near \$4.351, the lows of the contract back on October 2nd and just above the

50% retracement of the rally of early September through early October. The market received a helping hand though as oil prices staged a \$2.00 rally from mid morning onward as well as the news that Canadian natural gas stocks saw a 2.1 bcf contraction. This Canadian storage level decline was some three weeks earlier than the seasonal pattern for the end of the Canadian injection season. This has been the first time since 2004 that the injection season came to an end this early. In addition midday weather models appeared to flip once again and called for below normal temperatures returning to the nation east of the Rockies in the 11-15 day period and the NWS this afternoon has assigned a much



higher level of confidence in its forecast than it has in prior days this week.

The United States Natural Gas Fund saw its first uptick in open interest in a week yesterday as its total adjusted position grew by the equivalent of 1,673 futures contracts as the ETF increased its position in swaps on the day. This increase in speculative length though appears to have been more than offset by traders' positions on the exchanges. The NYMEX reported at midday that its combined and adjusted futures and swaps positions in Henry Hub contracted yesterday by 4416 lots while ICE Henry Hub positions would have declined by an equivalent 6,665 lots, in what has to be seen as some long liquidation based trading.



While natural gas has shown a relative poor price correlation in recent weeks to the crude oil market, we feel that a prolonged bullish rally in crude oil prices over the next few days though would most likely prevent natural gas prices from falling out of bed. In addition the possibility of a significant snowfall this weekend in the mountains areas of Pennsylvania, New York and New England may also prevent traders from selling into this market in front of the weekend. But while the prospects for a warm up in temperatures next week seems to be in the cards, traders we feel are already looking

beyond that and focusing on the 11-15 day forecast which will support the bulls once again. Thus we feel the \$4.31-\$4.30 area will hold going into the weekend. Additional support we see at \$4.23, and \$4.11-\$4.10. Resistance we see at \$4.647, \$4.738 and \$4.864. Additional resistance we see at \$5.12.

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