



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 16, 2009

NATURAL GAS MARKET NEWS

Alberta Energy Resources Conservation Board announced late Thursday that 158 wells located northwest of Fort McMurray could be a "significant risk to future bitumen recovery" and as a result must be shut in. The 158 wells owned by EnCana, Canadian Natural Resources and Paramount must cease production by the end of the month. A final public hearing over the wells is scheduled for early 2010. The ERCB issued the shut in order at the request of Total E&P Canada and Sunshine Oilsands. The two producers argued that the wells were too close to oil sands reservoirs and were dropping the underground pressure needed to efficiently extract the oil sands.

Dow Jones reported today that their survey of 10 financial institutions analysts found that the median 4Q2009 and Cal 2010 price forecast has remained unchanged from last month's survey. The group surveyed looked for 4Q2009 price to average \$5.00 and in 2010 average \$5.97.

Baker Hughes reported today that for the week ending October 16th the number of oil rigs searching for natural gas stood at 721, a decline of five rigs from the week before

Turkmenistan said today that it hopes to resume natural gas exports to Russia by the end of the month. Shipments have been stopped since the April pipeline blast.

Al Shamal LNG tanker is scheduled to arrive at the Isle of Grain import terminal on October 19th, The LNG tanker, the Al Ghashimaya has been rescheduled to arrive at the South hook import terminal on October 22nd, two days later than originally scheduled. Qatar's Al Deebel LNG tanker is expected to arrive at Belgium's Zeebrugge import terminal on October 31st.

Generator Problems

MISO – Exelon's 1120 Mw LaSalle #2 nuclear unit ramped up to 61% by early Friday after exiting its outage on Thursday.

Exelon's 1043 Mw Clinton nuclear unit was shut down this morning. The unit had been at 97% power on Thursday.

RFC- Exelon's 1112 Mw Peach Bottom #3 nuclear unit ramped up to full power on Friday. The unit was at 73% power on Thursday.

FirstEnergy's 1231 Mw Perry Nuclear unit was offline on Friday, down from full power from yesterday

SERC – TVA's 1150 Mw Sequoyah #1 nuclear unit was at 81% power this morning down 19% from yesterday.

WSCC – PG&E has reduced operations at its 1122 Mw Diablo Canyon Unit #1 to 50%. The unit had been at full power on Thursday.

SPP & ERCOT- AEP's 675 Mw Pirkey coal fired power plant is expected to be shut Friday and remain off line this weekend for planned maintenance.

Luminant's 750 Mw Unit #1 at the coal fired Martin Lake power plant was expected to be restarted over the next two days. The unit was taken off line in the last day to fix a leak in a heater drain pump.

AEP's 528 Mw Welsh Unit #3 coal fired unit was expected to be off line from October 16th through October 23rd to correct a boiler reheat tube leak.

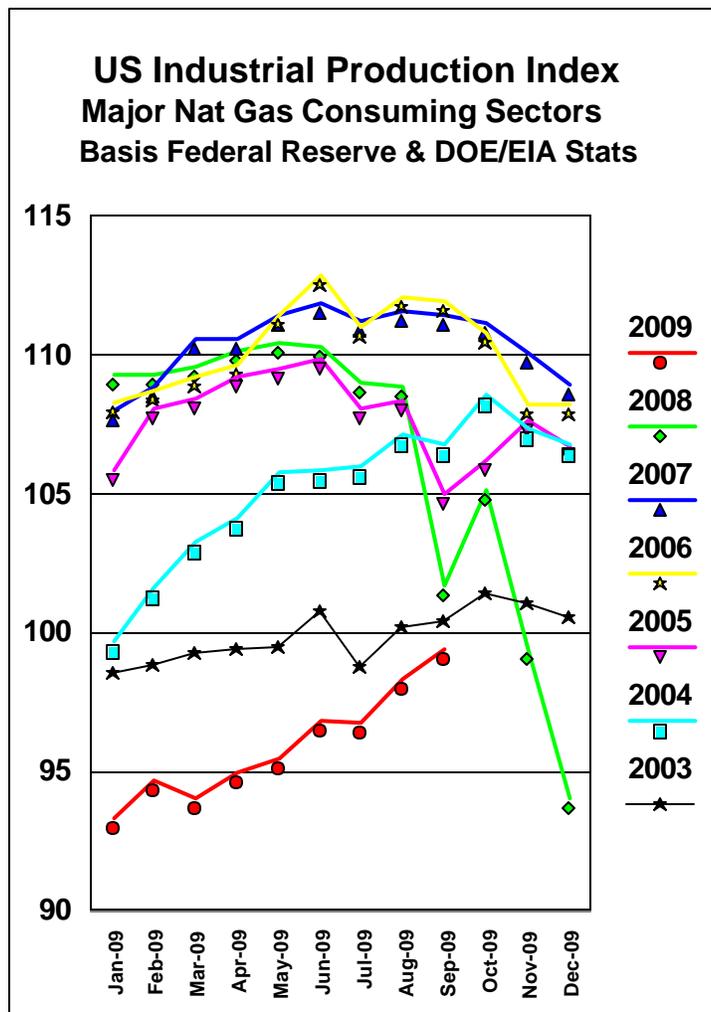
The NRC reported this morning that total U.S. nuclear generation stood at 73,244 Mw down 2.5% from yesterday and down 9.6% from a year ago.

The Federal Reserve Bank this morning reported U.S. industrial production rose by 0.7% in September versus August, marking the second straight monthly

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	1,204,700	\$3.943	\$0.064	(\$0.777)	(\$0.178)	(\$0.451)
Chicago City Gate	798,200	\$4.639	(\$0.035)	(\$0.081)	(\$0.237)	(\$0.061)
NGPL- TX/OK	991,800	\$3.954	\$0.055	(\$0.766)	(\$0.147)	(\$0.710)
SoCal	270,300	\$4.117	(\$0.012)	(\$0.603)	(\$0.214)	(\$0.487)
PG&E Citygate	816,000	\$5.229	\$0.083	\$0.509	(\$0.119)	\$0.500
Dominion-South	364,200	\$4.510	\$0.061	(\$0.210)	(\$0.141)	(\$0.234)
UStTrade Weighted	21,331,900	\$4.230	\$0.024	(\$0.490)	(\$0.18)	(\$0.451)

increase. Market expectations had been for only a 0.2% gain. Production increased in August by 1.2% some 0.4% better than originally estimated. On a non seasonal adjusted basis, looking at the major sectors that are natural gas consumers: chemicals, primary metal, glass, food, paper and the oil refining sector, this group saw a 1.1% gain from August but was still some 2.2% less than a year ago.

While the chemical and oil refining sectors are stronger than a year ago, the glass, metal sectors are extremely depressed off 16% and 29% respectively from a year ago with the paper sector some 8% behind a year ago.



A minor technical problem at the Alwyn gas field was still affecting gas flow into the St Fergus terminal in Britain. Flows have been restricted since October 6th.

PIPELINE MAINTENANCE

Young Gas Storage Company reported that it will be conducting scheduled reservoir maintenance from November 3rd through November 10th. During the test period no injections or withdrawals will be supported.

PIPELINE RESTRICTION

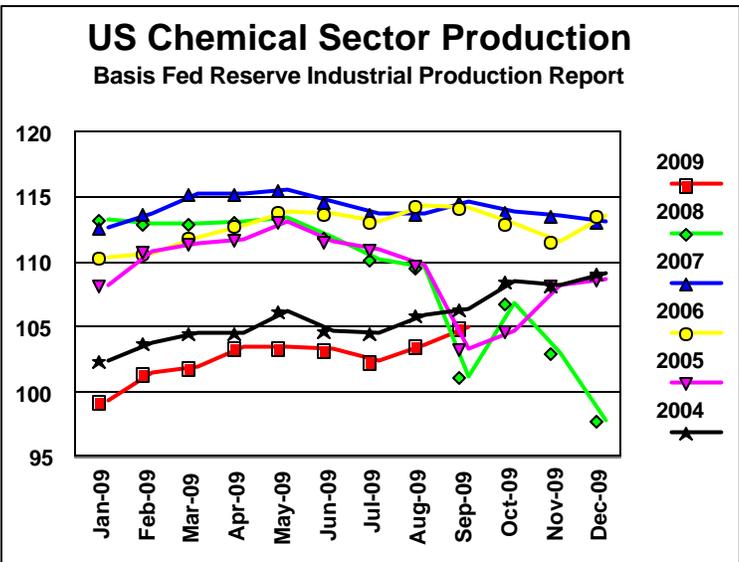
Southern Natural Gas said that based on weather forecasts, supplies and anticipated demand, it expects storage requirements to be at or near firm entitlements. The company also noted the Muldon shut-in test which began on October 6th would continue through Friday afternoon. During this test period each customer supply service customer has been allocated 36% of its currently effective daily injection quantity. The Bear Creek shut-in test will begin October 20th and last through October 26th. Each customer will be allocated 64% of its effective DIQ and DWQ.

NGPL said it has discovered a pipeline anomaly on the A/G Line in Segment 15 near Station 801. As a result the company will operate at reduced capacity for gas flowing west on Segment 15 through

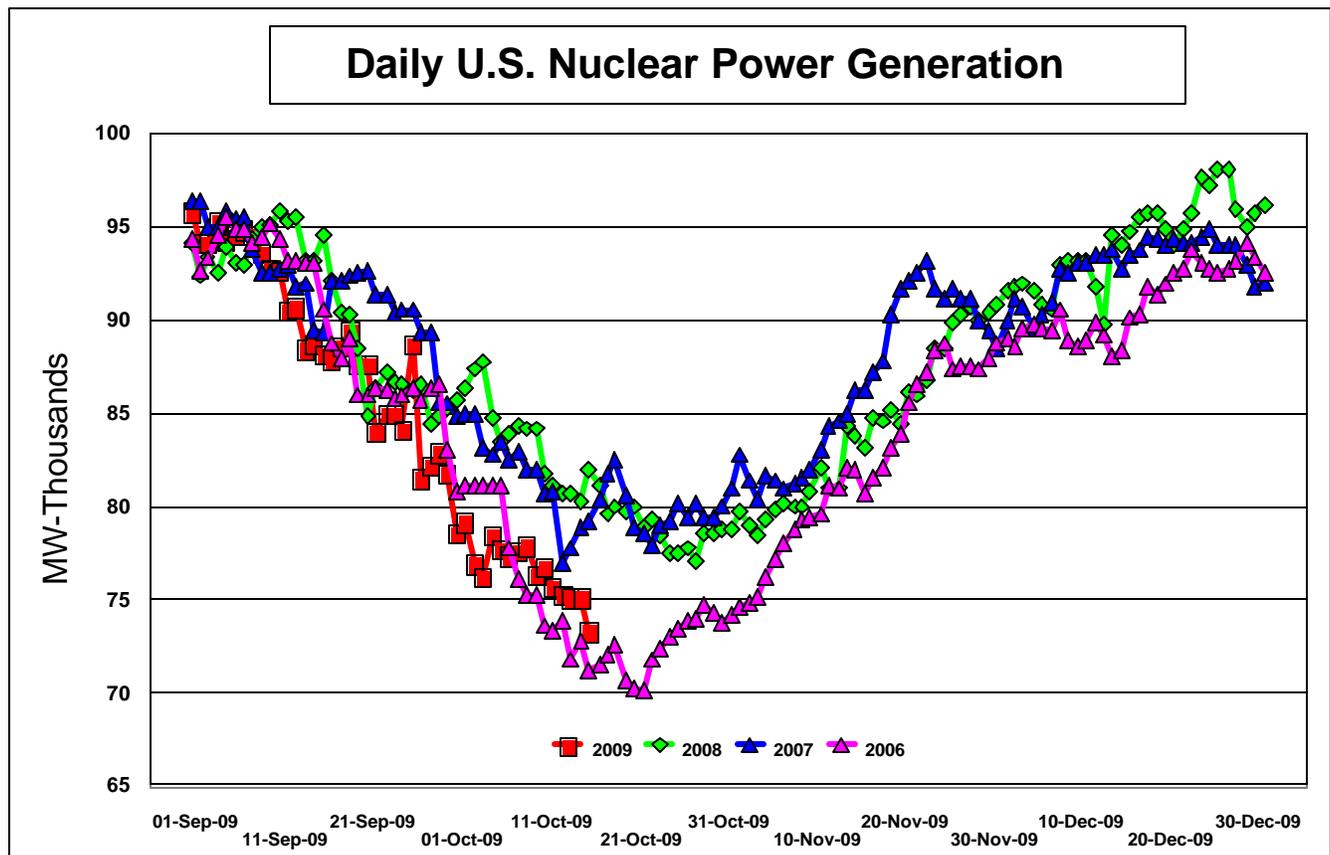
Station 80. Authorized overrun/interruptible transportation, secondary out-of-path, secondary in path and primary are at risk of not being scheduled.

MARKET COMMENTARY

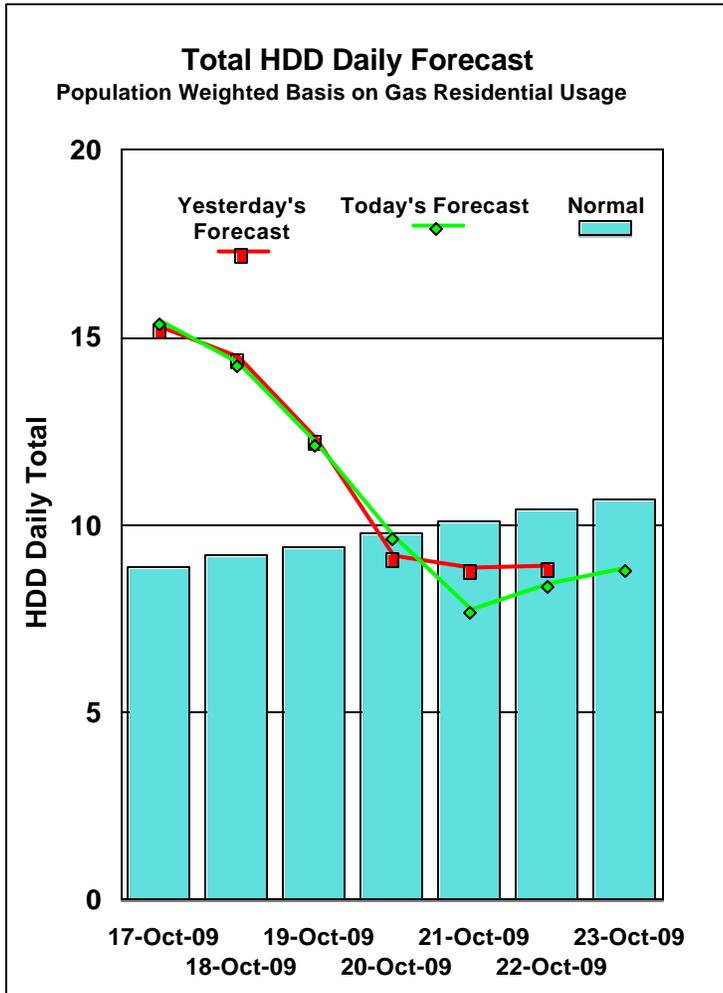
The natural gas market today started out stronger supported by firmer cash values at most trading hubs given the expectation for higher than normal heating demand for this weekend and into early next week. The futures market also received further support by the news this morning of rebounding domestic industrial production, further declines in nuclear generation in the United States, along with temperature



outlooks for below normal temperatures retuning later next week and lasting through the end of the month east of the Rockies. The market saw a final push higher at lunchtime supported by the updated midday computer forecasting models supporting the temperature outlook for the 11-15 day period. The push higher was initially on good volume as prices broke through \$4.75 level and rose to the day's high at \$4.88 before running into technical resistance at the downward trend line drawn off the highs of last week. Some profit taking prior to the close brought prices down a dime, but the contract still posted its best daily gain since September 16th.



Open interest reported at midday appears to point to yesterday's price action as being a net short covering it appears. The NYMEX combined and adjusted open interest declined by 13,993 lots while on ICE open interest grew by 7440 lots (equivalent of 10,000 mbtu contracts).



This evening's Commitment of Traders Report shows that for the week ending October 18th non-commercials decreased their net length in the Henry Hub futures and swaps and options by 7250 lots, while commercials decreased their net short position by 5688 lots. Small speculators appear to have increased their net length in the market by a modest 1562 lots.

Weather and nuclear generation in our mind remain the key factors in the direction of this market. We do not feel that this market can challenge the lows of this month without moderation in both of these factors. We see initial support on Monday at \$4.75 followed by \$4.68, \$4.618, \$4.556, \$4.35 and \$4.256. Resistance we see at \$4.85-\$4.88 followed by \$4.962, \$5.12-\$5.14 and \$5.464.

