



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 20, 2009

NATURAL GAS MARKET NEWS

Private weather forecasting service WSI also released their winter temperature outlook on Monday and it joined the growing ranks of forecasters looking for much of the eastern U.S. to experience colder than normal temperatures, with above normal temperatures dominating the western and north central regions.

The National Hurricane Center continued to monitor two low pressure systems in the Atlantic basin today. While the NHC believed that there was less than a 30% chance that either system could become a tropical cyclone over the next 48 hours, slow development was still possible. In the southwestern Caribbean Sea an area of low pressure that was producing showers and thunderstorms and was expected to show some slow development as it drifted northward. Currently the midday model runs had this system having a high likelihood of drifting inland. The second system is located in the central Atlantic some 850 miles west of the Cape Verde islands. This system was in a less conducive area for development and also the long-range forecasting models point to this system as not a risk to the mainland.

Generator Problems

NPCC – OPG's 494 Mw Lambton coal fired Unit #1 and #2 returned to service Tuesday morning. The units had been shut on Monday.

OPG's 535 Mw oil and gas fired Unit #4 at the Lennox power station returned to service early Tuesday. The unit has been off line since August 31st.

FRCC – FPL's 839 Mw Unit #1 at the St. Lucie nuclear power plant dropped to 45% power this morning. The unit had been at full power on Monday

PJM – PSE&G's 1209 Mw Hope Creek nuclear unit dropped to 50% power. The unit had been at full power on Monday.

SPP & ERCOT- Entergy's 1157 Mw Waterford #3 nuclear unit was shut early Tuesday for expected planned maintenance.

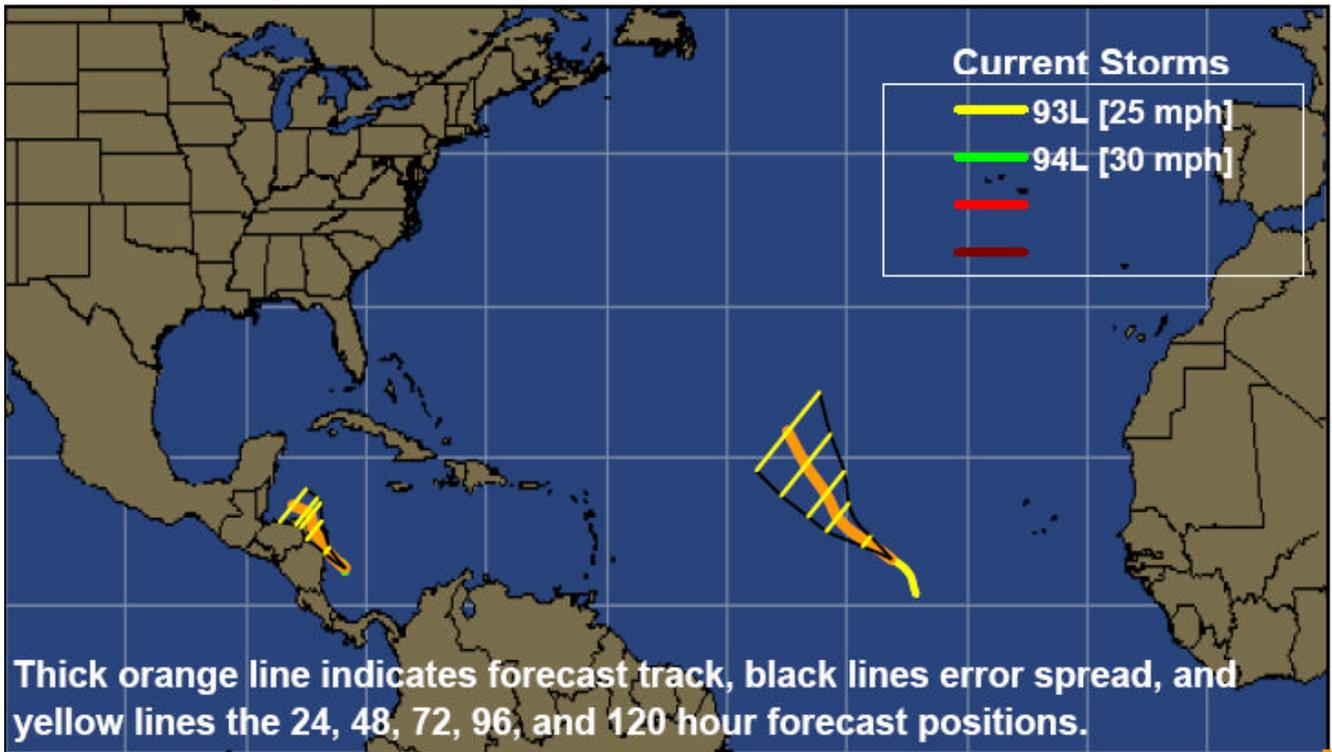
Entergy's 967 Mw River Bend nuclear power station ramped up to 65% power by early Tuesday versus 23% power on Monday.

The NRC reported this morning that total U.S. nuclear generation stood at 72,797 Mw down 2.3% from yesterday and down 8.9% from a year ago.

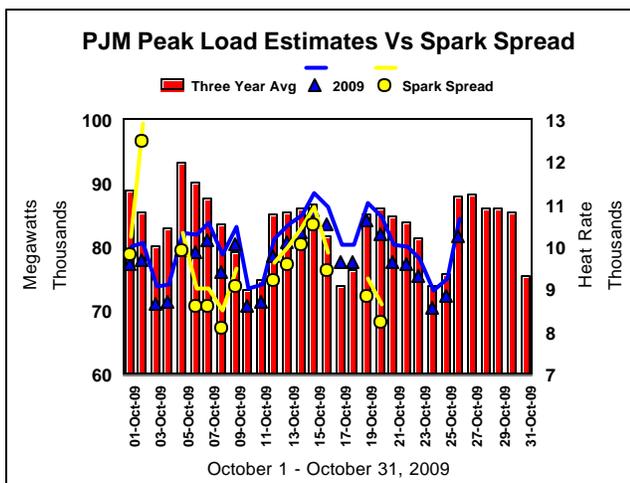
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,014,600	\$4.598	\$0.377	(\$0.541)	\$0.110	(\$0.389)
Chicago City Gate	791,300	\$4.974	\$0.291	(\$0.165)	\$0.045	(\$0.046)
NGPL- TX/OK	919,000	\$4.570	\$0.369	(\$0.568)	\$0.123	(\$0.643)
SoCal	512,100	\$4.872	\$0.427	(\$0.266)	\$0.181	(\$0.405)
PG&E Citygate	727,000	\$5.445	\$0.207	\$0.307	(\$0.039)	\$0.482
Dominion-South	367,900	\$4.934	\$0.331	(\$0.204)	\$0.085	(\$0.169)
USTrade Weighted	20,867,400	\$4.782	\$0.356	(\$0.356)	\$0.11	(\$0.389)

The CFTC said today that it has proposed increasing federal oversight of five additional energy contracts listed on ICE since the agency feels that these contracts perform "significant" price

discovery functions. The CFTC using the new authority provided by Congress to review contracts listed on exempt commercial markets. The CFTC though is seeking public comment on November 4th before making a final decision. The new contracts the CFTC is seeking oversight on are the following: Henry Financial Swing, Henry Financial Basis: Henry Financial Index, Socal Border Financial Basis and Fuel Oil 180 Singapore.



Gazprom and EDF Trading agreed on a five-year swap of natural gas between the U.S. and European markets. Under the deal Gazprom will deliver 500 million cubic meters of gas a year (or 50 million cf/d) to EDF in the UK, while EDF will send the same amount of gas to Gazprom for U.S. delivery. This would allow Gazprom to continue to ramp up its operations in the United States as it seeks to eventual control 10% of the U.S. market.

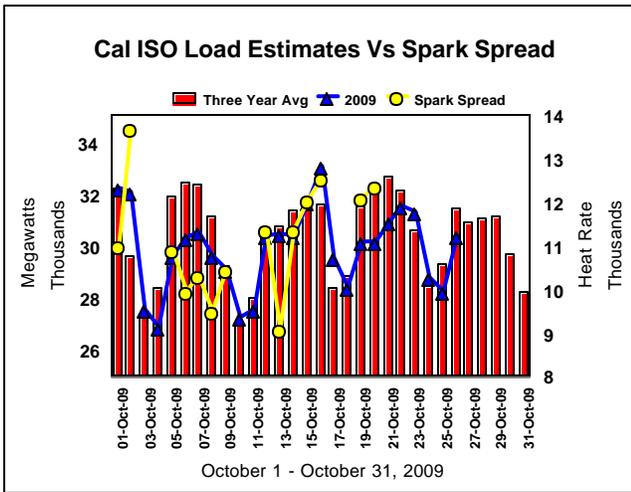


Russia received approval from Denmark to construct the Nord Stream pipeline through its territorial waters in the Baltic Sea, becoming the first European country to clear the project. Finland and Sweden continue to review the project. Meanwhile Turkey yesterday approved the South Stream pipeline project, with Serbia another proposed transit country granted its final approval to the project today.

Royal Dutch Shell said it may order at least three floating LNG plants for approximately \$5 billion each. The ships are expected to be completed 4-5 years as the new technology is developed and converted in to ship design. Shell has hired

Technip, Europe's second largest oilfield services provider and Samsung Heavy design, to construct and install floating LNG facilities over the next 15 years. Shell still has not made final decisions on the LNG facilities, but the order could grow up to as high as 10 units. Technip said its design for Shell would handle about 3.5 million metric tons per year.

Interoil said today that it plans to pump condensate from its Elk/Antelope field in Papua New Guinea to help generate cash and attract potential partners for its development of a \$6 billion gas export project in the area. InterOil is struggling to develop the project following Bank of America's Merrill Lynch unit shed its 35% stake in the LNG project back in February, The project seeks to produce an estimated 6-9 million tons of LNG per year. The project was projected to cost \$5-\$7 billion and was slated to begin shipments by 2014 or 2015.



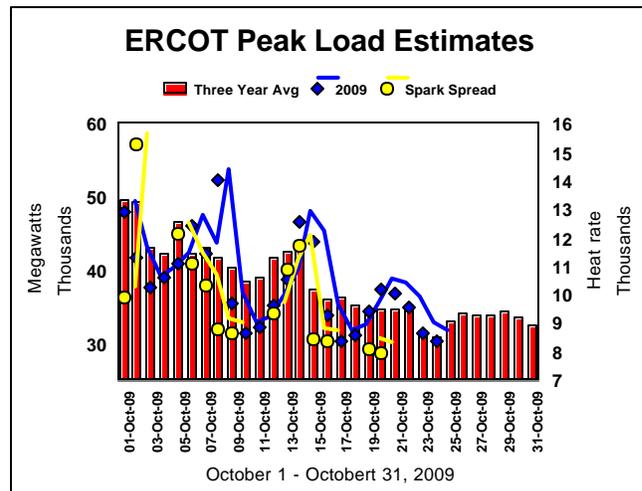
Total SA said its UK gas flows resumed midday Monday from the North Sea Alwyn area. The company gave no details of the problem that disrupted flows from the area earlier Monday. The area produces typically 16 million cubic meters of gas a day.

The government reported that producer prices declined unexpectedly last month largely due to the drop in energy prices, while new construction of U.S. homes rose less than expected.

PIPELINE MAINTENANCE

Gulf South said it will perform maintenance on Index 430 beginning October 28th and lasting for 8-10 hours. A series of locations will be shut in for the duration of the work,

CIG said it would be running pigs on the 155A 20-inch line on October 27th. During the work Sand Springs Meter Station (Segment 202) will be scheduled to zero and the Parachute Compressor (Segment 203) could be cut based on the nominations going through the Greasewood North constraint point.

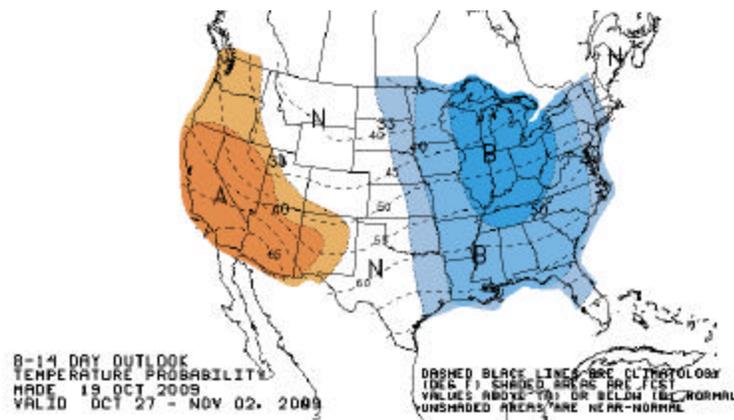


NGPL said it will be forced to further reduce the pressure and schedule reduced nominations for gas flowing westbound and eastbound through Segment 15, as the company continues to evaluate and repair the pipeline anomaly on the A/G Line in Segment 15 east of Station 801. It is likely this repair will be done on October 21st.

PIPELINE RESTRICTION

Maritimes & Northeast Pipeline said that it has learned that production from the Sable Offshore Energy facility has returned to normal levels for the gas day October 20th.

The Texas Eastern system reported today that it has restricted interruptible and a portion of secondary out of path nominations that exceed entitlements sourced between Little Rock and



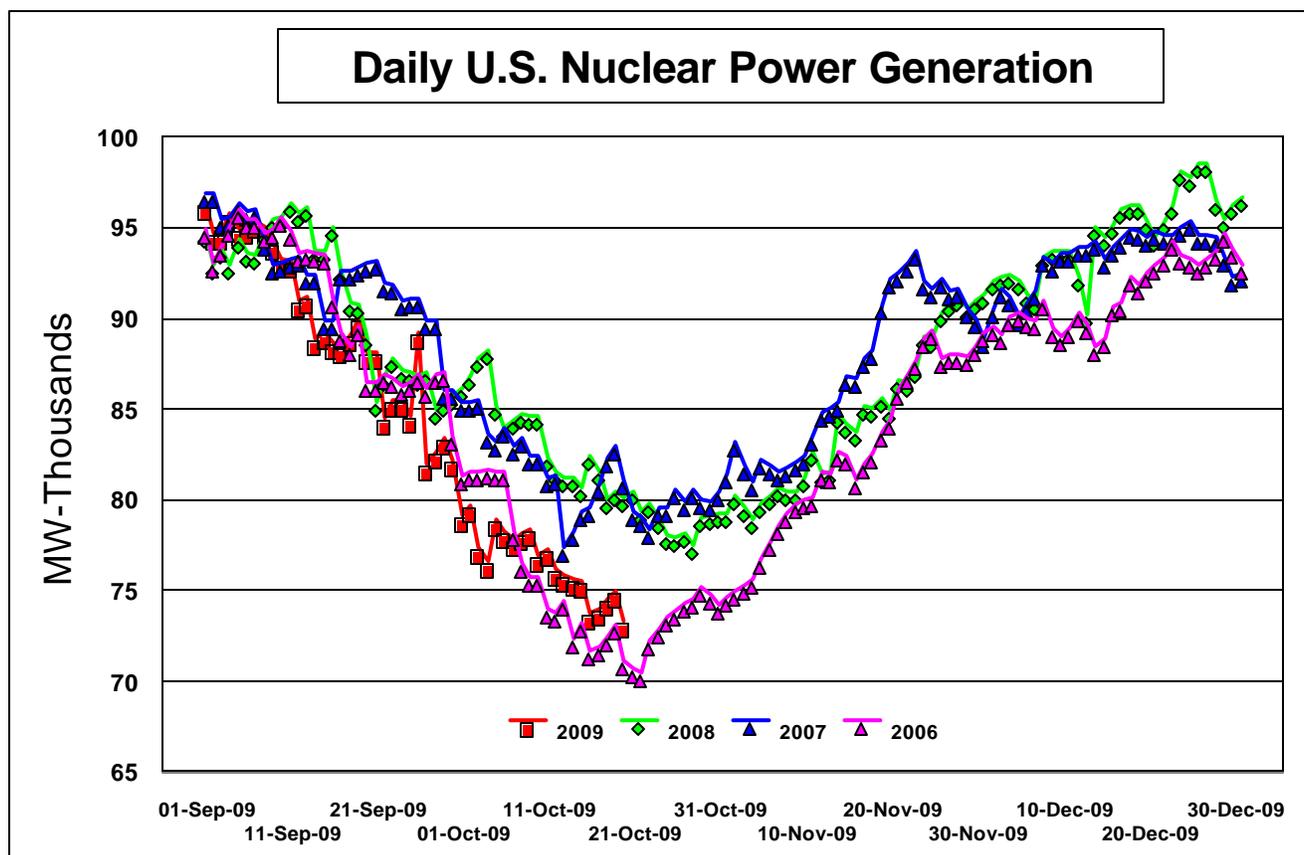
Sarahsville for delivery outside of this area. No increases in receipts between Little Rock and Sarahsville for delivery outside of this area will be accepted. The company has restricted interruptible and a portion of secondary firm nominations that exceed entitlements sourced in the ETX zone for delivery outside that area.

California Gas Transmission has issued a system wide OFO for October 21st due to high inventory. Customer supplies are required to be within a 5% tolerance.

Rockies Express Pipeline said it has capacity available for deliveries through Segment 300 effective for October 20th and until further notice. Based on the current level of nominations, authorized overrun/interruptible transportation and secondary out of path quantities may be scheduled.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. coal supplies at power plants grew at a much slower pace, increasing by only 0.3% over the last week, but still were some 21% higher than a year ago,



MARKET COMMENTARY

The natural gas market received its first boost this morning as traders were met with the news of the potential for a tropical disturbance actually brewing in the Caribbean along with a significant drop in nuclear generation overnight, which saw total nuclear generation fall to its lowest daily level since April 10, 2007. This allowed prices to breach the \$5.00 level for the first time since October 8th. While prices initially could not breach the resistance from the October 6th at \$5.12, by midday the assault on this price level was finally successful as the midday forecast models appeared to show temperatures especially on the 11-15 day period would be significantly colder than normal for the eastern half of the nation, a much more bullish forecast than this morning's outlook had been.

Open interest reported by midday appears to show that yesterday's price gains were driven by new longs coming into the market as on a combined and adjusted basis, open interest in the Henry Hub futures and swaps on NYMEX and ICE would have grown by nearly 14,000 contracts (10,000 Mmbtu size lots)

While we are itching to sell this market via put spreads we continue to feel that this market will not be able to come under sustained pressure until nuclear generation levels begin to rebound, from their current depressed levels. We see resistance tomorrow starting at \$5.20 followed by \$5.285, \$5.466, \$5.522 and \$5.624. Support we see at \$4.946 and \$4.87 followed by \$4.775, \$4.732 \$4.676 and \$4.60. More distant support is at \$4.355.

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