



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 21, 2009

NATURAL GAS MARKET NEWS

Reuters released the results of its quarterly poll of natural gas market analysts and it found that the group saw record high inventories and a weak economy as reasons to scale back their price forecasts from last quarter. The poll found that the group had lowered their price outlook for Henry Hub prices this year to \$4.05 per Mmbtu, down 4% from last quarter's estimate and they lowered their outlook for 2010 to \$5.88, some 3% lower than the prior forecast.

The president of Gazprom's U.S. energy trading unit said today that his company may consider acquiring a U.S. shale-gas producer to gain the expertise to exploit similar fuel deposits in Russia and elsewhere in the world. He also outlined that Gazprom may also invest in gas importing terminals in the U.S. in order to handle the LNG exports it expects from the second or third phase of its Shtokman's export facility. He noted that the company is currently negotiating to lease spare capacity at U.S. LNG terminals to handle these cargoes.

Generator Problems

NPCC – OPG's 490 Mw Units #1 and #7 at the Nanticoke coal fired power were shut for maintenance early Wednesday.

PJM – The 1186 Mw Hope Creek nuclear unit was at full power this morning, up from 50% power on Tuesday.

SPP & ERCOT- Entergy Nuclear said its 978 Mw River bend nuclear unit has returned to 97% power this morning up 32% from yesterday.

TVA's 1121 Mw Watts Bar #1 nuclear unit has been restarted and was up to 30% capacity.

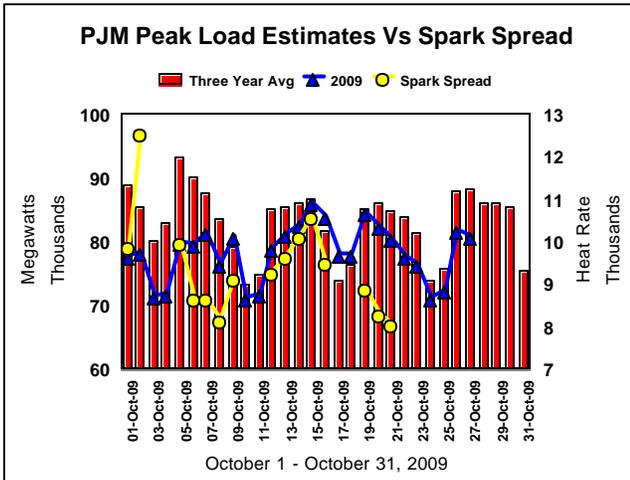
MISO – AEP said its 1009 Mw Cook #1 nuclear unit would return to service by the end of 2009 not as originally expected by the end of this month.

The NRC reported this morning that total U.S. nuclear generation stood at 7,998 Mw up 1.6% from yesterday and down 6.22% 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	1,031,600	\$4.797	\$0.199	(\$0.424)	\$0.138	(\$0.369)
Chicago City Gate	676,100	\$5.147	\$0.173	(\$0.074)	\$0.090	(\$0.075)
NGPL- TXOK	994,100	\$4.760	\$0.190	(\$0.461)	\$0.107	(\$0.621)
SoCal	663,600	\$5.121	\$0.249	(\$0.100)	\$0.166	(\$0.361)
PG&E Citygate	713,600	\$5.624	\$0.180	\$0.403	\$0.097	\$0.439
Dominion-South	244,400	\$5.103	\$0.169	(\$0.118)	\$0.086	(\$0.178)
USTRade Weighted	21,189,200	\$5.002	\$0.221	(\$0.219)	\$0.14	(\$0.369)

Enterprise Products partners reported that its open season, which ran from October 5th through October 16th, for firm pipeline capacity on the High Island Offshore System, concluded with no bids for firm capacity. The company said that in light of the significantly reduced demand for firm service on the system, it will now evaluate all of its options, which may include filing with the FERC for authorization to abandon its compression facilities and reduce the level of its firm certificated capacity.

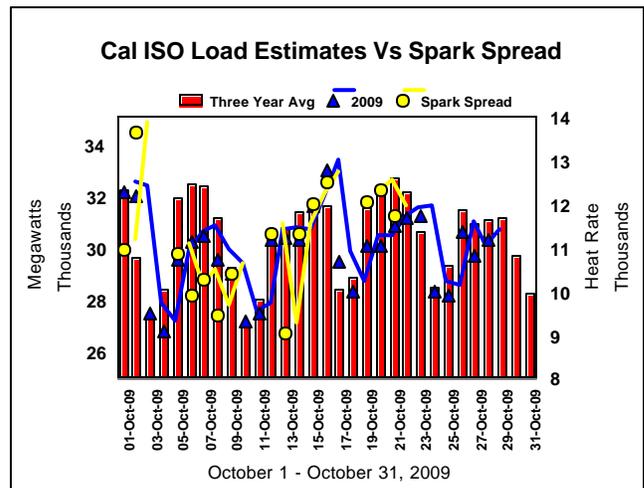
The Nabucco gas pipeline consortium said it remained open to a seventh partner but at this time is not in discussions with interested party despite comments last week from GDF Suez which noted that it was ready to review again if it should join the group. The group also said it was confident in accessing enough fuel to fill the proposed line. The group said it would get its first gas from Iraq and Azerbaijan with 8 bcm from both parties.



The National Hurricane Center this afternoon noted that there is nearly a stationary area of low pressure over the southwestern Caribbean Sea and Central America that is producing a large area of cloudiness and showers. This system remains poorly organized and development if any would be slow to occur and would likely just meander slowly about the western Caribbean for several days. However if anything that does develop and does not move into Central America could move northward, but towards Florida.

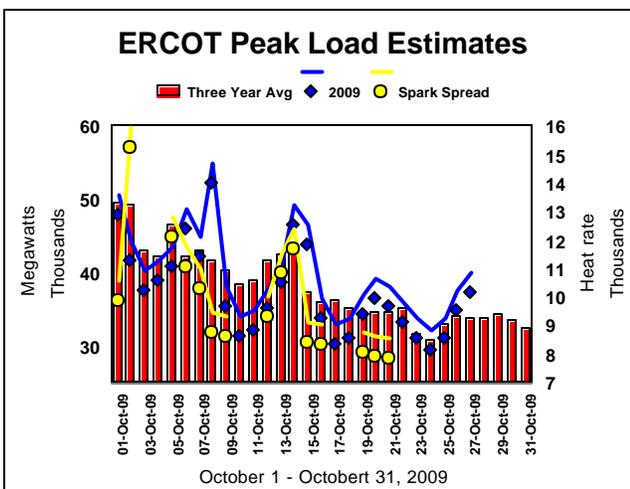
The Mourad Didouche LNG tanker is scheduled to arrive in Britain on October 25th.

Abu Dhabi National Energy Company said today it has agreed with partners to invest \$1.20 billion to jointly develop a gas storage project in the Netherlands with Gazprom. A depleted gas reservoir north of Amsterdam is slated to be utilized for storage with a working volume of around 4 bcm and an extra 4.6 bcm of cushion gas to control the pressure.



The director for gas research at the Oxford Institute for Energy Studies said today that he felt it was unlikely that Russia would cut gas supplies to Europe this winter, as it did this past January, because it is already struggling to sell fuel to European buyers given high inventories, cheap LNG spot gas and the economic recession.

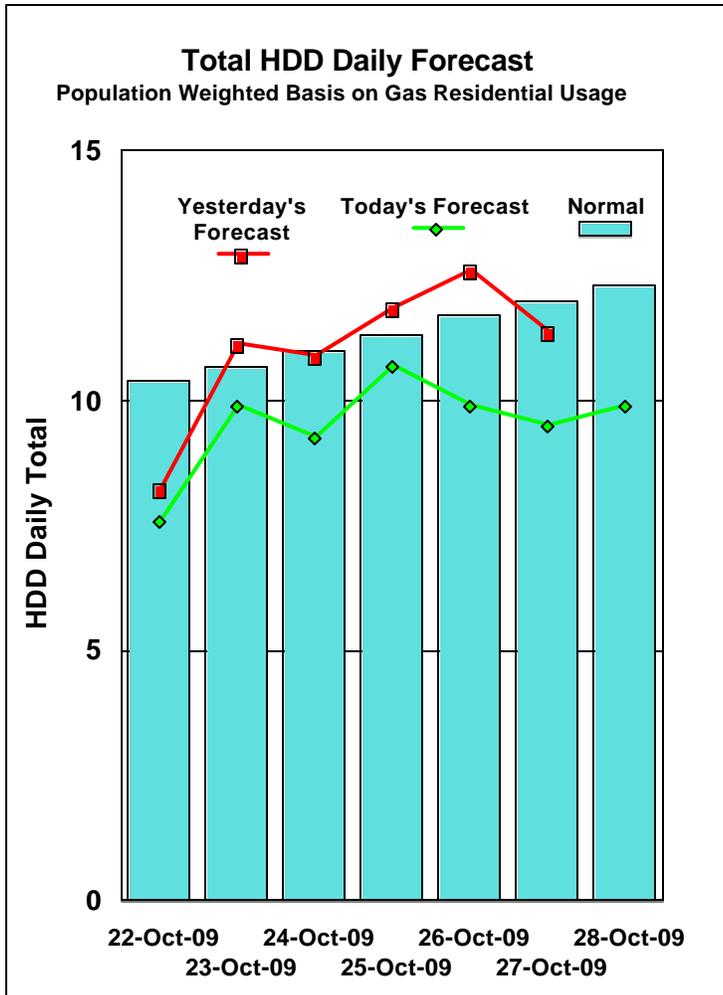
China's imports of LNG reached a record high in September of about 800,000 tonnes and October was expected to be relatively strong again.



CFTC Commissioner Chilton said today that the agency could issue for public comment new position limit rules covering energy markets by the end of November. He noted that the agency should be willing to take a lengthy, possibly months long, comment period to get the limits right.

PIPELINE MAINTENANCE

NGPL said that on October 27th it will isolate the Ozark Lateral to install a new valve and flow computer at the Ozark White Interconnect. The



work will require the company to shut in the location for the duration of the project. Based on the level of nominations authorized overrun/interruptible transportation service and secondary nominations are at risk of not being fully scheduled.

Northern Natural Gas has encountered an unexpected mechanical failure of its dehydration system on its onshore facilities near Tivoli, Texas. Crews are assessing the damage and determining the scope of repairs needed. Until then the Matagorda Offshore Pipeline system will be shut in.

PIPELINE RESTRICTION

NGPL said late yesterday that a gas quality problem was reported at the receipt from Enbridge-Washita #1 in Oklahoma Segment 5. Effective immediately and until further notice this receipt point will be unavailable.

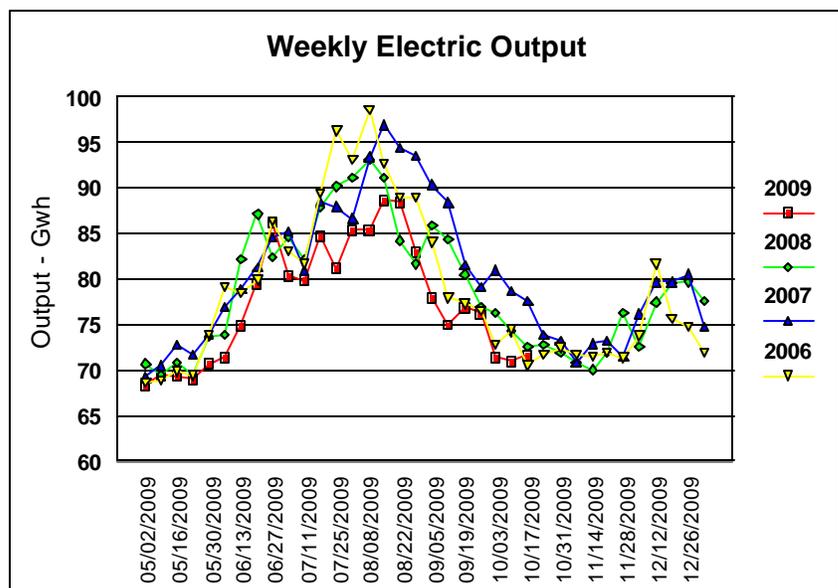
ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that for the week ending October 17th, electric production in the United States reached 71,659 Gwh down 0.5% from the prior week and off 2.18% from the same week a year ago.

The trade group, the Electric Power Supply Association said that they saw no need for further regulatory oversight ICE contracts, as the ICE contracts do not fit discovery designation, as they have no material impact on other contracts listed for trading, not adequate liquidity for definition.

MARKET COMMENTARY

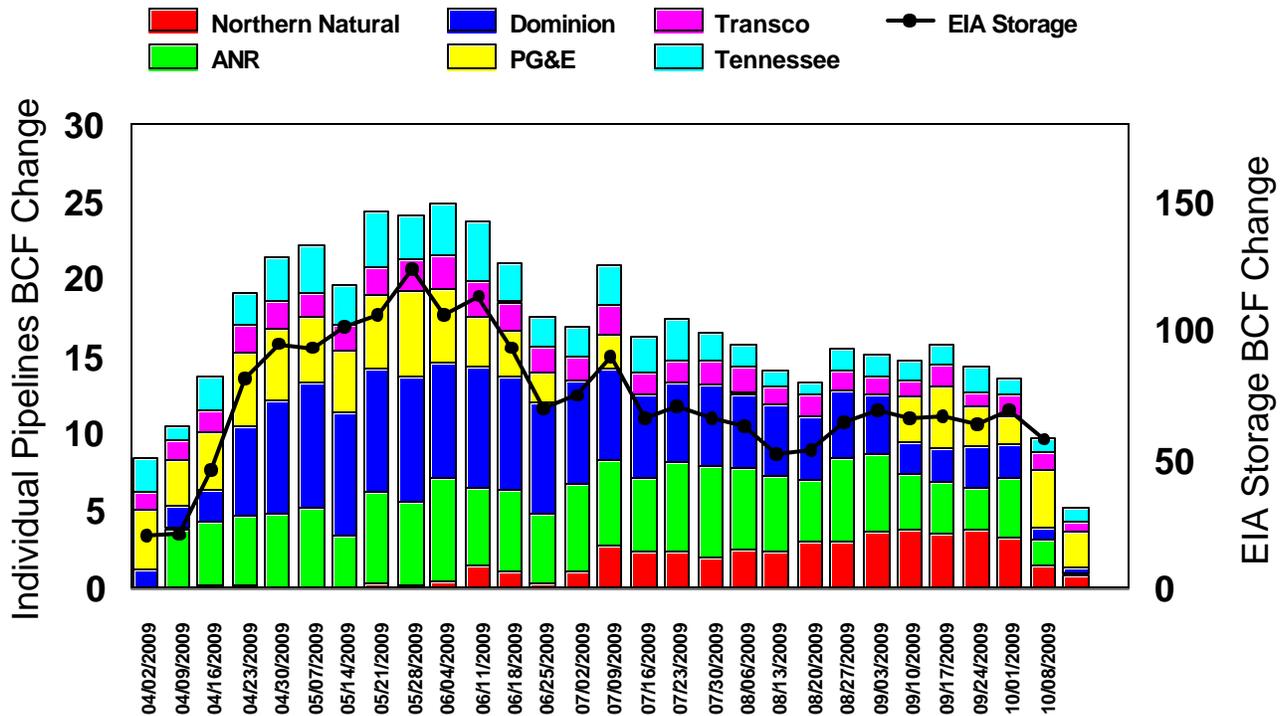
Despite the modest rebound in nuclear generation levels this morning coupled with the near term weather forecast having moderated this morning, the cash market remained strong as buyers appeared to still be scrambling to secure gas supplies for their near term needs. The futures market though appeared unsure of its direction. Traders continued to find support from the 6-10 day and 11-15 day forecasts, which look for, below normal temperatures to move back into the eastern half of the nation next week and possibly linger into the second week of November. When this



When this

forecast was reaffirmed at midday the market pushed up to new near term highs at \$5.318, but as the close approached it appears traders were willing to take profits on their recent length and move to the sidelines in front of Thursday's morning's storage report.

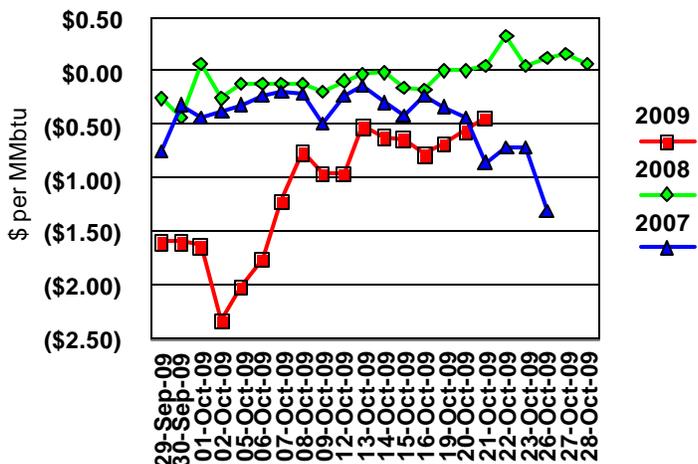
Weekly Change In Nat Gas Stocks



Market expectations for tomorrow's EIA natural gas storage report appear to range between a 5-50 bcf build with average projections coming in around a 17-20 bcf build. Our estimate, which for the past couple of weeks has been running on the low side of expectations and below the actual reported injection rate, this week appears to be coming in higher than most estimates, with a 40 bcf build. A year ago saw some 71 bcf of gas put into the ground while the five-year seasonal average is for a 60 bcf build.

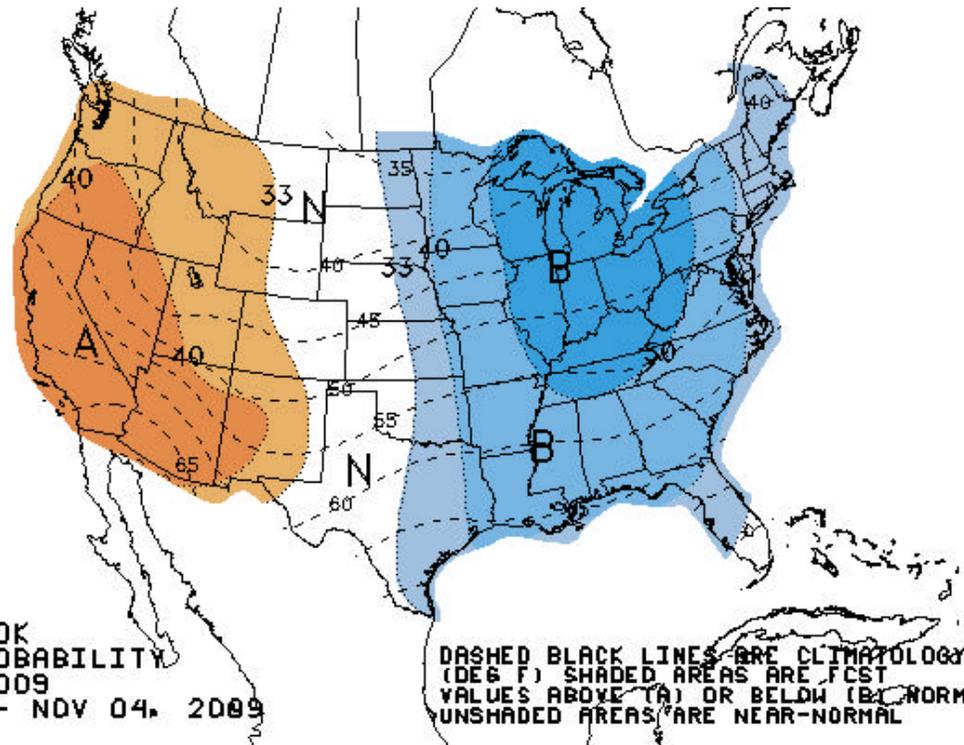
Henry Hub Basis

Cash Price Minus 12:30 PM NYMEX November Contract Price



We continue to watch for the sustained rebound in nuclear generation levels to be a signal for the bears to come out of hibernation. Until then we feel one must sit on the sidelines. We see resistance tomorrow at \$5.32 followed by \$5.465, \$5.523 and \$5.565. Much more distant resistance is at \$6.24. Support we see at \$4.95, \$4.837, \$4.75-\$4.72, \$4.69 and \$4.504.

8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 21 OCT 2009
VALID OCT 29 - NOV 04, 2009



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.