



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 22, 2009

NATURAL GAS MARKET NEWS

The National Hurricane Center continued to watch and area of cloudiness and showers over the southwestern Caribbean Sea that is associated with a nearly stationary area of low pressure. Further development if any will be slow to occur. The NHC assigned a less than 30% chance that this system could develop into a tropical cyclone in the next 48 hours. Models continued to note that if it did begin to develop and drifted north it most likely would be captured by a trough moving across the region next week and dragged towards Florida but the chances of this seem to continue to diminish.

Newfield Exploration reported that its Midcontinent operations which include the Woodford Shale area of Oklahoma and Texas, reached new highs in the third quarter, with production jumping almost a third from a year ago.

China National Offshore Oil Corporation announced today it has started construction work on the China's fourth LNG import terminal in Ningbo, in the eastern Chinese province of Zhejiang. The terminal will have a capacity of 3 million tones per year when it opens in 2012 and will rise to 6 million tones the following year.

EIA Weekly Report

	10/16/2009	10/09/2009	Change	10/16/2008
Producing Region	1187	1182	5	914
Consuming East	2041	2030	11	1979
Consuming West	506	504	2	443
Total US	3734	3716	18	3337

*storage figures in Bcf

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #8 coal fired power plant returned to service this morning. The unit had been off line since October 20th.

PJM – Dominion Resources said its 800 Mw Unit #1 at the Surry nuclear power plant was at 87% capacity this morning down 1%. Market expectations are for this plant to go into maintenance turn around on November 1st.

Exelon's 802 Mw Three Mile Island #1 nuclear unit continues to gradually coast down to its regularly scheduled refueling outage. The unit ws at 84% capacity this morning. The outage is expected to begin around October 26th.

ERCOT- Unit #2 at the Martin Lake coal fired power plant had a minor disruption this morning.

MISO- Edison Mission's 518 Mw Joliet #7 coal fired power unit was reported to have dropped off line.

FRCC – FPL's 839 Mw Unit #1 at the St. Lucie nuclear power station returned to full power early Thursday from 45% power that operators had reduced operations to on Tuesday due to maintenance issues.

FPL's 693 Mw Turkey Point #4 nuclear unit was expected to be shut on October 25th for its regularly scheduled refueling and maintenance outage. The unit though remained at full power this morning.

SERC – TVA's 1121 Mw Watts Bar #1 nuclear unit ramped up to 73% power, up 43% from yesterday.

TVA's 1150 Mw Sequoyah #2 nuclear unit while at full power today was expected to begin its regularly scheduled maintenance and refueling on or around October 25th.

The NRC reported this morning that total U.S. nuclear generation stood at 74,880 Mw up 1.1% from yesterday and down 5.5% from a year ago.

Chevron and its partners in the Gorgon natural gas project have awarded some \$9.2 billion in development contracts with GE and Hyundai Heavy Industries being the latest winners announced this week.

Gazprom's president said today that gas consumption in Europe is now exceeding levels seen prior to the financial crisis. He noted that demand has been in an upswing for the last two months in Europe.

The UK/Dutch BBL pipeline was reported to be back in operation after a minor technical fault last night disrupted flows. National Grid reported that gas flows from the pipeline fell to around 4 million cubic meters per day down from 10 million cubic meters day earlier.

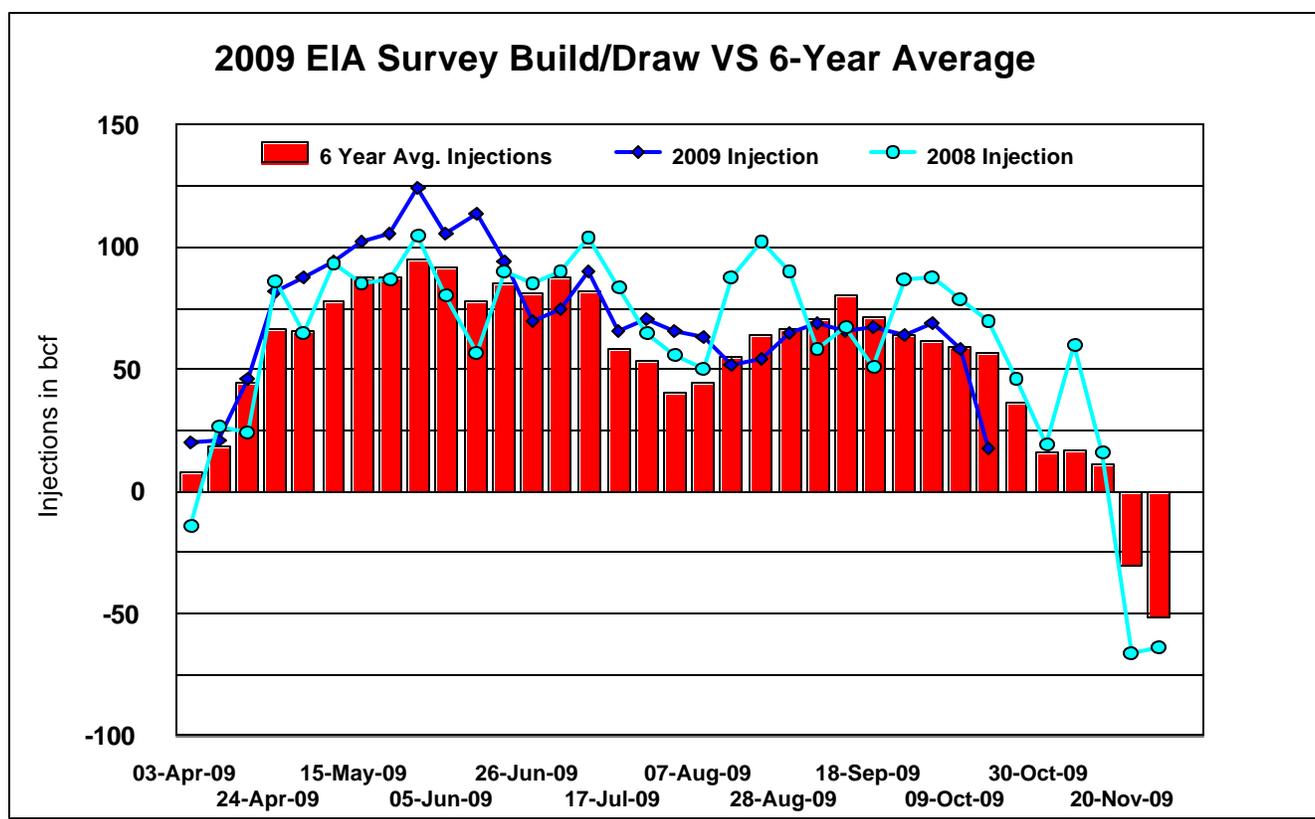
Canadian Gas Association			
Weekly Storage Report			
	16-Oct-09	09-Oct-09	17-Oct-08
East	231.9	233.2	238.1
West	363.8	361.2	339.5
Total	595.7	594.4	577.5

storage figures are in Bcf

The U.S. Department of Labor reported this morning that the number of workers filing new jobless claims rose by 11,000 last week, from an upwardly revised number from the prior week by 6,000. Market expectations had been for only 515,000 new claims would have been filed which would have made the third consecutive weekly decline. Meanwhile the Conference Board released their Leading Economic Index and it posted its sixth consecutive monthly improvement with a 1% increase in September. Over the last six months this index has gained 5.7% the highest 6-month growth rate since 1983.

PIPELINE RESTRICTION

Questar Pipeline said it will allow imbalance payback nominations from the shipper to the pipeline. The company said October 15th that due to high inventory in its Clay Basin Balancing account, no imbalance payback nominations from shipper to the pipeline would be allowed until further notice.



MEP said that effective for today's gas day and until further notice, ANR Perryville has limited capacity available for deliveries. Interruptible transportation services/authorized overrun and secondary firm transports are at risk of not being fully scheduled.

PG&E has issued a system wide OFO for October 23rd due to high inventory. Tolerance would be set at 5%.

NGPL said that effective October 22nd and until further notice it has limited capacity available for gas going northbound through Segment 13 at Compressor Station #107 in Mills County, Iowa. Interruptible transportation service/Authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.

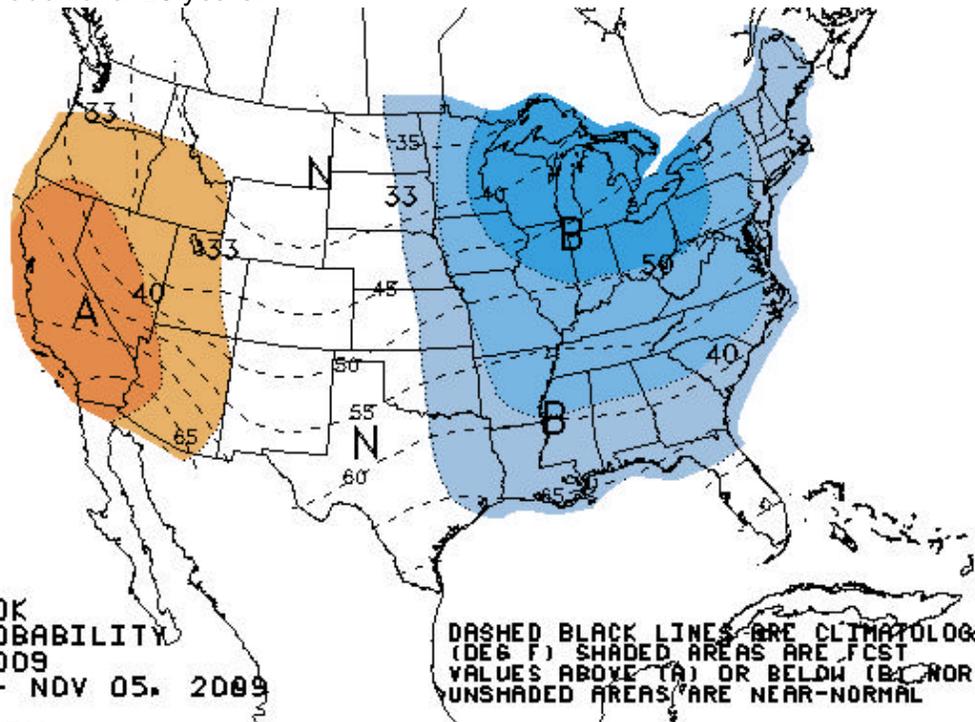
ELECTRIC MARKET NEWS

Executives from Arizona's two largest electric utilities have told state regulators that with the state facing the need for 10,000 Mw of new generation

resources over the next 15 years coupled growing environmental restrictions, the most likely option to meet this need would be the expansion of nuclear generation within the state. APS said that it would need about 12 years to get a nuclear plant sited, developed and built. They suggested this timeline could be shortened if the utility decided to add to generation units at the Palo Verde site which was designed for five units. Palo Verde is the nation's largest nuclear power station.

As expected the NRC announced that it had renewed the operating license for Exelon's Three Mile Island #1 reactor for an additional 20 years.

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	934,800	\$4.975	\$0.178	(\$0.024)	\$0.337	(\$0.283)
Chicago City Gate	736,400	\$5.230	\$0.083	\$0.231	\$0.306	(\$0.060)
NGPL- TX/OK	1,034,300	\$4.949	\$0.189	(\$0.050)	\$0.411	(\$0.507)
SoCal	495,500	\$5.225	\$0.105	\$0.226	\$0.327	(\$0.238)
PG&E Citygate	877,300	\$5.612	(\$0.013)	\$0.613	\$0.209	\$0.436
Dominion-South	191,700	\$5.232	\$0.130	\$0.233	\$0.352	(\$0.118)
UTrade Weighted	20,668,900	\$5.117	\$0.115	\$0.118	\$0.34	(\$0.283)



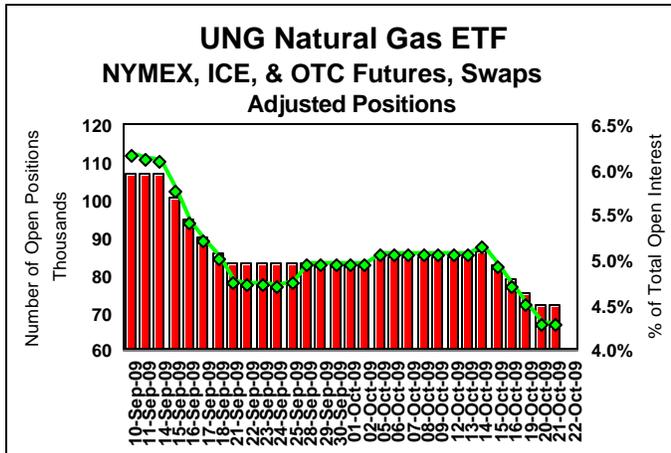
8-14 DAY OUTLOOK
 TEMPERATURE PROBABILITY
 MADE 22 OCT 2009
 VALID OCT 30 - NOV 05, 2009

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

MARKET COMMENTARY

While most of the cash markets moved higher today, the futures market was for the most part on the defensive. The futures market saw a small bounce following the release of the EIA Storage report but it was not sustained. Prices received additional pressure by midday when the updated weather forecasting models appeared to waiver on the temperature outlook for the 8-14 day period. The NWS forecasters noted that some forecasting models appeared to be showing some divergence from past day's forecasts as they have begun reflecting the possibility of the trough which is seen bringing colder Canadian air into the eastern half of the nation over the next week could begin to shift back westward

across the Western Rockies. As a result the NWS forecasters noted that their confidence level in their latest 6-10 day and 8-14 day forecasts slipped to their lowest level of the past week.

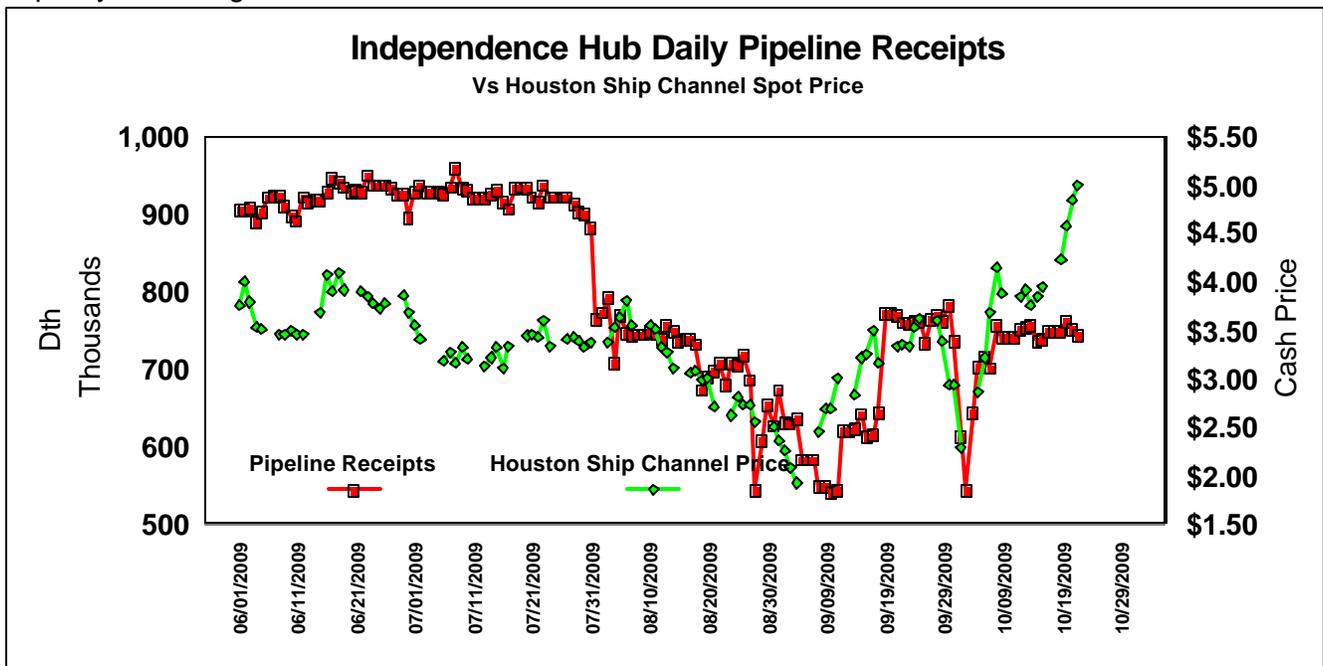


It is interesting to note that it appears that the United Natural Gas Fund ETF has seen a reduction in their open positions over the past week .

While nuclear generation levels inched higher today reaching their highest level in a week, there was still much discussions of an additional wave of nuclear units going down for scheduled maintenance and refueling over the next week. As a result we feel that this market still needs to see that utilities are in fact returning nuclear

generation to the grid in a steady fashion before it will begin to question current values of natural gas.

We also find it interesting that production from the Independence Hub seems to have some direct correlation recently with cash market values, in that as prices declined late this summer there was quick response in cutting production levels at the platform. It will be interesting to see if we will begin to see production levels begin to rebound given the recent rebound in spot cash values once storage capacity is no longer an issue.



We look for this market to see support for this market tomorrow at \$4.90, \$4.837, \$4.72, \$4.53-\$4.50 and \$4.355. Resistance we see starting at \$5.00 tomorrow followed by \$5.065, \$5.11, \$5.16. More distant resistance we see at \$5.32, \$5.44-\$5.465 and \$5.523.

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.

