



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 23, 2009

NATURAL GAS MARKET NEWS

The head of the CFTC said today that U.S. House proposals to regulate the OTC derivatives market should be improved to ensure that hedge funds and financial firms are required to clear their swaps. He noted that the two bills approved recently by Congressional committees may not go far enough because they only comprehensively regulate swap trades between derivatives dealers and major market players and that hedge funds may end up being exempt from the requirements. But he stressed that he does not think hedge funds or financial firms should be subject to the business conduct standards or capital charges that derivative dealers and major swap traders would be required to follow under the House proposals.

Baker Hughes reported that the number of drilling rigs searching for natural gas in the United States for the week ending October 23rd stood at 725 rigs an increase of four rigs on the week. This level is some 55 rigs above the low recorded back during the week of July 17th.

Generator Problems

NPCC –OPG's 494 Mw coal fired Unit #4 at the Lambton power plant was shut early Friday.

OPG's 490 Mw coal fired Unit #6 at the Nanticoke coal fired power plant was shut Friday for maintenance.

PJM – Dominion's 800 Mw Surry #1 nuclear unit was at 87% power this morning, unchanged from yesterday. The unit is expected to begin a refueling outage on November 1st.

MISO- Dominion Resources 556 Mw Kewaunee nuclear unit exited its refueling outage and ramped up to 33% power this morning. The unit had been off line since September 28th.

Exelon's 912 Mw Dresden #2 nuclear unit was at 96% power down 1% from Thursday.

Exelon's 912 Mw Dresden #2 nuclear unit was at 96% power this morning down 1% from yesterday. The unit is expected to be shut on or around November 2nd for scheduled refueling outage.

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit is expected to be shut Sunday for maintenance. It was still at full power this afternoon.

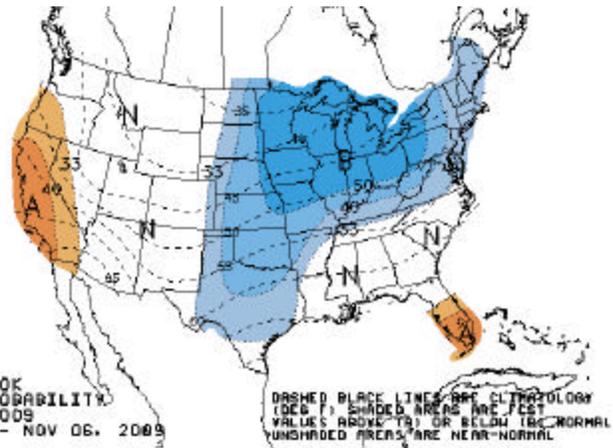
SERC – TVA's 1121 Mw Watts bar nuclear unit has completed its month long refueling and maintenance outage. The unit was at 90% power this morning.

The NRC reported this morning that total U.S. nuclear generation stood at 75,284 Mw up 0.5% from yesterday and down 4% from a year ago.

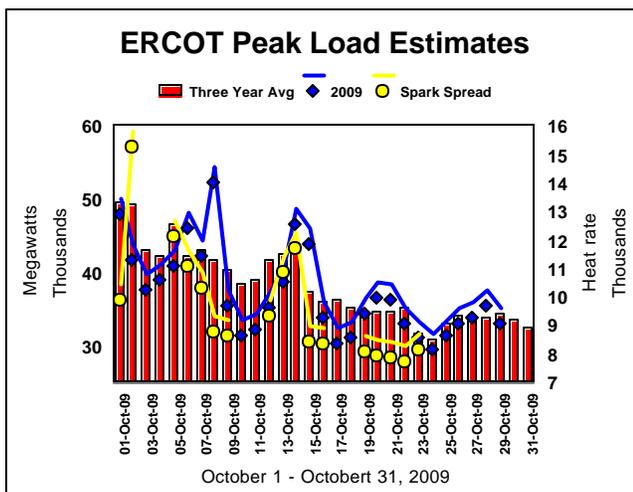
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	856,100	\$4.876	(\$0.099)	\$0.031	\$0.004	(\$0.160)
Chicago City Gate	593,200	\$5.148	(\$0.082)	\$0.303	\$0.072	\$0.017
NGPL- TX/OK	634,100	\$4.818	(\$0.131)	(\$0.027)	\$0.023	(\$0.359)
SoCal	287,200	\$5.083	(\$0.143)	\$0.238	\$0.011	(\$0.070)
PG&E Citygate	632,800	\$5.400	(\$0.212)	\$0.555	(\$0.058)	\$0.445
Dominion-South	224,500	\$5.053	(\$0.179)	\$0.208	(\$0.025)	(\$0.034)
USTRade Weighted	17,755,400	\$4.967	(\$0.150)	\$0.122	\$0.00	(\$0.160)

Canada's National Energy Board said today that it expects the Canadian natural gas supply picture will change by 2020, with declining conventional production being offset by tight

gas, shale gas, coalbed methane and frontier supplies. Some of the new gas resources, especially the shale gas developments, are located in new regions that will require infrastructure to bring it to market. The NEB sees gas demand in western Canada growing primarily to fuel expanding oil sands operations, with natural gas demand in the eastern part of the nation growing as the result of increasing gas fired generation as coal generating units are retired. The NEB also noted that pipeline and storage flexibility might be needed to accommodate the more variable loads associated with gas generation needs. The NEB expects natural gas production to decline more steeply in 2009 and 2010 due to the drop off in gas drilling caused by lower prices. After 2010, prices are expected to rise as demand increases and this should help bolster drilling and cause production to rise. It noted that with current production levels being below those seen earlier in this decade, existing pipeline and processing infrastructure should have adequate capacity and may possibly be under utilized in some locations. Gas production is expected to increase by 8.8 bcf/d by 2020. The agency noted that if Mackenzie Delta gas is developed it would then see Canadian natural gas production be restored to its peak levels seen 10 years ago.



Chesapeake Energy announced today that it had recorded record production levels in all four of the company's four shale plays. In the Barnett Shale, the company reported daily production recently exceeded 1 bcf/d from the 1500 Chesapeake-operated wells in the region. In the Haynesville Shale, its gross operated daily production reached 500 MMcf from approximately 125 wells. In Fayetteville Shale, its gross operated daily production has recently exceeded 400 MMcf from some 450 wells. Finally the Marcellus Shale play it has 100 MMcf of production from 60 operated wells



The British Trader LNG tanker was expected to arrive at the Cove Point LNG terminal on October 30th from Trinidad. Meanwhile Repsol's Bilbao Knutsen LNG tanker arrived at the Canaport terminal from Trinidad yesterday.

Turkmenistan said it has completed construction on its part of the 4350-mile long natural gas pipeline from Turkmenistan to China. The line is slated to begin operations in December. CNPC has signed a 30-year accord to import up to 30 bcm per year.

The Al Shamal LNG tanker arrived at the Isle of Grain LNG import facility on Friday.

Gas storage levels across Europe were little changed on the week ending October 19th. Storage at NBP and Spain were unchanged while modest gains were recorded at Eurohub Belgium and Germany.

Woodside Petroleum said it has ended talks to buy gas from Apache and Kuwait Foreign Petroleum Exploration Company for its Pluto LNG export project in western Australia. The two producers reportedly have switched to a rival project led by Chevron. Woodside said it was still in talks with

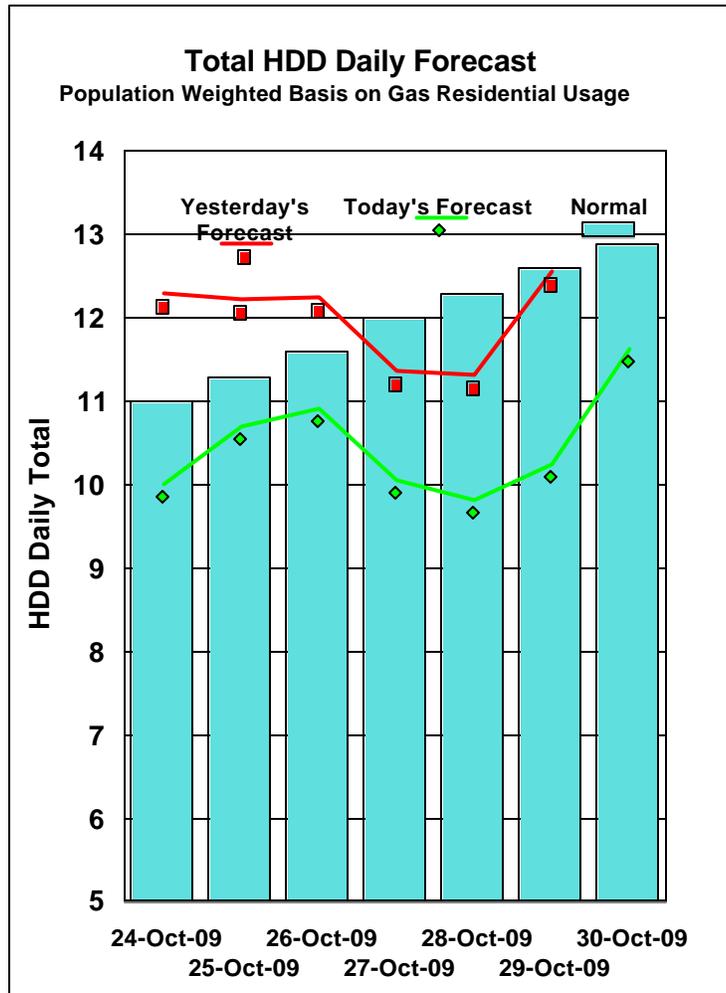
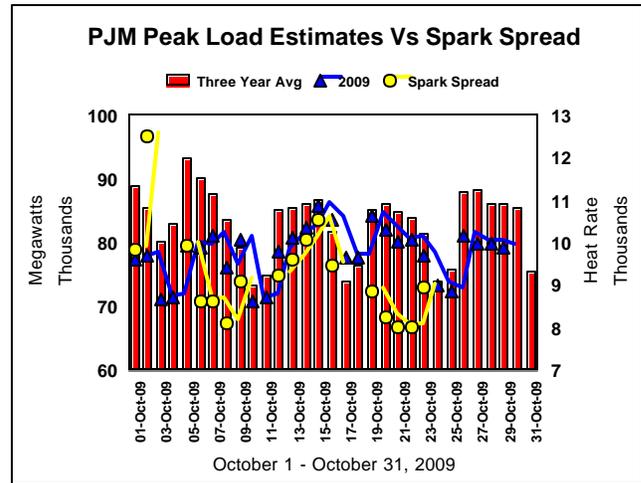
several third party gas owners in the Carnarvon basin to buy their gas to support its expansion plans for Pluto for a second train. The first phase of the Pluto project will have a production capacity of 4.3 mtpy and first gas is expected between late 2010 to early 2011. The project has governmental approvals in place to produce up to 12 million tones per year.

The Nabucco pipeline consortium said Thursday it has started detailed talks with investors and will have a lending plan for the \$11.8 billion pipeline in place next year.

Schlumberger's CEO said today the oversupplied global natural gas markets will keep pressure on service activity and prices. He expects that this over supply will last for some time absent any strong recovery in industrial demand. He said the slight recovery in North American drilling is unlikely to significantly improve pricing and service activity until late 2010.

PIPELINE MAINTENANCE

Northern Natural Gas said it is in the process of returning to service its dehydration equipment at Tivoli. The repairs are nearing completion and the equipment is expected to be fully operational for the gas day October 26th. The company first reported problem on October 22nd. The company said that untilt he repairs are compelte, the Matagorda Offshore Pipeline system will remain shut in.



Transcontinental Gas Pipeline said it willperform maintenance at High Island 154 on October 26th. During the work some 50 MMcf/d flow will be shut in from upstream producers.

PIPELINE RESTRICTION

Rockies Express Pipeline said effective for today and until further notice it is at capacity for delivered quantities to NNG Gage. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

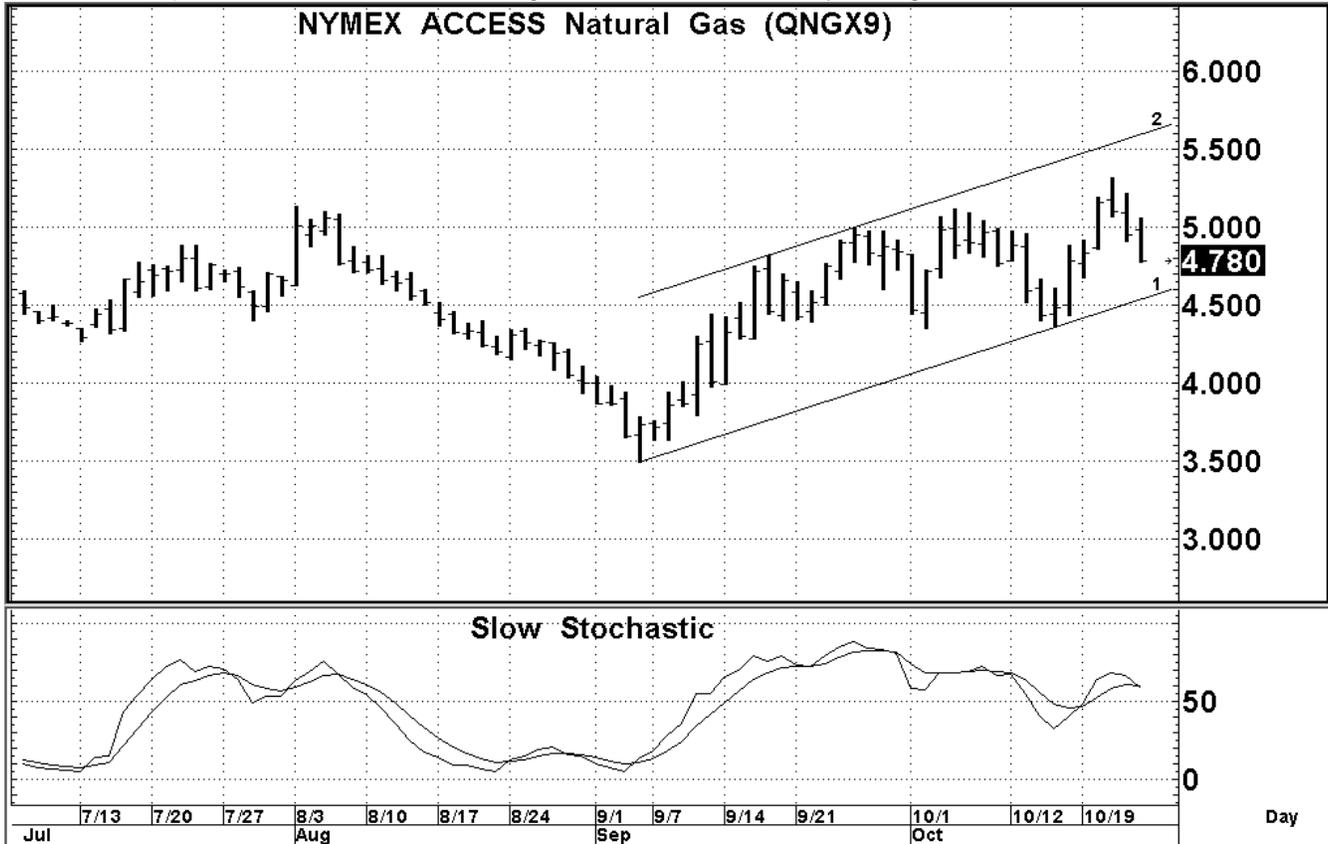
NGPL said the force majeure on the A/G Line in Segment 15 east of Station 801, which has been in effect since October 15th, has been lifted

PG&E has issued a system wide operational flow order for October 23rd and October 24th due to high inventory. Tolerance was set at 5%.

ELECTRIC MARKET NEWS

The U.S. EPA has agreed to issue a new air pollution rules for coal and oil fired power plants by November 2011. The rules will focus on final "maximum achievable control technology" emissions standards for hazardous air pollutants.

The EIA reported late yesterday that coal output in the U.S. for the week ending October 17th increased to 20.816 million tons, up 1% from the prior week but still some 9% lower than a year ago. Year to date production has been running some 6.8% behind a year ago's levels.



MARKET COMMENTARY

The natural gas market basically started out the trading session on the defensive and remained in that mode throughout the day. Near term temperature forecast for the next seven days were moderated significantly from yesterday, and showed overall heating demand for natural gas across the nation would remain below normal levels for the next week. Nuclear generation levels also continued to rebound today, the third consecutive daily improvement that resulted in generating levels at their highest level in 10 days. In addition with the decline in many equity and commodity markets as a result of the strengthening dollar today also helped to cast a general bearish mood in the market. Prices by this afternoon had returned to levels not seen since the start of the week as they nearly retraced 62% of the recent rally of the past two weeks.

This afternoon's Commitment of Traders Report showed some interesting developments over the past week. For the period ending October 20th, the CFTC's new disaggregated report showed that money managers segment of the natural gas futures and options market while last week had been the largest net short in the market, were replaced by large individual trader segment, as the managed money sector decreased their net short position by 4,999 lots while the "other reportable" sector increased their net shorts in futures and options by 17,783 lots. The trade sector of the market appears to have modestly increased their net short position by 4487 lots to hold their largest net short position in recent weeks. Swap dealers though increased their net long position by 13,479 lots.

We continue to look for nuclear generation and weather forecasts as the keys to this market next week. But at this point it appears that this market will remain in the upward trading channel that it has established for the past two months.

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