



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

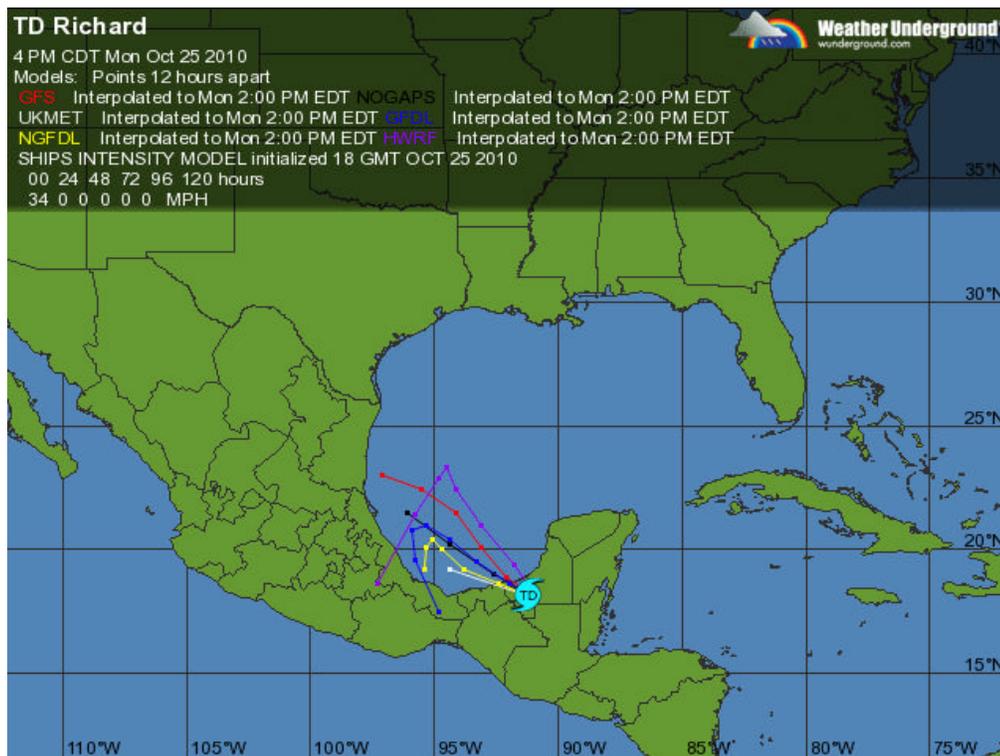
www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 25, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning reported that Hurricane Richard early this morning had been downgraded to a tropical storm as the storm moved ashore and began to cross the Yucatan peninsula. The storm is expected to weaken further, and should be downgraded to a tropical depression. The storm is expected to pass closely by Pemex's main offshore facilities and in the Bay of Campeche, but operations are not expected to be impacted. No significant intensification is expected as the system moves north into the

The NRC reported today that some 79,736 Mw of generating capacity was online today, down 0.3% from yesterday, but some 10.1% higher than the same day a year ago.



Gulf of Mexico due to expected high wind shear levels and dry air. In fact forecasters are looking for the storm to become a remnant low within 48-72 hours. Elsewhere forecasters were watching to see if another tropical system would develop in the central or eastern Caribbean either this weekend or early next week possibly coming from a tropical disturbance currently south-southwest of the Cape Verde Islands.

Private weather forecasting service

WSI Corporation said today that it sees temperatures to average lower than normal in Western Europe, including Britain for the November through January period. Scandinavia and Eastern Europe are seen averaging warmer than normal. The forecaster sees the coldest period to be early and late in the winter, with the potential for a very mild spell during the heart of the winter. The forecaster, which accurately predicted Britain would see a very cold start to 2010 is basing this year's forecast on an unusually strong negative phase of the North Atlantic Oscillation (NAO).

Port officials at the British port of Milford Haven reported that the Al Nuaman LNG tanker is slated to arrive at the South Hook terminal on November 1st from Qatar carrying 210,000 cubic meters of LNG. Two other tankers from Qatar are expected to arrive Tuesday. Meanwhile National Grid confirmed that the BW Suez Everett offloaded gas at the Isle of Grain terminal on Saturday. Meanwhile port officials in Belgium reported that the Qatari Rasgas' Ascleplus was expected to arrive at the Zeebrugge port on November 7th. The Qatari Trinity Glory LNG tanker was expected to arrive at the terminal on November 10th.

Leonid Bokhanovsky, the head of the recently launched Gas Exporting Countries Forum said today that the group is set to propose a gas market model based on the OPEC experience.

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	720,800	\$3.177	(\$0.009)	(\$0.114)	\$0.061	(\$0.064)
Chicago City Gate	431,100	\$3.309	\$0.005	\$0.019	\$0.023	\$0.066
NGPL- TX/OK	633,500	\$3.056	(\$0.014)	(\$0.234)	\$0.004	(\$0.175)
SoCal	368,300	\$3.016	\$0.009	(\$0.274)	\$0.027	(\$0.136)
PG&E Citygate	764,000	\$3.872	\$0.112	\$0.582	\$0.130	\$0.464
Dominion-South	500,500	\$3.249	\$0.071	(\$0.041)	\$0.089	\$0.018
USTrade Weighted	19,568,700	\$3.168	\$0.043	(\$0.122)	\$0.06	(\$0.064)

The members of the group account for 70% of the world's conventional gas reserves. The group is set to meet in Qatar on December 2nd to review a five year plan which will seek a structure for gathering information, data swaps between members and more long term issues will that will be set for discussions later in 2011.

Russia's energy minister said today that Russia and Poland plan on signing an agreement later this week on raising the volume of Russian gas to be delivered to Poland. Such an agreement has been in negotiations for over two years.

Bahrain Petroleum Company reported today that it has almost finalized a tender to invite companies to build a \$600 million LNG terminal in that country. The proposed facility would have an initial capacity of 400 million cubic feet per day, which could be expanded to 800 mmcf/d. The country consumed 1.3 bcf/d in 2007 and expects its annual consumption to rise to 2 bcf/d

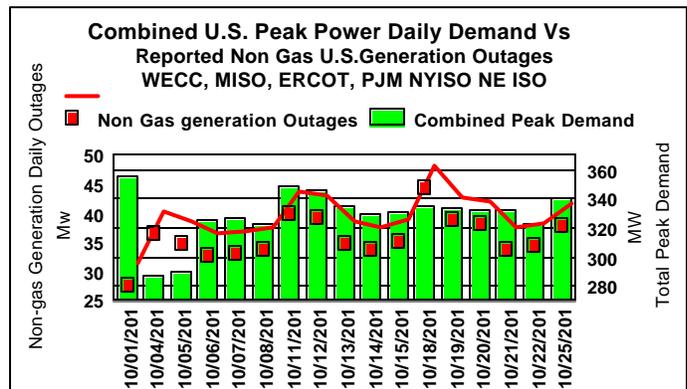
ELECTRIC MARKET NEWS

Genscape reported today that they estimate that U.S. power output for the week ending October 21st rose 1.8% from the prior week and was 5% higher than the same week a year ago. The company noted that cooling demand in the in the South coupled with heating demand in the Northeast was responsible for the jump in power production.

ECONOMIC NEWS

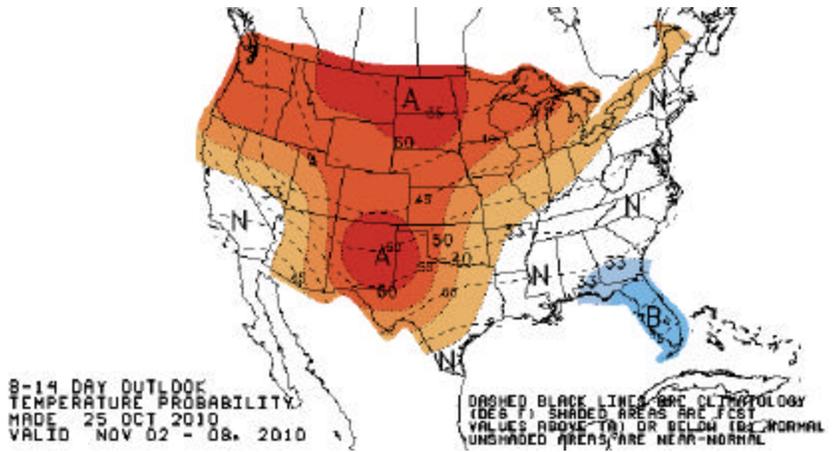
The National Association of Realtors reported today that sales of previously owned U.S. homes rose in September for the second straight month, rising 10% from August to an annual rate of 4.53 million units. This was substantially higher than market expectations for a 4% rise.

The Dallas Federal Reserve Bank reported today that its Texas manufacturing index stood at 2.6 versus -17.7 for August. A positive reading indicates expansion while a negative index indicates contraction.

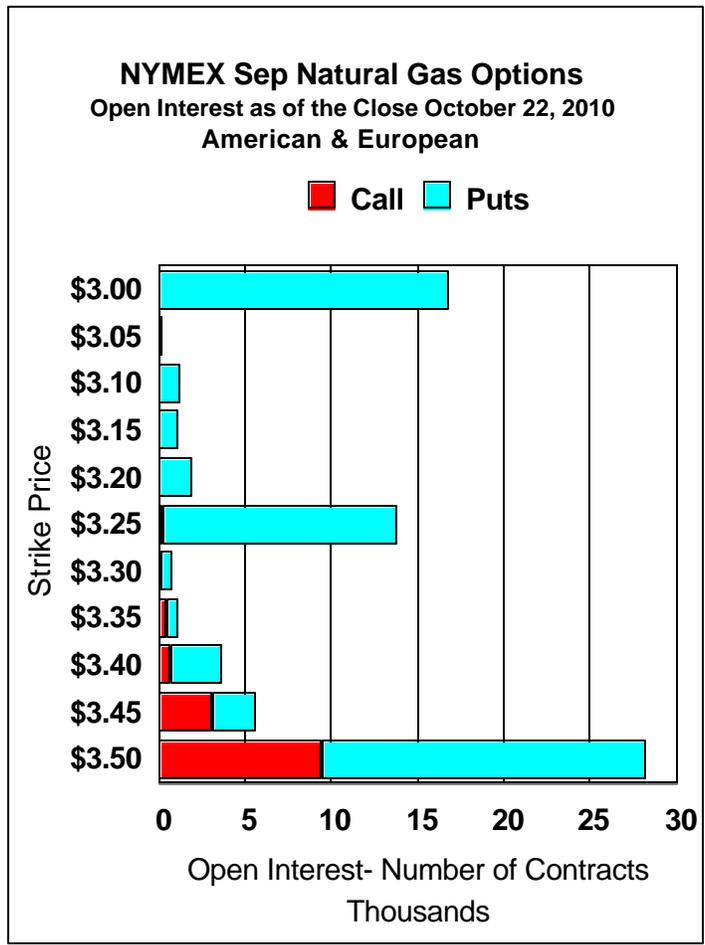


MARKET COMMENTARY

The natural gas market worked lower today for the third consecutive session. Bears remained comfortable with their short market positions heading into Wednesday's November contract expiration as they were met this morning with weather forecasts that showed a rapidly diminishing tropical threat from Tropical Storm Richard, coupled with a temperature outlook



that shows very moderate temperatures for much of the nation over the next two weeks, especially for the 8-14 day period. But given the relatively mixed results of the underlying cash market, and last week's Baker Hughes supportive drilling rig report, we feel that this market is still in search for some form of a price bottom. Prices this morning hovered above the support trend line of the past month's sell off as well as the \$3.25 strike price level before bouncing back this afternoon as the oil market and other commodity markets rebounded as the dollar once again eased in value.



Tomorrow is expiration day for the November option contracts. While the \$3.25 strike may be at risk we feel the \$3.00 puts are probably sufficiently far enough away from being reached by aggressive shorts. We see support tomorrow at \$3.25 followed by \$3.20, \$3.167 and \$3.00. Resistance we see at \$3.40 followed by \$3.50, \$3.604-\$3.613. Additional resistance we see at \$3.653, \$3.777 and \$3.90.

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.