



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 26, 2009

NATURAL GAS MARKET NEWS

Private weather forecaster WxRisk said today that its winter forecast is differing from the recent consensus outlook, as it sees the Midwest and not the east and southeast as the region of the country that should experience the coldest temperatures relative to normal this winter.

Ernst & Young in its fourth quarter outlook for the energy industry said today that natural gas and oil prices are no longer connected and strong gas supplies coupled with the anticipation of warmer winters and a weak economy provide little evidence that prices will reconnect in the near future. However the consultants said regulatory pressure to decrease carbon emissions could lift gas demand and prices.

The Climate Prediction Center reported today that it expects gas home heating customer weighted demand this week will only reach 74 HDD, some 23% less than a year ago and normal levels.

Gazprom said it expects its European customers to fully take their contracted volumes of gas this year and thus avoiding the need for fines for low consumption. The comment from a Gazprom official today follows a recent report by the Wall Street Journal that estimated European customers owe Gazprom \$2.5 billion under take or pay provisions, which fix a minimum amount of gas they must buy annually. While volumes were disrupted in January due to the Russian-Ukraine price dispute. Gazprom has said that over the last two months European demand for gas has been running ahead of year ago levels.

Generator Problems

NPCC – OPG's 515 Mw Unit #8 at the Pickering nuclear power station was shut Monday for short term maintenance.

PJM – Exelon's 786 Mw Unit #1 at the Three Mile Island nuclear plant was shut early Monday. The unit had been at full power on Friday.

Dominion's 903 Mw North Anna #1 nuclear unit was shut Friday evening. The unit had been at full power on early Friday. Operators shut the unit to repair a pinhole leak in a reactor purification system.

MISO – Exelon's 1043 Mw Clinton power unit has exited its refueling outage and as ramping up to 50% power this morning. The unit had been off line since October 15th.

Dominion's 556 Mw Kewaunee nuclear unit returned to full power Monday up from 33% power recorded on Friday.

FRCC – FPL's 693 Mw Unit 4 Turkey Point nuclear power plant was shut early Monday. The unit had been at full power on Friday.

ERCOT – Unit #1 at the coal fired Monticello power plant was expected to under going maintenance today.

SERC – TVA reported this morning that it has shut its 1105 Mw Unit #3 at the Browns Ferry nuclear power plant. The unit had been at full power on Friday.

TVA's 1126 Mw Unit #2 at the Sequoyah nuclear power station was shut early Monday. The unit had been at full power on Friday.

Southern's 1152 Mw Vogtle #1 nuclear unit ramped up to 94% power this morning. The unit had been at 28% power on Friday.

Cal ISO reported this afternoon that 15,023 Mw of generation was off line, some 52% of which was non-gas generation assets.

The NRC reported this morning that total U.S. nuclear generation stood at 72,417 Mw down 1.3% from yesterday and down 6.8% from a year ago.

Iran says it is holding talks on several alternative routes to transport its gas to Europe. Iran said transit price would be crucial in determining its potential export route.

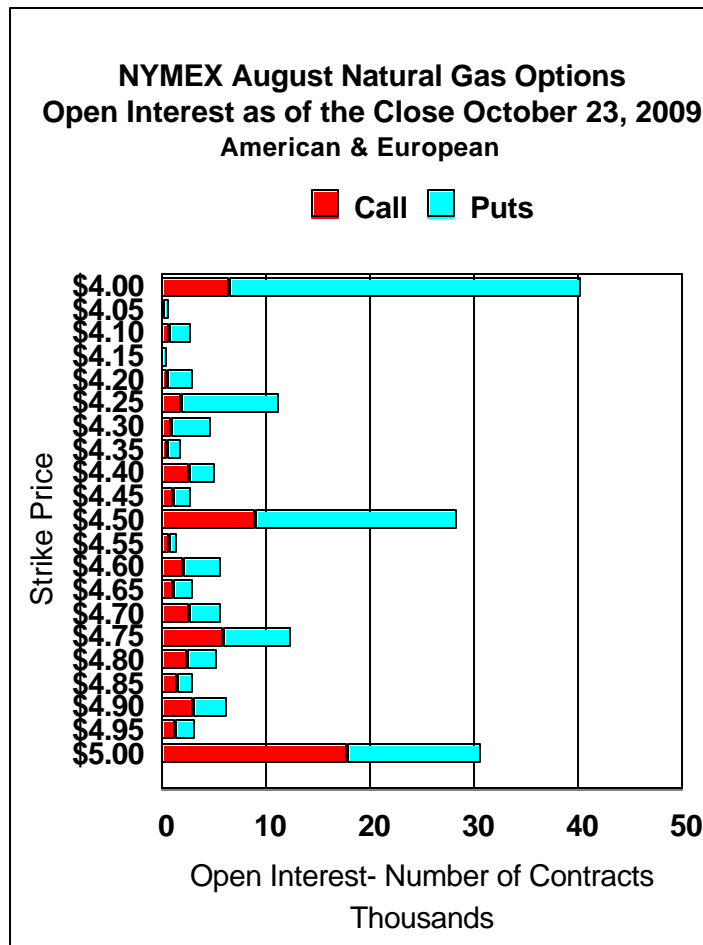
China reportedly imported 788,514 tonnes of LNG in September according customs data. This was the highest on record. Imports were some 144% from a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	637,200	\$4.517	(\$0.359)	\$0.019	(\$0.030)	(\$0.048)
Chicago City Gate	667,100	\$4.708	(\$0.440)	\$0.210	(\$0.093)	\$0.101
NGPL- TX/OK	684,300	\$4.451	(\$0.368)	(\$0.047)	(\$0.021)	(\$0.231)
SoCal	280,400	\$4.664	(\$0.418)	\$0.166	(\$0.071)	\$0.053
PG&E Citygate	605,000	\$5.132	(\$0.268)	\$0.634	\$0.079	\$0.502
Dominion-South	299,600	\$4.658	(\$0.395)	\$0.160	(\$0.048)	\$0.056
USTrade Weighted	18,092,200	\$4.591	(\$0.377)	\$0.093	(\$0.03)	(\$0.048)

China said today that it would shift to a weighted mechanism for natural gas pricing from the start of next year taking into consideration both domestically produced and

imported natural gas prices. As a result city-gate natural gas prices will be increased next year and the corresponding wellhead prices would also be raised. The current natural gas price system put in place back in 2005 was linked to prices of alternative fuels like coal and crude oil. Approximately two thirds of Chinese natural gas use comes from its chemicals industry.

The Methane Princess LNG tanker was scheduled to arrive in Britain on November 24 at the Milford Haven terminal from Trinidad. Also the Berge Arzew LNG tanker arrived at the Isle of Grain import terminal according to National Grid.



Russia and Poland have agreed to change the ownership structure of the Polish section of the Yamal-Europe gas pipeline in order to give Gazprom and Poland's PGNiG equal participation in the project

ELECTRIC MARKET NEWS

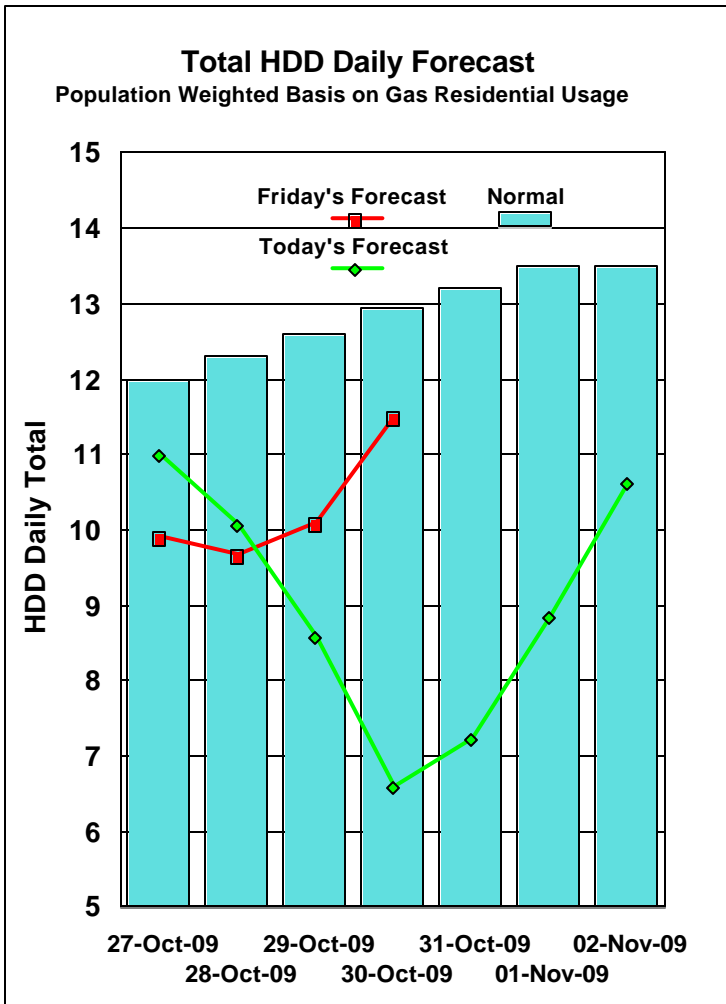
The CFTC said Monday that it has proposed increasing its oversight of five electricity contracts listed on ICE because they perform "significant" price discovery functions. The contracts are based on power prices in the PJM Interconnection. These contracts are for Real Time Peak Daily; Real Time Peak; Real Time Off Peak, Day Ahead LMP Peak Daily and Real Time Off Peak Daily.

Genscape reported that for the week ending October 22nd, U.S. electrical output rose 4.8% from the week before but was down 5.4% from the same week a year ago.

MARKET COMMENTARY

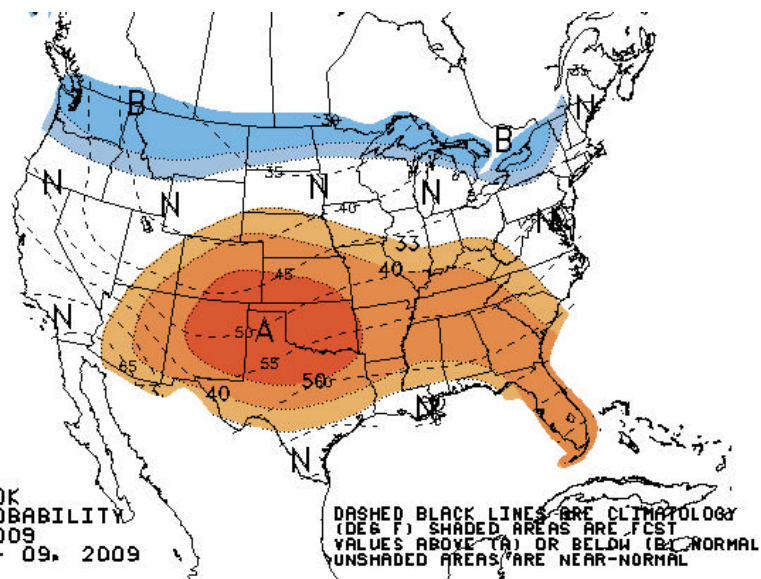
The natural gas market tumbled lower for the fourth consecutive session as traders started the day met by moderating weather forecasts for the next two weeks. The market received an addition shove to the downside technically

as the floor session opened and the support line from the past two months at \$4.564 was breached.



Prices fell more than a dime more through the morning before support began to be found just above the 50% retracement of the two-month rally. Prices settled just above \$4.50 the price level; a significant price level basis open interest given tomorrow is option expiration day for the November NYMEX natural gas options.

Given that nuclear generation levels today fell to their lowest level this autumn, we are skeptical that this market will continue to fall in a straight downward path without nuclear generation levels rebounding. But if weather forecasts remain less than supportive we feel that prices will not be able to return to their recent highs but will probably see the November contract go out around the \$4.50 area.



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.

