



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 28, 2009

NATURAL GAS MARKET NEWS

The head of the EIA told Congress today that the agency later this week will report that U.S. proved natural gas reserves increased from 2007 to 2008 by 3%. This growth though is slower than the 13% increase recorded during the previous year though. He noted that while estimates vary, the U.S. probably now has between 50 and 100 years worth of recoverable natural gas which is accessible with the technology of today.

Chesapeake Energy Corporation bowing to intense public pressure said yesterday that it would not drill for natural gas within the upstate New York watershed. The company said that they are not going to develop the leases it holds in the Marcellus Shale in this area or would it seek to acquire any more drilling rights. The company which acquired 5000 acres in this particular area when it bought Columbia Natural Resources a few years ago and is the only leaseholder in the area. The company though still plans on drilling in other areas of the shale play within New York State.

Bentek Energy said today that in the unconventional gas resource era we have entered, falling rig counts no longer mean declining production, and the traditional rig count no longer is an accurate indicator of where the industry and market are going.

Generator Problems

PJM – Dominion's 800 Mw Surry #2 nuclear unit was at 87% capacity this morning down 13% from yesterday. The unit is expected to be coasting down to a planned November 1st refueling outage.

MISO- The OPD 476 Mw Fort Calhoun nuclear unit was still at full power this morning despite expectations that the unit will be taken down for maintenance on November 1st.

Exelon's 912 Mw Dresden #2 nuclear unit was at 95% power this morning unchanged from yesterday. Market talk is that this unit is scheduled for a refueling turnaround starting November 2nd.

Exelon's 1043 Mw Clinton nuclear unit was at 80% capacity, down 16% from yesterday.

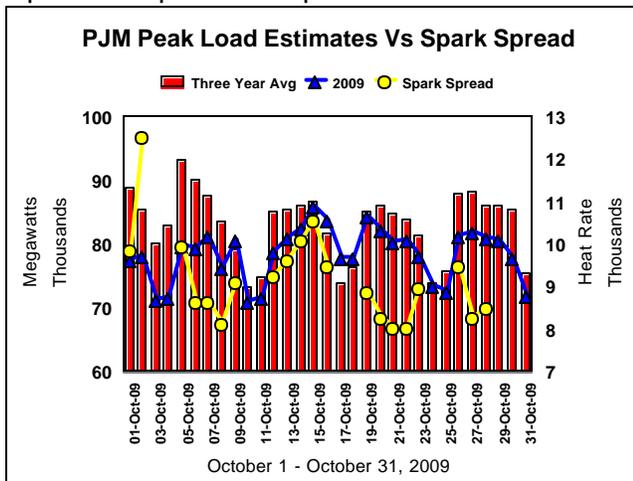
ERCOT- Unit #4 at the Sandow coal fired power plant saw operations reduced due to a ESP breaker being reset.

The NRC reported this morning that total U.S. nuclear generation stood at 72,871 Mw down 0.4% from yesterday and down 7.25% from a year ago.

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	889,400	\$4.588	\$0.071	\$0.237	\$0.233	\$0.159
Chicago City Gate	646,400	\$4.767	\$0.012	\$0.416	\$0.206	\$0.274
NGPL- TX/OK	658,200	\$4.516	\$0.059	\$0.165	\$0.253	(\$0.009)
SoCal	376,100	\$4.799	\$0.074	\$0.448	\$0.268	\$0.251
PG&E Citygate	752,800	\$5.450	\$0.092	\$1.099	\$0.286	\$0.742
Dominion-South	243,100	\$4.749	(\$0.002)	\$0.398	\$0.193	\$0.241
USTrade Weighted	19,411,300	\$4.698	\$0.039	\$0.347	\$0.23	\$0.159

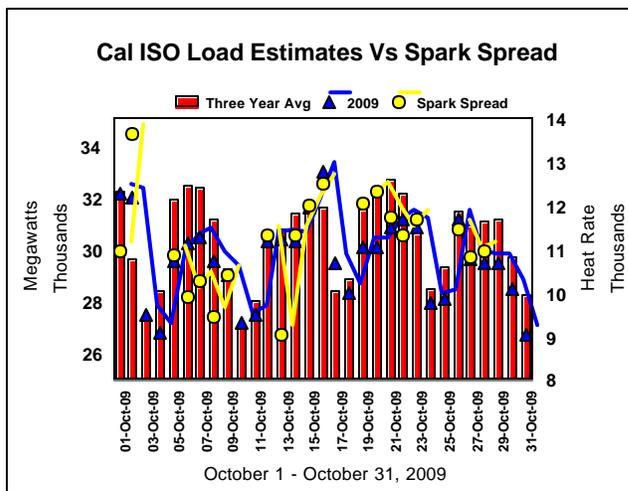
BP Trinidad and Tobago has begun natural gas production from its Savonette field offshore of Trinidad. Production is expected to

reach 600 MMcf/d plus associated condensate. Gas from the field will supply Atlantic LNG's liquefaction plant for export.

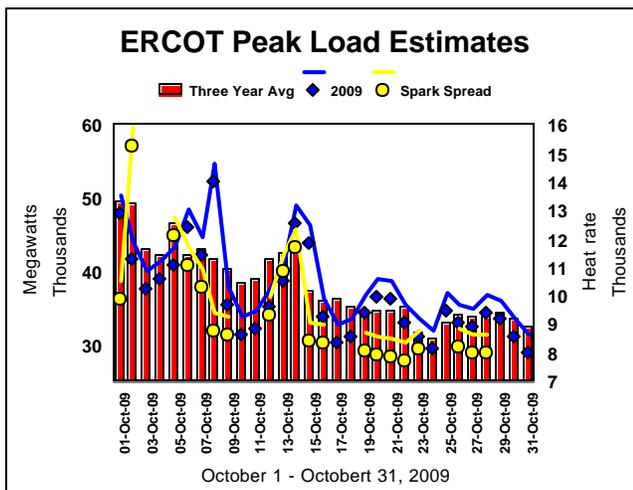


CFTC Chairman Gensler said today that while he noted the two bills that have passed committee in Congress dealing with OTC regulation were important steps forward, he would like to see them expanded to bring more transactions into central clearing. Gensler said he understands that there are concerns about the potential costs of mandatory clearing, and he believes that commercial end users should be permitted to access clearing through a clearing member. The end user should also be able to establish a client relationship with clearing members who would clear the transaction on behalf of the end user and would be able to enter into individualized credit

arrangements. The clearing members would be subject to oversight. Gensler also said all standardized OTC products should be moved onto regulated exchanges. If Congress decides to exempt end users such as natural gas producers or utilities from margin requirements, the exemptions should be narrow. Transactions between end users and swap dealers should still be traded on exchanges or swap execution facilities since it is an effective way to promote the price discovery function in the market.



Turkey has given its support to Iran joining the European Union-backed Nabucco gas pipeline project. Meanwhile the Iranian news agency is reporting that Turkey has asked for a three month extension of a deadline to help clarify the details of a \$3.5 billion deal to develop the South Pars gas field.



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Taiwan's imports of LNG fell to 841,000 tonnes in September down from 951,000 tonnes received in August as peak power consumption eased. September imports though were still some 16% higher than a year ago. The majority of the imports came from Indonesia and Malaysia.

The Chinese reported that its Shanghai LNG terminal received a second test cargo from Malaysia this week. It appears that this facility is ready to begin formal commercial operations.

Tunisia said today it plans to export 4 million cubic meters of gas per day to Italy starting at the end of

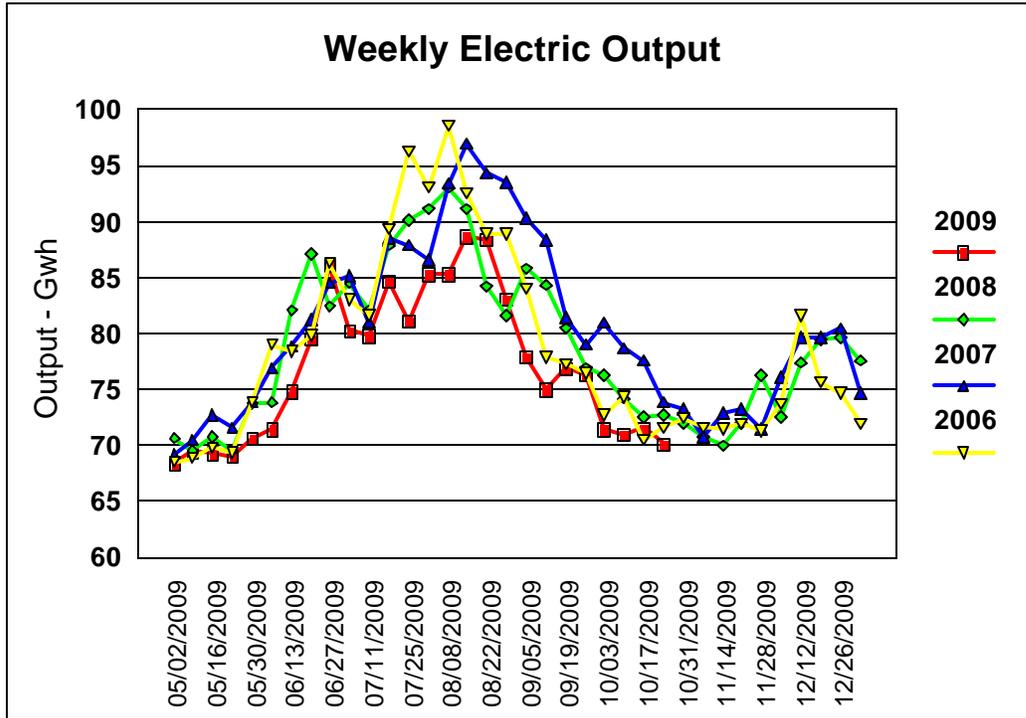
2012. Most of the gas will flow through the Transmed pipeline, with lesser quantities delivered via LNG exports.

Gazprom reportedly hinted today that it could adjust its long-term deals with European customers in regards to their take or pay contracts.

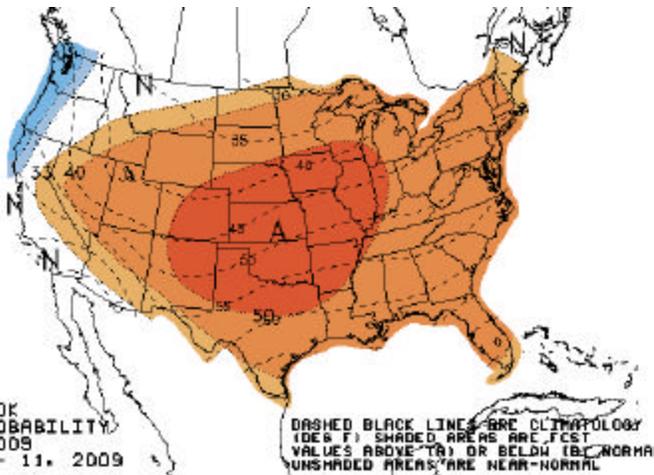
Poland's gas monopoly PGNiG said it will continue its negotiating with Gazprom on a new gas supply deal, but no final agreement has yet to been reached.

PIPELINE MAINTENANCE

Gulf South said it has completed the Clarence Compression Station Unit #1 system maintenance that began back on October 12th. The company noted that the planned pigging



maintenance at Index 301-8-11-L has been cancelled and the company will now pig Index 301-8-11 in the same area. Lower than normal operating pressures are expected at several locations during the maintenance. Service interruptions to shippers are not expected. The company also reported that it plans to conduct maintenance at the Kiln Compressor station beginning November 17th and lasting for two days. Capacity at the station could be reduced by as much as 100,000 Dtm.



PIPELINE RESTRICTIONS

PG&E said the McDonald Island storage injection has been returned to normal after an odorant system upset affected the ability to withdraw and inject gas on Tuesday.

TransCanada said nominations for October 28th evening cycle-exceeded capacity of 1800 MMcf/d resulting in a 82.6% of firm transportation nominated being authorized.

Rockies Express Pipeline said it has capacity available for deliveries through Segment 650 (Rock Springs to Wamsutter) effective for October 28th and until further notice.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that it estimates U.S. output of electricity for the week ending October 24th stood at 70,225 Gwh, down 2% from the prior week and off some 2.6% from the same week a year ago.

Barclay's analyst in a research note today said that "barring higher than expected power demand growth, or lower than anticipated non-gas additions, the medium term outlook for gas demand in the power sector is muted." The group noted that both coal and renewables capacity are at lower operating costs versus gas, these plants will tend to operate first, especially with the prospects of coal plants being able competitive given the proposed federal cap and trade GHG will not be too restrictive to start on coal plants.

MARKET COMMENTARY

The November natural gas contract today expired with a whimper today falling by 10 cents in the final 30 minutes of trading and settling at its lowest level since September 11th. In fact the cash market, which had been at such a large discount to the November futures at the start of the month, actually finished trading on the ICE system at a premium to the futures market today.

The December contract despite a half hearted attempt to work higher early this morning found willing sellers to jump back into this market, as the strength of the dollar cast a bearish mood across all of the commodity markets today. Despite the loss of some additional nuclear generation on the day, traders appeared nervous given various forecasting models which basically show the entire country seeing warmer temperatures than normal for the next couple of weeks.

Market expectations for tomorrow's EIA storage report appear to be centered on a 25-30 bcf build. The same week a year ago stocks rose an adjusted 49 bcf, while the five year average shows a 43 bcf increase.

While we remain negative on this market but we feel one cannot chase after this market, given nuclear generation levels remain so low, and the fact that the U.S. dollar has not been able to sustain a price rebound for more than a few days. We would still look for a selling opportunity if the December contract bounces back to the \$5.458-\$5.473. We see initial resistance at \$5.248, \$5.366, \$5.41, \$5.458-\$5.473 and \$5.521. Additional resistance we see at \$5.631 and \$5.989. Support we see at \$5.052, \$4.97, \$4.35 and \$4.241.

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