



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 2, 2009

NATURAL GAS MARKET NEWS

The National Weather Service over the weekend revised their temperature outlook for November and it looks for much of the western two thirds of the nation will experience above normal temperatures. The revised forecast saw the warmer than normal temperatures extending into the Great Lakes region this month versus its prior forecast made two weeks ago. The NWS sees near zonal flow occurring over much of the continental U.S. for the first half of the month that should keep most of the country warm and dry.

The Climate Prediction Center this morning reported that it expects U.S. gas home heating customer weighted demand this week to reach 101 HDD, some 9% less than normal and but some 44% higher than a year ago.

Various forecasting models this morning were all pointing to some late season tropical development in either the western Caribbean or the Bay of Campeche late this week or into this weekend. This potential system is seen eventually tracking northward into the Gulf of Mexico either late this coming weekend or early into next week headed toward the eastern-central or western Gulf coast.

Eni said today that it has started output from its Longhorn gas field in the Gulf of Mexico. The field is expected to have an initial production capacity of 200 MMcf/d.

Devon Energy said today it continues to have success in the Haynesville Shale play. It

Generator Problems

PJM – Dominion's 799 Mw Surry #2 nuclear unit was shut early Monday for a planned month long refueling outage. The unit had been at 82% power on Friday.

FirstEnergy's 1231 Mw Perry nuclear unit has been restarted and the unit was at 2% power this morning. The unit has been off line since October 16th.

AEP said it hoped to restart its 1009 Mw Cook #1 nuclear unit in November. The unit has been off line since September 2008 and had last been estimated to return by the "end of 2009".

NPCC – OPG's 494 Mw Lambton #3 coal fired power station returned to service on Monday. The unit had been shut on Friday.

OPG's 490 Mw Units #1 and #2 at the Nanticoke coal fired power station returned to service Monday. The unit has had been off line for 10-14 days.

OPG's 550 Mw Portlands natural gas fired power plant returned to service this morning. The unit had been off line since September 21st.

Sithe Energy's 880 Mw natural gas fired power plant was shut early Monday.

MISO – Exelon's 1152 Mw Braidwood #2 nuclear unit was exiting its refueling outage and had ramped up to 72% power this morning.

Exelon's 867 Mw Dresden #2 nuclear unit was shut early Monday for planned maintenance.

OPPD's 478 Mw Fort Calhoun nuclear unit was shut early Monday for scheduled maintenance.

SERC- TVA's 1105 Mw Browns ferry #3 nuclear unit ramped up to 92% power this morning, up 49% from Friday's levels.

ERCOT & SPP – AEP's 690 Mw Oklaunion coal fired power plant was shut over the weekend for maintenance that is expected to take 10-12 days to complete.

Luminant's 1150 Mw Comanche Peak #2 nuclear unit was back on line Monday and at 28% power. The unit had restarted Friday and was at 6% power.

The NRC reported this morning that total U.S. nuclear generation stood at 74,181 Mw up 0.4% from Friday and down 6.2% from a year ago.

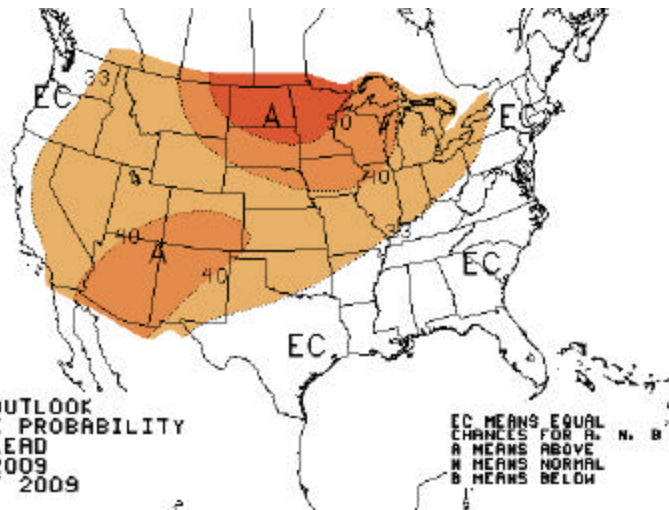
announced a new well had successfully tested at 30.7 million cf/d and it plans to go to a five-rig program in the southern play area.

BG Group's LNG tanker Gracilis

was seen heading to the Lake Charles LNG terminal this week. The Murwab tanker from Qatar was expected to arrive at the Sabine Pass terminal on Tuesday. A third tanker is expected to arrive on November 15th.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,117,000	\$4.319	\$0.213	(\$0.578)	\$0.354	(\$0.337)
Chicago City Gate	1,275,600	\$4.515	\$0.152	(\$0.382)	\$0.334	(\$0.246)
NGPL- TX/OK	661,100	\$4.277	\$0.218	(\$0.620)	\$0.400	(\$0.519)
SoCal	631,200	\$4.535	\$0.216	(\$0.362)	\$0.398	(\$0.254)
PG&E Citygate	533,200	\$4.751	(\$0.322)	(\$0.146)	(\$0.140)	\$0.375
Dominion-South	351,200	\$4.624	\$0.186	(\$0.273)	\$0.368	(\$0.230)
USTrade Weighted	22,564,800	\$4.427	\$0.172	(\$0.470)	\$0.35	(\$0.337)

UBS announced on Friday its new target weightings for the Dow Jones-UBS Commodity Index that will become effective in early January 2010. Natural gas, which currently holds the largest component of the index at 11.890064%, will still remain the largest component but will be lowered to 11.552187%, and potentially result in a reduction of 2327 lots in the net natural gas position.



Gazprom reportedly saw its October gas production rise almost 21% from the previous month. Overall Russian gas output rose by 15.8% from the previous month to 1.76 bcm.

Russian Prime Minister Putin again warned Europe of a possible supply disruption to Russian natural gas supplies to European consumers because

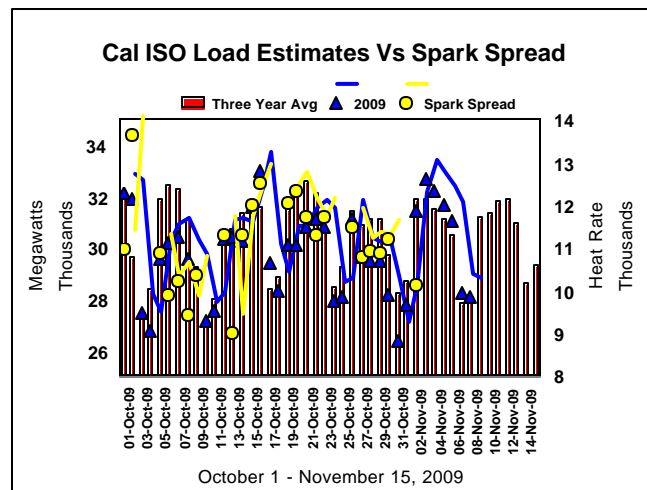
of problems with the Ukraine over energy payments. Putin called on the European Union to lend the Ukraine at least a billion euros to help avoid a new gas pricing dispute and the potential for yet another supply disruption.

An Iranian official said it would need at least \$40 billion to develop the remaining phases of the South Pars gas field within the next ten years.

Iran and Turkmenistan reportedly have begun a new round of negotiations over transit of Turkmen gas to Europe via Iran.

Gazprom and Eni back plans for France's utility EDF to join their South Stream gas pipeline project.

Two LNG tankers, the Berge Arzew and Umm Al Amad, were expected to arrive at Britain's Isle of Grain import terminal on November 4th and 5th.

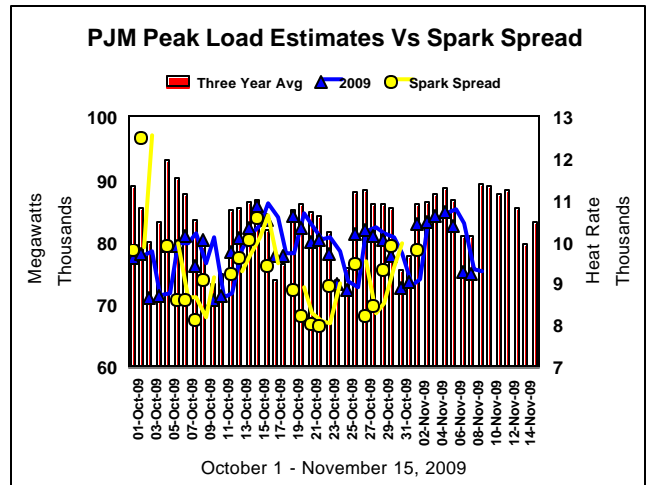


The Institute of Supply Management reported this morning that U.S. manufacturing activity rose to its highest level in 3 ½ years in October as its index of national factory activity rose to 55.7 in October, from 52.6 in September. Market expectations had been for a reading of just 53. This was the third consecutive month of expansion.

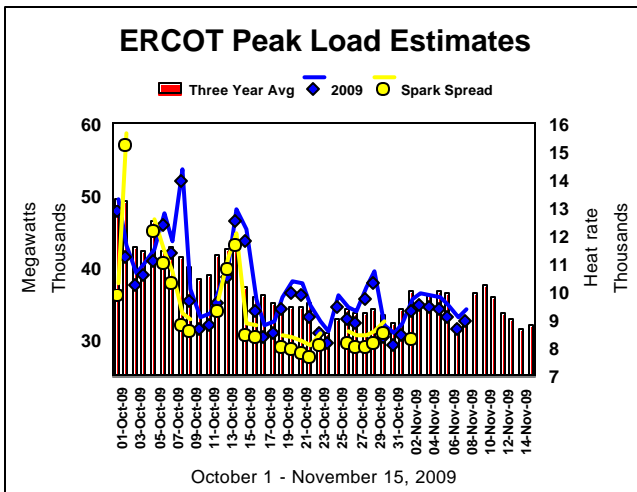
PIPELINE RESTRICTIONS

Gulf South Pipeline received FERC approval on Friday to amend a certificate of operation to lower its capacity of operating capabilities of the expansion facilities on the Southeast Expansion Project from 2.239 Bcf/d to 1.965 Bcf/d from Harrisville, Mississippi to Transco's Station 85.

PG&E has issued a system wide OFO for November 2nd and November 3rd due to high inventory levels. The pipeline set a 3% tolerance level.



Tennessee Gas Pipeline announced that for November 2nd it had restricted Leidy meters due to increase nominations in excess of capacity. The company restricted through 37% of supply to market at the meters,



ELECTRIC MARKET NEWS

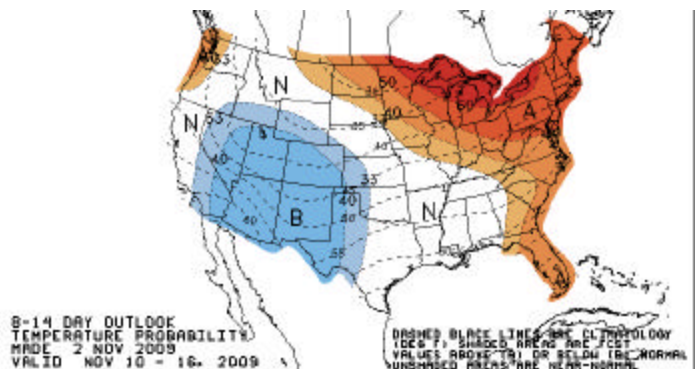
Genscape reported this morning that U.S. power output ended the week ending October 29th 0.87% from the prior week and down 8.82% from the same week a year ago.

AEP said Monday the company hopes to invest as much as \$130 million in a new transmission company next year. AEP will form a separate transmission company to pursue new transmission upgrades within its 11 state service territory.

The U.S. Secretary of the Interior said today that a decision on the Cape Wind project off the shore of Massachusetts would be made by the end of the year.

MARKET COMMENTARY

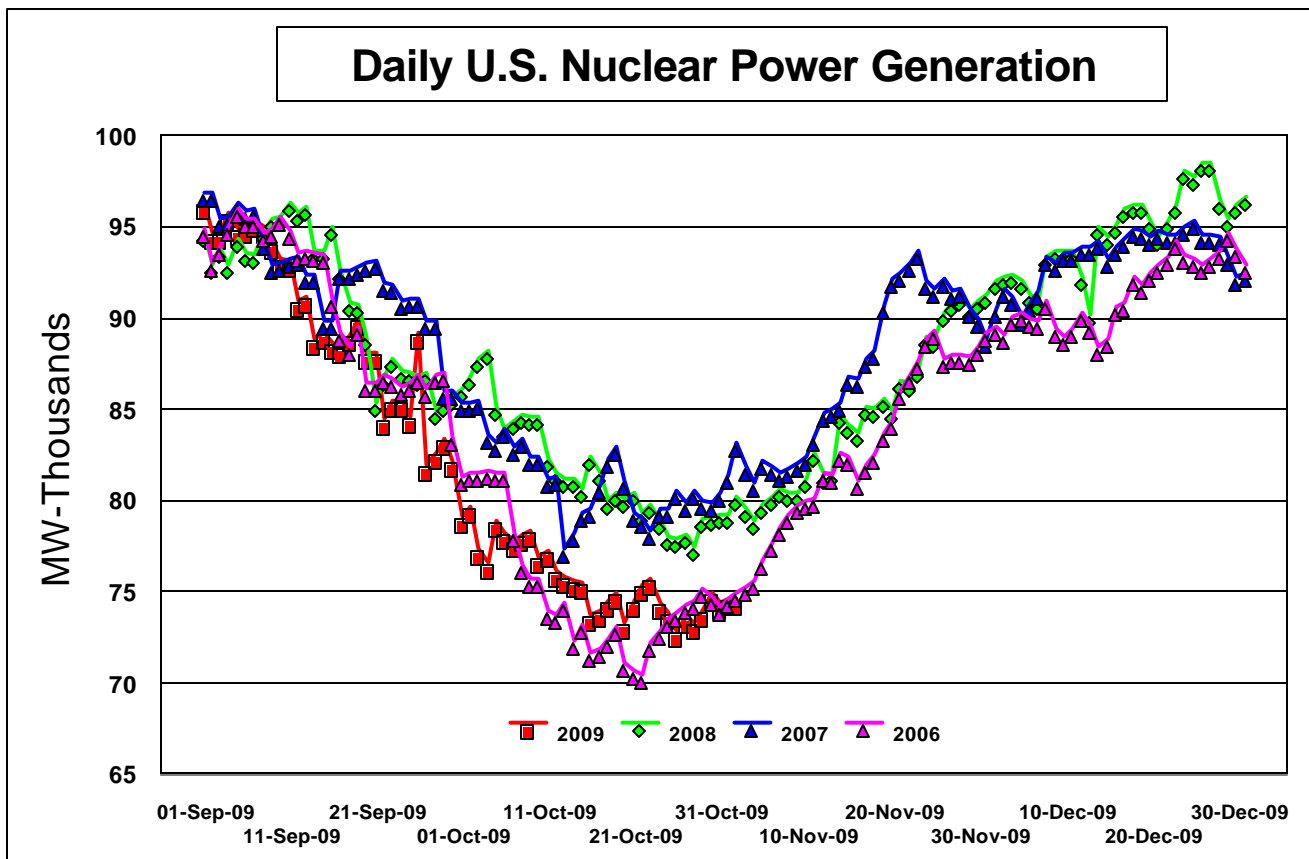
While the oil and equity markets rallied strongly at mid morning following the release of the “bullish” ISM report on U.S. manufacturing for October, the natural gas market found no comfort in these numbers despite natural gas being an industrial fuel. Instead the natural gas futures market continued to erode throughout the day and settled down over twenty-plus cents and finishing the day at their lowest levels since September 11th in the December contract. It appears the fears over November being



warmer than normal continued to bring sellers into this market. Judging by open interest levels reported at midday, it appears that these are new shorts coming into the market and not long liquidation. The NYMEX showed that open interest on a combined and adjusted basis grew by 8,735 lots on Friday while ICE saw a gain of 4918 lots.

While we remain bearish on this market we still obviously have missed the boat on this initial move and are unwilling to chase after it at these low levels. As a result we continue to look for a price corrective rebound to establish a short position. We would still target the gap in the charts a potential point of entry. This market could receive a fundamental shove back up if the tropics due in fact provide a late season threat to the Gulf of Mexico production areas.

We see resistance for the December contract at \$5.066, \$5.217 \$5.265, \$5.318 and \$5.403. More significant resistance we see at the gap in the December charts at \$5.458-\$5.473. Support we see at \$4.85, \$4.722, \$4.621, \$4.585 and \$4.424. More distant support we see at \$4.34.



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