



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 4, 2009

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning announced a tropical depression had formed in the southwest Caribbean Sea. Current models have the storm weakening as it passes over eastern Nicaragua and Honduras this weekend but have it regaining tropical depression strength once it moves back over the Caribbean early next week.

Barclays Capital in a research note this week said that while it expects global LNG supply to increase next year by 3.5-4 bcf/d, the U.S. market will likely not be a destination for these exports, as a result of U.S. natural gas production still remaining relatively strong. Currently the bank estimates U.S. LNG imports will grow marginally to 1.6 Bcf/d. The bank noted that Europe will most likely be market for excess supplies once Asian and South American demand for LNG is satisfied. But the European market could be at risk of being flooded with supplies next year, if European customers are forced to increase pipeline receipts of Russian gas due to take or pay contracts. Should European prices weaken substantially and the U.S. benchmarks take on a premium of \$1.00 per Mmbtu or more then there is the potential for a large increase of U.S. LNG imports.

The TransCanada Alaska Natural Gas Pipeline reportedly is on target to complete an initial open season by the end of next July, according to a report by the Alaska Gasline Inducement Act coordinator.

The Royal Bank of Scotland confirmed that as part of its much larger restructuring with British and European regulators, it will be divesting itself from its interest in RBS Sempra Commodities.

Russia's LNG Sakhalin Energy Group said it has cut by half its LNG output until the end of November due to planned maintenance. The maintenance started on October 23rd. As a result only one LNG train is currently working. The facility though has already exceeded its 2009 LNG output target. The facility has already shipped 60 cargoes of LNG, and had originally planned for just 55 cargoes.

Gale force winds and rough seas have delayed the arrival of the Bu Samara LNG tanker at Milfron Haven. Currently the ship has been delayed two days with no confirmed berthing date given.

Generator Problems

NPCC – OPG's 494 Mw Lambton #1 coal fired power plant was shut early Wednesday for repairs.

TransCanada said Wednesday that the return of the 750 Mw Units 1 and #2 at the Bruce A nuclear power station would be delayed until the middle of 2011.

PJM - First Energy's 1231 Mw Perry nuclear unit reached 73% power this morning, up from just 18% power yesterday.

MISO – Exelon's 1166 Mw Braidwood #2 nuclear unit was at 95% power this morning, up 9% from Tuesday.

ERCOT & SPP – Luminant's 1150 Mw Comanche Peak #2 nuclear generating unit was at 88% power this morning, up 11% from yesterday.

The NRC reported this morning that total U.S. nuclear generation stood at 74,896 Mw up 1% from yesterday and down 5.6% from a year ago.

PIPELINE MAINTENANCE

Questar Pipeline said it has begun compressor maintenance at its Clay Basin Storage facility. As a result, the injection capacity will be at 225,000 Dth, park and loan at 25,000 Dth with total daily injection capacity of 250,000 Dth.

AGP Resources said it has completed its Magnolia Pipeline Project, which connects the company's local distribution company service territory in Georgia to LNG imports arriving at the Elba Island terminal. This will provide the company with 83,000 Dth/d of capacity.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective for intraday cycle 1 on November 4th, due to reduced nominations, Tennessee will accept nomination increases pathed from meters located on the Carthage Line Lateral.

Rockies Express Pipeline said deliveries are at capacity through Segment 650 (Rock Springs to Wamsutter) effective for November 4th and until further notice. Based on the current level of nominations, authorized overrun/interruptible transportation and secondary out of path quantities are at risk of not being fully scheduled.

Trailblazer Pipeline said that effective for November 4th and continuing until further notice it is at capacity for gas going eastbound through Compressor Station 602. Interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.

NGPL said that effective for November 4th and until further notice, it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Interruptible transportation service/authorized overrun and secondary out of path transportation volumes are at risk of not getting scheduled.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that power production for the week ending October 31st stood 69,231 Gwh. This was some 1.4% less than the previous week and some 2.4% less a year ago.

North Carolina utility regulators have denied a motion to block construction of the \$1.87 billion coal fired power plant that Duke Energy has been building in the state. The 800 Mw unit at Cliffside Steam Plant was slated to begin operation by 2015.

According to a new research report from Point Carbon, AEP, Southern Company and Duke Energy stand as the most vulnerable power companies to any new proposed U.S. cap and trade system. The group noted that the cost of compliance to Southern could be 12% of its operating income, with AEP seeing 11% of its income going to compliance and Duke 5%. But the group estimates AEP and Duke would be able recover 90% of this cost from rate payers, while Southern 82%.

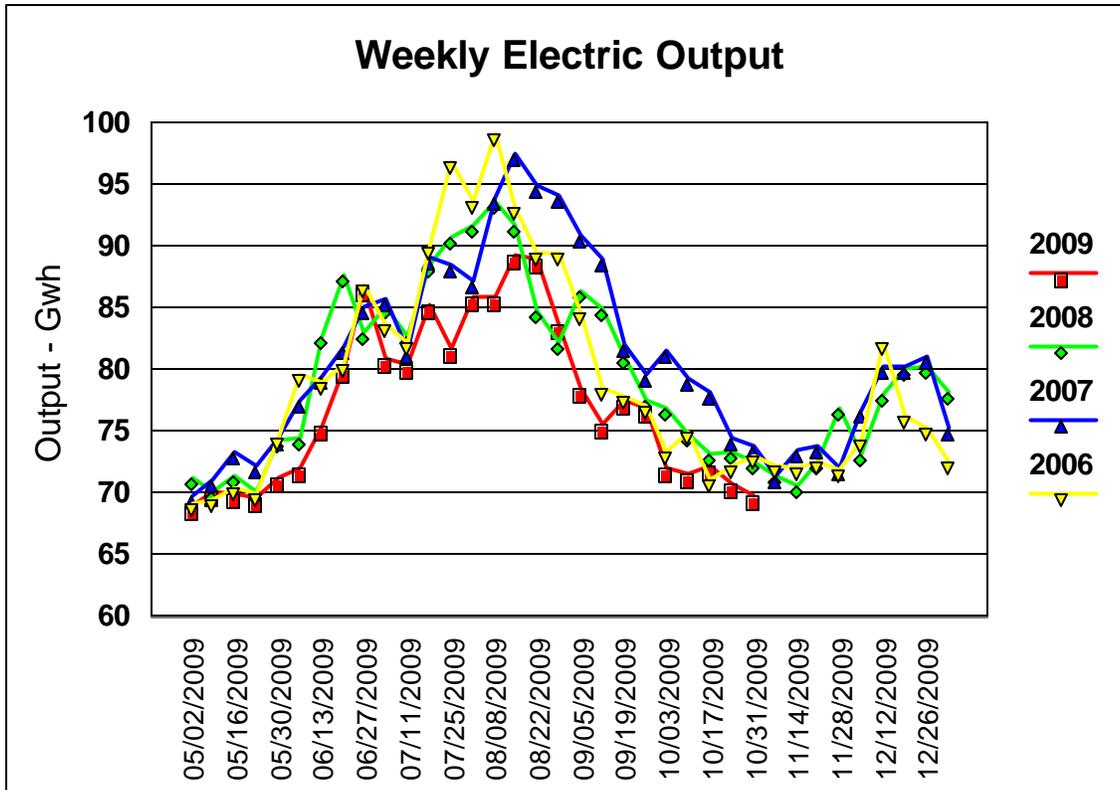
MARKET COMMENTARY

The natural gas market posted an outside trading day, settling lower on the day. The natural gas market rallied to a high of \$4.984 early in the morning amid firmer cash prices. However the market retraced its gains and never looked back as it sold off to a low of \$4.71 late in the session. The market was pressured by moderate weather forecasts and the continuing record high storage levels. While Accuweather expects temperatures in the Northeast and Midwest to mostly average below normal for the next few days, temperatures are expected to moderate to above normal last this week and early

next week. The market also traded lower as traders positioned themselves ahead of the Thursday's release of the EIA storage report. The market settled down 19.7 cents at \$4.725.

Market expectations for Thursday's EIA storage report range between 23-45 bcf with the consensus forecast of a 30-32 bcf build.

The natural gas market, which failed to sustain its gains as it traded above its resistance line at \$4.963, is seen finding support at its low of \$4.71, \$4.629, \$4.534 and \$4.356. Resistance is seen at \$4.861, \$4.902, followed by its high of \$4.984, \$5.08 and \$5.175.



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