



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 2, 2011

NATURAL GAS MARKET NEWS

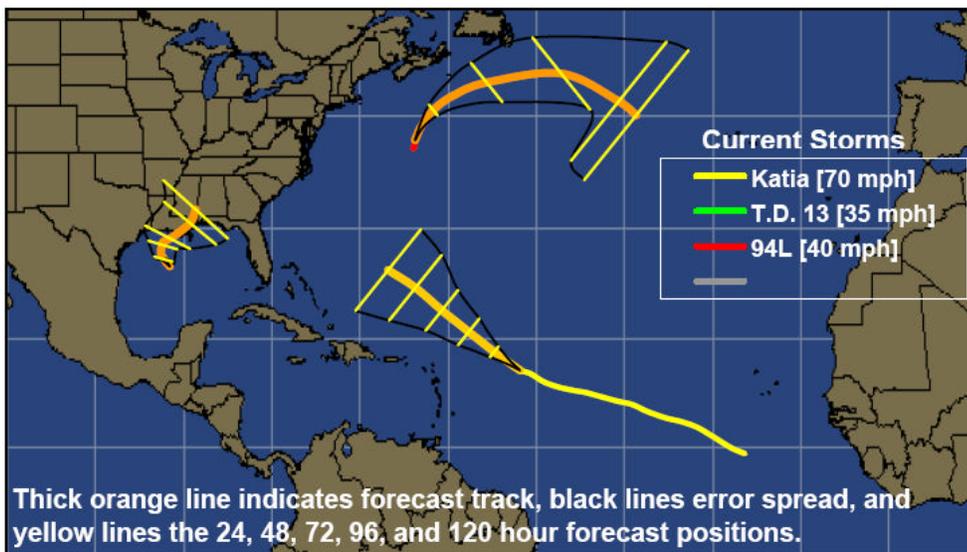
North America

Tropical Depression 13 became Tropical Storm Lee as winds intensified this morning. Models are now predicting that this storm will make landfall over Louisiana in 3 to 4 days. The storm is not expected to become a hurricane unless it lingers over the warm water for an extended period of time. Oil and gas production in the Gulf of Mexico will be affected until at least Tuesday and possibly longer. Hurricane Katia's path trajectory was altered this morning as the storm is now expected to move further west before heading north. The storm is still not expected to make landfall next week when it passes along the east coast of the United States.

Generation Outages

RFC- Duke Energy Corporation's JM Stuart plant ramped up power on Friday to 2020mw of the 2452mw capacity. Southern Co's Unit 1 at the Vogtle nuclear power plant exited an outage on Friday and increased power to 14%. The unit was automatically shut on Wednesday during maintenance on a valve that regulates water flow to the steam generator.

The NRC reported this morning that some 92,559 Mw of nuclear generation was operating this morning, some 0.04% more than yesterday and 4.11% less than the same day a year ago.



As tropical depression moves throughout the Gulf Coast of Mexico Shell says production will only be 'minimally' affected.

Chevron Corp has shut in some Gulf of Mexico oil and gas production and has started to evacuate workers from its offshore facilities.

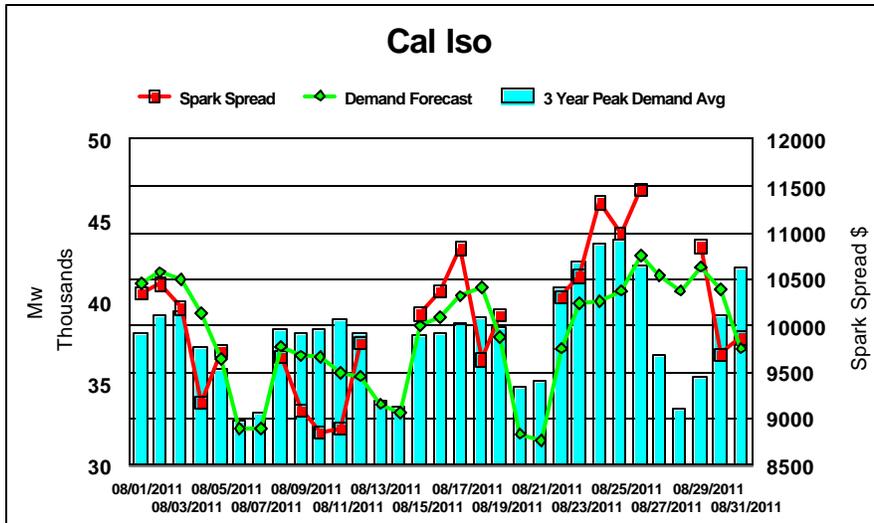
The number of rigs drilling for natural gas in the United States fell for

the second consecutive week. There were 895 rigs drilling natural gas wells this week down from 898 rigs last week.

About half of crude oil production and 33% of natural gas output was shut in on Friday as Tropical Storm Lee formed off the Louisiana coast.

International

In response to US officials putting pressure on China's energy firms the Chinese have slowed down oil and gas investment in Iran. Despite the slowdown to ease tensions the Chinese have increased



Iranian oil purchases. In response Tehran has applied pressure to the firms by saying that if they do not reverse their current actions they are going to lose the projects.

Poland's PGIN and Germany's Verbundnetz Gas have started to inquire if there is a potential market for a 160km pipeline from Poland to Germany with a 3 billion cubic meters per year capacity.

Conoco Phillips' Theddlethorpe gas terminal in the UK stopped

on Thursday due to an operational issue. The operator has declined to comment on the drop in flows.

Lithuania plans to liberalize its gas market despite opposition from Russia's Gazprom as it attempts to open to reduce its dependence on Russian gas. Lithuania wants join the Nordic power market by 2012 and is eyeing a new regional power plant by 2020.

The Gate LNG terminal in the Netherlands is expecting to receive its second commercial cargo load on September 4th on the Nigerian tanker Sokoto from the Austrian firm Eongas.

ELECTRIC MARKET NEWS

The 5.8 magnitude earthquake that hit the east coast last week has caused the NRC to start analyzing new seismic risks to nuclear power plants so it can make adequate changes. Dominion's North Anna nuclear plant that is located 10 miles from the epicenter has not been reopened as federal regulators continue to inspect for damage. Dominion however has yet to see any damage that would prevent the restart of the plant

There are still 580,000 people without power on Friday morning down from the original 6.7 million customers who lost power over the weekend from Hurricane Irene.

Coal use was down 5% from the previous week and 2% from the same week in 2010. The cause in the decrease can be attributed to Hurricane Irene, which cut power to millions of customers causing demand to shrink.

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	654,200	\$4.117	(\$0.064)	\$0.212	(\$0.038)	\$0.110
Chicago City Gate	472,600	\$4.117	(\$0.152)	\$0.212	(\$0.080)	\$0.145
NGPL- TX/OK	849,200	\$3.985	(\$0.118)	\$0.080	(\$0.046)	\$0.007
SoCal	384,700	\$4.351	(\$0.033)	\$0.446	\$0.039	\$0.304
PG&E Citygate	487,300	\$4.489	(\$0.091)	\$0.584	(\$0.019)	\$0.456
Dominion-South	892,000	\$4.160	(\$0.083)	\$0.255	(\$0.011)	\$0.124
USTRade Weighted	18,017,500	\$4.098	(\$0.110)	\$0.193	(\$0.04)	\$0.110

ECONOMIC NEWS

The US Labor Department said the US economy failed to add jobs for the first time in almost a year. It reported that nonfarm payrolls were unchanged in August. Data for the previous two months were revised down by a total 58,000 to show payroll increases of 85,000 jobs in July and only 20,000 in June. The unemployment rate was unchanged at 9.1% in July.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 122.5 in the week ending August 26th from 122.7 the previous week, which was originally reported as 122.8. The index's annualized growth rate fell to minus 4.3% from minus 2.1%.

The EU's statistics office Eurostat said energy costs pushed euro zone producer prices higher in July as Brent oil prices rallied, however overall inflation pressures were moderate. It said higher crude oil prices increased the Producer Price Index in the Euro zone by 0.5% in July from June. Producer prices increased 6.1% on the year in July, up from 5.9% in June.

Market Commentary

The natural gas market traded mostly sideways early in the session on Friday before it erased its previous gains. The market sold off despite concerns over a Gulf Coast storm that has shut in production ahead of the long Labor Day holiday. The market's gains were limited by weak economic data weather forecasts calling for below normal temperatures in the Northeast and Midwest and moderating temperatures in Texas. The market, which posted a high of \$4.065 in overnight trading, sold off throughout the session and posted a low of \$3.853. It settled down 17.8 cents at \$3.872.

The natural gas market next week will likely remain pressured, especially if there is no further impact to production over the long weekend from the Tropical Storm in the Gulf of Mexico. The market is seen finding support at its lows of \$3.85, \$3.78 followed by \$3.713 and \$3.572. Resistance is seen at \$3.955, \$3.994, its high of \$4.065, \$4.135 and \$4.205.

According to the latest Commitment of Traders disaggregated futures and options report, managed money funds cut their net short position for the second consecutive week by 3,110 contracts to 109,563 contracts in the week ending August 30th.