



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 6, 2011

NATURAL GAS MARKET NEWS

North America

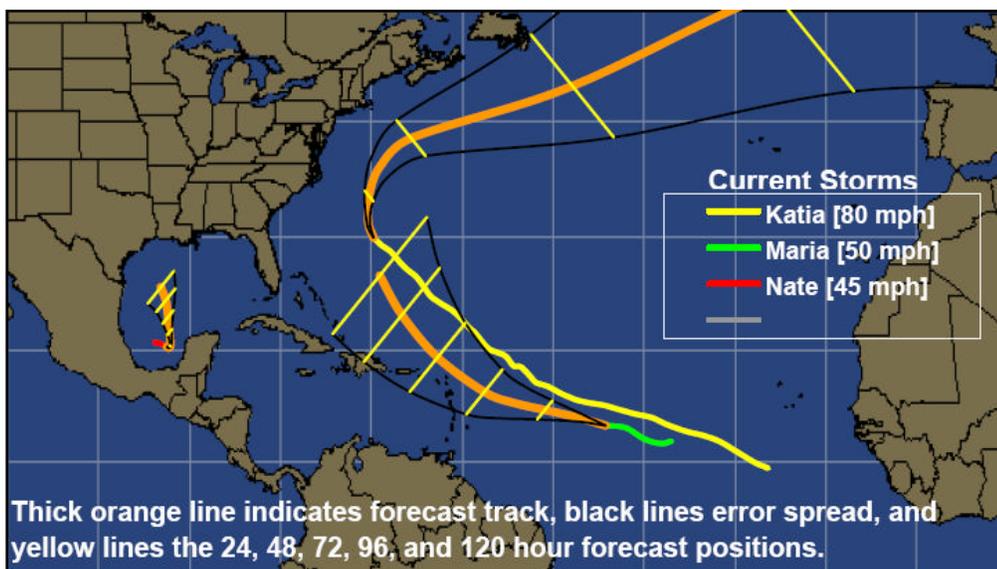
Kaita has continued to weaken as it heads north. Earlier this morning winds were down to 90 mph and the only affect the storm is expected to have on the east coast is increasing wave heights. Tropical Storm Maria which formed earlier today is expected to take a similar path to Katia turning northward before reaching the east coast and turning back to sea. The last storm system is located in the Bay of Campeche is producing a large area of cloudiness and showers. The environment is favorable for this storm to develop over the next several days and by late this afternoon became Tropical Storm Nate. The path of the system will not be fully determined until further development.

Generation Outages

MRO - MidAmerican Energy Co's George Neal plant increased power on Tuesday and was running near 1220 Mw of its 1686 Mw capacity early on Wednesday. Xcel Energy's King plant tripped on Tuesday. Wisconsin Public Service's Weston ramped up its generators overnight and was running near 70% capacity early on Wednesday.

SERC - Wateree, owned by South Carolina Electric and Gas started to power down on Tuesday and was operating near 58% capacity early on Wednesday. Southern Company's Victor J. Daniel Jr powered down late on Tuesday and was operating at 540 mw of the 2230mw capacity. Unit 2 at Progressive Energy's Brunswick nuclear/coal plant was operating at 81% capacity early on Wednesday.

The NRC reported this morning that some 92,396 Mw of nuclear generation was operating this morning, up some 0.08% from yesterday but off more than 4.1% from than the same day a year ago.



The Bureau of Ocean Energy Management, Regulation and Enforcement said about 36.9% or 516,451 bpd of oil production and 18.1% or 958.4 bcf/d of natural gas production in the US Gulf of Mexico was shut down on Wednesday following Tropical Storm Lee.

Hess Corp has agreed to pay CONSOL Energy \$593 million to form a joint venture in the Utica shale in Ohio. The purpose of the joint venture is to develop CONSOL's 200,000 acres of property that it purchased last year.

El Paso Natural Gas has declared a force majeure on the North Mainline portion of its natural gas pipeline. The announcement came after there was a turbine failure at a compressor station in Arizona. The unit will remain shut for at least a month and will result in a loss of 113 Mmcf/d of capacity.

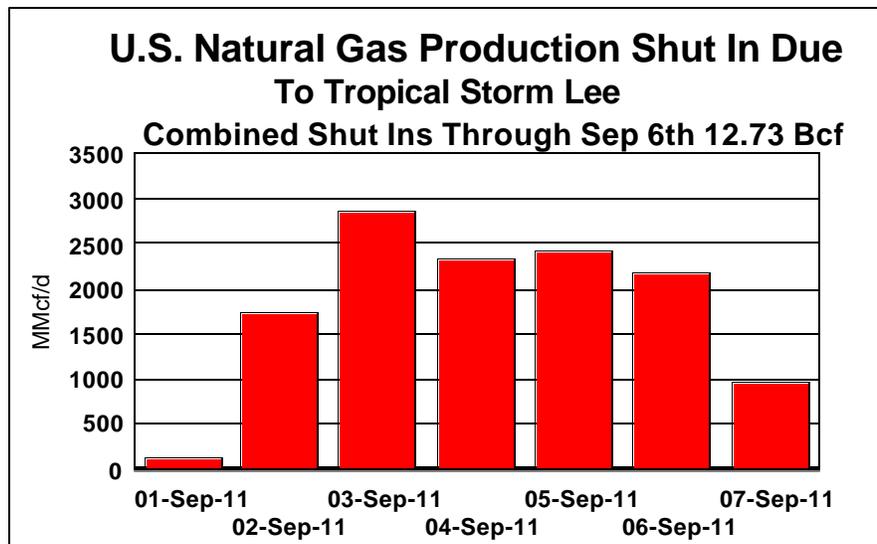
In a series of announcements Chevron believes that it can produce the equivalent of 200,000 bpd in the Marcellus shale if gas prices improve and that it plans to spend 40% of project investments over the next decade on LNG ventures.

In an attempt to expand the use of LNG as a fuel Shell plans to make LNG available to some heavy-duty fleet customers in Alberta. Shell is trying to secure engineering and regulatory permits to produce LNG by 2013. Until then Shell will rely on third party supplies.

The US Energy Information Administration raised their estimate for domestic natural gas production to a 6.4% increase over 2010 levels from 6%. The September Short Term Energy Outlook estimates marketed production will rise by 4 bcf/d to a record high of 65.8 bcf/d.

Location	ICE Next Day Cash Market					
	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	842,200	\$3.959	\$0.034	(\$0.032)	(\$0.039)	\$0.101
Chicago City Gate	425,300	\$3.972	\$0.015	(\$0.019)	(\$0.061)	\$0.117
NGPL- TX/OK	804,800	\$3.853	\$0.028	(\$0.139)	(\$0.048)	(\$0.023)
SoCal	514,100	\$4.281	\$0.024	\$0.290	(\$0.052)	\$0.330
PG&E Citygate	1,326,900	\$4.410	\$0.003	\$0.419	(\$0.073)	\$0.499
Dominion-South	826,700	\$4.017	\$0.054	\$0.026	(\$0.022)	\$0.119
UTrade Weighted	20,458,600	\$4.012	\$0.037	\$0.021	(\$0.04)	\$0.101

New York's Department of Environmental Conservation announced today that it was extending its public comment period on proposed rules for natural gas drilling in the state by another 30 days, as state regulators appears to yield to pressure from environmentalists worried about the effects of fracking on water supplies. The comment period, which begins Wednesday, will run through December 12th. The DEC said the extension means the comment period will fall in line with proposed regulations on drilling which it plans to roll out in October. The DEC said that drilling permits in New York will not be issued until the DEC's draft impact statement has been finalized and new regulations are in place.



The CEO of Encana Corporation said today that his company could remain profitable with natural gas prices at the \$4.00 per Mmbtu level. He also outlined that the company has begun a search for a new joint venture partner for the Cutbank Ridge, B.C. shale assets. A new joint venture deal will not likely include existing production. Talks reportedly are ongoing with several potential suitors.

International

PTT, Thailand's largest energy firm canceled its deal to by 1 million tonnes a year of LNG from Qatar after a recent price surge. PTT has substituted Qatar gas by signing alternative contracts with two LNG supplies. In addition, PTT plans to spend \$400 million to double the capacity of the countries first LNG terminal to 10 million tonnes.

The Trans Adriatic Pipeline (TAP), which consists of Norway's Statoil, Germany's Rurhgas, and Swiss' EGL submitted applications in Albania, Greece, and Italy that are necessary to enter into long term ship-or-pay agreements. TAP's goal is to construct a 1.5 billion euros pipeline from the Caspian Sea through Greece and Albania to Italy. The 520km pipeline would have be able to carry 10 bcm/y.

Natural gas consumption is expected to decline this year by about 5%-7% to 485bcm – 495bcm from 2010 levels.

LNG Tankers Heading to the UK and Belgium				
LNG TANKER	CAPACITY (CUBIC METERS)	EXPECTED ARRIVAL	FROM	DESTINATION
Al Ghuwairiya	266,000	September 8	N/A	Isle of Grain, Britain
Al Thumama	217,000	September 11	Qatar	Isle of Grain, Britain
Al Sheenhaniya	210,000	September 11	Qatar	South Hook, Britain
Ejnan	145,000	September 13	Qatar	Zeebrugge, Belgium
Umm Slal	240,000	September 18	Qatar	North-West, Europe

ELECTRIC MARKET NEWS

Electricity sales to the industrial sector in the US were 3% higher for the 6 months of 2011 compared with the same period in 2010. The high frequency of unplanned outages has caused the lowest second quarter of nuclear generation since 1999.

US Electricity Industry Overview (September 2011)						
	Electricity Supply (billion kilowatthours per day)			Electricity Demand (billion kilowatthours per day)		
	Electricity Generation	Net Imports	Total Supply	Retail Sales	Direct Use	Consumption
2010	11.29	.07	11.36	10.27	.37	10.64
2011	11.33	.10	11.43	10.34	.36	10.70
2012	11.40	.08	11.48	10.35	.38	10.73

ECONOMIC NEWS

The Mortgage Bankers Association's seasonally adjusted mortgage application index fell by 4.9% in the week ending September 2nd. Demand for US home loans fell for a third consecutive week last week. The MBA's seasonally adjusted refinancing application index fell 6.3% while its index of loan requests for home purchases increased 0.2%.

Federal Reserve Bank of Chicago President Charles Evans said high levels of unemployment call for the Federal Reserve to take additional steps to help the economy, even if it raises inflation levels over desired levels. He said further policy accommodation would increase the risk that inflation could increase temporarily above the long-term goal of 2%.

Market Commentary

The natural gas market rallied higher at mid-morning as some technical buying flowed into the market once yesterday's high of \$3.95 was breached. But the gains in values could not be sustained as values began to erode during the afternoon and by the close finished only a couple of ticks better than yesterday's settlement. It appeared that the 2 PM update from the National Hurricane Center appeared to show that the disturbance in the Gulf of Mexico, which later in the day became Tropical Storm Nate, showed that while the system would slowly wander in the Gulf would eventually drift westward and come ashore in Mexico and not be a threat to the production areas of the U.S. Gulf of Mexico. In addition the EIA's release of its monthly Short Term Energy Outlook which raised the production estimate for 2011 by 320,000 MMcf/d from last month's estimate provide little comfort to the bulls as well.

Market expectations for tomorrow's EIA Natural Gas Storage Report appeared to range between a 45-70 bcf build with most estimates centered on a 60-bcf build. For the same week a year ago stocks increased by an adjusted 58 bcf, with the five-year seasonal increase of 64 bcf.

As a result the natural gas market continues to remain mired in its six-week sideways trading pattern and we continue to feel it will take a significant tropical threat to break it out to the upside. We would look for resistance tomorrow starting at today's high of \$4.038 followed by \$4.056, \$4.12 and \$4.14-\$4.159. More distant resistance we see at \$4.25, \$4.42 and \$4.60. Support we see at \$3.879, \$3.85, \$3.78 and \$3.64.

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