



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 6, 2011

NATURAL GAS MARKET NEWS

North America

Hurricane Katia was located about 300 miles south-southwest of Bermuda earlier today with winds of 125 mph. Katia is expected to weaken as it moves north into cooler waters and stay well off the east coast. There is a tropical depression with a 90% chance of becoming a tropical cyclone within the next 48 hours 125 miles off of the coast of the Cape Verde Islands. It is still too soon to determine whether this system will make landfall. Lastly, there is some potential for tropical development in the Gulf of Mexico. An area in the southern Gulf of Mexico is beginning to show signs of organization but all additional development is expected to be slow. The trajectory of the system cannot be determined yet because it will depend on where the storm develops.

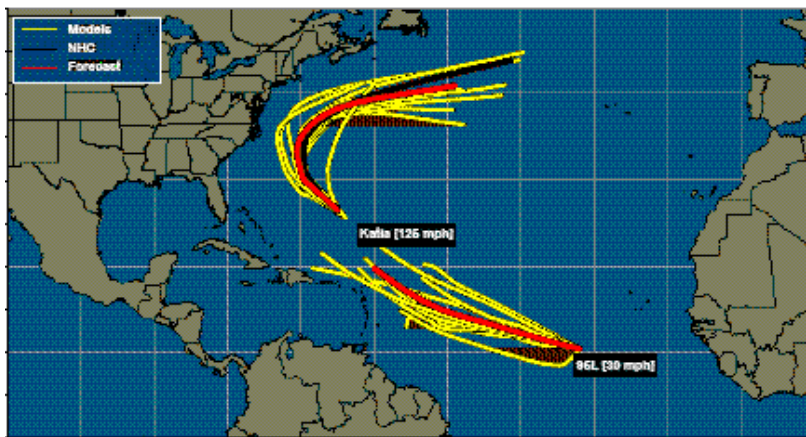
Generation Outages

SERC - The Unit 1 at the Vogtle nuclear power plant owned by Southern Co. finished exiting an outage early on Thursday after the unit automatically shut during maintenance on a valve that controls water flow to a steam generator.

NPCC - Dominion Resource Inc's Unit 2 at the Millstone nuclear power plant shut on Friday due to a leak in the A train of the service water system. The 877mw unit in Connecticut was not forced to power down Unit 3 and it remains operating at full capacity.

WECC - The 1,118mw Unit 1 at the Diablo Canyon plant owned by PG&E reduced power over the weekend and was running near 50% power capacity early on Tuesday.

The NRC reported this morning that some 92,319 Mw of nuclear generation was operating this morning, up some 0.3% than yesterday but off more than 4% from than the same day a year ago.



Anadarko Petroleum Corp and Enbridge Energy Partners have come to an agreement to jointly develop a new natural gas liquids pipeline from producing basins in Skellytown, TX to fraction and storage facilities in Mont Belvieu, TX. The Texas Express pipeline will be 580 miles long and have an initial capacity of 280,000 bpd but will have the ability to expand to about 400,000 bpd.

Chesapeake Energy's CEO expects to come to an agreement on a joint

venture for some of the company's Utica Shale acreage by November.

BP, Shell, and Apache Corp have all begun the process of resuming operations in the Gulf of Mexico. All three companies have redeployed employees who were evacuated because of Hurricane Lee. Once the crews finish inspecting the platforms for damage they will be allowed to restart production. Enbridge reported this afternoon that they were lifting its force majeure on the Manta Ray natural gas pipeline after operators found the system's platforms in the Gulf of Mexico were undamaged by Tropical Storm Lee. The company also reported that it was allowing shippers to resume production along its Stingray pipeline as well.

41.6% of natural gas output in the Gulf of Mexico is still shut due to Hurricane Lee down from 46% on September 5th, the Bureau of Ocean Management reported this afternoon.

Tankers Heading to North America				
LNG TANKER	CAPACITY (CUBIC METERS)	SCHEDULED ARRIVAL	FROM	DESTINATION TERMINAL
Al Sahla	216,000	August 19 (A)	Qatar	Sabine Pass, La
GDF Suez Paris	162,000	N/A (A)	N/A	Gulf of Mexico
Al Kharaitiyat	217,000	September 6 (A)	Qatar	Altamira, Mexico
Seri Balhaf	158,000	September 20	Yemen	Sabine Pass, La Arrived (A)

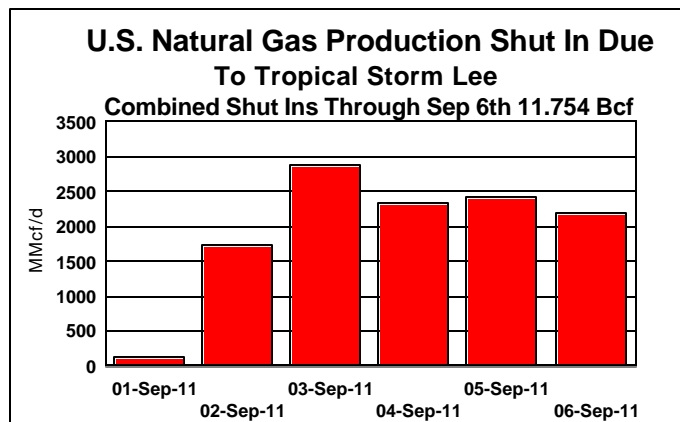
International

Chevron Corp has gained access to use spare LNG import capacity at Britain's South Hook LNG terminal. The deal comes two weeks after the energy trading company Trafigura made a similar deal. South Hook can supply up to 20% of Britain's gas demand.

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	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

Qatar's state-run RasGas plans to shut its 7.8 million tons per year LNG production Train 7 in January 2012 for scheduled maintenance. A spokesman for the company would not comment on how long the maintenance would take. In response to the announcement near-term gas prices in the UK hub rose because the production outage will occur during the peak-winter demand period in the UK gas market.

The volume of gas transported from Russia through Ukraine to Europe rose 13.8% year on year from January to August 2011. The number however is expected to decline as the Nord Stream pipeline comes online. The 1200 km pipeline will have a carrying capacity of 55 bcm/y via international waters to Germany. The Nord Stream pipeline will hurt Ukraine in their pursuit of a new gas deal as Russia will no longer have to ship 80% of its gas exports through Ukraine to Europe.



Egypt will resume gas exports to Jordan under a new agreement amended prices. Jordan agreed to the deal with Egypt despite security issues in the Sinai Peninsula because Jordan was forced to spend \$5 million per day to use diesel and heavy weight fuels. The gas Jordan imports from Egypt accounts for 80% of its energy needs.

BP is attempting to buy stakes in LNG terminals in India as well as build a LNG terminal as part of a joint venture joint venture with Reliance Industries LTD. Last month the two companies

agreed to a \$7.2 billion deal that gave BP a 30% stake in Reliance's 21 oil and gas fields in India. The deal contains another \$1.8 billion in incentives for exploration success.

Argentina expects to import 66 LNG cargos in 2011 triple the amount of purchases made in 2010.

British port officials reported that the Aamira LNG tanker from Qatar is scheduled to arrive at the South Hook LNG terminal on September 7th.

ELECTRIC MARKET NEWS

US power output for the week that ended on September 1st fell 2.7% from the previous week but was up 1.8% when compared to the same week last year. The numbers reflect power outages from Hurricane Irene and hot weather in Texas and other parts of the mid-west.

The Climate Prediction Center this morning reported that for the week ending September 3rd the U.S. saw 72 cooling degree days on a population weighted basis, some 35.8% higher than average but 1.4% less than the same week a year ago. For the current week ending September 10th the CPC is estimating just 44 cooling degree days on a population weighted basis, some 2.3% less than normal but equal to the same week a year ago.

Projected water runoff at the Dalles Dam on the Columbus River in Oregon remained unchanged from prior forecasts of 136% of normal for April through September. The Dalles Dam is a key measurement that shows the volume of water available for power generation in the Northwest when hydroelectric dams account for 65% of energy needs.

ECONOMIC NEWS

The US non-manufacturing sector defied expectations and strengthened in August. The ISM's non-manufacturing purchasing managers' index increased to 53.3 from 52.7 in July. It said August's new-orders Index increased to 52.8 from 51.7 in July while its business activity/production index fell to 55.6 from 56.1. The ISM employment index fell to 51.6 in August from 52.5 in July. The prices index increased to 64.2 from 56.6 in July.

The Kansas City and Dallas Federal Reserve sought to raise the discount rate the central bank charges banks for emergency loans three times over the course of the summer. The remaining 10 regional Fed banks wanted to keep the discount rate at its current level of 0.75%.

Global stock markets fell on Tuesday on fears about a US recession and the European debt crisis worsening, while the Swiss Franc fell against the Euro after Switzerland's central bank sought to slow the move to its currency as a safe haven. The Swiss central bank pegged its currency to the euro at 1.20 francs.

Market Commentary

The natural gas market on Monday and again today found support just above Friday's low of \$3.85 but still finished higher as the outlook for continued tropical threats to the Gulf of Mexico coupled with the loss so far of some 4.1 bcf of offshore production as a result of Tropical Storm Lee kept the bears on the defensive today. With the decline in seasonal cooling demand as we move into September, the tropics will grow as the major fundamental impact on the market for the next four to six weeks.

The rally late in the day nearly completed a 38% retracement of the sell off starting on September 1st. We would look for additional resistance at \$3.99 and \$4.023. Additional resistance we see at \$4.13 and \$4.159. Support we see at \$3.89 followed by \$3.85 and \$3.78. While this market appears will remain in its effective sideways pattern of the past month, if forced to take a position we would probably lean to the long side and being a buyer on a scale down basis from \$3.87 to \$3.78. But unlike past years we feel the upside potential from any significant storm damage would probably be the \$4.40-\$4.50 area.

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