



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 9, 2010

NATURAL GAS MARKET NEWS

The U.S. Climate Prediction Center this morning reported that it found the La Nina weather pattern had strengthened over August 2010 and as a result it feels this could contribute to increased Atlantic hurricane activity by decreasing the vertical wind shear over the Caribbean Sea and tropical Atlantic for the remainder of this hurricane season.

EIA Weekly Report

	09/03/2010	08/27/2010	Change	09/03/2009
Producing Region	974	956	18	1097
Consuming East	1712	1677	35	1823
Consuming West	478	473	5	462
Total US	3106	3106	0	3382

*storage figures in Bcf

The National Hurricane Center continued to watch Tropical Storm Igor today in the eastern Atlantic. But as the day progressed the tropical weather system ran into some easterly wind shear that broke down the deep convection that was located near the center of the system earlier in the day and

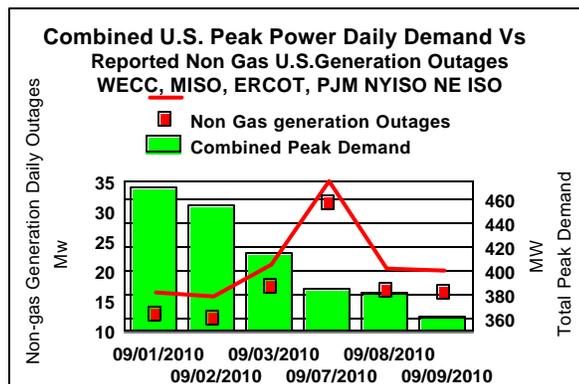
as a result by this evening the system had been downgraded into a tropical depression. But forecasters continue to look for this system to move through more friendly environmental conditions that should allow the system to strength and reach a hurricane within three days. The forecast track though continues to appear that this system will not be a threat to the Gulf of Mexico. Meanwhile forecasters were watching this evening an area of disorganized shower and thunderstorms near the Windward Islands that is associated with a weak low-pressure center. It was labeled as Invest 92-L. Forecasters noted that environmental conditions are favorable for gradual development of this low as it either remains stationary or moves slowly westward. Forecasters gave it a 40% probability of becoming a tropical cyclone in the next 48 hours.

Canadian Gas Association

Weekly Storage Report

	03-Sep-10	27-Aug-10	04-Sep-09
East	185.4	181.1	222.7
West	359.7	354.2	340.8
Total	545.1	535.3	563.5

storage figures are in Bcf

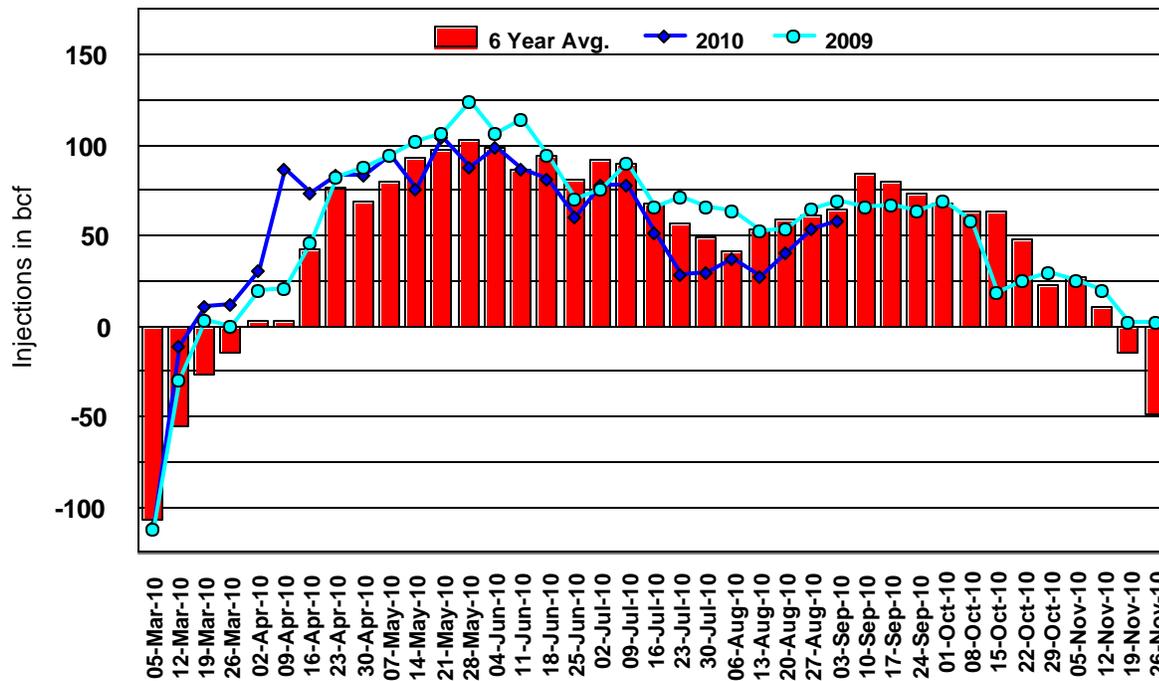


The Australian oil and gas company Santos and Malaysia's Petronas have reached an agreement to sell Total a 20% stake in Australia's Gladstone LNG project. Santos said it is selling a 15% stake for A\$650 million, with total buying 5% from Petronas. Santos now owns 45% of the project, while Petronas a 35% stake and Total a 20% stake. The Gladstone project has been valued at \$15 billion.

National Grid confirmed that for nearly two weeks, flows of gas into the UK grid from the South Hook LNG terminal have been higher than any pipeline from North

Sea fields, which usually dominate UK supply.

2010 EIA Survey Build/Draw VS 6-Year Average



The European Commission said that it is not considering stopping an 80 million euro grant that will help plan the construction of a LNG terminal in Poland and hopes to make a final decision on the project later this month. The project ran into some uncertainty recently when Germany voted against the project citing environmental risks to the cross border area between the two countries. The commission hopes to have these issues resolved shortly. The terminal is projected to be completed by the middle of 2014 with an initial capacity of 5 bcm.

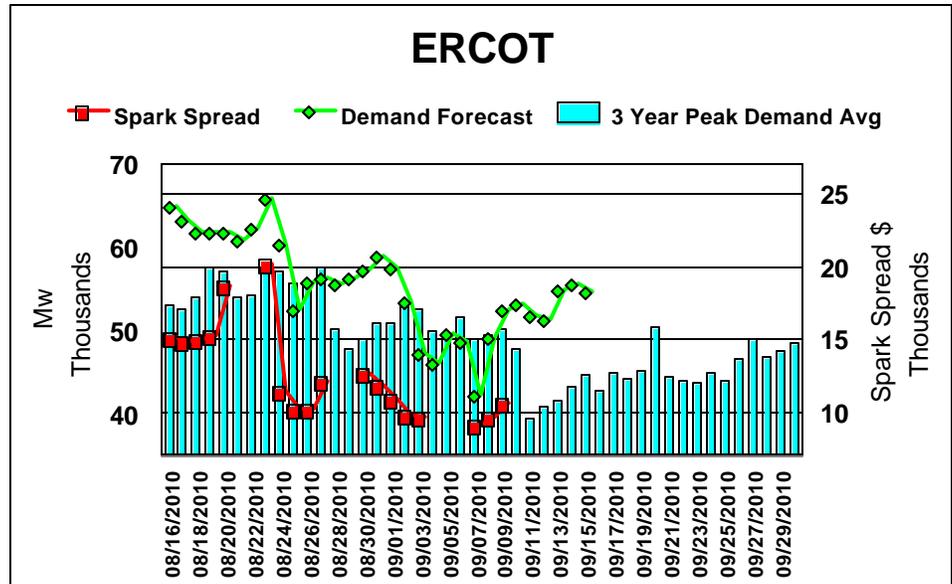
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,006,400	\$3.791	(\$0.021)	\$0.084	\$0.128	(\$0.086)
Chicago City Gate	728,100	\$3.764	\$0.010	\$0.057	\$0.125	(\$0.039)
NGPL- TX/OK	776,800	\$3.677	\$0.006	(\$0.030)	\$0.121	(\$0.138)
SoCal	533,900	\$3.634	\$0.012	(\$0.073)	\$0.127	(\$0.147)
PG&E Citygate	679,400	\$3.823	(\$0.016)	\$0.116	\$0.099	\$0.094
Dominion-South	1,101,000	\$3.828	(\$0.032)	\$0.121	\$0.083	\$0.084
UStTrade Weighted	21,327,900	\$3.716	\$0.013	\$0.009	\$0.13	(\$0.086)

The German industry group AGEB reported today that German energy use rose by 5.3% year on year in the first half of 2010. Natural gas consumption was up 14% and accounted for

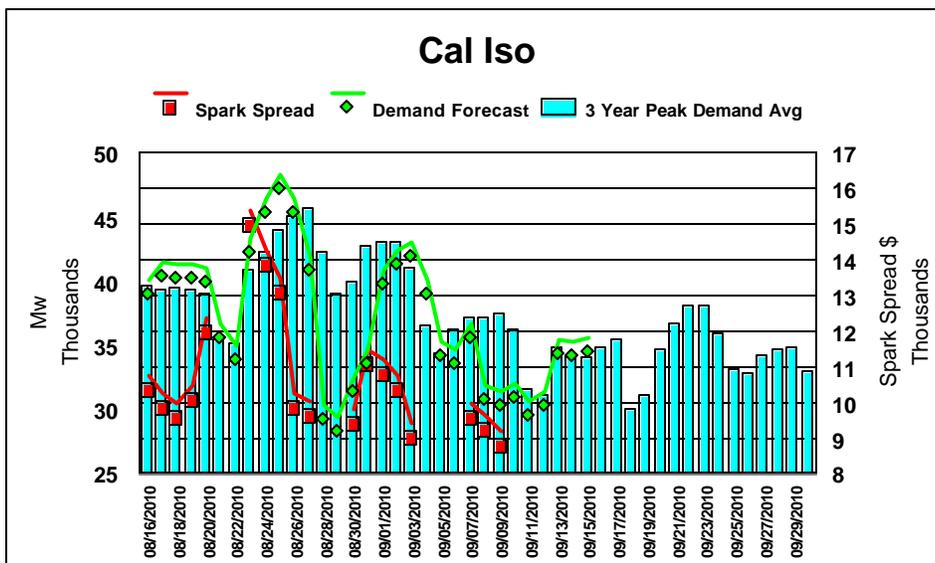
nearly a quarter of the nation's total energy usage.

Mariner Energy said it extinguished a small fire on a non-producing platform being decommissioned in the Gulf of Mexico on Thursday without any injuries or spilling of oil. Thursday's fire was the second in two weeks for the company. Today's fire was on a non-producing platform at South Marsh Island 136, some 75 miles south of Morgan City, Louisiana. The well had not been active since 2006.

A spokesman for EnCana Corp said today that the contamination detected by U.S. regulators in some Wyoming water wells near natural gas sites was unrelated to oil and gas operations or showed hydrocarbon levels below official action standards. He noted that the government tests on 17 private water wells in the farming town of Pavillion, Wyoming showed low levels of petroleum hydrocarbons and inorganic substances that naturally occur. The U.S. EPA's report from August found a "drinking water concern" from the tests done in January.



The U.S. EPA said on Thursday that it has asked nine major oil services companies to voluntarily provide details about chemicals used in natural gas hydraulic fracturing. Two companies that were identified for the request were Halliburton and Schlumberger. The agency said that the information is needed to complete its study of hydraulic fracturing. The agency though warned it was prepared to use its authority to force companies to provide the information if necessary.



The UK-Belgium Interconnector Pipeline shut for 15 days of planned maintenance on Thursday, while the Norwegian Kaarstoe gas processing plant restarted exports after its recent outage period.

ELECTRIC MARKET NEWS

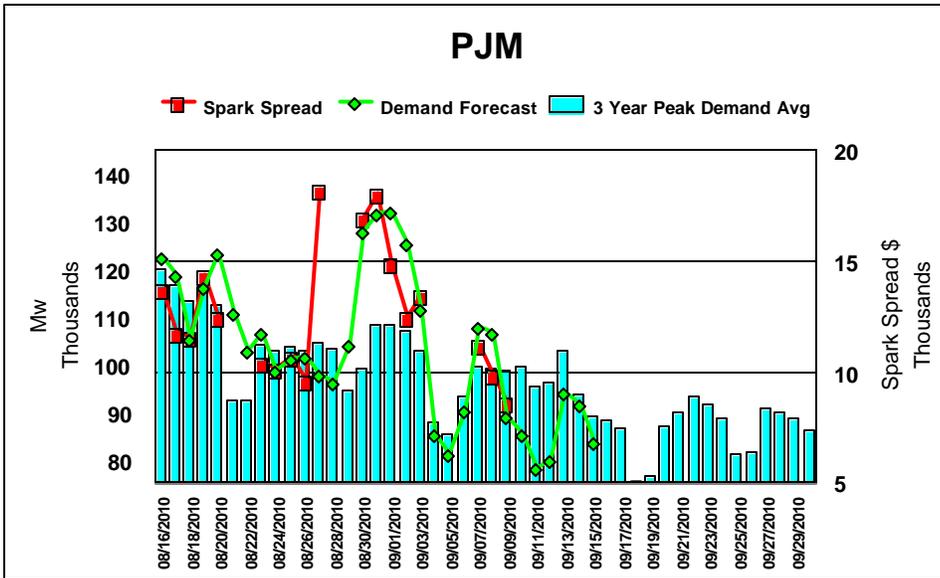
The Edison Electric Institute reported that U.S.

power output for the week ending September 4th rose by 1.75% from the prior week and stood at 87,307 Gwh. This level of power output was 10.7% higher than a year ago and for the first 36 weeks of this year has been running 4.5% higher than the same time a year ago.

ECONOMIC NEWS

The US Labor Department said initial claims for unemployment benefits fell more than expected by 27,000 to 451,000 in the week September 4th. New claims for the previous week, ending August 28th, were revised upward to 478,000 from 472,000. The four-week moving average fell by 9,250 to 477,750. It reported that the number of continuing claims fell by 2,000 to 4,478,000 from the preceding

week's revised level of 4,480,000. The unemployment rate for workers with unemployment insurance for the week ending August 28 was 3.5%, unchanged from the prior week's unrevised rate.



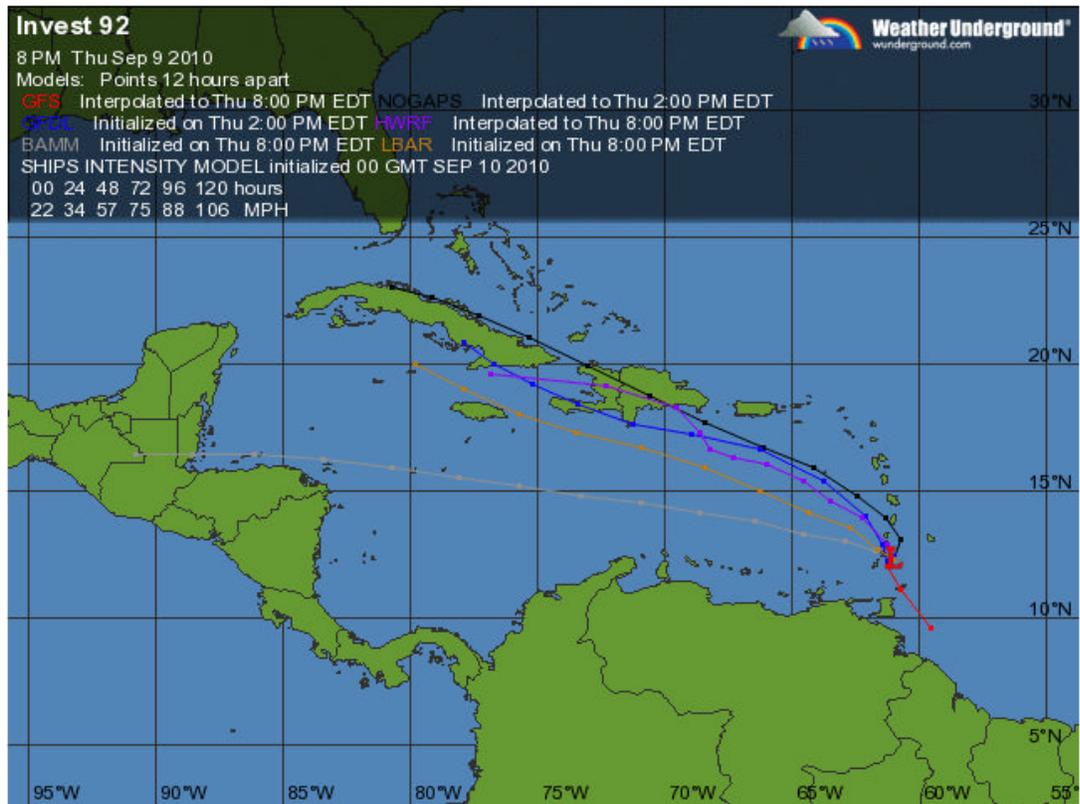
The US Commerce Department said the US trade deficit contracted sharply in July, posting its largest fall in 17 months. The US deficit in international trade of goods and services fell by 14% to \$42.78 billion in July from a downwardly revised \$49.76 billion the previous month. It reported that the real or inflation adjusted deficit fell to \$47.69 billion in July from \$53.62 billion in June. The US trade deficit with

China fell to \$25.92 billion from \$26.15 billion in June. The US bill for crude oil imports in July fell to \$22.47 billion from \$22.6 billion the previous month.

MARKET COMMENTARY

The natural gas market basically received a neutral storage report at mid morning today, but still saw a price drop after the report as sellers

appeared to await until after the release of the report to return to the market. The sell off gained additional momentum as prices breached the \$3.75 level, the lowest level in trading since September 3rd. Prices though did finally stabilize as the October contract approached the lows of the past two weeks at



\$3.693-\$3.697. But prices by the close retraced nearly 62% of the morning's sell off as the afternoon update from the National Hurricane Center appeared to raise the likelihood of Invest 92 becoming a

potential threat to the Gulf of Mexico in 1-2 weeks. Prices continued to slowly strengthen after the close and had returned back to the levels seen at Wednesday's close.

We would look for the updated forecasts on Invest 92 to drive the direction of prices tomorrow. If this threat continues to be in the cards we would expect to see October prices to go into the weekend between \$3.80-\$3.90, with the Oct-Jan spread firming back up and challenging resistance at 71 cents (January premium) once again. But if this system falls apart overnight we would expect the bears to return to this market again tomorrow and attempt to challenge the support in the October contract at \$3.693-\$3.697 and see the Oct-Jan spread fall back towards an 80-83 cent January premium.

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