



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 9, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Nate remains stationary in the Bay of Campeche with winds of 65 mph. The storm is now expected to track west-southwest over the weekend and move into eastern Mexico on Sunday or Monday. Environmental conditions for strengthening are favorable and it appears Nate will develop into a Hurricane either Friday night or Saturday morning. Tropical Storm Maria will continue to strengthen as it tracks across the northern Caribbean this weekend. After moving past Puerto Rico Maria is supposed to intensify and become a hurricane by early next week. The models vary greatly as some have it reaching the North Carolina next Sunday while others have it staying at sea.



Generation Outages

WECC- Southern California Edison's 2,150mw 2-unit San Onofre nuclear power plant tripped offline at approximately 3:40 PDT yesterday. Plant officials are saying that the blackout leaving 5 million people without power on the west coast a result of human failure. US federal regulators plan to further investigate the situation.

The NRC reported this morning that some 89,656 Mw of nuclear generation was operating this morning, down 2.5% from yesterday and off more than 4% from than the same day a year ago.

Dominion Resources sent in an application for a license to export natural gas from the United States as domestic production continues to outstrip demand. The application is to export 1 bcm/d over a 25-year period starting in 2016 with construction starting on the Cove Point plant in 2014.

The reminisce of Hurricane Lee can still be felt in the Gulf of Mexico as 6% of crude oil production has remained shut. In addition, natural gas production is still down 4% as 210 Mmcf/d was still shut in as of Friday.

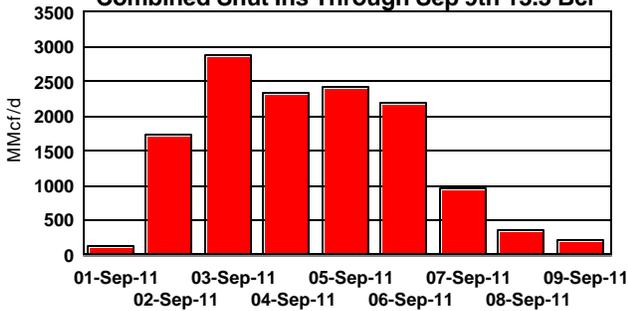
The US natural gas rig count fell by 3 rigs for the second week in a row. It is the third consecutive week of decline.

International

The EU's Energy Commissioner plans to draft a piece of legislation that will standardize rules on tapping shale-gas reserves. The commissioner expects to bring the proposals to member states by the spring of next year. The proposal comes at a time when different countries in Europe are implementing a wide range of rules and regulations for natural gas extraction.

U.S. Natural Gas Production Shut In Due To Tropical Storm Lee

Combined Shut Ins Through Sep 9th 13.3 Bcf



French company Total made an announcement saying they made a major gas discovery in the Caspian Sea off the coast of Azerbaijan. The first results show that the field may contain several trillion cubic feet of gas.

Turkey's western pipeline that goes through Ukraine to Russia has cut off gas flows due to a technical failure. Officials expect gas flows to resume soon and Turkey plans to increase imports from other countries to help meet domestic demand.

Shell and Mitsubishi will co-develop a natural gas field in Brunei. The project is expected to start in 2013 with the facilities expected to come online a year after. The project is expected to proceed 500,000 bpd and 4 million tons of LNG a year.

TEPCO set a record last month for the amount of LNG it used for power creation. The utility used 2.079 million tonnes of LNG in August. It marked a 6.6% increase in LNG usage from a year earlier.

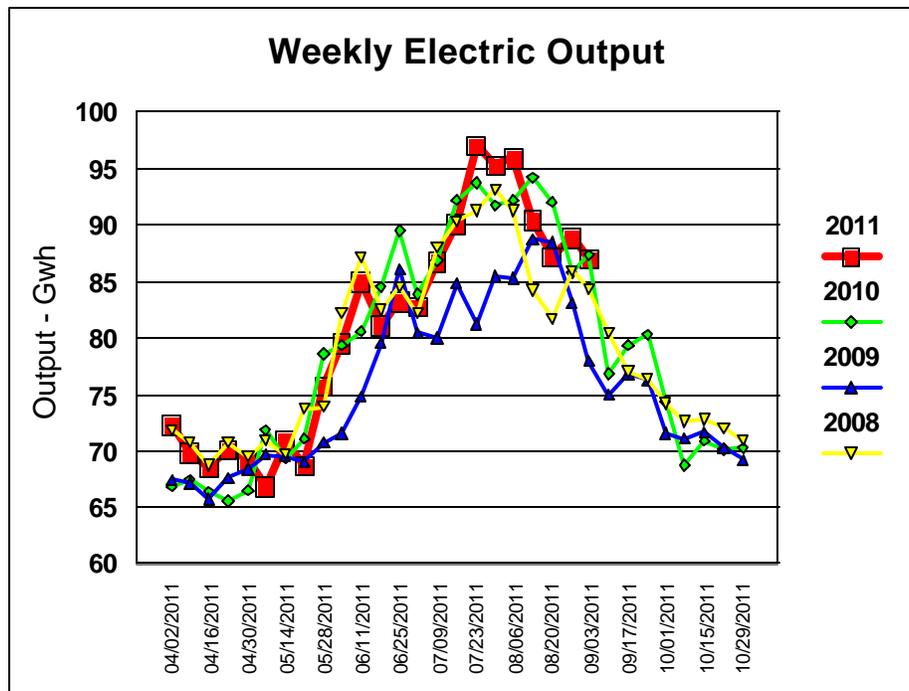
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	666,900	\$3.957	(\$0.032)	\$0.025	\$0.985	(\$0.131)
Chicago City Gate	374,200	\$3.963	(\$0.058)	\$0.031	\$1.002	(\$0.141)
NGPL- TX/OK	707,700	\$3.848	(\$0.052)	(\$0.084)	\$1.007	(\$0.265)
SoCal	473,700	\$4.212	(\$0.066)	\$0.280	\$0.993	\$0.129
PG&E Citygate	1,052,100	\$4.330	(\$0.074)	\$0.398	\$0.985	\$0.261
Dominion-South	998,000	\$4.013	(\$0.059)	\$0.081	\$1.000	(\$0.102)
USTrade Weighted	18,842,100	\$3.961	(\$0.074)	\$0.029	\$0.98	(\$0.131)

The Lusail LNG tanker is scheduled to arrive from Qatar at Belgium's Zeebrugge terminal on September 25th. The Al Kharsaah LNG tanker is scheduled to arrive at Britain's Isle of Grain with its 214,000 cubic meter load on September 17th.

ELECTRIC MARKET NEWS

Nuclear regulators turned down Dominion's proposal to have its North Anna nuclear power plant back on line in five weeks. There was no other word from the NRC or plant officials about when the plant may come back online.

The US nuclear regulator was non-committal on the licensing proposal of the Yucca Mountain waste dump. The lack of decision will prevent the Energy Department from withdrawing the application despite the Obama administration's refusal of the sight.



Enerjisa, the energy unit of Sabanci Holding's is working with Austria's Verbund AG on a roadmap to takeover the Geciz electricity distribution grid. In addition, Sabanci Holding's may bid for a Russian natural gas pipeline if a tender is held.

ECONOMIC NEWS

The US Commerce Department said US wholesalers stockpiled inventories in July as sales were flat. Wholesale inventories increased 0.8% to a seasonally adjusted \$462.41 billion, after increasing 0.6% in June. However sales of US wholesalers were little changed at a seasonally adjusted \$396.01 billion, following a 0.6% increase in June.

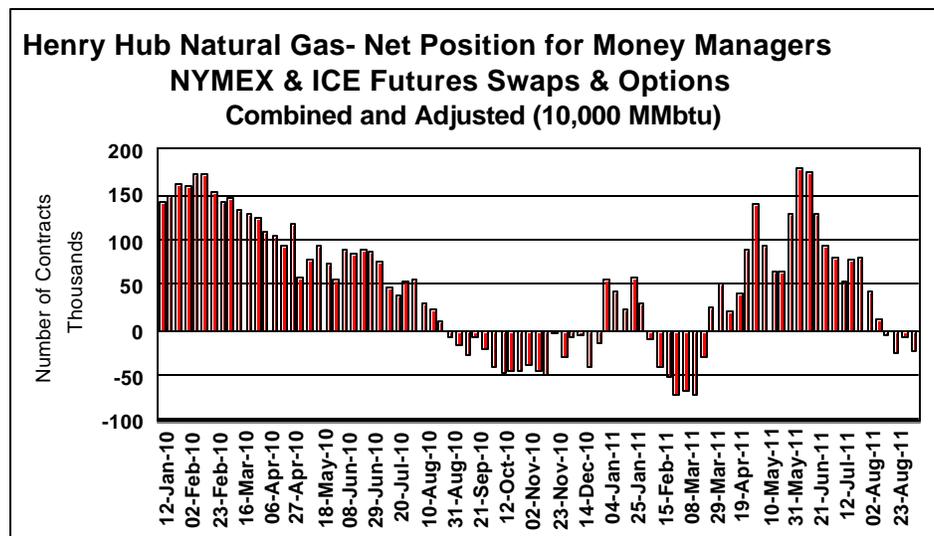
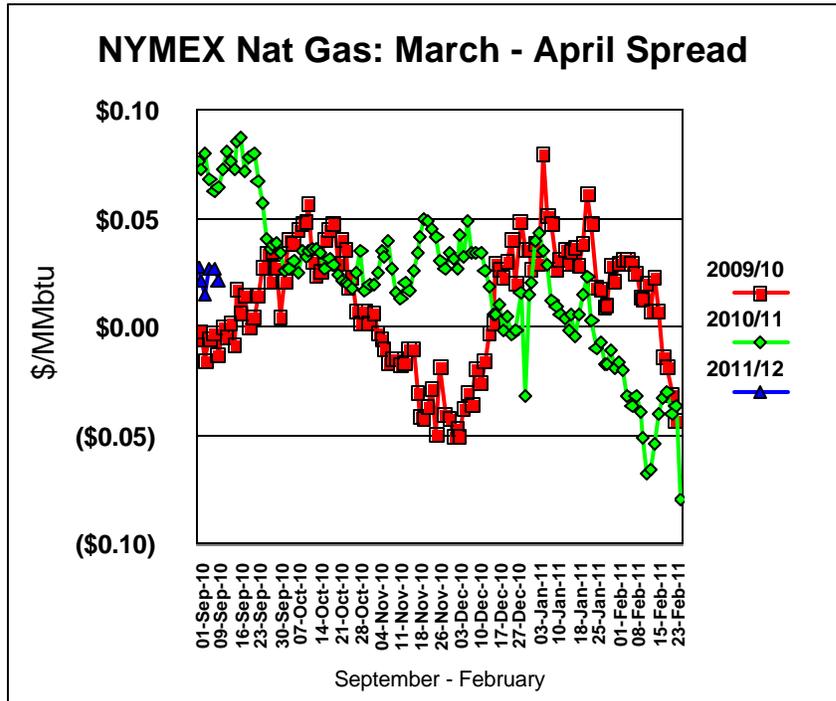
The Institute for Supply Management's index for manufacturing inventories increased to 52.3 in August from 49.3 in July.

The Economic Cycle Research Institute said its Weekly Leading Index increased to 123 in the week ending September 2nd from 122.4 the previous week, which was originally reported as 122.5. The index's annualized 2nd growth rate fell to its lowest level since late October 2010, falling to minus 6.2% from minus 4.4% a week earlier.

Market Commentary

The natural gas market like most other dollar denominated commodity contracts worked lower today as the dollar continued its rebound following the continued erosion in the Swiss franc and Euro. In addition with the weather reports being released throughout the day showing that Tropical Storm Nate was no longer a threat to the U.S. Gulf Coast but would turn westward and come ashore in Mexico, erased any chance that traders would take home extra length for the weekend. Despite breaking out of the inside trading pattern established yesterday, (this market which typically will post a volatile trading session following an inside trading session,) simply drifted lower with prices settling back into their comfort range of \$3.88-\$3.95. Out of the last 27 trading sessions prices have settled within this range nearly 60% of the time.

Without a significant weather threat to the Gulf



of Mexico production areas, we feel that this market will remained mired in its current trading range. We currently see resistance at \$4.027-\$4.038, \$4.099-\$4.117, \$4.159 and \$4.19. Additional resistance we see at \$4.287 and \$4.41. Support we see at \$3.885, \$3.85 and \$3.78, with more distant support at \$3.731.

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