



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 11, 2009

NATURAL GAS MARKET NEWS

The US National Hurricane Center said a low pressure system near the Texas Coast has a low chance, less than 30%, of becoming a tropical cyclone during the next 48 hours. Elsewhere in the Atlantic basin, the NHC noted that a tropical wave off the west coast of Africa is moving westward showing some signs of organization. It has the potential for some development during the next couple of days. Meanwhile, Hurricane Fred is expected to weaken later on Friday. Fred is located about 745 miles west of the Cape Verde Islands off the west coast of Africa and is expected to turn west, reaching about 1,000 miles east of the Lesser Antilles in the eastern Caribbean Sea by the middle of next week. It is expected to weaken to a tropical storm by Friday night.

Imports of Canadian natural gas into the US fell sharply last heating season. The US DOE confirmed earlier reports by Canada's National Energy Board that the volume of trade contracted during the period when it normally peaks.

Regency Energy Partners LP plans to construct a pipeline extension of its Nexus Gathering System in North Louisiana. The Logansport Expansion will add about 300,000 mmcf/d of gathering capacity to the system.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 10 to 999 in the week ending September 11th. The number of rigs searching for oil fell by 7 to 288 while the number of rigs searching for natural gas fell by 2 to 699 on the week.

According to a senior Gazprom executive, Europe will depend on Russia for one-third of its gas within the next decade. Deputy Chief Executive Alexander Medvedev, said that Europe had bought more gas in the last three months than it did a year ago. Separately, Medvedev added that the launch of Gazprom's Shtokman gas field may be delayed beyond 2013 should demand in Europe not recover fast enough.

Russia's Gazprom doubts the Nabucco pipeline to Europe can be built as it still lacks gas suppliers. It said it is not worried about the Nabucco pipeline, which aims to reduce Europe's dependence on

Generator Problems

MISO - Exelon's 1128 Mw Byron #1 nuclear unit was at 100% capacity, down 95% from yesterday. Operators are beginning to coast down the unit to its scheduled refueling outage.

MACC - Exelon's 1134 Mw Limerick #1 nuclear unit was at 80% capacity as of early Sept.11, down from 100% yesterday.

WSCC - Energy Northwest's 1150 Mw Columbia nuclear unit remains at 85% capacity.

The NRC reported this morning that 92,662 Mw nuclear generation capacity was on line, down 0.22% from yesterday and off 2.78% from the same time a year ago.

Russia by securing gas from the Caspian region, and does not consider the project a rival to its own pipelines. Russia is building new pipelines to southern and northern Europe, known as South and Nord Stream, under the Black and Baltic Sea to cut transit risks it has experienced in the past during pricing disputes with Ukraine and Belarus.

The NGSAsaid in a news release that the "U.S. natural gas markets are the most transparent in the world, with extensive reporting of data that is timely and easily accessible to market participants to guide their decisions to buy or sell." The NGSAsaid has asked lawmakers not to impose unnecessary restrictions on natural gas that will impede market liquidity and potentially harm consumers. This comes about in response to a report by William P. Albrecht that found the U.S. has made greater progress toward increased transparency of both the physical and financial markets than European natural gas markets.

Barclays Capital said investments in commodity products increased to \$2.63 billion in August. Exchange traded product got \$1.74 billion while commodity linked mutual funds took in \$472 million.

ELECTRICITY NEWS

U.S. coal production totaled approximately 21.1 million short tons for the week ending Sept. 4th, down 2.3% from the previous week's estimate and 6.5% lower than the production estimate in the comparable week in 2008.

MARKET COMMENTARY

The natural gas market continued to trade higher early in the session as it continued to retrace its previous losses. The market retraced more than 50% of its move from a high of \$4.368 to a low of \$2.409 as it rallied to a high of \$3.424. The market however retraced its gains and traded sideways before a bout of selling pushed the market below the \$3.00 level in afternoon trading. The market retraced close to 50% of its move from a recent low of \$2.409 to today's high of \$3.424 as it posted a low of \$2.93. It bounced off its low and settled down 29.6 cents at \$2.96 amid the lack of any supportive fundamentals.

The natural gas market will likely continue to retrace its recent gains as the near term fundamental outlook continues to weigh on the market. It is seen finding support at its low of \$2.93 followed by \$2.906, basis its support line, \$2.785, \$2.74, \$2.623 and \$2.611. More distant support is seen at \$2.409 and \$2.291. Resistance is however seen at \$3.00, \$3.14, \$3.233, \$3.279, \$3.37 and \$3.424. More distant resistance is seen at \$3.599 followed by \$3.773.

The Commitment of Traders report showed that on a combined basis, commercials cut increased their net short position by 4,704 contracts to 101,886 contracts in the week ending September 8th. The non-commercials however increased their net long position by 5,007 contracts to 55,781 contracts on the week. Meanwhile the disaggregated report showed the producers/merchants cut their net long position by 808 contracts to 1,093 contracts and swap dealers also cut their net long position by 8,170 contracts to 24,208 contracts on the week. The managed money net short position was cut by 12,624 contracts to 43,307 contracts while the other reportable net short position was increased by 3,279 contracts to 25,251 contracts on the week.