

ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 12, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Maria continues to move north and is expected to reach Bermuda on Wednesday and Newfoundland by Friday. Elsewhere there are no storms but the next tropical cyclone in the Atlantic is expected to develop by the end of the week. The outlook in the Caribbean shows that a tropical cyclone could develop in the western Caribbean next week. Forecasting models though appear to be signaling that both areas could become active next week and remain that way for the following ten days or so.

Generation Outages

WECC-The Mountainview natural gas fired power station's Unit 3 closed on Sunday afternoon for scheduled maintenance. Unit 4 started to ramp up on power on Saturday after it was shut on Friday. Southern California Edison's Unit 2 at the San Onofre nuclear power plant started to power up on Sunday as Unit 3 remained closed.

PJM- PSE&G's Unit 1 at their Salem nuclear power plant in New Jersey reduced power to 44% on Monday from 94% on Friday. Unit 3 at the Peach Bottom nuclear power plant in Pennsylvania was shut for scheduled maintenance and planned upgrades to increase efficiency.

MRO- American Electric Power Co Inc's Cook nuclear power station in Michigan exited an outage and ramped up to 29% early on Saturday.

The NRC reported this morning that some 90,051 Mw of nuclear generation was operating this morning, up 0.5% from yesterday but off 2.2% from than the same day a year ago.

Peters Township, Pennsylvania will vote this fall on a bill to ban gas extraction from the Marcellus Shale, a move some believe is necessary to secure clear air and water. Legal bans have yet to be challenged in court but it is another area of concern for the industry. Industry executives are growing frustrated by the lack of standardized regulation since each town has the ability to customize laws so no two towns are the same and companies are required to file for a separate license to drill in each town in which it operates.

International

Total's gas discovery in the Caspian Sea is estimated to hold 350 bcm of natural gas and 45 million metric tonnes of gas condensate. Production may begin in either 2021 or 2022 but the launch date could be moved up to as early as 2015 if an offshore platform is built. Azerbaijan expects their gas reserves to rise to 2.5 tcm from 2.2 tcm as a result of the discovery.

Azerbaijan may sign a gas transit deal with Turkey to send exports from its Shah Deniz field to Europe by the end of September. Azerbaijan is trying to sell 6 bcm/y from the second phase of the Shah Dienz field and to ship 10 bcm to Europe through Turkey.

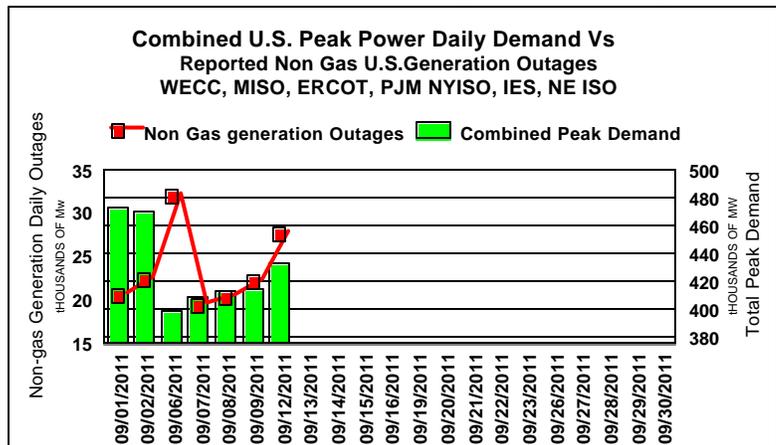
Eni plans to start exporting gas from Libya by October or November. Eni officials

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	559,200	\$3.920	(\$0.036)	\$0.042	\$0.056	(\$0.152)
Chicago City Gate	64,200	\$3.995	\$0.032	\$0.117	\$0.086	(\$0.160)
NGPL- TX/OK	220,000	\$3.858	\$0.010	(\$0.020)	\$0.064	(\$0.285)
SoCal	211,000	\$4.156	(\$0.056)	\$0.278	(\$0.002)	\$0.095
PG&E Citygate	544,400	\$4.249	(\$0.081)	\$0.371	(\$0.027)	\$0.218
Dominion-South	459,500	\$3.992	(\$0.021)	\$0.114	\$0.033	(\$0.130)
USTrade Weighted	7,549,900	\$3.963	\$0.002	\$0.085	\$0.06	(\$0.152)

cannot give a more accurate date, as crews have not yet inspected the damage to the oil infrastructure in Libya. Once exports resume Italy will import 8 bcm, 12% of the countries gas needs along the 300 mile Greenstream pipeline.

For the first time in EU history member states have allowed the European Commission to hold talks with Azerbaijan and Turkmenistan to build a Trans-Caspian Pipeline System. The move comes as member states try to lower their gas prices and reduce their dependence on Russia.

Russia's Gazprom is expected to sign a gas supplies and transit deal with Belarus in December when the current deal is set to expire. Contracts talks have stalled due to a disagreement over how much Gazprom should pay for a 50% stake in Beltransgaz. Belarus has already agreed to sell the stake in the company but the price would be contingent on the new gas contract.



The Iraqi cabinet will likely approve a deal with Kogas to develop the Akkas gas field in western Iraq.

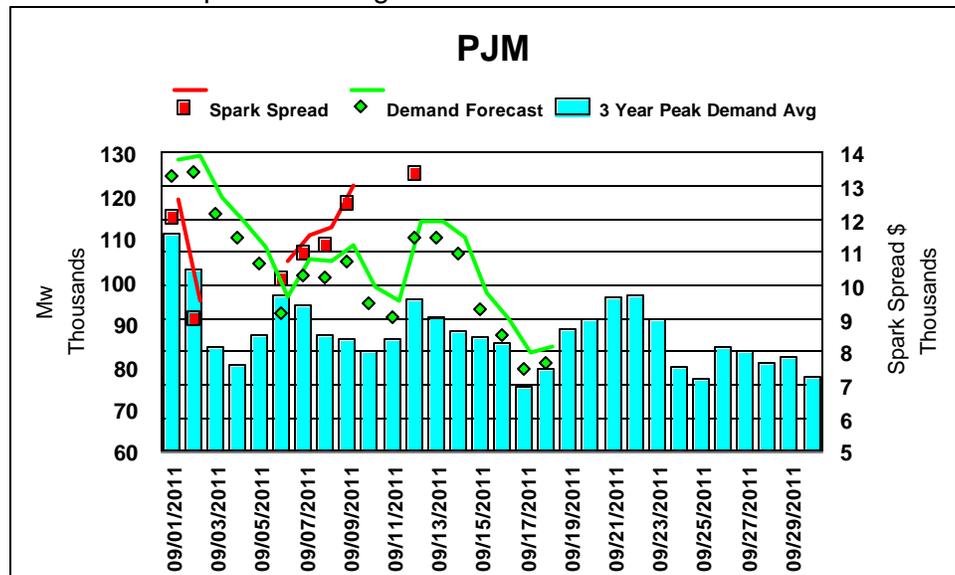
Russia may delay planned gas and power price increases from January 1, 2012 to July 1, 2012 as energy consumption declines could make the transition to higher prices softer.

ELECTRIC MARKET NEWS

Entergy and the state of Vermont started their trial to determine the future of the Vermont Yankee nuclear power plant. Entergy is arguing that the state does not have the right to close the plant because that authority lies solely with the NRC. The trial is being watched closely because it is the first time a state has tried to close a power plant before its federal license expires.

The NRC announced that it will conduct a special investigation into the June fire at the Fort Calhoun nuclear power plant in Nebraska. The plant will remain closed until the NRC completes its investigation and ensures that all problems have been corrected.

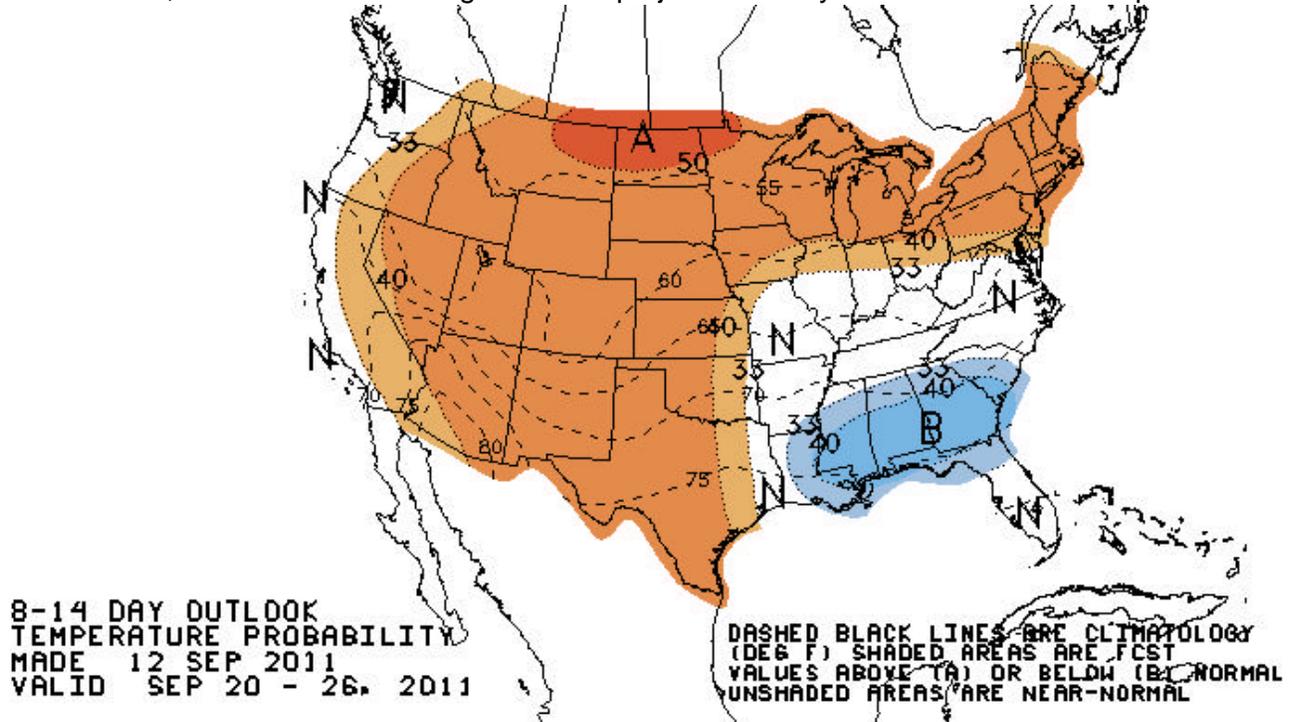
US power fell 6.24% for the week ending on September 8th compared to the previous week but rose 3.44% during the week compared to the same week last year.



ECONOMIC NEWS

The latest survey by the National Association for Business Economics showed forecasters cut in half their 2011 economic growth predictions to a level that is too low to bring down the high unemployment rate. A panel of 52 economists on average expects GDP to increase by only 1.5% at the end of the year, down from a

3.1% GDP growth forecast made in the previous survey in May. For 2012, forecasters expect GDP to increase 2.7%, down from the 3.3% growth rate projected in May. NABE forecasters expect US non-



farm payrolls to increase, on average, by about 125,000 per month this year. Unemployment is seen falling gradually, with the rate at about 8.5% in the final quarter of 2012.

During talks at a Bank for International Settlements meeting, global central bankers said economic growth is slowing but there is no sign of a worldwide recession. As chair of the talks, Jean-Claude Trichet said central banks stood ready to provide liquidity as needed and there was no sign of deflation in developed economies.

The Institute of International Finance said there is little evidence that speculation in commodities has led to high and volatile commodity prices. It said tighter regulations in investment in commodities could hurt market liquidity and distort prices.

Market Commentary

The natural gas market today basically drifted without conviction as traders seeing decreasing seasonal cooling demand felt it was balanced by the news of small declines in natural gas drilling rigs as was reported on Friday by Baker Hughes. While demand in ERCOT is expected to remain strong over the next week, it does not appear it will be large enough to offset the drop in power demand in the Midwest and in the East as a cold front moves across the region over the next few days. In addition while we are in the peak period of the Atlantic Hurricane season, there was little or not threat to the Gulf of Mexico offshore production areas on the horizon and as a result the bulls had little fuel to spark a rally for this market. Long-range forecasts see that this threat might not return until early next week at the earliest. As a result we remain with our boring opinion that this market will remain mired in its six-week sideways trading pattern as a result. We still see minor support for this market at the \$3.85 area followed by \$3.78, \$3.731 and \$3.612. Resistance we see \$3.942, \$3.987 and \$4.006 - \$4.014. More distant resistance we see at \$4.143, \$4.246, \$4.34 and \$4.612.

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