



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 13, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning continues to watch Invest 92-L, a trough of low pressure over the central Caribbean Sea which continues to produce disorganized cloudiness and showers. As this system moves slowly westward there remains a 40% probability it could develop into a tropical depression within the next 48 hours. Most computer models have this system becoming a Category 1 hurricane by later this week before it moves across the Yucatan and into the Bay of Campeche and then makes landfall in Mexico early next week. At this current time no model has this system being a threat to the U.S oil and gas interests in the Gulf of Mexico. Meanwhile Hurricane Igor and Tropical Storm Julia in the eastern Atlantic show no risk to the Caribbean or the U.S. mainland.

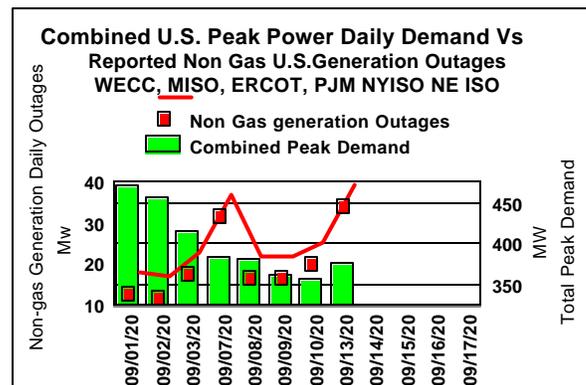
The NRC reported this morning that some 92,069 mw of U.S. nuclear generation capacity was online this morning down 1.5% from Friday but 4.1% higher than the same time a year ago.

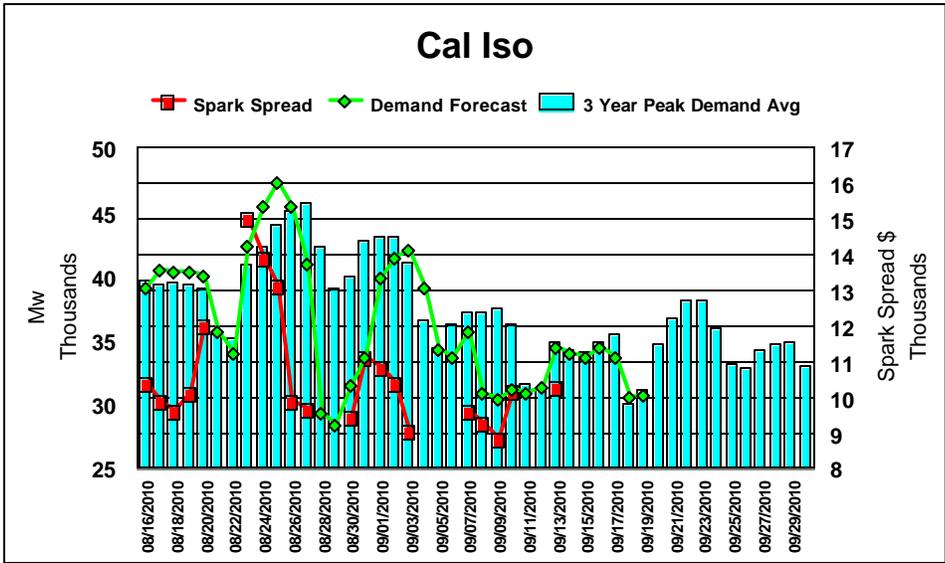
| Natural Gas Cash Market | | | | | | |
|--------------------------|------------|---------|---------|------------------|---------|-------------|
| ICE Next Day Cash Market | | | | | | |
| | Volume | Avg | Change | Basis | Change | Basis 5-Day |
| Location | Traded | Price | | (As of 12:30 PM) | | Moving Avg |
| Henry Hub | 904,300 | \$3.834 | \$0.040 | (\$0.114) | \$0.026 | (\$0.112) |
| Chicago City Gate | 753,400 | \$3.858 | \$0.095 | (\$0.090) | \$0.036 | (\$0.064) |
| NGPL- TX/OK | 475,500 | \$3.775 | \$0.079 | (\$0.173) | \$0.020 | (\$0.146) |
| SoCal | 683,300 | \$3.730 | \$0.084 | (\$0.219) | \$0.025 | (\$0.188) |
| PG&E Citygate | 661,200 | \$4.018 | \$0.126 | \$0.070 | \$0.067 | \$0.051 |
| Dominion-South | 925,400 | \$3.899 | \$0.066 | (\$0.049) | \$0.007 | \$0.022 |
| UStTrade Weighted | 19,314,200 | \$3.808 | \$0.085 | (\$0.140) | \$0.03 | (\$0.112) |

Norway's Kollsnes gas processing plant was shut Monday until September 27th for planned maintenance. National Grid though reported that gas flows along the

Langeled pipeline turned unexpectedly higher during the day, increasing supplies unexpectedly in Britain and pressuring spot prices. Gassco also reported that maintenance at Kaarstoe Norwegian gas-processing plant has been completed and that flows from the plant have returned to full capacity, despite reports earlier this morning that a small leak had been discovered and repaired. Gassco reported that exports out of the facility were not affected.

Yemeni security officials reported today that armed militants failed Monday to bomb a key gas pipeline running through the southern province of Maarib that feeds Yemen's \$4.5 billion LNG plant. The militants threw hand grenades, which fell yards away from the pipeline, but pumping was not affected.





The Ukrainian president said today that the European Union will not suffer from any more gas shortages because of transit problems from Russian gas supplies passing through the Ukraine.

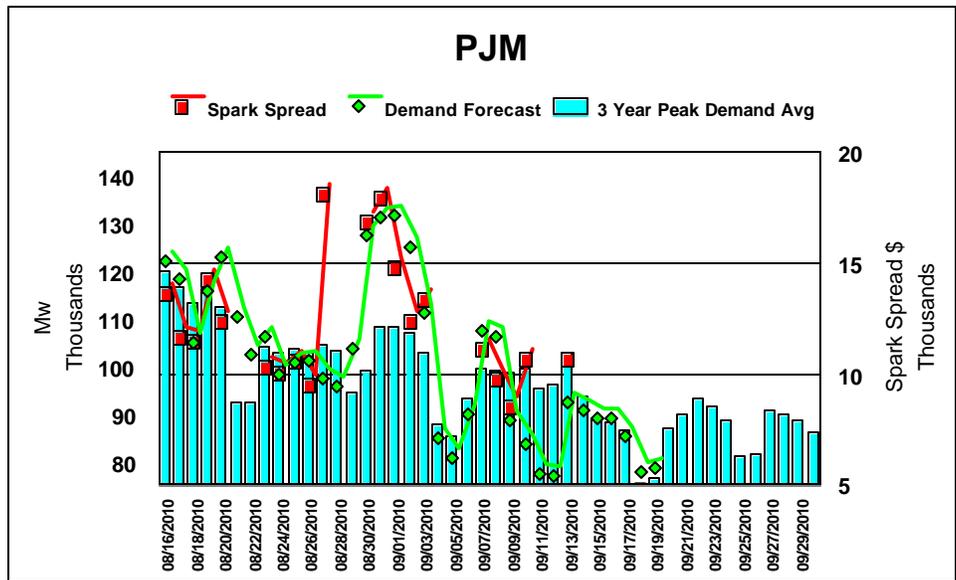
California regulators have ordered PG&E to inspect its natural gas pipeline system following last week's explosion in a San Francisco suburb. Regulators want the utility

to inspect all lines, particularly those that carry gas at higher pressure and those in high population density areas.

ELECTRIC MARKET NEWS

Genscape reported this morning that for the week ending September 9th, U.S. power output fell 7.7% from the prior week and was 3.1% less than the same week a year ago.

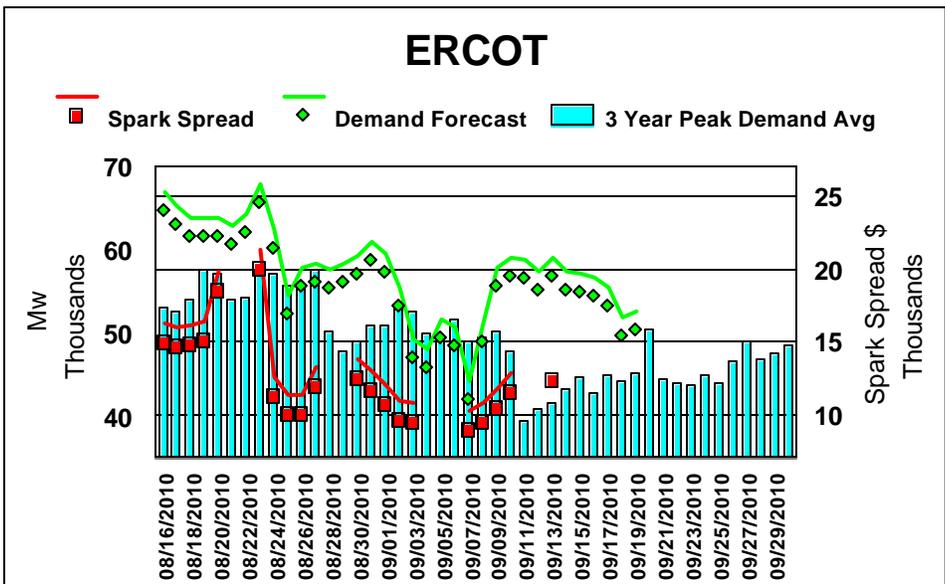
The California ISO said it would decide by October



1st if all 14 power plants currently operating under "must run" contracts will be needed in 2011.

ECONOMIC NEWS

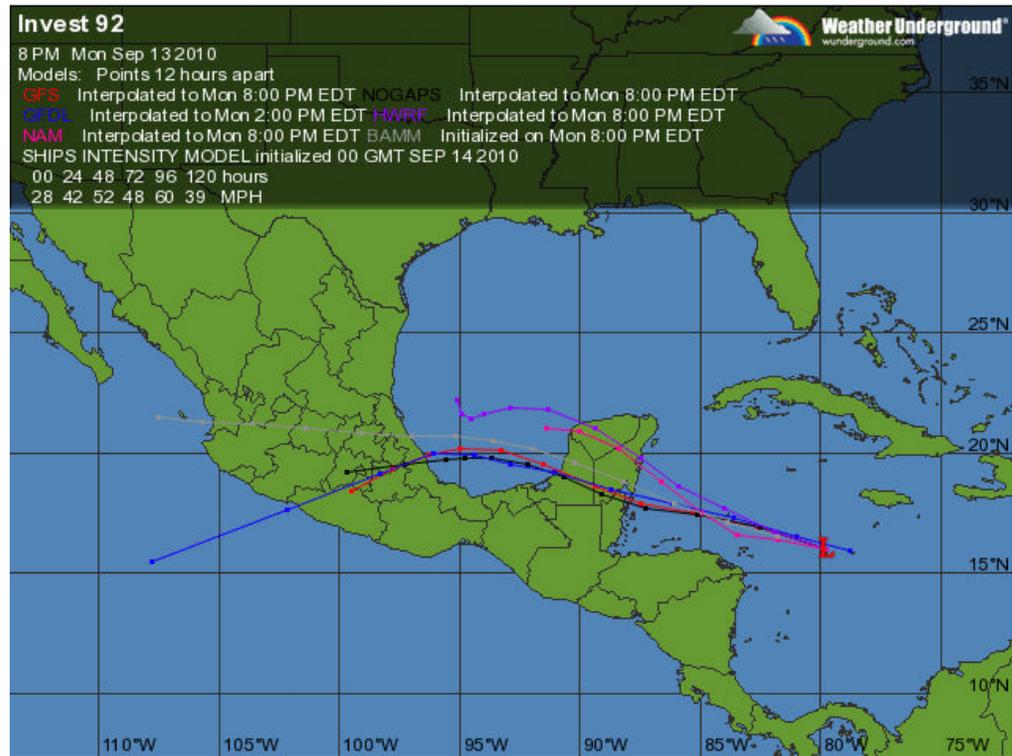
China's industrial output increased at a faster rate than estimated in August. Production increased 13.9% on the year compared with estimates of a 13% increase. Consumer prices increased 3.5%, the most in 22 months, as food costs increased. China's retail sales increased by 18.4%.



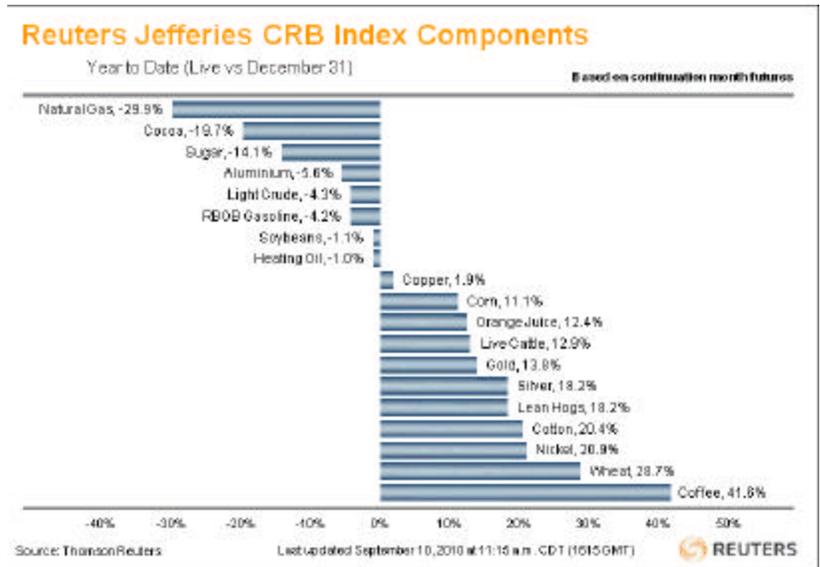
China is poised to replace Japan as the world's second largest economy this year after reporting a larger GDP in the second quarter.

MARKET COMMENTARY

The natural gas market posted its second consecutive higher close today as higher power demand coupled with higher non-gas generation outages helped to boost natural gas demand near term. But it appeared that the spurt in buying was more technically inspired as the natural gas market made its move to the highs in the first 30 minutes of trading once the floor session kicked off and what appeared to be computer systems clicking on.



This market has been stuck in a sideways trading pattern for the past three week's, and we do not feel that the market will be able to sustain any move above the \$4.00 without a real tropical threat, and currently that does not appear to be in the cards for the near term. As a result we would look to be a buyer of October \$3.80 puts on any flat price move above \$4.00, scale up to \$4.196. Additional resistance we see at \$4.352 and \$4.507. Support we see at \$3.801 followed by \$3.731, \$3.693 and \$3.62



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