



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 13, 2011

NATURAL GAS MARKET NEWS

North America

The next tropical cyclone in the Atlantic may develop later this week as there are a couple of tropical disturbances over the western coast of Africa tracking westward. Short term development is being hindered by the presence of dry Saharan air. The western Caribbean is expecting a tropical cyclone sometime next week after it develops over the weekend.

Generation Outages

MRO - FirstEnergy Corp's Perry nuclear power plant is currently running at 73% power after being turned off over the weekend for maintenance. The Ohio plant is expected to return to full power by Tuesday evening.

WECC - San Onofre's Unit 2 at the San Onofre nuclear power plant was operating at 98% power and Unit 3 was increased to 97% power after the plant went offline on Thursday after a blackout hit Southern California.

The NRC reported this morning that some 90,468 Mw of nuclear generation was operating this morning, up 0.5% from yesterday but 2.2% lower than the same day a year ago.

Encana Corp plans to seek partners for exploration in Poland for shale gas. The company said that their main focus will be to searching for unconventional gas in North America but is looking into a few international prospects.

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	1,027,300	\$3.955	\$0.035	(\$0.020)	(\$0.046)	(\$0.156)
Chicago City Gate	310,400	\$4.052	\$0.057	\$0.076	(\$0.040)	(\$0.153)
NGPL- TX/OK	541,800	\$3.902	\$0.044	(\$0.073)	(\$0.053)	(\$0.281)
SoCal	634,800	\$4.146	(\$0.011)	\$0.171	(\$0.108)	\$0.061
PG&E Citygate	831,900	\$4.273	\$0.024	\$0.298	(\$0.073)	\$0.180
Dominion-South	748,200	\$4.064	\$0.072	\$0.089	(\$0.025)	(\$0.122)
USTrade Weighted	19,414,800	\$4.014	\$0.051	\$0.039	(\$0.05)	(\$0.156)

International

Major industrial gas users in the UK want the government to force suppliers to maintain a certain ratio of gas sales in storage to prevent supply interruptions.

Manufacturers are considering relocating to

mainland Europe where gas storage rules are tougher. The announcement came on a day after gas demand rose due to higher storage injections as gas for day-ahead deliver fell 13% Monday.

Orders for LNG ships have increased this year as daily charter rates have tripled from \$30,000 to \$100,000 a day over the past year. The tight supply is expected to peak in 2014 before most of the ships that are being ordered are delivered in 2014-2015. Most of the new orders are speculative and investors have no guarantee of supply projects.

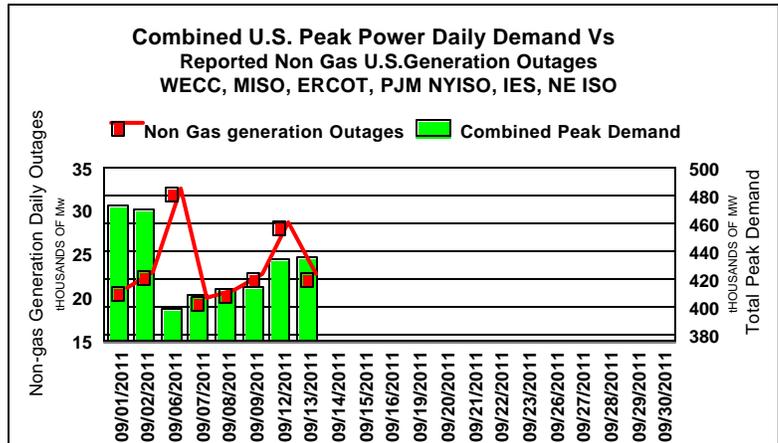
National Grid, Britain's energy network operator, stopped wind turbines in Scotland for the third straight day as high winds threatened to overload power output and block the grid. The high winds have been caused by the remnants of Hurricane Katia.

Japan's 10 regional power firms used 4.81 million tonnes of LNG in August an increase of 15.4% from the month earlier. In addition, LNG imports are expected to rise to around 78 million tonnes in the year to March 2012 from 70 million tonnes the year before. Despite this increase in demand the Japan Gas Association Chairman does not expect a serious shortage of LNG in the next few years due to the large production capacity worldwide.

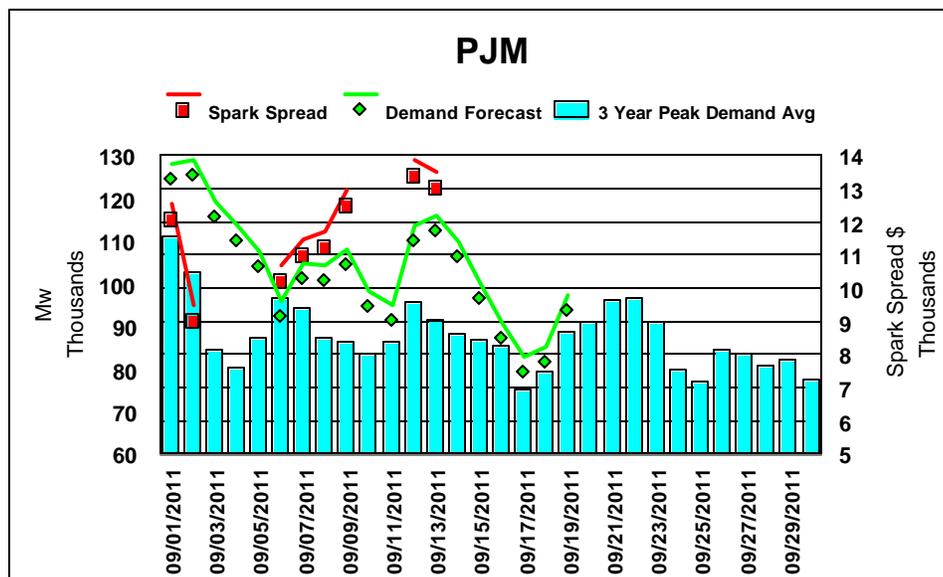
Qatar plans to increase liquefied petroleum gas (LPG) production by about 0.5 million tonnes by the end of next year to 11 million tonnes per year.

Cyprus' president announced that the island country plans to push forward with hydrocarbons exploration in the eastern Mediterranean despite protest from Turkey.

Russia said the EU should not proceed with the proposed Caspian Sea pipeline that would carry gas to Europe. The project would decrease Europe's dependence on Russian gas and Russia said an agreement could lead to increased tension in the region.



Azerbaijan has set October 1 as a deadline for submitting bids for contracts for the 10 bcm/y from the second phase of Shah Deniz. Three current projects; the Nabucco, the Trans Adriatic Pipeline and the Interconnection Turkey Greece Italy are all a long way from completion so the second phases of Shah Deniz is the only immediately available gas to Europe in their attempt to decrease their energy dependence on Russia.



BG Group reported a leak in a damaged wellhead at its Queensland, Australia coal seam gas operations. The company reported that there were no significant environmental or health risks and that repair work would take several days.

ELECTRIC MARKET NEWS

In the first day of the three-day trial to determine the fate of the Vermont Yankee nuclear power

plant lawyers for the owners of the plant, Entergy, argued that state politicians infringed on rights solely reserved to the Nuclear Regulatory Commission. State lawyers countered by saying that the state has a long-standing history of working with federal regulators on plant safety and the decision to close the plant was not obstructing with the Nuclear Regulatory Commission's role of regulator for all nuclear power plants.

ECONOMIC NEWS

The US Labor Department said US import prices fell in August by 0.4% on the month. Even though the decline was smaller than expected, it was the second decline in three months. It reported that in August, petroleum import prices fell by 2.1% on the month.

The National Federation of Independent Business's small business optimism index fell to its lowest level in just over a year. The index fell to 88.1 in August, down from 89.9 in July. The decline was the sixth consecutive drop and put the index at its lowest reading since a similar 88.1 posted in July 2010.

The subindex of expected business conditions in the next six months fell 11% to -26%.

The International Council of Shopping Centers and Goldman Sachs said US chain store sales increased by 1.3% in the week ending September 10th to 523.8.

The Congressional Budget Office said the US economy will grow slower than expected and unemployment will remain high as the fallout of the

deepest recession since the Great Depression takes its toll. It sees economic growth of about 1.5% this year and 2.5% in 2012. The US unemployment rate, currently at 9.1%, will remain close to 9% through the end of 2012.

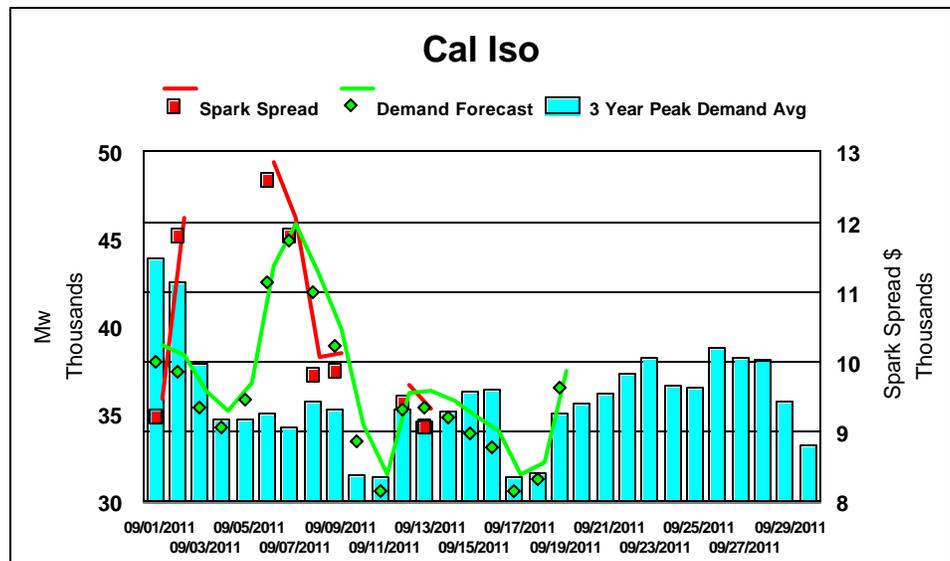
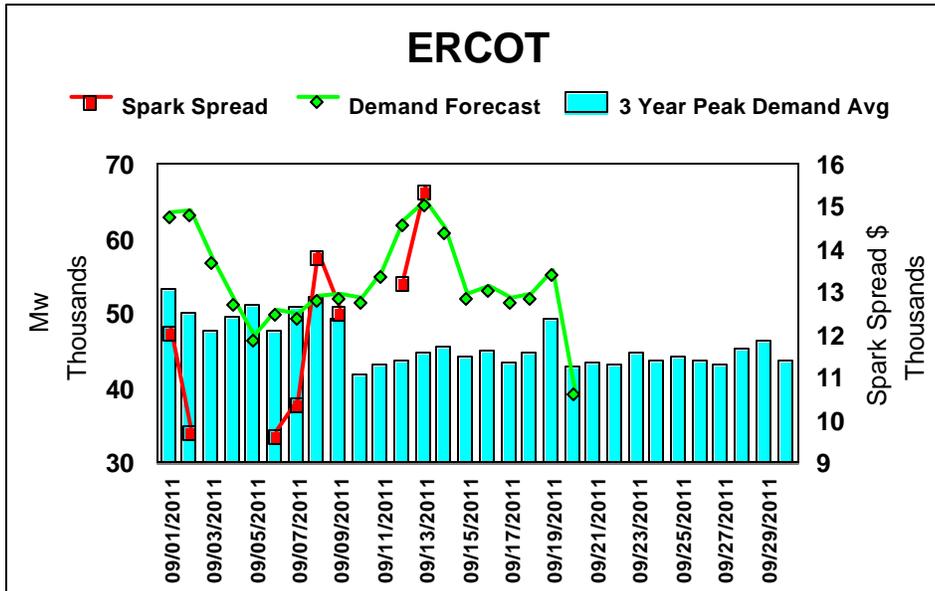
According to a survey by Bank of America Merrill Lynch, 55% of European fund managers see Europe suffering two quarter of negative GDP growth, compared with only 14% in July.

China's Ministry of Industry and Information Technology reported that the country's industrial output is expected to increase by 13.5% in 2011. Industrial output grew 13.5% in August from a year earlier, down from July's 14% annual increase.

Market Commentary

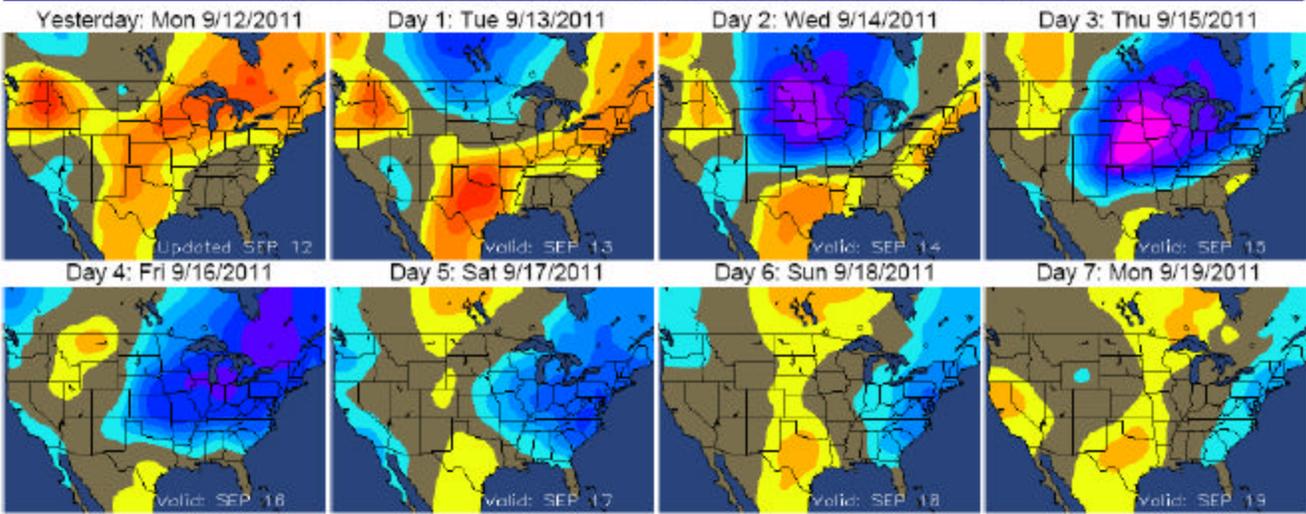
After three days of declining volumes, today saw buyers return to the market prior to the start of

the floor session. It appears that their buying interest was sparked by stronger spark spread values in ERCOT and PJM as near term power loads surged today. But buying interest also appeared to be based on the season's first heating demand albeit extremely modest demand call as a significant cold



front is seen passing through the Midwest and onto the Northeast over the next several days. But as temperature forecasts appeared to moderate a bit at midday this premature rally based on both cooling and heating demand appeared to stall and wither a bit, as prices moved back below \$4.00 before the close. We continue to feel that this market is stuck in a sideways and unexciting trading range and probably can not be busted out of it without a significant weather event such as a hurricane over the near term or in 4-6 weeks the significant deviation of heating season from normal levels.

Daily Temperature Anomaly Outlook (2 Deg F Intervals)



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