



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

A large high-pressure system moving east across New England may be followed by a pressure system for tropical development in the Caribbean. Meteorologists are predicting that there will be a high probability of a tropical cyclone developing early next week in the Western Caribbean. The system is expected to move north into the southern Gulf of Mexico around September 26th.

Generation Outages

RFC - PSEG's 1100 Mw Salem #1 nuclear unit ramped up by 19% from yesterday and stood at 60% power this morning.

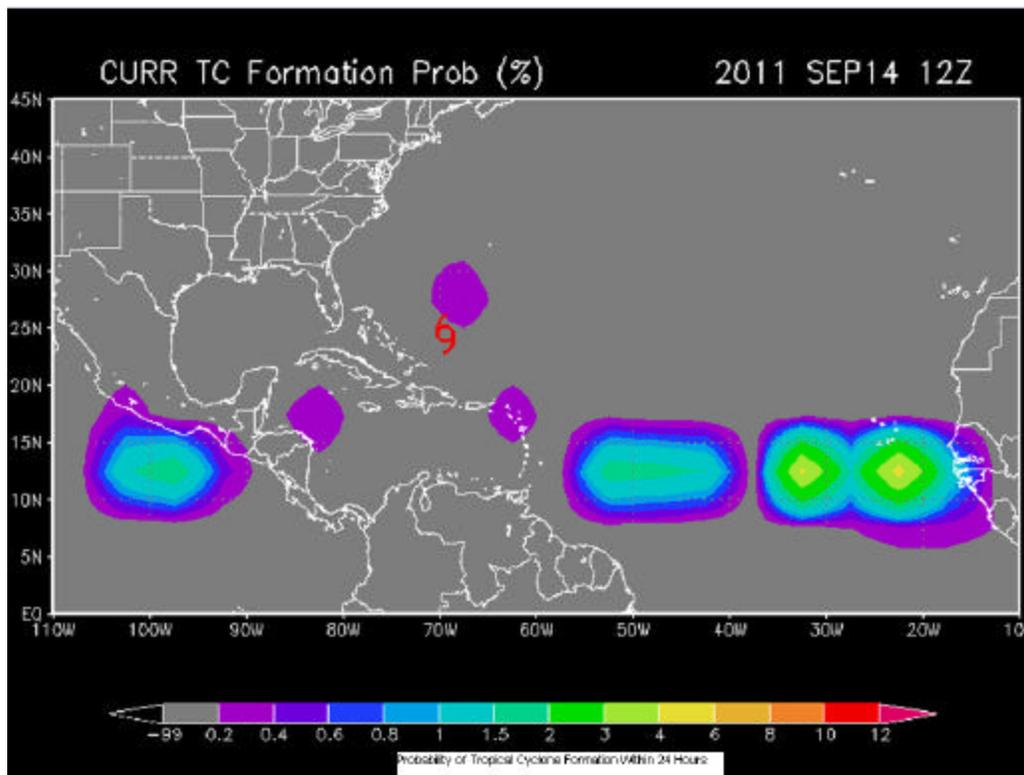
FirstEnergy's 1025 Mw Perry #1 nuclear unit was back at full power this morning, the first time in a week. The unit had been at just 64% power yesterday morning.

SERC - TVA's 1150 Mw Browns ferry #1 nuclear unit was at 97% power this morning up 21% from Tuesday.

TVA's 1148 Mw Sequoyah #2 nuclear unit was at 75% power this morning, after having ramped up by 10% from yesterday.

The NRC reported this morning that some 91,352 Mw of nuclear generation was operating this morning, up 1% from yesterday but 2.2% less than the same day a year ago.

Sasol, a South African energy and chemical group, plans to build the first gas-to-liquid (GTL) facility in the United States. The company plans to conduct a study over the next 18 months in Calcasieu Parish, Louisiana to investigate whether to build a two million tons per year or a four million tons per year facility.



ConocoPhillips CEO says that expanding drilling areas across the United States will create jobs by citing the 200,000 jobs that have already been created as a result of exploration and production of the Barnett Shale and the Marcellus Shale. In addition he said that he expected natural gas prices to rise to \$5 to \$6 per mcf as developing countries put pressure on supplies.

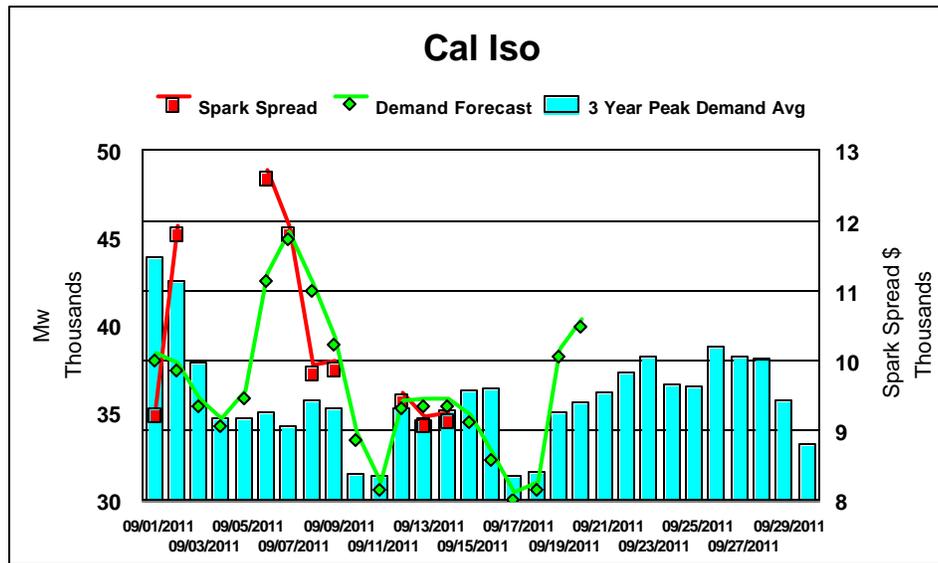
GE reported that it

has secured more than \$1 billion in new orders for gas turbines in North America so far this year, reflecting power companies growing interest in natural gas. The company said its orders are running some 30% ahead of last year's pace.

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	1,043,000	\$4.010	\$0.054	(\$0.020)	(\$0.019)	(\$0.157)
Chicago City Gate	420,700	\$4.101	\$0.050	\$0.071	(\$0.005)	(\$0.135)
NGPL- TX/OK	594,800	\$3.936	\$0.034	(\$0.094)	(\$0.021)	(\$0.272)
SoCal	762,100	\$4.198	\$0.052	\$0.168	(\$0.003)	\$0.037
PG&E Citygate	883,100	\$4.341	\$0.068	\$0.311	\$0.013	\$0.158
Dominion-South	941,100	\$4.129	\$0.065	\$0.099	\$0.010	(\$0.107)
USTrade Weighted	20,402,500	\$4.050	\$0.036	\$0.020	(\$0.02)	(\$0.157)

International

Turkey and Egypt have signed two energy memorandum of understanding deals as the countries are in discussion about gas exploration in the Mediterranean. Turkey is also considering importing natural gas and LNG from Egypt.

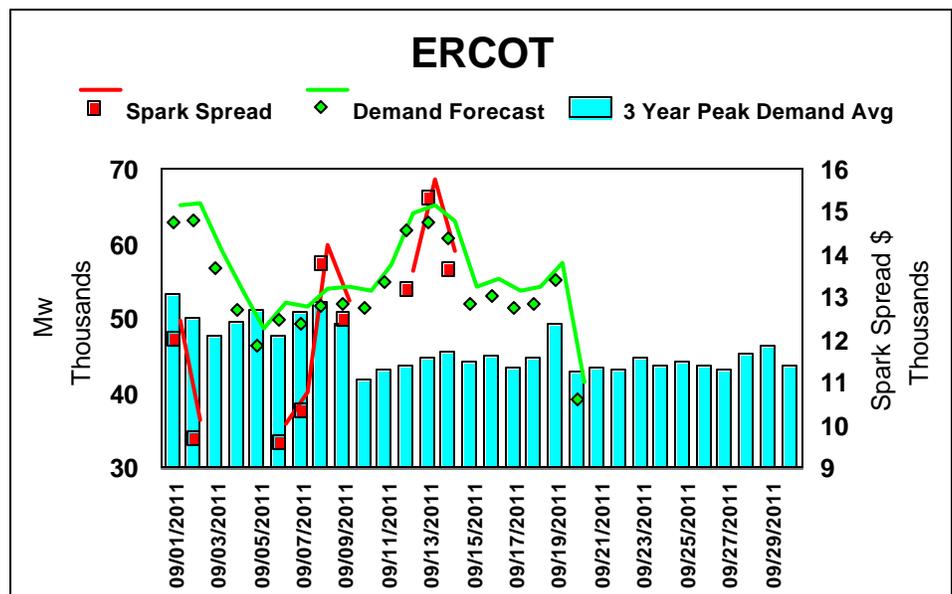


Ukraine's First Deputy Prime Minister told reports that the country expects natural gas imports from Russia to rise to \$414-\$416 per tcm in 2012 from the current \$354 per tcm. Due to the increase in price Ukraine plans to reduce its 60 bcm of annual imports from Russia to 40 bcm in 2011 and even further in 2012 to 27 bcm.

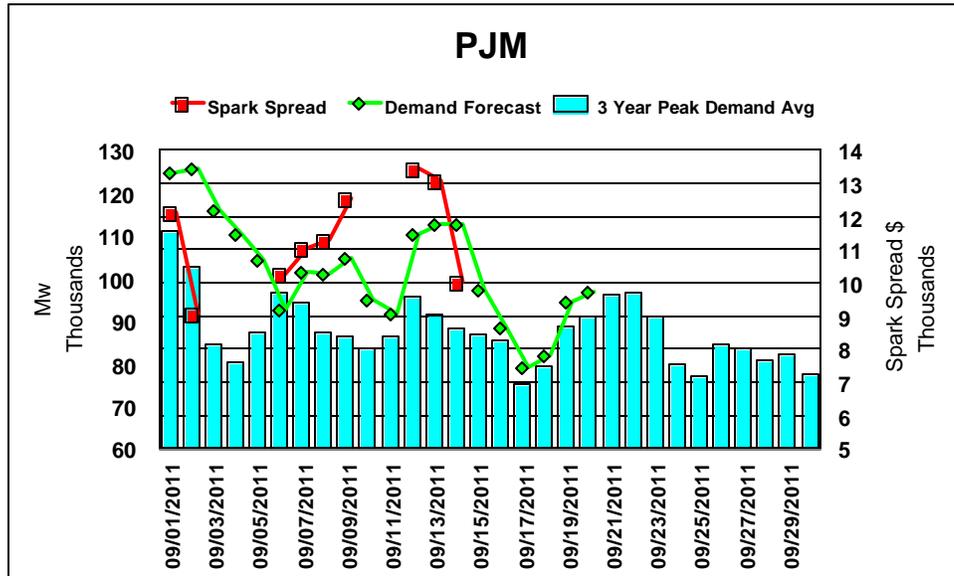
Libya's Sirte Oil Co. has already resumed natural gas production at several fields. The Attahaddy field is already producing 270 million cubic feet a day and 35,000 barrels a day of condensates. The Arabian Gulf Oil Co. has also started output earlier than expected at a higher output is reporting producing 160,000 barrels a day.

The Iraqi cabinet has finally signed the agreement with Korea Gas Co (KOGAS) to develop one of Iraq's largest oil fields in western Iraq. The deal had been agreed to on June 1 by KOGAS and the Iraqi oil ministry but has since been waiting for final approval from the cabinet.

KOGAS sold 1.8 million tonnes of LNG in August a 2.3% increase from the same month for the prior year. Sales for power generation fell by 4.6% to 993,000 tonnes while sales for households and business rose 12% of 846,000 tonnes.

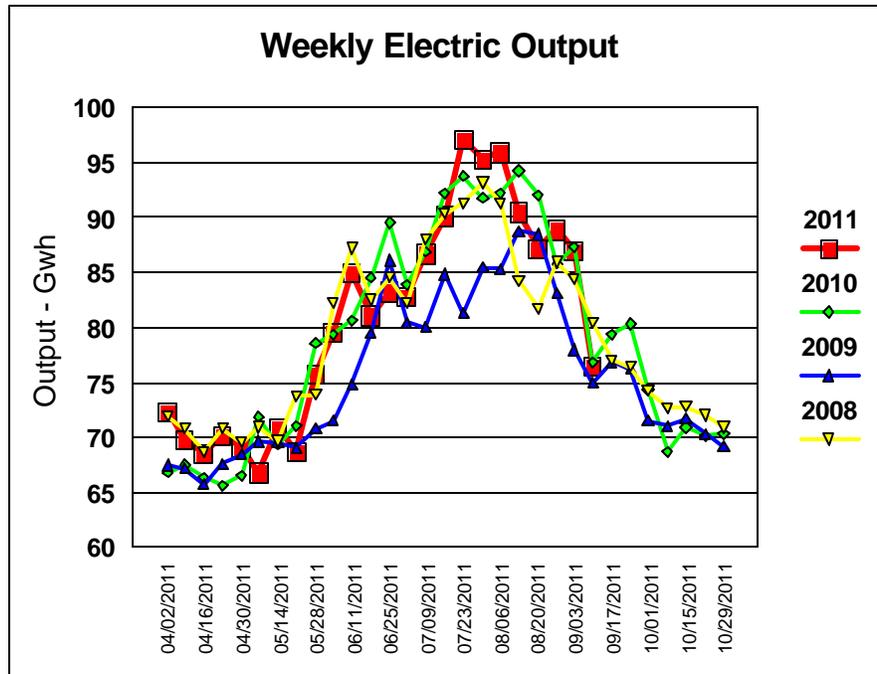


Japan hopes to export LNG from the United States after a project comes online in 2015. Japan is expecting their LNG demand to rise for the next several years and is looking for new supplies. It is expected that the LNG will be extracted from shale formations in Louisiana and Texas and shipped via the Panama Canal.



Gas flows into BP's Teesside terminal are expected to increase this week as the offshore maintenance on Everest, Lomond and North Sea Armada platforms ends and the platforms come back online.

The 260,000 cubic meter load aboard the Mekaines LNG tanker is expected to arrive in Britain on September 24th.



ELECTRIC MARKET NEWS

The project water runoff at the Dalles Dam on the Columbia River fell to 135% of normal for April through September down from the prior month's forecast of 136% of normal. The Dalles Dam is a key point on the Columbia River in Oregon to measure the amount of water available for power generation in the Northwest.

Following stress tests on nuclear plants in Europe officials say that nuclear reactors over 40 years old may need to shutdown as additional safety costs will make them too expensive to keep online. The study was commissioned

following the Fukushima disaster and included whether plants could withstand the impact of an airplane crash. The results of the survey are scheduled to be released on Thursday.

ECONOMIC NEWS

The US Labor Department said US wholesale prices were flat in August. The Producer Price Index was unchanged in August from July as lower energy costs offset higher food prices. Wholesale prices increased a monthly 0.2% in July and fell 0.4% in June. The report showed that energy goods prices fell 1% in August, the third monthly decline, led by lower costs for liquefied petroleum gas as well as

gasoline and diesel fuel. Year over year, overall producer prices in August were up 6.5%, moderating slightly from the 7.2% increase reported in July.

The US Commerce Department reported that US retail sales were flat in August at \$389.5 billion. July retail sales were revised down to a 0.3% increase following an originally estimated increase of 0.5%.

US business inventories in July increased less than expected. The US Commerce Department said business inventories increased by 0.4% to \$1.526 trillion while sales increased by 0.7% in July to \$1.198 trillion. Year over year inventories increased 10.6% since July 2010 and sales increased 12%. The inventory-to-sales ratio fell to 1.27 from 1.28.

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase demand, increased 6.3% in the week ending September 9th. The MBA's seasonally adjusted index of refinancing applications increased 6% while the index of loan requests for home purchases increased 7%.

The European Union's statistics office, Eurostat said Euro zone industrial output rebounded in July after falling in June. Industrial production increased 1% on the month to a 4.2% year on year gain in the 17 countries using the euro. Industrial production fell by 0.8% month on month in June.

A deputy managing director of the IMF, Zhu Min said the world economy will not suffer a second recession however emerging economies must tighten their monetary policies to keep inflation in check.

Market Commentary

The natural gas futures and the Henry Hub cash price moved back above the \$4.00 price level today and stayed there as general strength appeared to be coming from most pricing points across the country. While it was the first time in a week that the Henry Hub cash market was back over the \$4.00 level it was nearly two weeks since the spot natural gas futures price was capable of settling above the \$4.00 price barrier as well. It appeared the futures got a technical boost at mid morning when buyers were able to push prices back above the \$4.00 barrier and then breach yesterday's high of \$4.018. Follow through buying quickly pushed prices up to \$4.099 before it appeared some profit taking came into the market in front of the resistance line at \$4.113 drawn off the highs of September 1st and August 12th. By the end of the day natural gas prices had slipped back some 6 cents from the high basically giving back half of the morning's rally.

The natural gas market appears to be looking for a build in working gas stocks of 80-85 bcf for the week ending September 9th. For the same week a year ago stocks increased by an adjusted 96 bcf while the five-year seasonal average is for a 79 bcf build. Just keep in mind that Tropical Storm Lee over this reporting period had shut in a cumulative total of some 11.4 bcf of natural gas in federal offshore waters of the Gulf of Mexico.

We recognize that this market is attempting to test resistance and make a run for the upside as it appears to have built a base of support from \$3.85-\$3.90 over the past six weeks. With the daily stochastics pointing to the upside with its strongest bias to the upside in three weeks we recognize that this market could quickly jump higher especially since so many bullish speculative traders have remained out of this market in recent weeks, judging by the natural gas ETF, UNG which is reporting one of its smallest market positions in several years. We see resistance tomorrow at \$4.10-\$4.11 followed by \$4.13-\$4.159. If these resistance levels are breached then we would look for resistance at \$4.19 and \$4.287. More distant resistance is at \$4.40. Support we see at \$3.995, \$3.96 and \$3.93. Additional support we see at \$3.826 and \$3.78.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.