



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 15, 2009

NATURAL GAS MARKET NEWS

The Atlantic Basin remains relatively quiet today with no organized tropical systems on the map, though there are two tropical areas of interest that forecasters are keeping an eye on. The first is the remnants of Hurricane Fred. This currently is a weak area of low pressure some 1700 miles east northeast of Guadeloupe that is moving westward at 15 mph. Forecasters noted that there has been some increase in shower activity associated with the system, but over all conditions near the system for the next couple of days should limit significant development. The other area is a tropical wave located a couple hundred miles west of the Cape Verde Islands that is producing an area of disorganized showers. Development if any is expected to be slow given some wind shear and dry Saharan air in the region.

Generator Problems

NPCC – OPG's 515 Mw Pickering #4 nuclear unit was shut yesterday for maintenance.

SERC – Southern Nuclear's 1200 Mw Vogtle #1 nuclear unit was at 95% capacity down 1% from yesterday as it coasts down to its planned refueling outage.

TVA's 1100 Mw Browns ferry #1 nuclear unit was back to full power this morning, up 20% from yesterday. The unit had been powered down over the weekend to facilitate cleaning of water boxes.

SPP – Entergy's 978 Mw River Bend nuclear unit was at 94% power, unchanged from yesterday. The unit though is expected to go off line shortly for its planned refueling outage.

The NRC reported this morning that 88,743 Mw nuclear generation capacity was on line, up 0.3% from yesterday and off 6.2% from the same time a year ago.

An El Paso executive told an energy conference on Monday that given the prospects of a new pipeline out of the Rockies production areas to the West Coast coupled with ever greater output from gas shale plays, a LNG terminal on the U.S. Pacific Coast is essentially a non-starter currently.

Enterprise Product Partners has entered into a long term agreement to provide natural gas transportation and processing services in the Eagle Ford Shale play on dedicated acreage owned by one of the largest producers in the play. Currently the company has more than 1.5 bcf/d of total processing facilities in the region and more than 8,000 miles of natural gas gathering and transportation pipelines.

Suncor said today it is planning deep cuts to its natural gas business, including asset sales, as it pares down its extensive operations as it attempts to digest its recent takeover of PetroCanada. The company said it has a value associated with its natural gas assets and will place them on the market when the time is right.

The Commerce Department reported this morning that U.S. business inventories in July declined 1% on a seasonally adjusted basis, slightly larger than the 0.9% decline expected by the market. The government also reported that retail sales rose at the fastest pace in 3 ½ years in August. The Federal Reserve Bank of New York reported that manufacturing in the state climbed to a near two year high,

Meanwhile Federal Reserve Chairman Bernanke in a speech today noted that the recession was probably over.

Port authorities reported the Al Hamla LNG tanker was expected to berth at South Hook import terminal on September 22nd.

South Korean customs data showed that imports of LNG into South Korea in August fell for the eighth consecutive month from a year ago due to high stocks and low demand. Price paid for the LNG averaged \$8.05 per Mmbtu, up from \$7.14 Mmbtu paid in July.

South Korea's state-owned KOGAS said Tuesday it has reached agreement with Chevron to import 1.5 million tones of LNG per year for the next 15 years from the Gorgon LNG project

Indonesia said it would allow contractors to export natural gas if there are no domestic buyers for it.

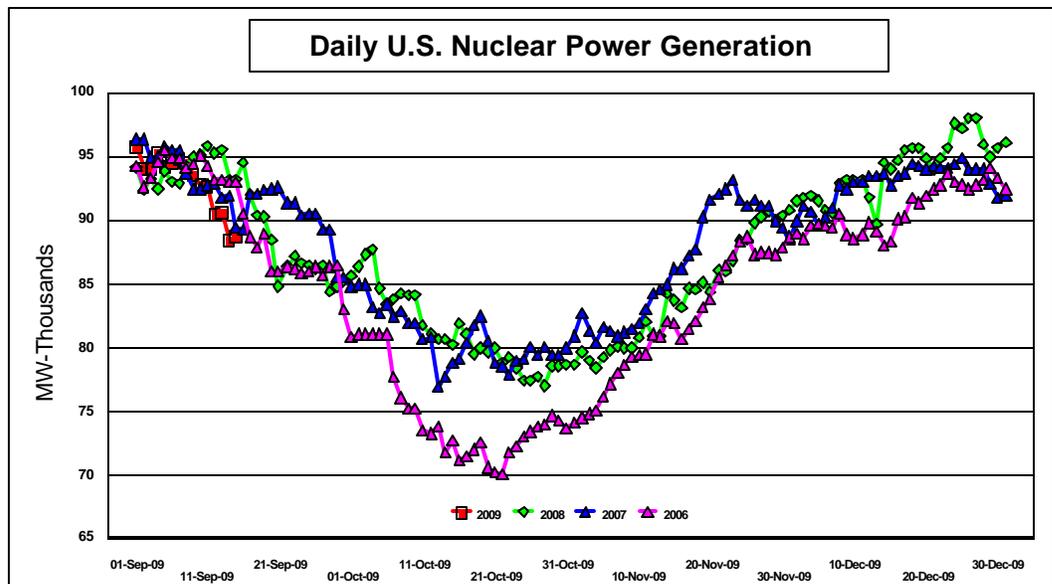
Azerbaijan plans to increase gas production to between 35-40 billion cubic meters by 2020, the head of the country's state energy firm Socar said today.

PIPELINE RESTRICTIONS

NGPL said yesterday that it has lifted its Monday force majeure on the 6 inch Rochelle Lateral that serves the Nicor/NGPL Rochelle interconnect, as all necessary repairs have been completed.

PIPELINE MAINTENANCE

Quastar Overthrust Pipeline said it will conduct required maintenance at its Rock Springs and Roberson compressor stations from September 15 through September 17th. The outage directly impacts the REX capacity lease on Overthrust. REX shippers nominating receipts on the leased capacity Segment 650 through Wamsutter will be scheduled to zero during the maintenance.



REX Pipeline said it would conduct maintenance today and will last through September 17th at its Arlington compressor station. Capacity through Segment 150 will be limited to 1600 Mdh/d during this outage. Interruptible transport service and authorized overrun and secondary firm transports are at risk of not being fully scheduled. The company also said it was conducting maintenance on its Steele City compressor over the next three days. Capacity through Segment 260 will be limited to 1300 Mdh/d during this outage.

NGPL said it would shut Compressor Station 201 in Kankakee County, IL from September 29 through October 6th for planned work.

ELECTRICITY NEWS

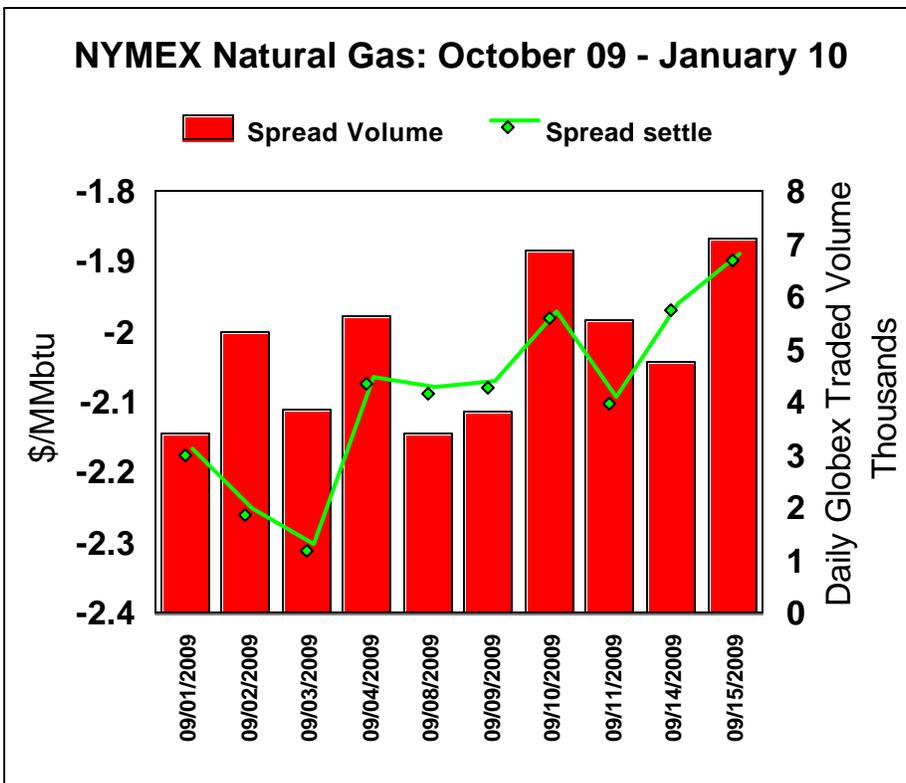
Reuters reported that according to its data the height of the autumn nuclear refueling season should come in mid-October with some 20,000 Mw of generation likely to be offline compared to only 18,300 Mw of generation last year. This would also exceed the 5 year seasonal average of 19,000 Mw of generation lost.

A FERC administrative law judge ruled last week that Entergy must rerun the cost equalization calculations it performed last year for calendar year 2007. The agency was not satisfied with the company's allocation of production costs among Entergy's various operating companies. In particular the judge directed Entergy to reexamine the depreciation rates the company used in its 2008 cost equalization payments. He noted that the depreciate rates used by the company were based on depreciation studies conducted between 1980 and 1998 and were thus "stale".

Genscape reported this morning that it estimates coal supplies at U.S. power plants rose 1% this week versus the previous week as a result of declining power demand. Stocks were estimated at 27.4% higher than the same week a year ago.

MARKET COMMENTARY

The natural gas market moved higher earlier in the day dragged higher by the rally in the oil markets as the dollar's weakness coupled with positive economic news seemed to support the bulls in the market. Prices though eased back in the afternoon and settled on either side of unchanged. The October contract though was the



strongest contract month on the day as it appeared that the shorts remained on the defensive in this contract month, as selling appeared to be over done at the end of August. The shorts in the October versus the January contract have been scrambling over the past couple days in covering these positions. Volume in this spread on Globex today was over 7,100 contracts the most active day this month in this spread.

Open interest reported at midday appears to show that it is not just short covering driving this rally but new longs coming into this market, as open interest on a combined and adjusted basis for the Henry Hub futures and swaps increased for the seventh straight trading session.

While it appears that this rally still has legs to the upside we continue to feel that by later in this month the storage overhang in this market will once again weigh on prices. As a result we would prefer to play this by moving to the options and looking to buy the October \$3.00 puts at 10 cents or better. This option settled tonight at 11.35 cents even though it traded today between 7 and 7.5 cents.

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