



ENERGY RISK MANAGEMENT

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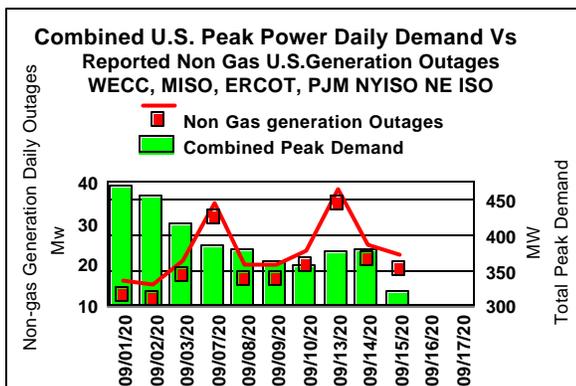
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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 15, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center continues to watch Tropical Storm Karl as it moves across the Yucatan Peninsula. The storm though while weakening as it moves across land is expected to strengthen once again once it moves into the Gulf of Mexico, eventually reaching minimal hurricane strength before it moves ashore on the eastern coast of Mexico in 72 hours.

The NRC reported this morning that some 93,691 Mw of U.S. nuclear generation capacity was online this morning up 1.2% from yesterday and 6.5% higher than the same time a year ago.



Gassco said Wednesday that it planned no further maintenance disruptions at its facilities in 2010 after the current repairs at the Dunkerque receiving terminal and the Kollsnes processing plant are completed. The Dunkerque receiving terminal was shut Wednesday for repairs that will upgrade its safety and blowdown systems and will remain down until September 21st. Norway's Kollsnes processing facility will be down until September 27th.

Barclay's Capital in a research note to clients this week said that natural gas rig counts can not longer be viewed as a reliable indicator for domestic natural gas

production levels, given the gains in technology and efficiency.

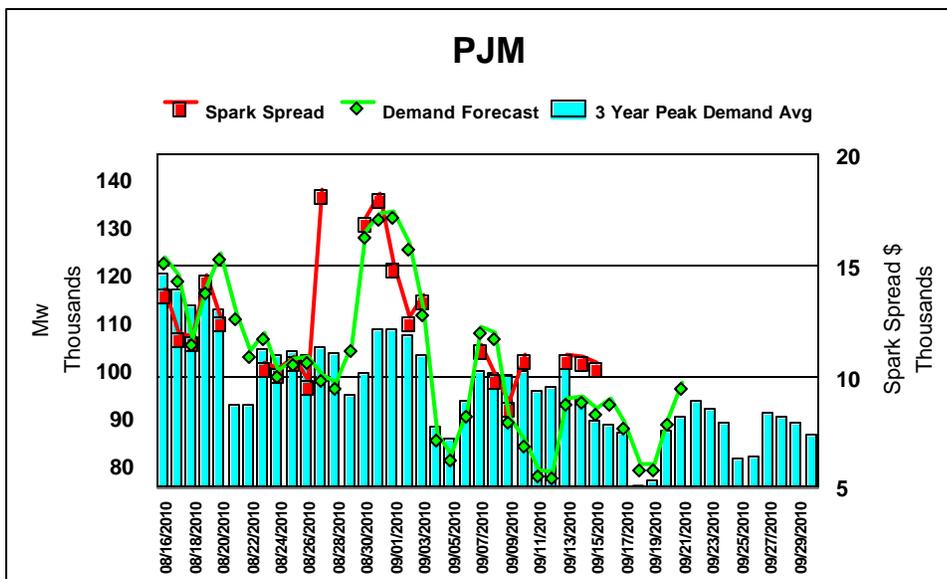
Analysts at Deutsche Bank Securities said the market may see 2009-2010 as the cyclical low for U.S. natural gas prices, but they see "2011 as potentially a worse year to come."

Operator of the BBL pipeline said that the line has returned to service after a problem at Bacton, which had brought flows to a halt earlier in the day.

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	1,180,000	\$4.061	\$0.084	\$0.069	(\$0.066)	(\$0.022)
Chicago City Gate	910,900	\$4.125	\$0.056	\$0.133	(\$0.048)	\$0.031
NGPL- TXOK	888,300	\$4.004	\$0.062	\$0.012	(\$0.042)	(\$0.066)
SoCal	497,000	\$4.003	\$0.025	\$0.011	(\$0.079)	(\$0.087)
PG&E Citygate	866,500	\$4.290	\$0.032	\$0.298	(\$0.072)	\$0.172
Dominion-South	648,400	\$4.198	\$0.063	\$0.206	(\$0.041)	\$0.094
UStTrade Weighted	20,729,200	\$4.053	\$0.038	\$0.061	(\$0.07)	(\$0.022)

South Korea reported that its imports of LNG surged 81% in August versus year ago levels. Sales of LNG in August by Korea Gas Corp were up 34%, with household and business sales accounting for 42% of the sales and the rest going to power generation.

Iraq said today that it is planning to hold a licensing auction to award three major gas field licenses next month. Eleven international companies have paid the necessary fees to participate in the bidding round to award the 5.6 tcf Akkas field, the 4.5 tcf Mansouriya field and the 1.1 tcf Siba field. While the auction is planned for October 1st, an Iraqi oil official told Reuters the sale could be delayed to give companies more time to consider proposed contracts. In addition Iraqi officials noted that gas companies bidding to develop the three field will not have to develop export facilities or pipelines



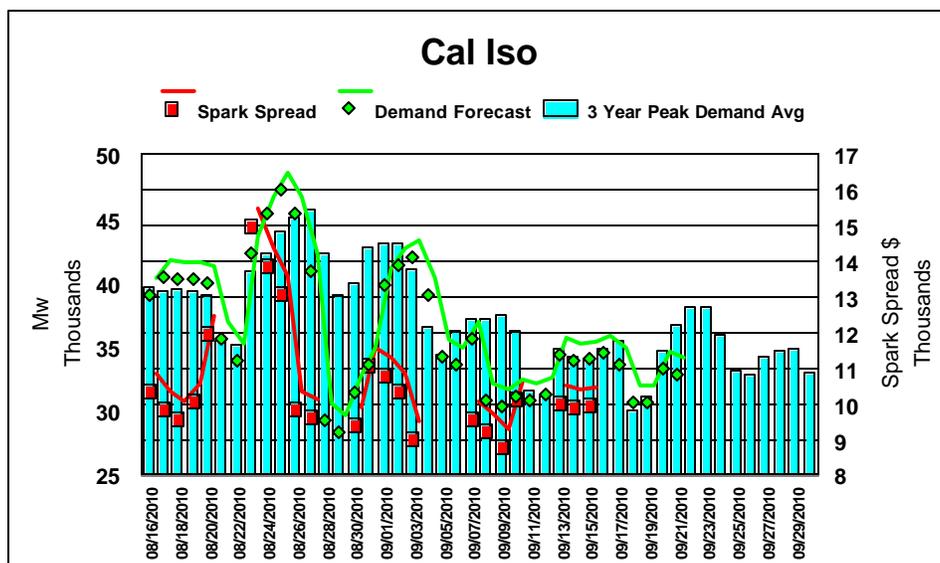
Russia's Natural Resources Minister said Wednesday that his ministry has proposed to expand the list of companies that have the right to develop offshore oil and gas fields. This comes on the heels of Russia and Norway agreeing earlier in the day to end a 40 year dispute on an Arctic border treaty.

ConocoPhillips has put off the sale of its 25% stake in the Rockies Express natural gas pipeline after

being disappointed by the bids it received.

BG Group said today that it sees Britain having enough pipeline and LNG import infrastructure to satisfy British demand until 2020. They noted that Britain's importation infrastructure has more than tripled in the past five years.

Exxon's senior vice president Andrew Swinger told the World Energy Congress that Exxon estimates global demand for natural gas will far outstrip growth in oil and coal through the next 20 years or more as gas becomes the fuel of choice for electric generation, as it is the most efficient fuel for power generation.



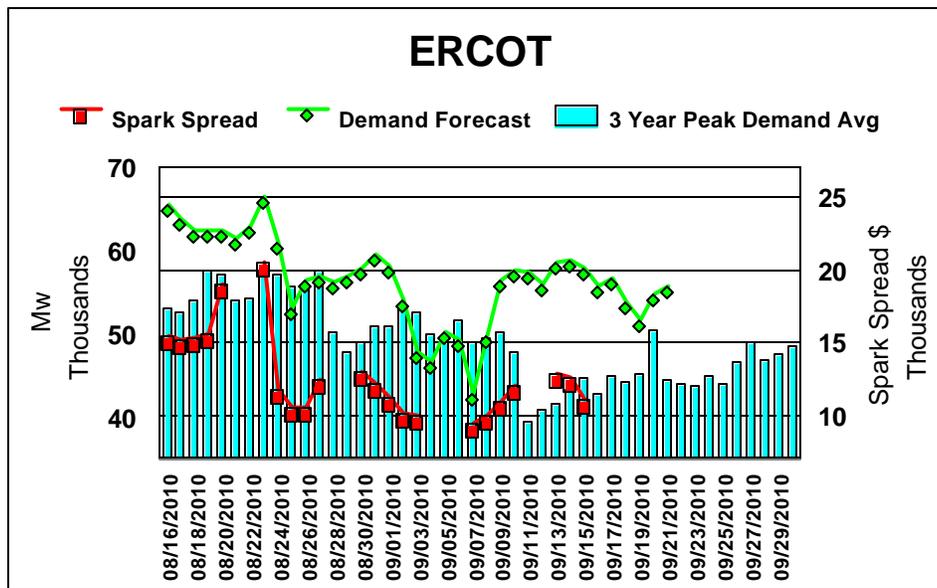
The U.S. Interior

Department said Wednesday it would require oil and gas companies operating in the Gulf of Mexico to plug nearly 3500 non-producing wells permanently and dismantle about 650 oil and gas production platforms if they are no longer being used.

Reuters reported that at least two utilities are interested in the German gas storage assets of Exxon Mobil and Shell. These assets have been valued around \$1.3 billion.

Analysts at Cambridge Energy Research Associates said today that they see global natural gas demand growing at an average of 1.6% per year through 2030. They noted that North America could be largely self sufficient in natural gas over the next 15-20 years, largely due to the surge in reserves

due mostly to the development of unconventional gas and shale gas. They said U.S. non-conventional gas and shale finds could add 15 tcf to reserves, doubling current reserves. They noted that U.S. government policy had been based on the idea that natural gas reserves were declining, but it is now changing given the new reality.



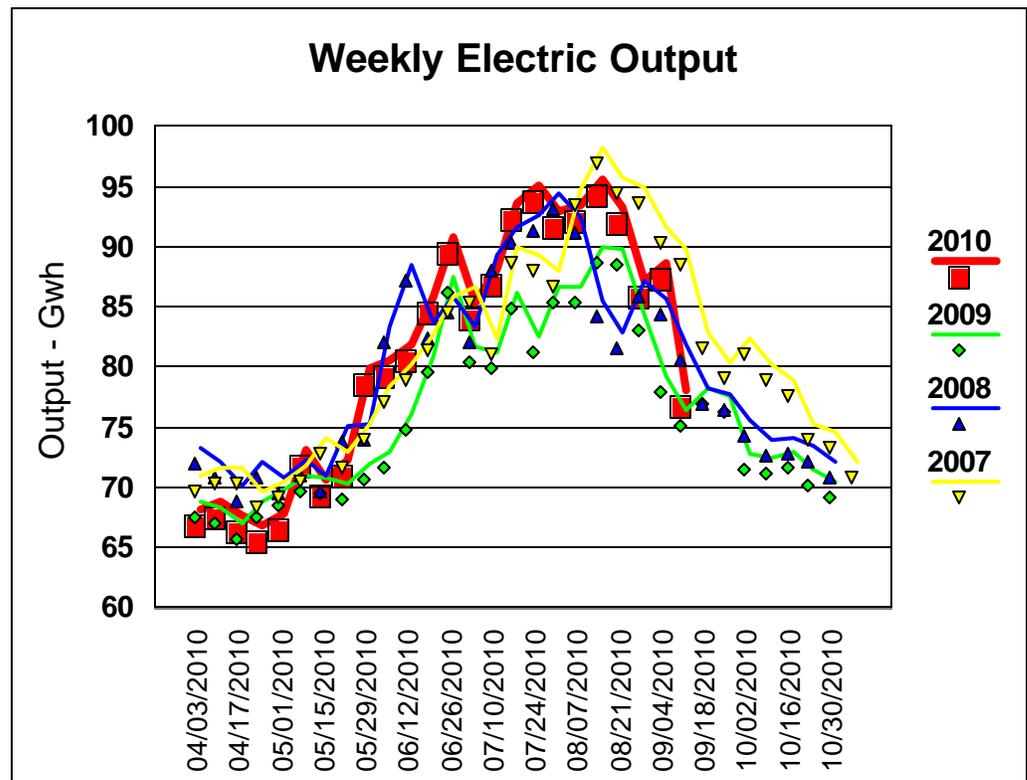
The Wall Street Journal was reporting this evening that Chevron is close to

reaching agreement with China National petroleum to supply the Chinese company with gas from Australia.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending September 11th U.S. power production was off 12% from the prior week but was still some 2.3% better than the same week a year ago.

PSEG Power has launched an auction to sell two natural gas fired power plants in Texas. The Guadalupe and Odessa power plants, which were built in



2001 each have a 1,000 Mw generating capacity.

ECONOMIC NEWS

The Federal Reserve said US industrial output increased 0.2% in August, the second consecutive month. July's gain of 0.6% was revised down from a previously reported 1% increase. Capacity utilization also increased to 74.7% from a revised 74.6% the previous month.

The New York Federal Reserve Bank said its Empire State manufacturing activity index fell to 4.14 in September from 7.1 in August.

The Labor Department said US import prices increased more than expected in August from July amid higher energy and food prices. The price of goods imported into the US increased by 0.6% last month, led by an increase in fuel prices. This followed a 0.1% rise in July, revised from a previously reported 0.2% increase.

MARKET COMMENTARY

The strength in the spot cash market appears to be helping to hold natural gas futures values at the current levels. The October contract once again moved above the \$4.00 level today and traded there for much of the day session before some late profit taking appeared to pull values back below this psychological level by the close.

Market expectations for tomorrow's EIA storage report appear to range between a 75-100 bcf build with most centered around a 90-92 bcf build. Stocks rose an adjusted 67 bcf bcf last year while the five year average gain for the same week was 77 bcf.

This market will await tomorrow's storage report before traders commit to this market going into the weekend. But with Tropical Storm Karl appearing to pose no threat to the U.S. Gulf of Mexico and no tropical threat on the horizon at this time we feel that a storage report that comes in tomorrow at 90 bcf or better will damage the bulls hold on the market as we would once again see 2010 injections running ahead of year ago levels, an occurrence that has not taken place since April of this year. Given the weather this week and expected for next week these injections could very well remain ahead of last year's seasonal pace for the next several reports.

We would look for resistance tomorrow \$4.06 followed by \$4.101 and \$4.196. Additional resistance we see at \$4.352 and \$4.507. Support we see at \$3.936, \$3.924, \$3.882 and \$3.839. Additional support we see at \$3.693, \$3.62 and \$3.50.

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