



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 15, 2011

NATURAL GAS MARKET NEWS

North America

The weather in the Atlantic and the Gulf of Mexico has remained calm and there is little change from yesterday's weather report. It is estimated that there will be a low-pressure system developing off the coast of North Carolina next week. In the Caribbean a low-pressure system is expected to develop Monday or Tuesday that will enter the Gulf of Mexico around September 26th.

The National Oceanic and Atmospheric Administration forecast that above normal temperatures are expected to stretch from the southwest through the Great Lakes region in October to December. Below normal temperatures will be limited to southern Florida and western Alaska. All other regions have equal chances of normal, above-normal or below normal temperatures.

Deloitte released a report on Thursday saying LNG imports could rise by about 3.5 bcf/d by 2030 and natural gas prices could increase to \$8 MMBtu by 2022. The report raises questions whether the US should start exporting domestically produced shale.

International

Japan Inpex Corp. plans to start construction of the first floating LNG receiving terminal in Indonesia by the first half of 2012. The firm plans to start production in 2016. The estimated cost of the initial project is \$5 billion and the total investment for development is \$13 billion.

Canadian Gas Association

Weekly Storage Report

	09-Sep-11	02-Sep-11	10-Sep-10
East	202.4	190.4	193.6
West	376.3	361.8	367.7
Total	578.7	552.2	561.3

storage figures are in Bcf

China's imports for the first eight months of the year nearly doubled from a year earlier to 20.2 bcm. The volume increase can be attributed to the opening a new pipeline that connects China to central Asia and the start of production of a new import terminal for LNG.

South Korean LNG imports of LNG were almost unchanged in

Generation Outages

RFC – Constellation Energy Group's Wagner facility ramped up their generators on Wednesday and was running near 20% early on Thursday.

SERC – Both the Welsh and Colstrip coal plants powered down early on Thursday.

MRO – The Clay Boswell coal plant owned Allete ramped up power on Wednesday after tripping on Tuesday.

The NRC reported this morning that some 91,411 Mw of nuclear generation was operating this morning, up 0.06% from yesterday but 3.09% less than the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	1,100,100	\$4.037	\$0.027	\$0.130	\$0.138	\$0.066
Chicago City Gate	519,900	\$4.112	\$0.010	\$0.205	\$0.133	\$0.100
NGPL- TX/OK	808,900	\$3.945	\$0.009	\$0.038	\$0.132	(\$0.046)
SoCal	729,000	\$4.249	\$0.051	\$0.342	\$0.174	\$0.248
PG&E Citygate	668,900	\$4.399	\$0.059	\$0.492	\$0.182	\$0.374
Dominion-South	1,066,700	\$4.159	\$0.030	\$0.252	\$0.154	\$0.127
US Trade Weighted	20,010,400	\$4.064	\$0.015	\$0.157	\$0.14	\$0.066

August from the prior year. This is due to a declining demand in power because heavy rains lowered run rates of power generators. In addition, in August 2010 there was a 60% increase in demand for power.

	EIA Weekly Report			09/11/2010
	09/11/2011	09/02/2011	Change	
Producing Region	981	959	22	1005
Consuming East	1695	1636	59	1758
Consuming West	436	430	6	489
Total US	3112	3025	87	3252

*storage figures in Bcf

Statoil and its partners in Troll plan to invest \$1.93 billion in two new compressors for the

Toll A platform in the North Sea. The compressors are expected to enable gas production until 2063.

The Trans Atlantic Pipeline (TAP) has submitted an application to build a 465km section of pipeline that will cross through Greece with Greek regulators on Thursday. The TAP pipeline is a 1.5 billion euro project that would carry 10 bcm of gas from the Caspian Sea through Greece and Albania to Italy.

GDF Suez of France is in negotiations with Italy's Eni to sell its stake in North Sea gas assets. GDF Suez is trying to sell its 10.4% stake in the Elgin, Franklin and West Franklin gas fields.

The Shagra LNG tanker is slated to arrive at the South Hook LNG terminal on September 22nd from Qatar.

ELECTRIC MARKET NEWS

The U.S. Department of Energy said today that it will look into whether the department could have done more to vet a loan made to failed solar company Solyndra.

ConEdison, the Long Island Power Authority and the New York Power Authority, which have been working on jointly developing the Long Island-New York City offshore wind farm, said today that they have applied for a lease with the U.S. Bureau of Ocean management for the project.

The French nuclear fuel processor, Areva said today that it will have a temporary shutdown in operations this autumn due to falling orders from Japanese nuclear power producers.

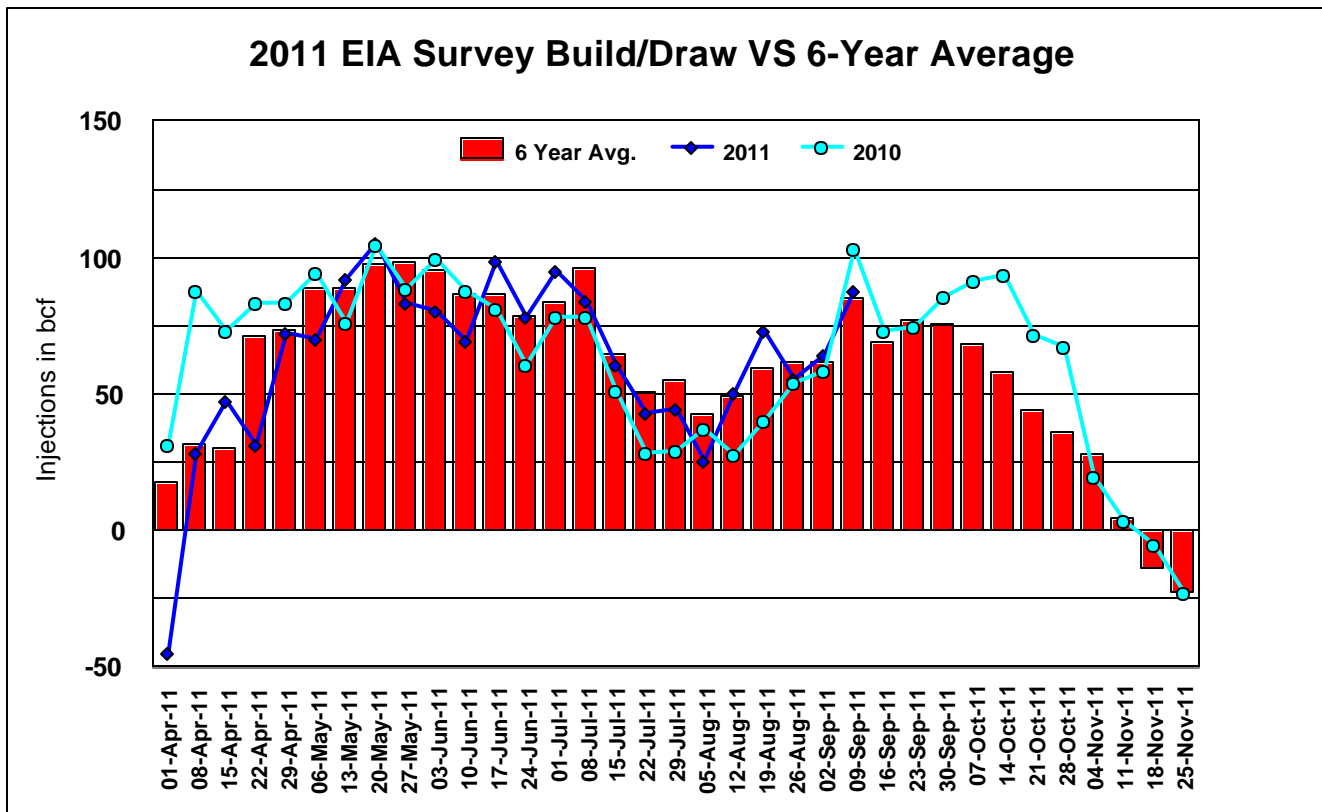
ECONOMIC NEWS

The Labor Department said the cost of living for Americans continued to increase in August. The Consumer Price Index increased a seasonally adjusted 0.4% from July as gasoline, food and shelter costs continued to increase. In July, consumer prices increased by 0.5%. Compared with a year earlier, prices increased 3.8% in August. The core CPI, excluding energy and food, increased by a more moderate 0.2% in August. Thursday's report showed that energy prices increased by 1.2% in August, less than half the 2.8% increase registered in July.

The Labor Department also reported that initial unemployment claims increased by 11,000 to a seasonally adjusted 428,000 in the week ending September 10th. Claims filed in the previous week were revised to 417,000 from an originally reported 414,000. The four week moving average of new claims increased by 4,000 to 419,500. The report showed that the number of continuing unemployment benefit claims fell by 12,000 to 3,726,000 in the week ending September 3^d. The unemployment rate for workers with unemployment insurance for the week ending September 3^d held steady at 3%.

The US Commerce Department said the US current account deficit unexpectedly narrowed in the second quarter. The broad measure of US international transactions registered a shortfall of \$118 billion during April through June. The first quarter deficit was revised up to \$119.6 billion from an initial estimate of \$119.3 billion. The second quarter deficit was 3.1% of GDP, down from 3.2% in the first quarter.

2011 EIA Survey Build/Draw VS 6-Year Average



The Federal Reserve said US industrial production increased in August as manufacturing activity increased. Overall production increased 0.2% in August while industries used 77.4% of their capacity. Production in July increased 0.9% while capacity utilization was 77.3%.

The New York Federal Reserve said a gauge of manufacturing in New York State contracted in September for a fourth consecutive month. The New York Fed's Empire State general business conditions index fell to minus 8.82 in September from 7.72 in August. New orders fell to minus 8 from minus 7.82 while inventories fell to minus 11.96 from minus 7.61.

The Philadelphia Federal Reserve Bank said its business activity index improved to minus 17.5 from minus 30.7 in August. The gauge of factory activity in the US Mid-Atlantic region contracted for a second consecutive month in September.

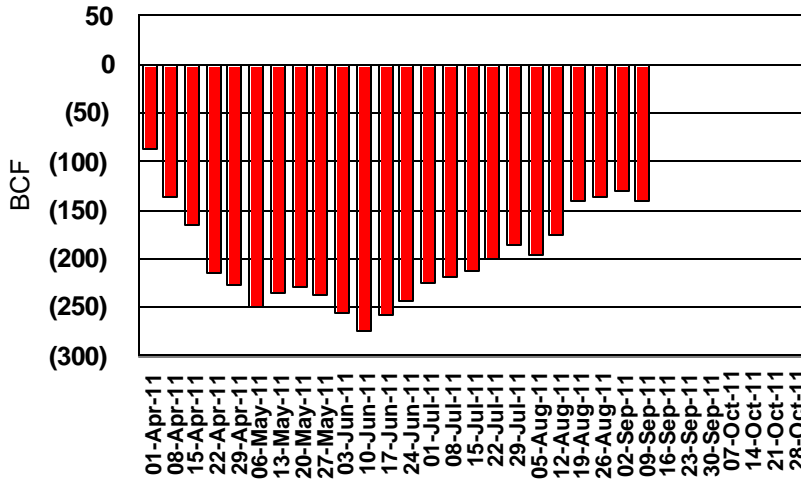
The European Central Bank said it decided, in conjunction with the US Federal Reserve, the Bank of England, the Bank of Japan and the Swiss National Bank, to conduct three US dollar liquidity providing operations in the last three months of the year. The euro rallied amid optimism about Europe's moves to handle its debt problems.

Euro zone employment increased at its fastest annual rate in almost three years in the second quarter of 2011. The number of employed increased in the April-June period to 147 million people as all sectors except agriculture added jobs during the quarter. Employment during the second quarter increased 0.3% from the first quarter and by 0.4% year on year after 0.1% growth during the January-March period and annual 0.3% increase in that quarter.

Market Commentary

The natural gas market traded mostly sideways holding support above the \$4 level ahead of the release EIA's natural gas storage report. The market however breached that level and sold off sharply in light of the storage report showing a slightly larger than expected build of 87 bcf. The natural gas market sold off to a low of \$3.897 and settled in a range before further selling ahead of the close

Working Natural Gas Stocks Versus a Year Ago



followed by \$4.149 and \$4.219.

pushed the market to a low of \$3.875. It erased most of its recent gains and settled down 16.1 cents at \$3.878. The market also pressured by the longer term weather forecast by the National Oceanic and Atmospheric Administration which called for warmer than average temperatures in Texas and much of the Midwest in the fourth quarter.

The natural gas market will likely retrace some of today's sharp losses ahead of the weekend. The market is seen finding support at its lows of \$3.875, \$3.87, \$3.826 followed by \$3.809, \$3.739 and \$3.604. Resistance is seen at \$3.90, \$4, \$4.014, \$4.08, \$4.099

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