



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 17, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning noted that Hurricane Karl had continued to intensify overnight and this morning and was expected to do so through Friday, making landfall on the Mexican coast as potentially a Category 4 storm between Tuxpan and Veracruz. Meanwhile forecasters continued to watch an area of showers and thunderstorms located a couple of hundred miles south of the Cape Verde Islands associated with a broad low pressure system. While environmental conditions in the area are conducive for slow development over the next couple of days, forecasters only saw a 10% chance of it becoming a tropical cyclone during the next 48 hours. Long range computer models continue to look at the western Caribbean late next week or early next weekend as a potential area for tropical development as a tropical wave is expected to track across the Caribbean next week. The GFS model is currently pointing to development in the southwest Caribbean in about 7-8 days with the storm then moving northward into the Gulf of Mexico. Other models are also pointing to some development as well but position and timing are slightly different.

The NRC reported this morning that some 94,438 Mw of U.S. nuclear generation capacity was online this morning up 0.1% from yesterday and 6.6% higher than the same time a year ago.

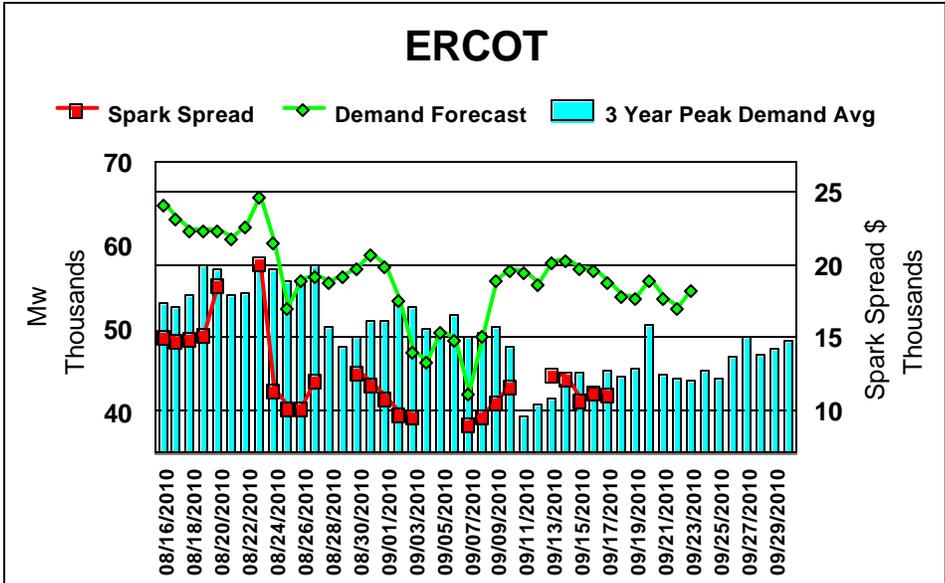
Baker Hughes reported this afternoon that the number of rigs search for natural gas in the United States rose by two this week to 982 rigs. This was the third weekly straight gain in the rig count. Horizontal rigs continued to increase and set yet another new high at 912 rigs.

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	458,300	\$4.111	\$0.021	\$0.059	(\$0.121)	(\$0.016)
Chicago City Gate	721,200	\$4.102	(\$0.027)	\$0.050	(\$0.018)	\$0.068
NGPL- TX/OK	544,500	\$4.013	(\$0.003)	(\$0.039)	\$0.006	(\$0.038)
SoCal	447,000	\$4.004	(\$0.038)	(\$0.048)	(\$0.029)	(\$0.037)
PG&E Citygate	987,700	\$4.214	(\$0.059)	\$0.162	(\$0.050)	\$0.223
Dominion-South	686,300	\$4.189	\$0.000	\$0.137	\$0.009	\$0.134
USTrade Weighted	18,259,900	\$3.929	(\$0.130)	(\$0.123)	(\$0.12)	(\$0.016)

China's imports of LNG doubled in August from a year earlier to a new record of about 1 million tons, and was some 40% more than July levels. Much of the increased volume appears to have

come via the terminal at Dapeng. The country has three LNG receiving terminals in operation currently with two more terminals expected to come on line in the next year.

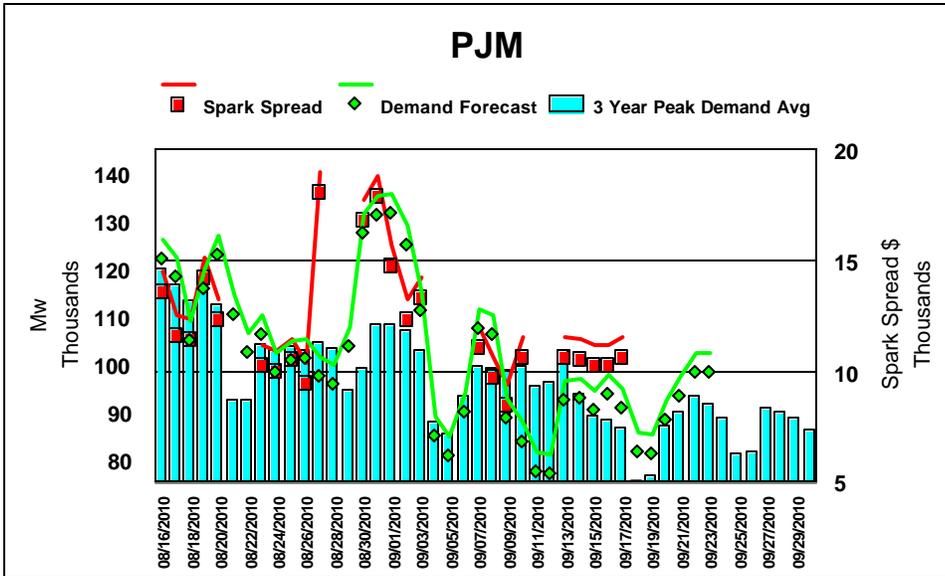
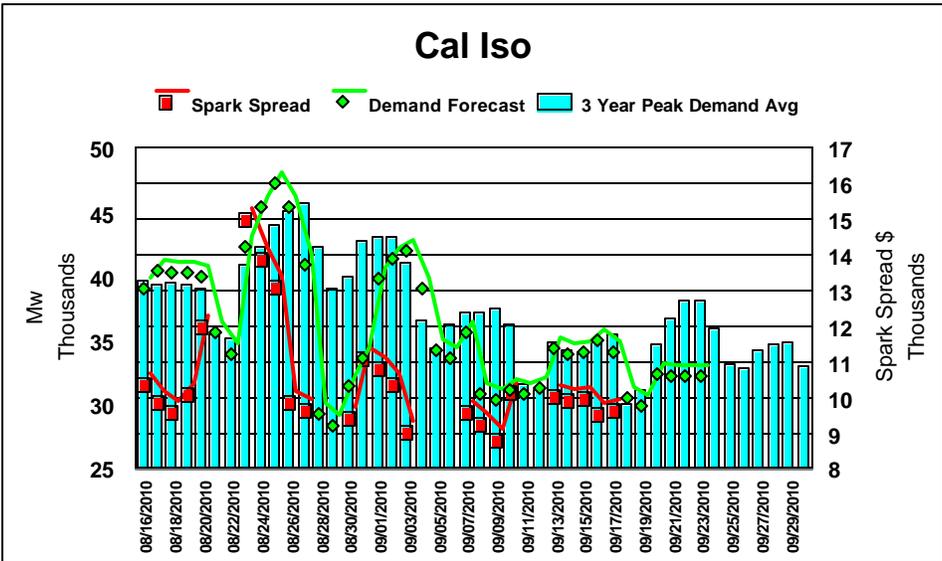
Azerbaijan's gas output rose 12.1% in the January – August 2010 period versus the same time a year ago to 17.63 bcm. The gas production is currently going to the domestic market, Russia and Georgia and Turkey via the Baku-Tbilis-Erzurum pipeline.



Russian Prime Minister said today that he sees the share of LNG in Russia's total gas exports will rise to 10% in 2020 and 15% in 2030.

Bank of America Merrill Lynch in a research note today said it looks for global imports of LNG to increase by 18% this year, helping to balance the well supplied market. They look for huge year on year import increases in established markets such as Europe and Asia as well as new import capacity in

South America, will help to soak up the increased supply from new production projects. Imports into Britain are running 120% above year ago levels with Asian imports up 15%. They noted the risk of an influx of LNG imports to the U.S. remains low given the relative price weakness of the U.S. market to other markets. The bank also noted that the lengthy maintenance program in Qatar this summer helped to diminish supply as well.



ELECTRIC MARKET NEWS

U.S. coal use was unchanged this week from the week before but was 3% higher than the same week a year ago according to Genscape. The company noted that with gas prices falling to around \$4 per Mmbtu power companies appear to be choosing gas fired power plants over coal fired units to meet rising demand.

ECONOMIC NEWS

U.S. consumer prices in August rose slightly more than expected, as reported by the U.S. Labor Department this morning. The seasonally adjusted CPI rose 0.3% after rising 0.3% in July.

The University of Michigan's director of surveys said today he estimated a 25% chance that the U.S. economy would slip back into recession after growth returned a year ago. He noted that the likelihood of a renewed economic

contraction remained elevated amid consumers weakening outlook and an anemic housing market.

The University of Michigan's and Thomson Reuters index on Consumer Sentiment fell today to its lowest level in a year at 66.6 in early September from 68.9 in August.

MARKET COMMENTARY

Unlike Thursday's session, Friday's trading session saw the natural gas market post an inside trading day as traders took profits following five consecutive sessions of gains. The natural gas market posted a high of \$4.106 in early morning trading before it erased its gains and traded lower. The market retraced almost 38% of its move from a low of \$3.703 to a high of \$4.144 as it posted a low of \$3.987 on profit taking. The market later settled in a sideways trading pattern ahead of the close. It settled down 3.8 cents at \$4.024.

Technically, the natural gas market is seen finding support at \$3.987, its 38% retracement level, \$3.972, \$3.92 and \$3.853. More distant support is seen at \$3.70-\$3.69 and \$3.50. Resistance is seen at \$4.091, \$4.106, its high, followed by \$4.158 and \$4.21.

The CME confirmed today that Thursday saw a record volume day for natural gas futures as 461,296 lots changed hands, eclipsing the previous record volume high of 455,794 lots set back on August 9, 2010.

The Commitment of Traders report showed that non-commercials in the natural gas market continued to increase their net short position for the third consecutive week by 3,496 contracts to 41,969 contracts in the week ending September 14th on a futures and options adjusted basis. The commercials increased their net long position by 2,832 contracts to 5,693 contracts. Meanwhile, the disaggregated futures and options report showed that managed money funds increased their net short position by 7,088 contracts to 75,691 contracts on the week.

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