



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 20, 2011

NATURAL GAS MARKET NEWS

North America

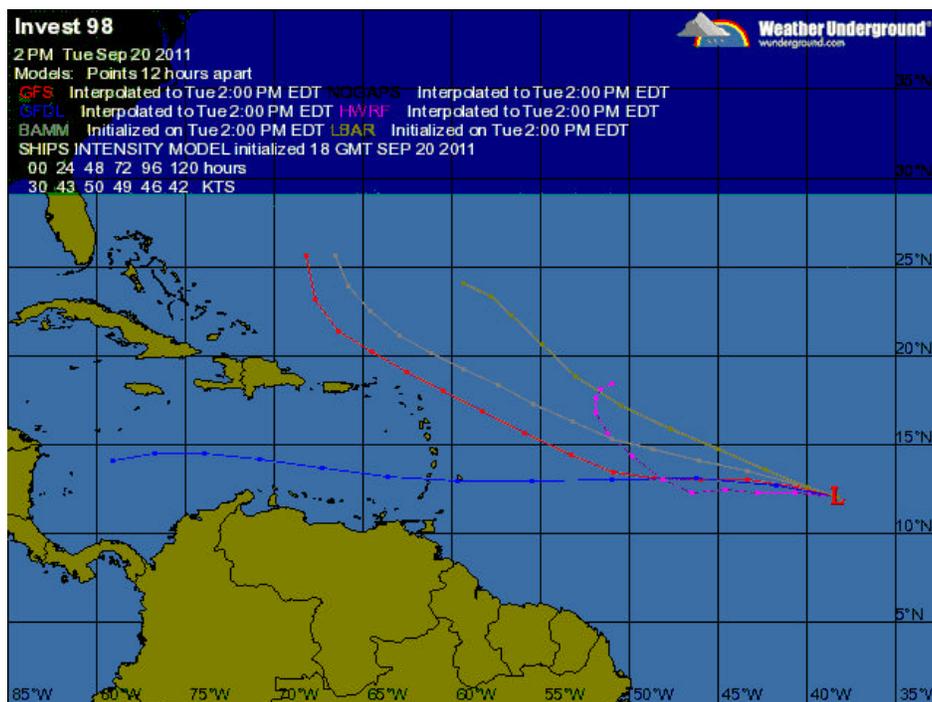
Invest 98L was located 1500 miles off the east coast of the Windward Islands early on Tuesday moving west at 5 to 10 MPH. The storm still lacks a well-defined center of circulation but is expected to move into favorable conditions for organization. The storm has a 70% chance of developing into a tropical cyclone in the next 48 hours. As the storm moves west it is supposed to weaken over the Lesser Antilles due to wall of high shear and then follow a similar path to Hurricane Maria.

Generation Outages

MRO - The Palisades nuclear power plant in Michigan started to exit an outage and was operating at 2% power early on Tuesday. The Entergy Corp plant was shut on Friday after discovering a primary system leakage. American Electric Power Co Inc's Unit 1 at the Cook nuclear power station will shut its 1,009MW reactor on Wednesday for planned refueling.

SERC - Unit 1 at the Hatch nuclear power plant in Georgia was lowered to 54% power on Tuesday from 84% power on Monday.

The NRC reported this morning that some 87,927 Mw of nuclear generation was operating this morning, down 0.3% from yesterday and off some 4.6% from the same day a year ago.



British Columbia plans to promote a LNG export industry in an attempt to bolster the economy through job creation. The exports will also help fight the province's current deficit by selling LNG for higher prices to the Asian market where there is a greater demand.

International

The Interconnector Turkey-Greece Italy (ITGI) pipeline project has completed a marine survey in its attempt to build an underwater section of the pipeline to bring gas from Azeri to Europe. The project is

expected to cost 1.25 billion euros and be online by 2015. When the pipeline is completed it will be able to transport 10 bcm/y.

Azerbaijan and Turkey may complete talks on a gas transit deal from the Shah Deniz field by September 26th and sign the deal in October. Azerbaijan is negotiating to sell 6 bcm/y from its second

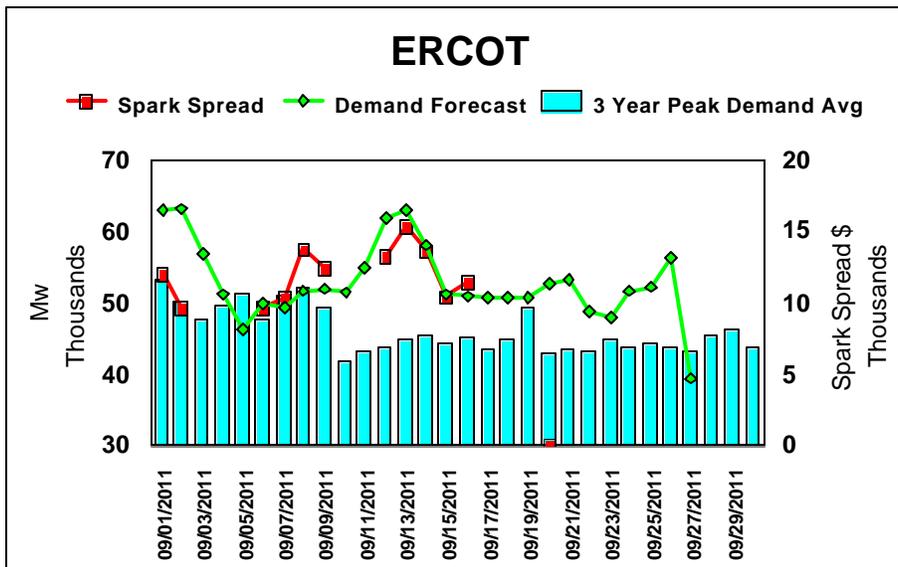
phase of the Shah Deniz field and to ship 10 bcm to Europe via Turkey. There are three pipelines currently competing to will the contract to transport the gas.

Cyprus announced that Noble Energy has started drilling south of the island for natural gas despite protests from Turkey. Turkey has threatened to send warships to the region to deter investors from investing in projects in

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	1,189,100	\$3.836	\$0.060	\$0.019	\$0.062	\$0.056
Chicago City Gate	466,800	\$3.913	\$0.063	\$0.096	\$0.058	\$0.094
NGPL- TX/OK	806,500	\$3.778	\$0.084	(\$0.039)	\$0.079	(\$0.056)
SoCal	713,600	\$4.088	\$0.088	\$0.271	\$0.083	\$0.229
PG&E Citygate	659,200	\$4.217	\$0.052	\$0.400	\$0.047	\$0.385
Dominion-South	975,700	\$3.979	\$0.069	\$0.162	\$0.064	\$0.142
UTrade Weighted	20,604,100	\$3.884	\$0.067	\$0.067	\$0.06	\$0.056

the Mediterranean. The move has increased tension in the region and isolated Turkey from the United States and the European Union whom have invested interests in the projects.

A leaking gas pipeline caused a fire at a state run gas compression unit in Iraq's southern oilfield Rumaila on Tuesday. The fire has been extinguished but gas exportation and oil production has been halted.



Thailand's PPT has not cancelled long term contracts to import 1 million tonnes a year of LNG from Qatar despite earlier reports. The company is also considering doubling the size of its first LNG terminal to 10 million tonnes by 2016. The estimated cost of the project is \$400 million.

India is expecting a steep rise in LNG import capacity throughout the decade. Officials estimate that import capacity could triple from its

current 13.5 million tonnes per year to 47.5 million tonnes per year by 2015-2016 and even further to 62.5 million tonnes per year by 2019-2020.

The sharp increase in LNG demand since the earthquake and tsunami hit Japan this year is causing countries to consider delaying import infrastructure projects. India, the Philippines, and other Asian countries may soon see demand shrink as prices rise.

ELECTRIC MARKET NEWS

Dominion's North Anna nuclear power plant expects its 903MW Unit 1 to restart by the end of the month while its 903MW Unit 2 will undergo a planned refueling outage following an earthquake last month with its epicenter only 12 miles away from the plant. The NRC plans to release a statement on October 3rd chronicling what its inspectors found during an investigation to assess the damage.

Duke Energy is awaiting the final version of the Hazardous Air Pollutants (HAP) in November before deciding whether to retire Units 2 through 6 at its 668MW Wabash River coal fired power plant in Indiana.

ECONOMIC NEWS

The US Commerce Department said housing starts in August declined the most since April, down 5% to a seasonally adjusted annual rate of 571,000 units. July's starts were revised down to a 601,000 unit pace, which was previously reported as a 604,000 unit rate. Compared to August of last year, housing starts were down 5.8%. It reported that new building permits increased 3.2% to a 620,000 unit pace in August. New home completions fell 2.7% to a 623,000 unit pace in August.

The International Council of Shopping Centers and Goldman Sachs reported that seasonally adjusted US chain store retail sales in the week ending September 17th fell by 1.2% on the week but increased by 3.4% on the year to 517.3.

The IMF said Europe needs to deal with its worsening sovereign debt crisis. It said both Europe's debt problems and slow recovery in the US could undermine global growth and it warned that without action those economies could fall back into recession. IMF chief economist Olivier Blanchard singled out Europe as a major source of concern. The IMF cut its 2011 and 2012 global growth forecast to 4%, cutting projections for almost every region. It cut its growth forecast for the 17 nation euro zone by about half a percentage point to 1.6% in 2011 while its growth estimate for 2012 was cut to 1.1%. The IMF also cut its forecasts for US growth to 1.5% for 2011 and 1.8% for 2012, down from a previous estimate of 2.5% and 2.7%, respectively. Japan's economy was forecast to fall 0.5% this year but grow 2.3% in 2012. It expects China's economy to grow 9.5% in 2011 and 9% in 2012.

Market Commentary

While the spot natural gas market got a boost today from the continued slide in nuclear generation levels, which today posted its fifth consecutive day with lower output due to the start of the fall maintenance season, the futures market remained flat to bit lower as the tropical forecast continued to show little or no threat to the Gulf of Mexico. The latest computer model runs showed that Invest 98L's threat to the Gulf of Mexico continues to decrease by each passing day, and even if this storm is able to strengthen and stay together it will most likely curve out to sea and not be a threat at all to the U.S. mainland. In addition the lack of conviction over economic direction that appears to be hanging over the equity and oil markets continues to influence the natural gas market as well, as there appears to be little desire by market traders to take on a larger position before the winter heating season gets underway in earnest. Trading activity over the past couple of days appears to reflect the lack of excitement by traders as well.

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