



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 20, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning was watching an area of low pressure located some 400-500 miles west of the Cape Verde islands. The system continues to show signs of organization and continues to move through areas favorable for additional development. Forecasters assigned an 80% chance that this system could become a tropical depression within the next 48 hours as it moves slowly northwestward. Forecasters though continue to see the computer models calling for some type of tropical development in the western Caribbean by this coming weekend. Sea surface temperatures in this area are very warm and should assist in the development of any system. The forecasting models though remain divergent with the

The NRC reported this morning that some 92,540 Mw of U.S. nuclear generation capacity was online this morning down 2.1% from Friday and but some 5.6% higher than the same time a year ago.

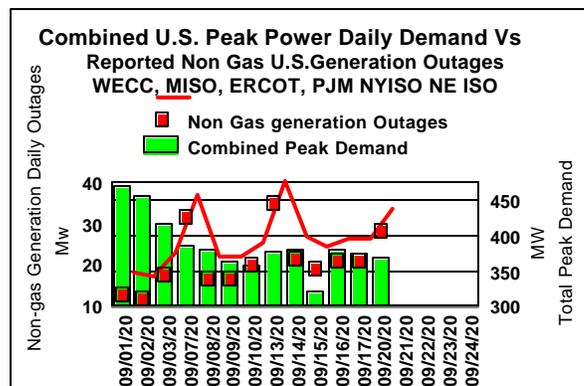
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	742,000	\$4.005	(\$0.106)	\$0.167	\$0.250	\$0.038
Chicago City Gate	721,800	\$4.010	(\$0.092)	\$0.172	\$0.122	\$0.121
NGPL- TX/OK	726,200	\$3.891	(\$0.121)	\$0.053	\$0.093	\$0.007
SoCal	336,700	\$4.005	\$0.002	\$0.167	\$0.216	\$0.040
PG&E Citygate	681,500	\$4.206	(\$0.008)	\$0.368	\$0.206	\$0.282
Dominion-South	427,300	\$4.088	(\$0.101)	\$0.250	\$0.113	\$0.193
USTrade Weighted	18,706,100	\$3.964	\$0.036	\$0.126	\$0.25	\$0.038

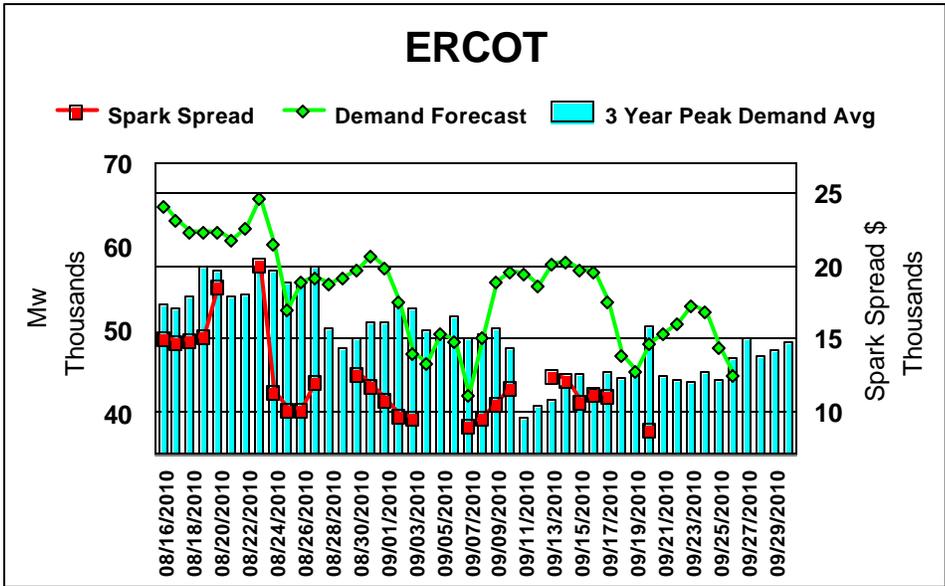
potential track of a storm. The GFS model has it developing, moving into the eastern Gulf of Mexico, across Florida and up the east coast while the European model has it moving

more westward, across the Yucatan and into the Bay of Campeche.

National Grid reported today the Al Aamriya LNG tanker berthed at the Isle of Grain LNG terminal on Sunday. Port officials reported that the Mekaines and Rasgas Asclepius LNG tankers are expected to arrive at the South Hook and Zeebrugge terminals on September 26 and October 5th respectively. The ships are coming from Qatar.

Statoil, Europe's second largest gas supplier said today demand for natural gas by European industry, especially in northwest Europe, is increasing faster than anticipated and that demand in Asia continues to rise as well. The company said that it would probably only send an "odd cargo" of LNG to the United States from its Snoehvit facility in coming years for isolated needs of balancing purposes, but not any sort of major



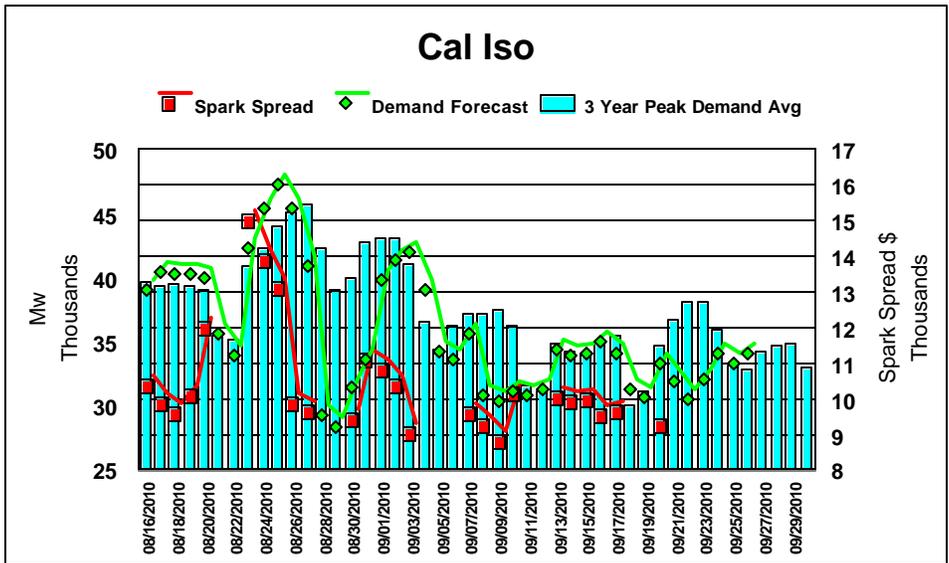


baseload of energy for years to come. When Snoehvit came on stream in 2007, its target export market was the U.S. but that was before the shale production in the U.S really took off. He noted that there is not a lot of LNG supply coming online in the medium term and as a result the global gas market should tighten.

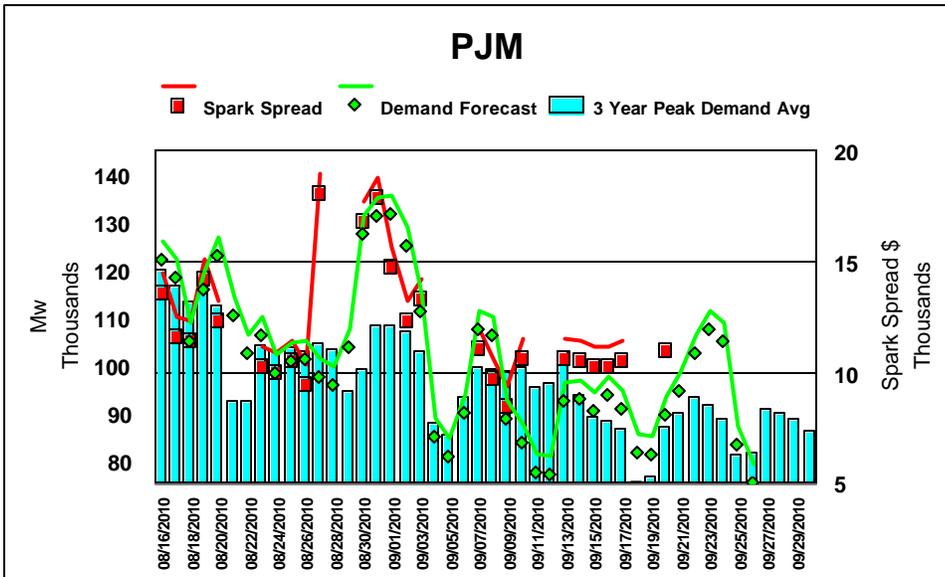
Ukraine's Ukrtransgas transport monopoly reported today the volume of Russian gas transported

through the Ukraine to Europe rose 13.8% year on year to 63.6 bcm in the January-August period.

Poland's gas company, PGNiG warned today that natural gas shortages loom in the fourth quarter of this year due to a stalled agreement between Poland and Russia over extended gas supplies. The company said it has some 1.3 bcm or 85% of its storage filled and was trying to sign emergency agreements with several European



companies to supply additional gas. The company has a target of 1.5 bcm to reach a balance for its needs. The executive director of the IEA warned that it will depend on how cold it is this winter and the status of the Russian-Ukrainian situation on whether Poland will have problems with gas supplies this winter.



Gazprom and Germany's E.ON Ruhrgas both

warned the Lithuanian government that it may face gas supply disruptions if it continues with its plan to unbundle ownership of the gas utility, in its attempt drive prices lower by separating gas supply and transport assets. The government though continues to state it would proceed with its plans.

Turkmenistan, Afghanistan, Pakistan and India on Monday reached a preliminary agreement to build a natural gas pipeline that would move Caspian natural gas to South Asia. The TAPI project has an estimated rice tag of \$3 billion.

Raymond James told clients that as a result of the recent strength in the Baker Hughes natural gas rig count, it has revised higher its rig count estimate for 2011 by 100 rigs or 14%.

Empire Pipeline received approval from the FERC to export gas to Canada. The FERC said the approval of the request "will promote national economic policy".

ELECTRIC MARKET NEWS

Genscape estimated this morning that U.S. power output for the week ending September 16th fell 0.6% from the prior week but was up 5.7% from the same week a year ago.

Pattern Energy Group has proposed to build the Southern Cross transmission line, a 400 mile transmission line that would create an export path for wind farms operating in West Texas to move wind power into the southeastern U.S.. The line could be operational by 2016 and would cost approximately \$1 billion. The company noted that the project could still work even without a federal renewable portfolio standard. The company sees a delivered power price that is right around the avoided cost of power in the Southeast. The company plans on submitting a filing on the project by year-end to the FERC. The project cannot move forward unless FERC rules that it does not raise jurisdictional issues for Texas.

ECONOMIC NEWS

The National Bureau of Economic Research said the US recession ended in June 2009, making it the longest downturn since WWII.

MARKET COMMENTARY

The natural gas market continued to demonstrate that it follows its own path. While the oil markets were supported by the jump in equity prices today, natural gas futures posted its second consecutive lower settlement, following its inside trading session on Friday. The spot contract posted its largest daily change in two months and its largest down move since the end of April. It appeared part of the down move was the follow through reaction from Friday's drilling rig report coupled with long range tropical forecasts that this morning were not as threatening as suggested by the GFS model and EarthSat last week.

One technical analyst following Elliot Wave analysis noted to Reuters today that natural gas futures could retrace to \$2.906 per Mmbtu in the next month as a downward wave "c" is progressing. We are no where as bearish as this technical outlook we continue to feel that this market can not sustain itself above the \$4.00 price level without a real tropical threat or significant amount of non-gas generation assets being off line during a period of higher than normal power generation needs. At this time neither appears to be in the cards. As a result we would continue to look for any moves back above the \$4.00 level to scale into buying puts. We see resistance at the gap from last night's lower opening at \$3.981-\$3.988 followed by \$4.045, \$4.098 and \$4.144. More distant resistance we see at \$4.196, \$4.352 and \$4.507. Support we see at \$3.806, \$3.713-\$3.69 and \$3.62.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.