



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 29, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Ophelia continued to strengthen overnight and into this morning with winds reaching 60mph. Ophelia is expected to become a hurricane on Friday before beginning to weaken again on Sunday or Monday. The system is projected to track east of Bermuda and impact eastern Newfoundland on Sunday night. Tropical Storm Philippe has winds of 45mph that may strengthen to 70mph over the next couple of days before wind shear weakens the storm at the end of the weekend. The storm is now expected to track more westerly than Ophelia but is still not expected to make landfall in the United States. The remainder of the Atlantic Ocean is quite and no development is expected in the next couple of days.

Chesapeake Energy Corporation released its initial well drilling results in the wet and dry gas phase of the Utica Shale in eastern Ohio and western Pennsylvania. The results yielded by the 12 horizontal wells show a strong initial production success.

The DOE released their latest natural gas monthly report today. The agency estimated that in July of this year U.S. domestic dry natural gas production stood at only 62.7 bcf/d the lowest level in four months. The agency also lowered June's production estimate by 0.1 bcf/d to 62.9 bcf/d. Natural

gas production in Louisiana and the "other States" category which includes Pennsylvania, grew each by 1.4% on the month while the year on year growth stood at 34.8% and 20.3% respectively. The federal waters of the Gulf of Mexico had the largest decline falling by 5.8% on the month and by 19.3% from July 2010. Net imports in July grew by 18.5% from the prior month but were still off substantial from a year ago, being off 25.6%. On the consumption side, U.S. demand for natural gas in July was 2.3% better than a year ago. While residential demand for gas was off 2.6% from year ago levels, commercial industrial and power sectors all posted gains of 3.3%, 1.2% and 2.7% respectively.

	23-Sep-11	16-Sep-11	24-Sep-10
East	220.6	211.6	205.2
West	400.1	388.4	376.7
Total	620.7	599.9	581.9

storage figures are in Bcf

Generation Outages

SERC - Tennessee Valley Authority's Unit 3 at Browns Ferry in Alabama was shut on Wednesday because a turbine tripped. Units 1 and 2 have remained operating at full power while the cause of the trip is investigated.

ERCOT - Unit 2 at the Monticello coal-fired power plant plans to shutdown on Friday to repair a boiler tube leak. The Luminant owned plant expects the unit to return to service on Saturday. Xcel Energy's Unit 3 at the Harrington coal-fired power plant will be shut through October 7th to fix a circulating water line leak and a throttle valve.

WECC - Units 3 and 4 at Southern California Edison's Mountainview natural gas power station returned to service after a one-day outage.

The NRC reported this morning that some 85,765 Mw of nuclear generation was operating this morning, down 1.6% from yesterday off some 7% from the same day a year ago.

EIA Weekly Report

	09/23/2011	09/16/2011	Change	09/23/2010
Producing Region	1036	1003	33	1047
Consuming East	1820	1753	67	1860
Consuming West	456	445	11	496
Total US	3312	3201	111	3403

*storage figures in Bcf

International

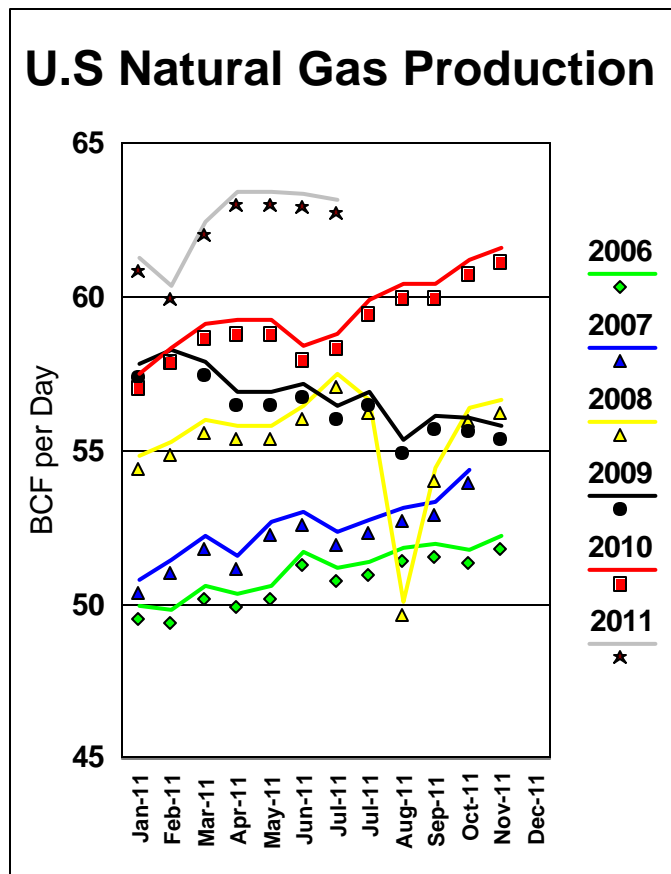
Australia may pass Qatar as the world's biggest LNG producer by 2020 as seven production plants are scheduled to come online within the next decade. Qatar has also placed a moratorium on further expansion until 2015 that has allowed Australia to make up ground on the world's current leading producer.

In an attempt to deepen its connections with India's Reliance Industries, BP plans to discuss selling assets in North America and Europe worth \$25 to \$30 billion. BP has already acquired a 30% take in 23 oil and gas blocks in India from Reliance Industries earlier this year.

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	613,700	\$3.768	(\$0.111)	(\$0.034)	(\$0.126)	\$0.072
Chicago City Gate	356,000	\$3.842	(\$0.071)	\$0.040	(\$0.112)	\$0.117
NGPL- TX/OK	786,100	\$3.686	(\$0.094)	(\$0.116)	(\$0.135)	(\$0.028)
SoCal	1,115,200	\$3.967	(\$0.052)	\$0.165	(\$0.093)	\$0.226
PG&E Citygate	688,600	\$4.099	(\$0.071)	\$0.297	(\$0.112)	\$0.381
Dominion-South	629,600	\$3.840	(\$0.110)	\$0.038	(\$0.151)	\$0.131
USTrade Weighted	18,685,100	\$3.797	(\$0.085)	(\$0.005)	(\$0.13)	\$0.072

BG has signed a long-term LNG deal with Gujarat State Petroleum Corporation of India. The 20-year deal is expected to start as early as 2014 and supply 2.5mtpa of natural gas.

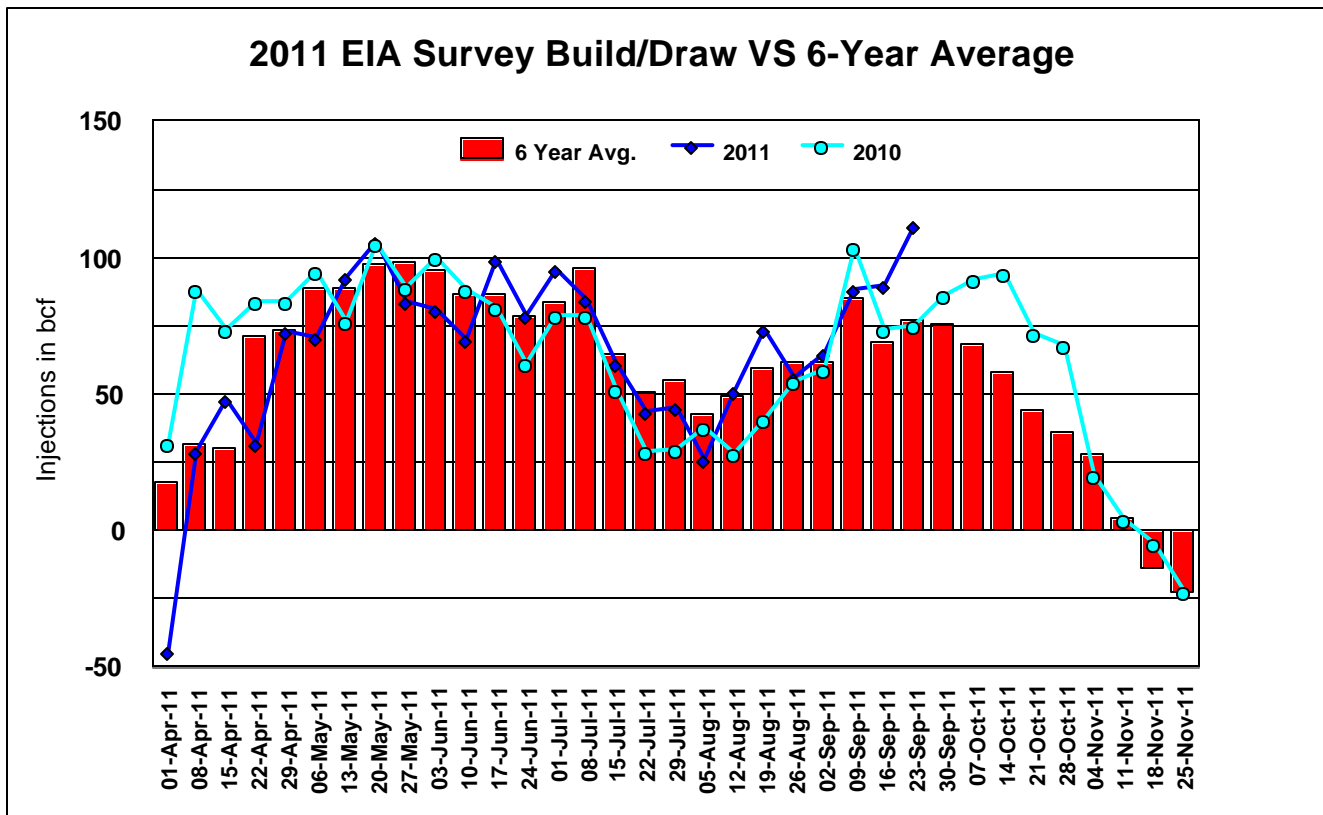
The Kuwait Oil Co will begin searching offshore for non-associated gas to meet its growing domestic demand without exceeding its OPEC production targets. Kuwait wants to quadruple its gas output to about 4bcfd by 2030 including 1.5 bcfd of gas not tied to oil-field output. Kuwait has been slow to grow its gas industry to meet domestic demand and has been forced to import LNG for power generation.



The Turkish Energy Minister said that it might terminate its contract to buy 6bcm from Russia along the West pipeline unless there is a significant price reduction. Turkey and Russia have a take or pay agreement for 30bcm per year, roughly 64% of Turkey's gas needs. Last year Gazprom reported only selling 18bcm and this year Turkish officials are reporting that the country plans to import 75% of the contracted amount. Turkey has been reevaluating all of its gas contracts as prices have risen 39% in the last 29 months. In response Gazprom released a statement on Thursday saying that the company was in talks with Turkish pipeline operator and gas importer Botas and that the Turkish Energy Minister was not involved.

The top energy official in the European Union has expressed doubt that the block will be able to meet its 2014 deadline for a single EU-wide market for gas and electricity. The EU has attempted to liberalize the markets to increase competition and lower the price to consumers.

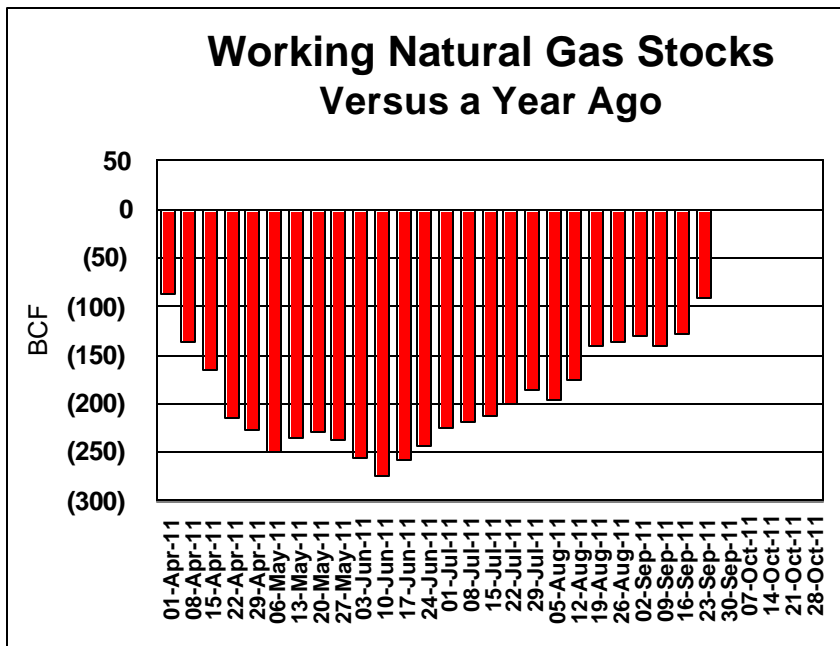
Argentina's YPF a unit of Spain's Repsol plans to invest \$200 million to build a regasification plant in Bahia Blanca to satisfy the countries growing demand. YPF already has regasification vessels



operating in the port of Bahia Blanca.

ELECTRIC MARKET NEWS

The EIA reported this afternoon that for the week ending September 24th, U.S. weekly production of coal reached 21.193 million short tons, down 0.1% from the prior week and some 2.8% less than the same week a year ago. Year to date coal production in the U.S. is estimated at 785.998 million short tons, down 0.6% from the same time a year ago,



ECONOMIC NEWS

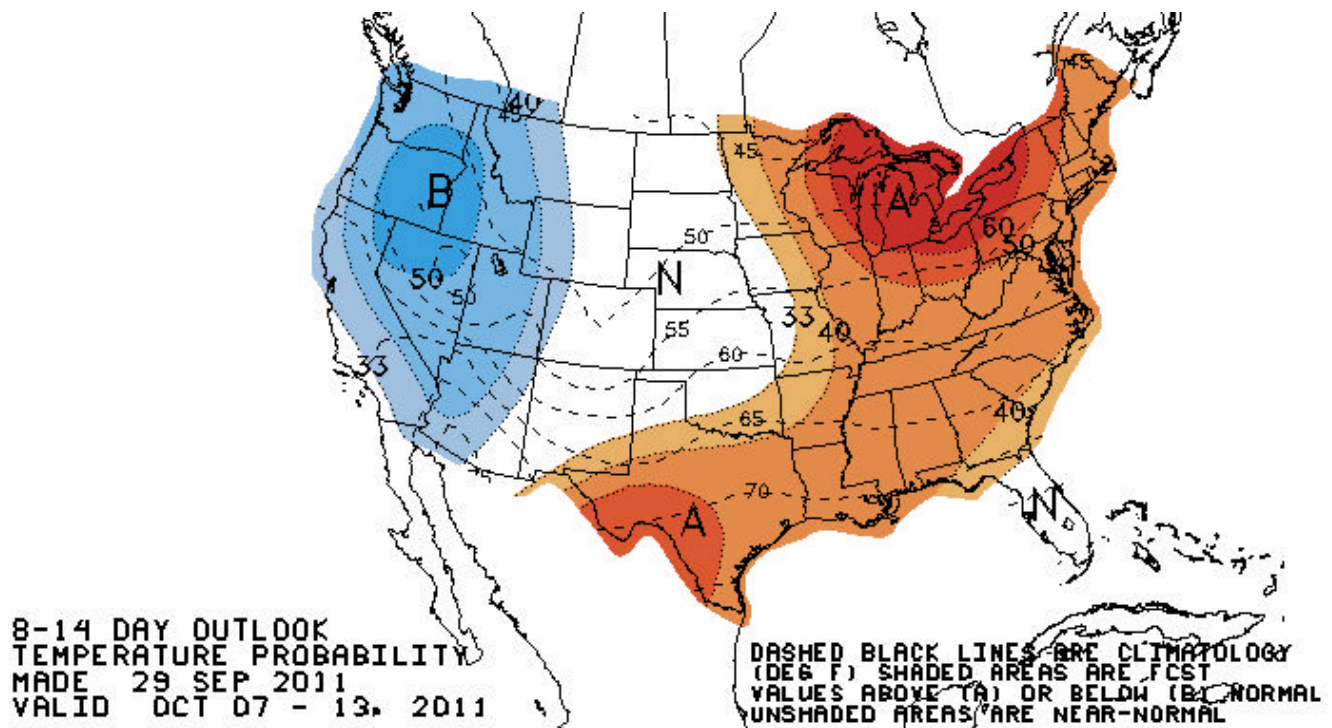
The US Labor Department reported that initial unemployment claims fell by 37,000 to a seasonally adjusted 391,000 in the week ending September 24th. Unemployment benefit claims filed in the previous week were revised to 428,000 from an originally reported 423,000. It reported that the four-week moving average of new claims fell by 5,250 to 417,000. The report showed that the number of continuing unemployment benefit claims fell by 20,000 to 3,729,000 in the week

ending September 17th. The unemployment rate for workers with unemployment insurance in the week ending September 17th held steady at 3%. Meanwhile, the Labor Department made a preliminary revision to its annual benchmark of nonfarm payrolls, adjusting the March 2011 benchmark upwards by 192,000.

The US Commerce Department said the US economy expanded more than previously thought in the second quarter on stronger consumer spending. It reported that GDP grew at an inflation adjusted annual rate of 1.3% from April to June. It is up from a previous estimate of 1% growth and up from a growth of 0.4% in the first quarter. The price index for personal consumption expenditures increased by 3.3% compared with an earlier estimate of 3.2%. The price index for personal consumption expenditures, excluding food and energy, increased at an annual rate of 2.3% compared with an earlier estimate of 2.2%.

The National Association of Realtors Pending Home Sales Index fell by 1.2% to 88.6 in August. It fell to the lowest level since April. This follows a 1.3% decline to 89.7 in July. The index is however 7.7% above its level in August 2010.

The Federal Reserve Bank of Kansas City's monthly manufacturing index increased to 6 in September from 3 in August.



Federal Reserve Chairman Ben Bernanke said the central bank may need to ease monetary policy further if inflation expectations fall significantly. Last week, the Fed said it would sell \$400 billion in short term Treasury securities and invest them into longer dated ones to try to put downward pressure on borrowing costs over a longer period.

Germany's parliament approved new powers for the euro zone's crisis fund. However it was not clear if Germany's Chancellor Angela Merkel got enough votes from her coalition to silence rebels worried about funding a series of bailouts of countries like Greece.

Market Commentary

The natural gas futures market received a shock today as the EIA Natural gas Storage Report came in much higher than most market expectations with a 111 bcf build. This was the largest weekly build since June 2009. After the release of the report prices quickly dropped a dime only to slowly recover and grind higher through the early afternoon. It appeared the market reacted well to the EIA Natural Gas monthly report released at midday, which showed that domestic production actually recorded its second monthly contraction in July, while demand was higher year on year. Prices returned to basically unchanged levels before another round of selling returned some 30 minutes before the close and eroded 50-62% of the midday rally.

It is interesting to note that natural gas today posted its widest trading range in over two weeks but prices basically settled back to levels where prices have spent much of the last week. We continue to feel that supportive factors such as declining nuclear generation levels will be offset by moderate temperature forecasts that look for limited early residential heating needs through the first half of October as well as the expectation for high production coming out of the Marcellus Shale region by the end of the month.

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