



ENERGY RISK MANAGEMENT

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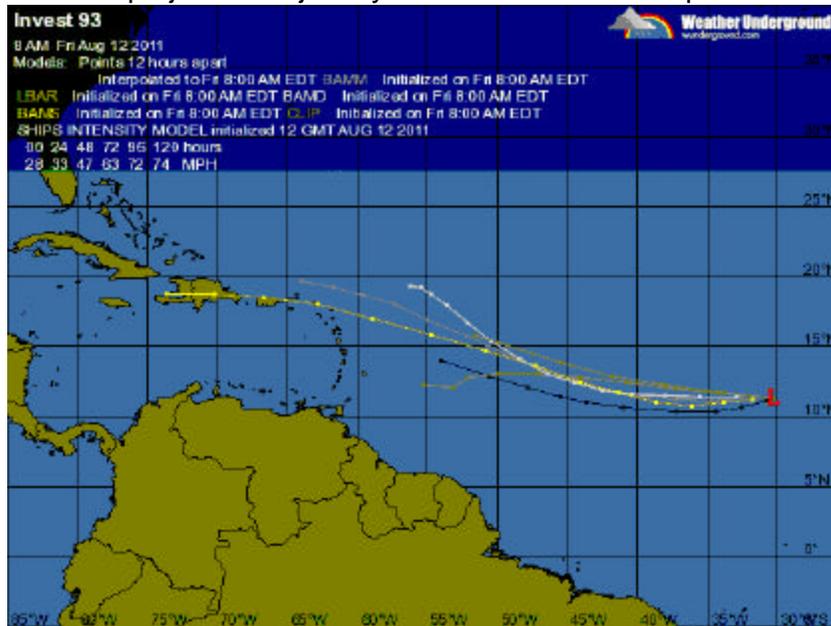
NATURAL GAS & POWER MARKET REPORT FOR AUGUST 12, 2011

NATURAL GAS MARKET NEWS

North America

There are currently four systems in the Atlantic that have the potential to develop in tropical storms in the next 48 hours. There is a storm system about 200 miles north of Bermuda. It has a 60% chance of becoming a tropical storm in the next 48 hours as it moves Northeastern at 20 to 25 MPH according the NHC. The second system is located about 1000 miles

east of the northern Leeward Islands moving west-northwest at about 20 MPH. This system is experiencing thunderstorms and is expected to meet with favorable conditions to form a tropical storm in the next 48 hours. The NHC is predicting this system has a 50% chance of developing into a storm and the projected trajectory is shown on the map below. The third storm is located 525 miles



Generation Outages

NPCC- Constellations Energy Group Inc started to exit an outage of their 1,148 mw Unit 2 at Nine Mile Point early on Friday after discovering a leak on Thursday when trying to start up from a previous leak. The unit had increased power to 1% early Friday morning.

OPPD- As floodwater in the Missouri River recedes the 478mw Fort Calhoun nuclear plant in Nebraska is starting the process of getting the plant ready for reopening. The plant has been shut since April 9th for scheduled refueling but due to the high river levels the reopening date has been postponed from late May until the end of the year at the earliest.

The NRC reported this morning that some 92,987 Mw of nuclear generation was online, down 0.60% from yesterday and down 1.96% from a year ago.

southwest of the southern Cape Verde Islands and is producing scattered storms. The system is projected to move westward over the next several days at 15 to 20 MPH and has a 40% chance of developing into a tropical storm. The last system on the NHC radar is located 700 miles north-northeast of the northern Leeward Islands. There is the possibility of slow development (20% chance) that the storm develops in the next couple of days as it moves west-southwest.

Dominion Resources is attempting to re-export LNG from the idle Cove Point terminal in Maryland. Dominion has applied for the

license with the US Department of Energy because it wants to re-export 150 bcf of imported gas to higher paying foreign markets. Dominion has also released a statement saying that the Cove Point import terminal has to order three shipments a year just to keep the facility operation because the market for importing natural gas is declining in the United States as it starts its own production fueled by technological advances in drilling technology.

Other companies like ConocoPhillips have started the process of asking the federal government to build export terminals in the United States. The sudden increase in productivity in natural gas has led for companies to have the ability to export gas to markets where gas is more expensive than the domestic market.

The number of rigs drilling for natural gas in the United States rose for the second consecutive week to 896 rigs, up 13% from the previous week. US gas production is expected to average 65.5 bcf/d in 2011.

The federal energy panel commissioned by the US Energy Department found the risk was remote that chemical fluids used in fracking could end up in the water supply. The report will be followed by a final set of recommendations in November but has so far been met with a cautious acceptance from both energy companies and environmentalists.

International

Japan increased consumption of fuel oil by 13% and crude oil by 17% in July. Japanese utilities used almost 25% more natural gas in July than they did a year ago. This can be attributed to nuclear power running at its lowest rate since 1977, as 39 of the countries 54 nuclear reactors remain offline.

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	831,500	\$4.167	\$0.109	\$0.066	\$0.079	\$0.070
Chicago City Gate	768,400	\$4.218	\$0.071	\$0.117	\$0.083	\$0.143
NGPL- TX/OK	687,700	\$4.082	\$0.070	(\$0.019)	\$0.082	(\$0.003)
SoCal	676,500	\$4.172	\$0.064	\$0.071	\$0.076	\$0.109
PG&E Citygate	832,700	\$4.347	\$0.090	\$0.246	\$0.102	\$0.234
Dominion-South	1,118,700	\$4.203	\$0.069	\$0.102	\$0.081	\$0.108
UTrade Weighted	19,374,300	\$4.149	\$0.067	\$0.048	\$0.08	\$0.070

Russia increased exports to Europe through Ukraine by 14.5% when comparing the period from January through July in 2011 to 2010.

State run, China Development Bank will loan \$800 million to Ghana to help develop their gas infrastructure. The loan will help the Jubilee field increase productivity by linking an offshore production site to a new processing plant via a gas pipeline. The gas is expected to come online in late 2012 or early 2013 and stabilize at 120 Mmcf/d. The majority of the gas will be used by Ghana's gas-fired power plant at Aboadze but the country does hope that it will be able to export gas in the future.

A fire erupted on a pipeline at Burgan field, owned by Kuwait Oil Company on Friday. The fire occurred when employees were doing maintenance work on the pipeline causing injury to several employees and minor damage to the pipeline. The fire was brought under control once the pipeline was cutoff.

Gas flows to Turkey from Iran have stopped due to an explosion on a pipeline in Turkey. Repairs have been started and are expected to take one week before gas flows can be resumed. In order to make up for the lack of supply Turkey is buying additional gas from Azerbaijan and Russia. It is unclear what caused the explosion but sabotage is common on pipelines leading into Turkey in the region where the Kurdish separatist militants operate.

ELECTRIC MARKET NEWS

A decrease in temperature and fuel switching by power providers cut coal consumption by 2% from the same week in 2010. There was a total of 1.6 Bcf of increased coal-to-gas switching as natural gas prices fell over the previous week.

ECONOMIC NEWS

The US Commerce Department said US retail sales increased in July by 0.5% on the month to \$390.42 billion. June retail sales were up a revised 0.3%, up from an originally estimated 0.1% gain. The US Commerce Department also reported that US business inventories increased slightly less than expected in June. Inventories increased by 0.3% following a downwardly revised 0.9% increase in May.

The Thomson Reuters/University of Michigan's preliminary August reading on the overall index on consumer sentiment fell to 54.9, the lowest level since May 1980, down from 63.7 in July. It fell to its lowest level in more than three decades in early August. The survey's gauge of consumer expectations fell to 45.7 from July's 56. The survey's barometer of current economic conditions was 69.3 in August, down from 75.8 in July while the survey's one-year inflation expectation remained at 3.4%.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 127.9 in the week ending August 5th from 128.2 the previous week, originally reported at 128.3%. The index's annualized growth rate fell to 1.7% from 2.1% a week earlier.

The Survey of Professional Forecasters by the Federal Reserve Bank of Philadelphia showed a gloomier view for the next two years. Real GDP is expected to grow just 1.7% in 2011 and 2.6% in 2012, down from previous estimates of 2.7% and 3%, respectively. The jobless rate is now expected to average 9% this year and 8.6% in 2012 compared with previous estimates of 8.7% and 8.1%, respectively.

Market Commentary

The natural gas market posted an inside trading day as it failed to find momentum to breach its previous high. The market posted a high of \$4.14 early in the session but erased its gains by midday on moderating weather forecasts. The market traded to \$4.055 and settled in a sideways trading pattern during the remainder of the session before further selling later in the afternoon pushed it to a low of \$4.052. It settled down 4.8 cents at \$4.06.

The market's losses today seemed to be limited by the possibility of one of four low-pressure systems in the Atlantic heading towards the Gulf of Mexico. The market early next week will continue to monitor the tropical activity in the Atlantic. Meanwhile, the weather forecasts are moderating, with the National Weather Service 8-14 day forecast calling for above normal temperatures in central and western states and seasonal temperatures in the Southeast and East Coast. Technically, the natural gas market is seen finding resistance at its high of \$4.14-\$4.143 followed by \$4.172 and \$4.204. Further resistance is seen at \$4.221, \$4.307 and \$4.339. Support is seen at \$4.05, \$4.028, \$3.996 and \$3.94.

The latest Commitment of Traders' report showed that managed money funds continued to increase their net short position for the fourth consecutive week. The funds increased their net short position by 8,576 contracts to 112,376 in the week ending August 9th, basis the disaggregated futures and options report.