



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 15, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Gert will continue to move north northwest for the next several days and is not expected to make landfall. Another storm system in the Lesser Antilles poses more of a threat to the Americas as it is expected to continue to move west for the next several days. The storm (trajectory shown below) has a 20% chance of becoming a tropical storm as it meets favorable conditions in the next 48 hours.

Enterprise Product Partners closed their 66,600-barrel per day natural gas pipeline after discovering a leak that spilled into the Missouri River in Iowa. The company estimates that 140,000 gallons of natural gas were spilled into the river however;

Generation Outages

NPCC- Constellation Energy Group Inc.'s Unit 2 at the Nine Mile Point nuclear power plant returned to full power early on Sunday morning.

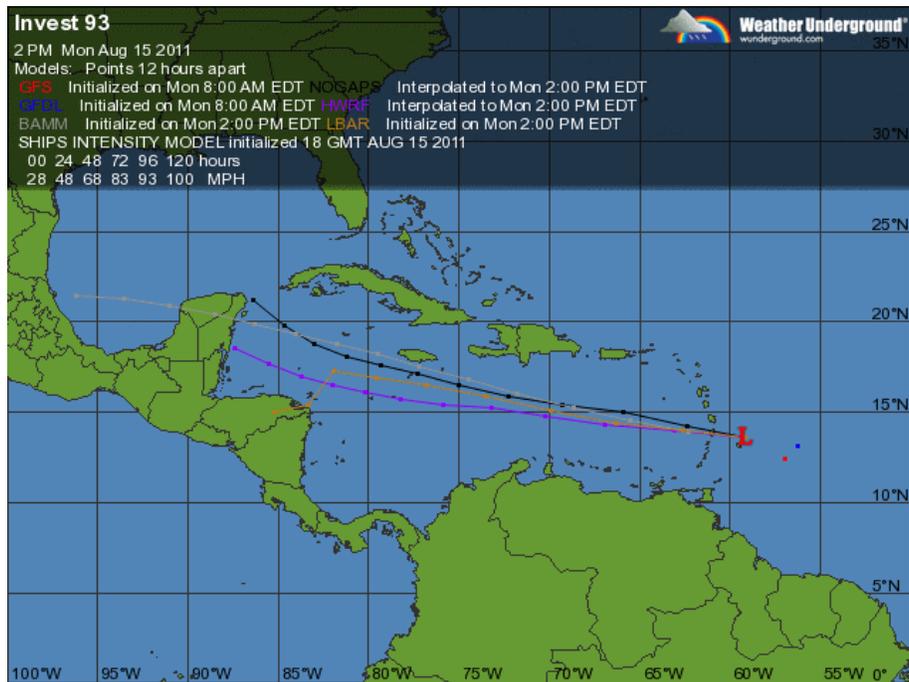
WSCC- The 10,080 mw Unit 3 at the San Onofre nuclear power plant in California increased power from 65% on Friday to 99% early on Monday. The Southern California Edison plant reduced power in Unit 3 to 60% over the weekend of August 6th while Units 1 and 3 remained operating at full power.

The Palo Verde 1,311 mw Unit 1 reactor owned by Arizona Public Service returned to full power on Monday, up from 40% on Friday. The unit tripped during a surveillance test on August 6th.

ERCOT- Unit 2 at the South Texas nuclear power plant cut power to 18% early Monday morning from full power on Friday. STP Nuclear Operating Co.'s plant has continued to keep Unit 1 operating at 100% power.

The NRC reported this morning that some 94,506 Mw of nuclear generation was online, up 1.63% from Friday and up 3.48% from a year ago.

Enterprise has recovered 3,000 galls of product from the pipeline as it still investigates what occurred.



Maintenance on TransCanada Corp.'s Bison interstate natural gas pipeline was not completed on Friday as scheduled and the company has pushed back the completion date to August 22. Once the line reopens again it will have an operational capacity of 230 mmcf/d, 164mmcf/d less than the operational capacity in use when the line ruptured in June.

A poll released by Reuters says energy traders and analysts expect natural gas inventories to climb to 3.74 trillion cubic feet down 2.6% from the all-time high in November 2010 but 3.8% over the five-year average. The polls show energy experts believe storage levels will not be as high as last year due to a large number of nuclear power plant going offline and a long winter.

International

China's natural gas imports increased by more than double to 2.7 bcm in July compared to year earlier levels. LNG imports also increased by more than 50% to 1.5 million cubic meters. China has also injected 1.4 bcm of natural gas into storage in Dagang between April and July.

Tanzania plans to spend 1.2 trillion Tanzania shillings (\$741.89 million) on new energy projects in an attempt to end constant power shortages. The country currently generates 55% of its power from weather dependent hydropower plants but current droughts have lowered plant output. Tanzania is seeking a loan from China to help construct a natural gas pipeline from southern Tanzania to Dar es Salaam, the country's commercial capital.

Tohoku Electric Power of Japan has secured enough LNG to overcome the loss of output from two nuclear power plants that have been offline since the natural disaster occurred in March. The company has bought 800,000 tonnes of LNG to cover the loss in energy production.

Gazprom of Russia released a statement saying they shipped 60 million cubic meters of gas to Turkey to meet the demand because an explosion on a pipeline from Iran last Thursday has created a shortage of gas in Turkey. In addition, the company will increase gas flows to Turkey to 42 million cubic meters per day from 15 million

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	768,300	\$4.053	(\$0.114)	\$0.014	(\$0.034)	\$0.053
Chicago City Gate	605,000	\$4.099	(\$0.119)	\$0.060	(\$0.057)	\$0.120
NGPL- TX/OK	714,500	\$3.972	(\$0.110)	(\$0.067)	(\$0.048)	(\$0.021)
SoCal	851,400	\$4.133	(\$0.039)	\$0.094	\$0.023	\$0.099
PG&E Citygate	724,600	\$4.285	(\$0.062)	\$0.246	(\$0.000)	\$0.233
Dominion-South	877,500	\$4.111	(\$0.093)	\$0.072	(\$0.030)	\$0.104
USTRade Weighted	19,036,600	\$4.053	(\$0.096)	\$0.014	(\$0.03)	\$0.053

Britain's South Hook LNG terminal is expecting two shipments from Qatar aboard two Q-Max tankers with a capacity of 266,000 cubic meters. The first tanker is scheduled to arrive on August 19th and the second tanker is scheduled to arrive on

August 22nd. In addition Britain's Isle of Grain LNG terminal is expecting a 210,000 cubic meter shipment on the Al Aamriya on August 23rd.

Belgium's Zeebrugge LNG terminal is expecting a 146,000 cubic meter shipment of LNG on the Lusail to arrive from Qatar on August 22nd.

The Rotterdam LNG terminal in the Netherlands is expecting a Q-Max LNG tanker to arrive from Qatar on September 1st.

ELECTRIC MARKET NEWS

Power output in the United States was down 2% for the week ending August 11 from the previous week up but 1.8% over the same week last year. This was due to a cooler weather in the north and east, which brought down week-by-week numbers. The increase in power usage over last year is due to the continued scorching summer heat in Texas and the Southeast.

ECONOMIC NEWS

The New York Federal Reserve's gauge of manufacturing in New York State showed the sector contracted for the third month in a row in August as new orders fell to their lowest level since

November 2010. The New York Fed's Empire State general business conditions index fell to minus 7.72 in August from minus 3.76 in July. New orders worsened to minus 7.82 from minus 5.45, while inventories fell to minus 7.61 from minus 5.56.

Market Commentary

The natural gas market continued to trade within last Thursday's trading range. It however erased its recent gains as moderating weather forecasts for the eastern half of the country weighed on prices despite the continued heat in Texas and the West. The natural gas market traded mostly sideways in overnight trading but quickly traded to a low of \$3.95 as the open outcry session opened. The market retraced more than 62% of its move from a low of \$3.855 to a high of \$4.062. It later settled in a sideways trading range before it rallied to a high of \$4.062 in afternoon trading. The natural gas market settled down 3.6 cents at \$4.024.

The natural gas market is seen retracing today's losses and trading in a sideways pattern until there is a change in the weather forecasts and development of the tropical cyclones in the Atlantic that would threaten supplies in the Gulf of Mexico. The market is seen finding support at \$4.015, its lows of \$3.95 and \$3.94. More distant support is seen at \$3.90, \$3.888 and \$3.855. Resistance is seen at its high of \$4.062, \$4.074, \$4.124, \$4.143, \$4.186 and \$4.234.