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ENERGY MARKET REPORT FOR AUGUST 29, 2011

Kinder Morgan Energy Partners LP said it reopened all but one of its East Coast fuel and oil terminals after shutting them on Friday ahead of Hurricane Irene. Kinder Morgan reopened its 3.5 million barrel terminal in Perth Amboy, NJ and its 3 million barrel terminal in Staten Island, NY. Its 7.8 million barrel terminal in

Carteret, NJ remains closed as the company assesses possible damage caused by Hurricane Irene. Expectations that Hurricane Irene would cause major disruptions to fuel refining and distribution mostly fizzled as the hurricane lost strength soon after hitting North Carolina's coast on Saturday. It restarted parts of its Plantation fuels pipeline was shut following power outages along the eastern coast. It restarted a segment of the 600,000 bpd pipeline that stretches between Greensboro, N.C. and Washington on Monday.

Magellan Midstream Partners LP resumed operations at all of its terminals in Selma, North Carolina., Wilmington, Delaware and Richmond, Virginia. Two of the company's terminals in New Haven, Connecticut remained closed.

The EIA reported that the US average retail price of diesel fuel increased by 1 cent to \$3.82/gallon in the week ending August 19th. The price of diesel is up 88.2 cents/gallon or 30% on the year. It also reported that the US average retail price of gasoline increased by 4.6 cents to \$3.627/gallon on the week. The price of gasoline is up 94.5 cents/gallon or 35% on the year.

Market Watch

The US Commerce Department said Americans increased their spending in July much more than expected. US consumer spending increased 0.8% in July, the largest gain in five months following a revised decline of 0.1% in June. It reported that income increased 0.3% as wages and salaries increased. The saving rate slowed to 5% in June from 5.5% in June. The price index for personal consumption expenditures increased 2.8% on the year in July. The year over year gain in June was 2.6%. The core PCE index, excluding food and energy prices, increased by 1.6% in July compared with 1.4% in June.

The National Association of Realtors' seasonally adjusted index for pending sales of existing homes in July fell by 1.3% on the month to 89.7. It is down from June's reading of 90.9. The pending sales index was 14.4% above its level in July 2010.

The International Monetary Fund cut its 2011-2012 growth forecasts for the US and the 17 nation euro zone and said central banks in both should be prepared to ease monetary policy. The fund lowered its forecast for expansion of US GDP this year to 1.6% from a 2.5% estimate issued in June and lowered its outlook for next year to 2% from 2.7%. The IMF cut its euro zone 2011 growth forecast to 1.9% from 2% and the 2012 view to 1.4% from 1.7%.

Air China Ltd, which received regulatory approval earlier this year to resume hedging of its oil purchases, said it had no current plans to do so as oil prices remain volatile. Chinese airlines were barred from hedging oil purchases after incurring large losses from such practices in 2008.

**August
Calendar Averages**
CL – \$86.10
HO – \$2.9388
RB – \$2.8561

Iran's nuclear chief Fereydoun Abbasi Davani said Iran is ready for increased cooperation with the UN's IAEA and could respond to a limited number of IAEA allegations. He however said that Iran would no longer negotiate a nuclear fuel swap with some of the world powers.

Algeria's Foreign Minister Mourad Medelci held talks with senior Libyan rebel figure Mahmoud Jibril on the sidelines of an Arab League meeting in Cairo.

Refinery News

Colonial Pipeline said operations on its pipelines were nearly ready to resume full operations after Hurricane Irene. Separately, Colonial Pipeline allocated Cycle 50 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee.

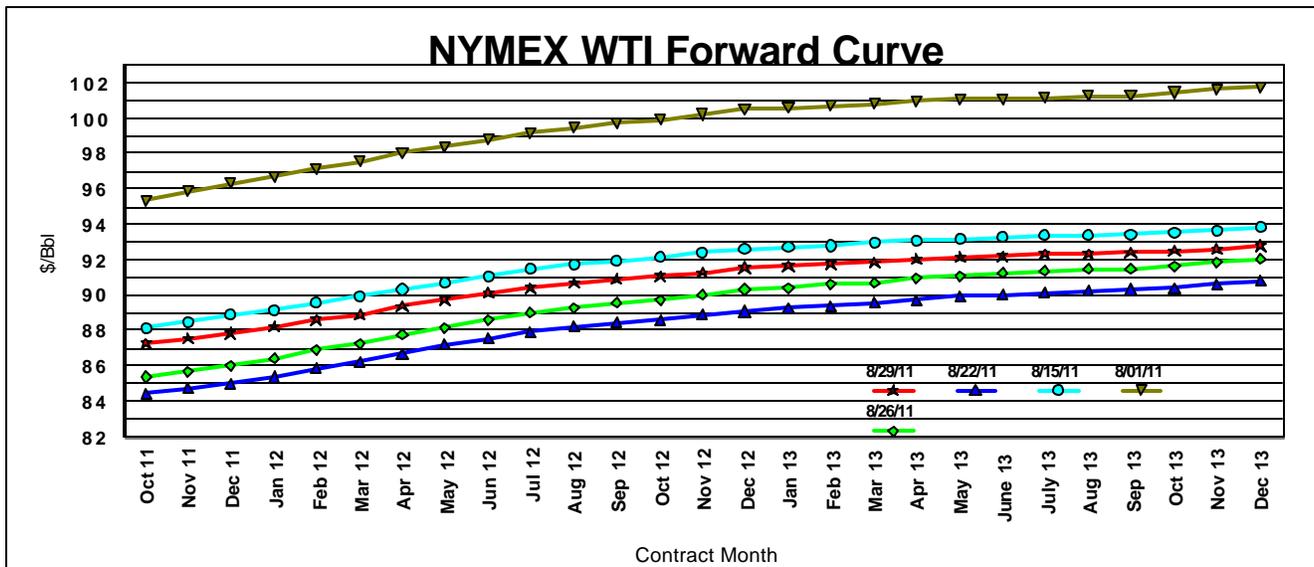
IIR Energy reported that US oil refiners are expected to shut about 138,000 bpd of refining capacity in the week ending September 2nd. It is down from 247,000 bpd shut in during the previous week.

The remnants of Hurricane Irene had no impact on operations at Valero's Ultramar refinery in Levis, Quebec.

ConocoPhillips resumed operations at its 185,000 bpd refinery in Trainer, Pennsylvania after reducing operations as a precaution against this weekend's storm. It cut operations to 80% of capacity on Saturday in anticipation of high winds and heavy rains from Hurricane Irene. Meanwhile, its 238,000 bpd refinery in Linden, NJ was restarting after it too was shut ahead of the hurricane. Separately, ConocoPhillips reported unplanned flaring at its 139,000 bpd refinery in Wilmington, California.

Sunoco Inc said its Philadelphia and Marcus Hook, Pennsylvania refiners were operating at reduced production levels. It said it is ramping up rates at its 178,000 bpd refinery in Marcus Hook. Runs were reduced to about 140,000 bpd in preparation for Hurricane Irene on Friday. A crude unit at the Girard Point section of its 335,000 bpd Philadelphia refinery was shutdown on Sunday due to flooding from Hurricane Irene. Rates to the fluid catalytic cracking unit were cut by more than half to about 40,000 bpd. The crude unit at the Point Breeze section of the refinery remains down following a fire there last week.

Hess Corp brought its 70,000 bpd refinery in Port Reading, NJ to normal rates after having reduced its operations on Saturday.



Flint Hills Resources said its Port Arthur, Texas refinery was undergoing maintenance after an internal leak on a raw gasoline product cooler exchanger was discovered on May 19th.

Valero Energy Corp said rates at its 180,000 bpd refinery in Memphis, Tennessee have recovered after it was shut on August 5th due to a fire. It also reported that its 225,000 bpd refinery in Texas City recovered from a power blip on Friday. Separately, Valero said there was no material impact on production from a unit malfunction at its 170,000 bpd refinery in McKee, Texas. On Saturday, it reported flaring due to an equipment malfunction in complex 3 at the refinery.

PetroChina is restarting a 200,000 bpd crude unit and will begin normal operations by the end of the month at its Dalian refinery. The crude unit was shut starting in mid-July due to a fire. PetroChina reported that a fire started at a diesel tank on Monday morning but was quickly by the afternoon.

India's Mangalore Refinery & Petrochemicals Ltd plans to start a 45 day shutdown of a crude unit, vacuum distillation unit and a hydrocracker facility at its refinery on September 9th. The shutdown of a third of the company's refining capacity is to link new units with the refinery. It is expanding its capacity by 27% to 300,000 bpd.

India's Petroleum Planning and Analysis Cell reported that crude oil imports in July increased an annual 2.6% to 3.21 million bpd. India's oil products imports in July fell by 31.7% to 1.31 million tons from 1.92 million tons a year earlier. Government data showed that India's oil product sales increased by an annual 3.2% in July to 11.76 million tons. India's refining capacity has increased by 4.1% from April last year to 3.87 million bpd.

Production News

Libya's rebel controlled Arabian Gulf Oil Co or Agoco said it plans to restart production and exports by the end of September. The exports would be the first to come from new production in months. It said initial output levels would be at between 50,000 and 100,000 bpd.

Kuwait resumed the allocation of full contractual crude oil volumes to Asia from July, ending a 5% cut in volumes effective since February 2009. It notified its Asian customers that it would supply them with full contractual crude oil volumes for October-December, steady from July-September.

China's Sinopec said it would increase its overseas production and is optimistic about the refining sector for the second half of the year. It said crude oil prices in the second half of the year would likely remain at about \$90-\$110/barrel.

Russia may increase Urals oil supplies from the Baltic Sea port of Primorsk in September to 5.7 million tons from 5.3 million tons in August, up 11% on the month. It may also ship 3.52 million tons of Urals crude from the port of Novorossiisk, up about 1% on the month. Siberian Light crude exports from the Black Sea port of Novorossiisk may remain unchanged at 240,000 tons in September while Siberian Light crude shipments from the port of Tuapse may fall to 80,000 tons from 225,000 tons.

Iran has excluded Russia's Gazprom from the Azar oil field project, in the latest snub to foreign investors that Iran feels are not fulfilling their promises.

A senior Iraqi oil official said Iraq's Oil Ministry would meet representatives of 40 world energy firms bidding for long term deals for 12 exploration blocks under service contracts on September 11th.

Thailand's Ministry of Energy said Thailand's crude oil imports in July increased by 5.2% on the year and 8.1% on the month to 822,000 bpd. The country's crude oil imports in the first seven months of the year averaged 804,000 bpd, down 1.2% on the year. Thailand's refined oil imports in July

increased by 77.7% on the year to 69,200 bpd while exports increased by 1.8% on the year to 227,200 bpd.

Brazil's largest sugar and ethanol cooperative Copersucar said the country has the potential to double its ethanol fuel production by 2016. It said Brazil needs to fill existing ethanol capacity by recovering lost sugarcane production and expanding the area planted with the crop and marginally increase and modernize its network of cane mills. It said additional investments in technology and more favorable tax regimes by Brazilian states would also help ethanol producers meet growing demand. Ethanol output from Brazil's main center south sugarcane crop is down 19% this year from last at 12.03 billion liters.

OPEC's news agency reported that OPEC's basket of crudes fell to \$107.52/barrel on Friday from \$107.61/barrel on Thursday.

Market Commentary

Crude oil traded higher, following a report indicating that U.S. consumer spending for the month of July rose more than expected. Prices were also aided by news that refiners along the East coast survived Hurricane Irene. Heating oil rose on expectations that the need for diesel to run generators would boost demand. Gasoline gave back some of Friday's gains early in the session, bouncing off the lows as market participants await word from the U.S. Federal Reserve and its stance on economic easing. Crude oil took another technical bounce, trading above the \$85.63 trendline. The upside objective for the crude oil remains at \$90.00.

Crude oil: Oct 11 301,629 -3,370 Nov 11 156,643 +4,746 Dec 11 202,995 +3,504 Totals 1,482,421 +9,283 Heating oil: Sept 11 20,236 -9,941 Oct 11 84,418 +5,500 Nov 11 39,458 -327 Dec 11 51,840 -705 Totals 306,594 -4,467 Rbob: Sept 11 13,803 -5,797 Oct 11 76,573 +4,197 Nov 11 35,504 +2,136 Dec 11 46,578 -987 Totals 253,137 +805

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7552	8988	27020	32777	25145	33369
7487	9122	26680	33370	24240	35915
7365	9726	27375	33510	23631	36310
6423	9872	23685		23414	
6394	10071	22960			
6119	10222				
50-day MA	91.81				
200-day MA	95.21				

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