



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 10, 2011

NATURAL GAS MARKET NEWS

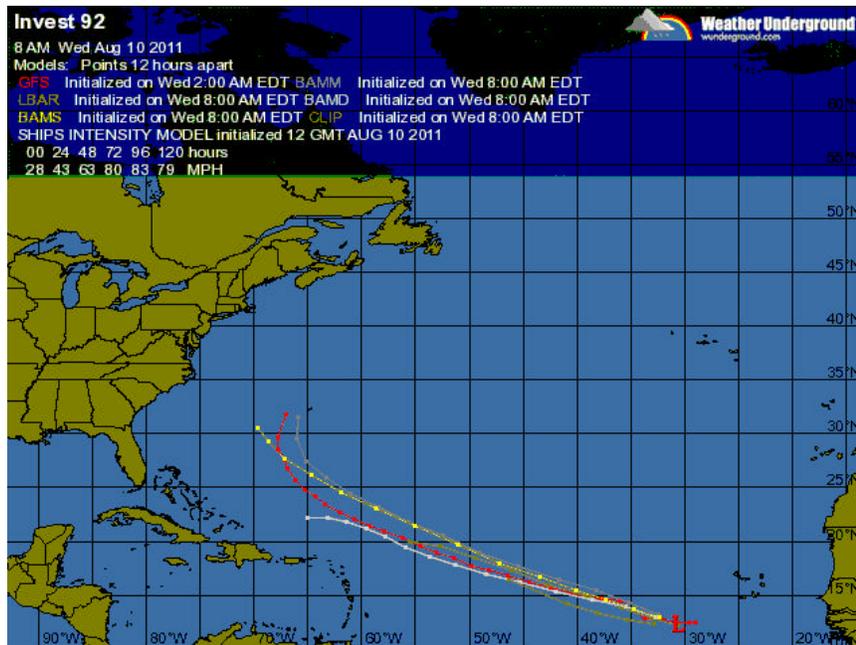
North America

Accuweather.com is reporting that they expect three named storm systems will occur by August 25th. They believe that in August storms will start to ramp up in the Cape Verde

Islands near Africa and push cooler air into the Northeast to signal tropical Atlantic is about to witness severe storm patterns. Accuweather also reported that they expect the 2011 tropical storm season will be above average with 15 named storms, 8 hurricanes, and 3 hurricanes that are Category 3 or larger.

Generation Outages

The NRC reported this morning that about 93,358 Mw of nuclear generation was online, up just 0.01% from yesterday and down 2.32% from a year ago.



The National Hurricane Center is reporting that shower and thunderstorm activity has become more centralized in the Cape Verde Islands and the storm is moving westward at a rate of 10-15 MPH. They do not expect the storm to become a tropical cyclone in the next 48 hours by only estimating a 20% of the storm becoming a tropical cyclone in that time.

International

DnB NOR, Norway's biggest financial institution is in negotiations about lending between \$3.5 billion and \$4 billion in the second half of 2011 to finance new orders for LNG

vessels. The bank is working on placing 5-6 orders with various European owners. If the loan is issued LNG financing will account for up to 25% of the banks new shipping business.

Iran's South Pars gas field, which holds half of the countries estimated 29.60 trillion cubic meters of reserves has been undergoing maintenance since June and expects to be operating at full capacity by the end of September. The maintenance has led to a decrease in exports and has caused Iranian power plants to burn more oil.

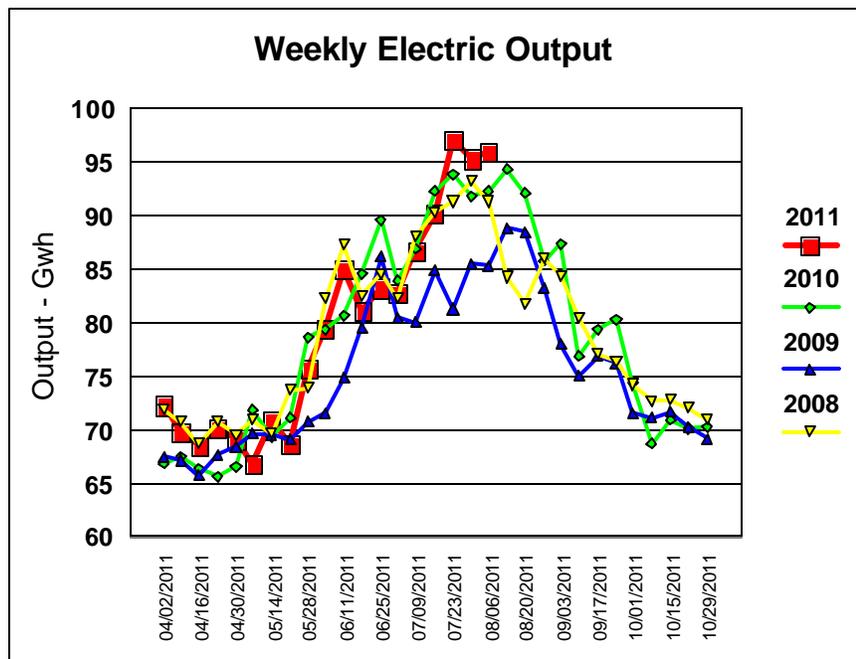
Vietnam has approved a plan to build a \$1 billion dollar LNG import terminal that will have the capacity to import 2-3 million tonnes a year in the Binh Thuan province. Vietnam is also in talks with Qatar about an LNG trade agreement.

Natural Gas Cash					
ICE Next Day Cash					
Location	Volume Traded	Avg Price	Change		Basis 5-Day
			(As of 12:30 PM)	Moving Avg	
Henry Hub	734,200	\$4.093	\$0.029	\$0.083	\$0.004
Chicago City Gate	846,800	\$4.200	(\$0.001)	\$0.190	(\$0.007)
NGPL - TX/OK	829,300	\$4.059	\$0.021	\$0.049	\$0.015
SoCal	654,700	\$4.185	\$0.018	\$0.175	\$0.012
PG&E Citygate	1,003,300	\$4.295	\$0.045	\$0.285	\$0.039
Dominion-South	1,119,300	\$4.188	\$0.035	\$0.178	\$0.029
USTrade Weighted	19,869,700	\$4.13	\$0.010	\$0.120	\$0.00

Tepco purchased 70,000 tonnes of LNG in July on the spot market, down from 120,000 tonnes in July 2010. However, Tepco has bought 1.2 million tonnes of LNG on the spot market in the second quarter almost triple the 390,000 tonnes they bought in the second quarter of 2010.

ELECTRIC MARKET NEWS

The Edison Electronic Institute released a report on Wednesday saying that power production in the



lower 48 states climbed to its fifth highest level on record. For the week ending in August 6th power rose 4% to 95,926 GWh. For the first 32 weeks of 2011 power production was up 0.2% over the same period in 2010 and when compared to the last 52 weeks that ended Aug 6 power increased by 1.1% to 4,064,468 GWh. The Rocky Mountain region has shown a gain in year-on-year electric output climbing 7.7% to 6,444 GWh. The South Central region set a new weekly electric output record. It rose 6.5% from a year ago to 16,904 GWh on the week ending on Aug. 6 and the New England region declined year-on-year output percentage by 1.1% to 2,890 GWh.

ECONOMIC NEWS

The US Commerce Department said US wholesale inventories in June posted their smallest increase in seven months as sales increased more than expected. Total wholesale inventories increased 0.6% to a record \$458.7 billion following a 1.7% increase in May. Sales at wholesalers increased 0.6% to \$395.8 billion after falling by a revised 0.3% in May.

The Mortgage Bankers Association said applications for US home mortgages increased last week as interest rates fell to their lowest level this year. It said its seasonally adjusted index of mortgage application activity increased 21.7% in the week ending August 5th. Its seasonally adjusted index of refinancing applications increased 30.4% to its highest level this year while the index of loan requests for home purchases fell 0.9%.

Market Commentary

While the natural gas market ended the session nearly unchanged, it settled above the \$4 level for the first time in a week as it continued to retrace its recent sell off. The market traded mostly sideways early in the session but quickly rallied to its high of \$4.081. The market was supported by some warmer weather forecasts and the strength in the oil markets following the release of a supportive DOE inventory report. The natural gas market however erased some of its gains in afternoon trading and settled back in a sideways trading pattern ahead of Thursday's release of the natural gas inventory report. The market settled up just 9 ticks at \$4.003.

The market expects US natural gas inventories to have increased by 37 bcf last week when the EIA releases the data on Thursday at 10:30. The natural gas storage injection estimates range from 31 bcf to 48 bcf. Natural gas inventories increased an adjusted 36 bcf the same week last year and the five year average build was 37 bcf.

The natural gas market will continue to trade sideways ahead of the inventory report on Thursday. The market is seen trading higher, with resistance at \$4.063, its high of \$4.081, \$4.119, and \$4.134, its 32% retracement level off a high of \$4.586 and a low of \$3.915. More distant resistance is seen at \$4.122, \$4.164, \$4.221, \$4.234 and \$4.307. Support is seen at \$3.98, \$3.962, \$3.92, \$3.861 and \$3.855.