



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 11, 2011

NATURAL GAS MARKET NEWS

North America

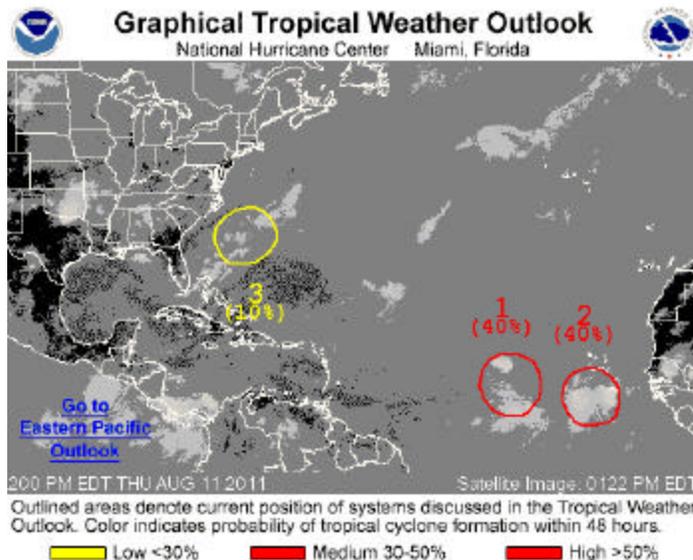
The US National Hurricane Center is tracking three storms over the Atlantic Ocean. The first system is located 750 miles west of the Cape Verde Islands off the western coast of Africa moving westward at 15 MPH. The storm has a medium, 40% chance of developing into a storm in the next 48 hours a 20% increase from yesterday's forecast as environmental conditions appear favorable for development over the next couple of days. A second storm is being monitored halfway between Carolinas and Bermuda

Generation Outages

NPCC- The Nine Mile Pt. 2 1,148 nuclear plant in New York was scheduled to be back online on Aug 13th after being shut on August 7th but during the start up a leak was discovered on a half-inch line associated with a feedwater pipe. This additional outage will count towards the plant's Performance Indicator (PI) for Unplanned Power Changes. If a plant has six unplanned power outages in a 7000 hr span than the plant will have more oversight from NRC.

WSCC- Palo Verde's Unit 1 1,311 mw nuclear reactor has started to exit an outage early on Thursday ramping up power to 12%. The Arizona Public Service's plant tripped on Aug. 6 during a surveillance testing exercise. During the outage of Unit 1 Units 2 and 3 have remained running at full power.

The NRC reported this morning that some 93,554 Mw of nuclear generation was online, up 0.20% from yesterday and down 2.08% from a year ago.



moving northeast at 15 to 20 MPH and has a 10% chance of developing into a cyclone. The last system is located 275 miles southeast of the southern Cape Verde Islands moving westward at 15 to 20 mph and has a 40% chance of developing into a storm in the next two days.

A government panel released a statement on Thursday saying the risk of water pollution from natural gas fracking was remote. The Energy Department however urged regulators to require drillers to keep lists of the chemicals they use in hydraulic fracturing and release more information about the drilling technique's impact on drinking water, air pollution, seismic activity and other areas that can be affected by fracking.

The AL Sahla LNG tanker with a capacity of 216,000 cubic meters is scheduled to arrive at the Sabine Pass, La terminal on August 19th from Qatar.

International

RWE will open the new Gate LNG import terminal in the Netherlands after paying supplier Qatargas a steep premium. German utility, RWE will pay about \$2 per million BTU above the UK gas price to receive a shipment from a Q-Max LNG tanker. Q-Max LNG tankers are the biggest LNG tankers in the world and have a carrying capacity of 266,000 cubic meters.

EIA Weekly Report

	08/05/2011	07/29/2011	Change	08/05/2010
Producing Region	961	982	-21	971
Consuming East	1418	1380	38	1530
Consuming West	404	396	8	971
Total US	2783	2758	25	2980

Vietnam's PV Gas plans to borrow up to \$700 million of the \$1 billion needed to build its new LNG terminal. The import terminal is currently in talks with ten suppliers as the company hopes to increase imports to meet the rising demand in Vietnam. PV Gas hopes to start

construction by 2012.

Slovenia has expressed concern over Italy's plan to build the Trieste pipeline project, which plans on building an offshore LNG terminal in the Gulf of Trieste and underwater pipeline from Trieste through Grado and onto Villesse, Italy. Slovenia believes that Italy has underestimated the negative impacts the project may have on the region. It has complained that the project may disrupt the transportation system, increase levels of mercury causing damage to maritime fishing and it may hurt the tourism business in the region.

Three LNG shipments are scheduled to arrive in Britain from Qatar within the next week. The Isle of Grain LNG terminal is expecting a shipment to arrive on the Tembek LNG tanker on Thursday. The South Hook LNG terminal is expecting the Shagra and its' 266,000 cubic meter load will arrive on August 14th and the Milford Haven is expecting another 266,000 cubic meter load from the Mozah on August 19th.

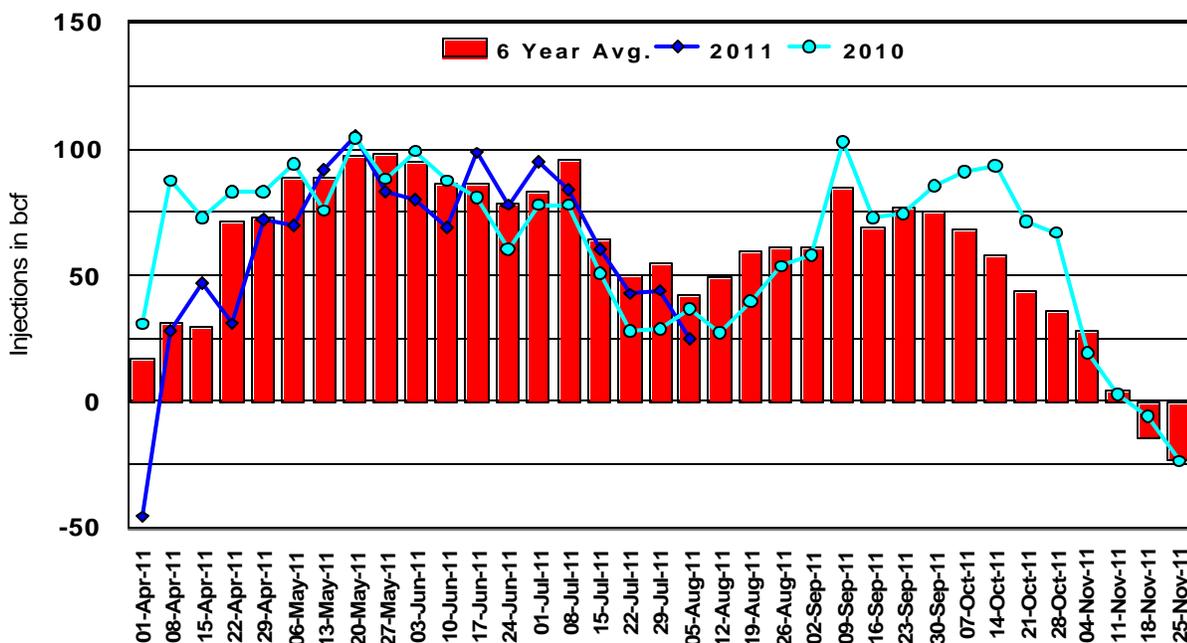
Canadian Gas Association

Weekly Storage Report

	05-Aug-11	29-Jul-11	06-Aug-10
East	155.3	151.8	166
West	315.1	305.9	338.1
Total	470.3	457.7	504.1

Belgium's Zeebrugge LNG terminal is expecting two LNG shipments from Qatar before the end of August. The Rasgas Asclepius LNG tanker is scheduled to arrive on August 11th and the Lusail LNG tanker with a carrying capacity of 146,000 cubic meters is scheduled to arrive on August 22nd.

2011 EIA Survey Build/Draw VS 6-Year Average



ELECTRIC MARKET NEWS

After years of delay ITC Holdings an US transmission company has completed their application with the Department of Energy for transformers on the Michigan-Ontario border that will help control the movement of power between the US and Canada. The phase-shifting transforms are awaiting approval before they began testing the facility. Once testing is completed the facility will be able to go online.

Approximately two dozen environmental groups filed legal challenges against the Nuclear Regulatory Commission (NRC) because they believe the NRC needs to make policy changes following the Fukushima disaster before moving forward with the extension of licenses and or the ability to commission new plants.

ECONOMIC NEWS

The US Labor Department reported that initial claims for unemployment benefits fell by 7,000 to a seasonally adjusted 395,000 in the week ending August 6th. Claims filed in the previous week were revised up to 402,000 from an originally reported 400,000. The four week moving average of new claims fell by 3,250 to 405,000. The report showed that the number of continuing unemployment benefit claims fell by 60,000 to 3,688,000 in the week ending July 30th. The unemployment rate for workers with unemployment insurance in the week ending July 30th fell to 2.9% from 3%.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	700,900	\$4.058	(\$0.035)	(\$0.055)	(\$0.150)	\$0.077
Chicago City Gate	746,700	\$4.147	(\$0.053)	\$0.034	(\$0.156)	\$0.149
NGPL- TX/OK	658,500	\$4.012	(\$0.047)	(\$0.101)	(\$0.150)	\$0.006
SoCal	897,500	\$4.108	(\$0.077)	(\$0.005)	(\$0.180)	\$0.124
PG&E Citygate	865,900	\$4.257	(\$0.037)	\$0.144	(\$0.140)	\$0.237
Dominion-South	1,013,500	\$4.134	(\$0.053)	\$0.021	(\$0.157)	\$0.101
USTrade Weighted	19,983,200	\$4.082	(\$0.047)	(\$0.031)	(\$0.15)	\$0.077

The US Commerce Department reported that the US trade gap widened in June to its largest level since October 2008 as both US imports and exports declined. The June trade deficit increased to \$53.1 billion from an upwardly revised estimate of \$50.8 billion in May. It reported that the US paid \$39.38 billion for all types of energy related imports, up from \$38.78 billion in May.

Market Commentary

The natural gas market settled sharply higher today as it continued to trend higher following the release of the EIA natural gas report. Early in the session, the market traded mostly sideways ahead of the release of the report and posted a low of \$3.94. The natural gas market however rallied over 20 cents to a high of \$4.143 following the release of a supportive inventory report, which showed a smaller than expected injection of 25 bcf. The market later erased some of its gains and settled in a sideways trading pattern ahead of the close. It settled up 10.5 cents at \$4.108.

The natural gas market is seen continuing its upward trend. Weather forecasts are calling for warmer temperatures while some tropical activity is also lending some support to the market. There are currently two low pressure systems in the Atlantic that have a 40% chance of becoming tropical cyclones in the next 48 hours. The market is seen finding resistance at its high of \$4.143, \$4.221, \$4.307 followed by \$4.339, \$4.379 and \$4.39. Support is seen at \$4.07, \$4.00, \$3.984 and \$3.94. More distant support is seen at \$3.861, \$3.855 and \$3.781.