



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 22, 2011

NATURAL GAS MARKET NEWS

North America

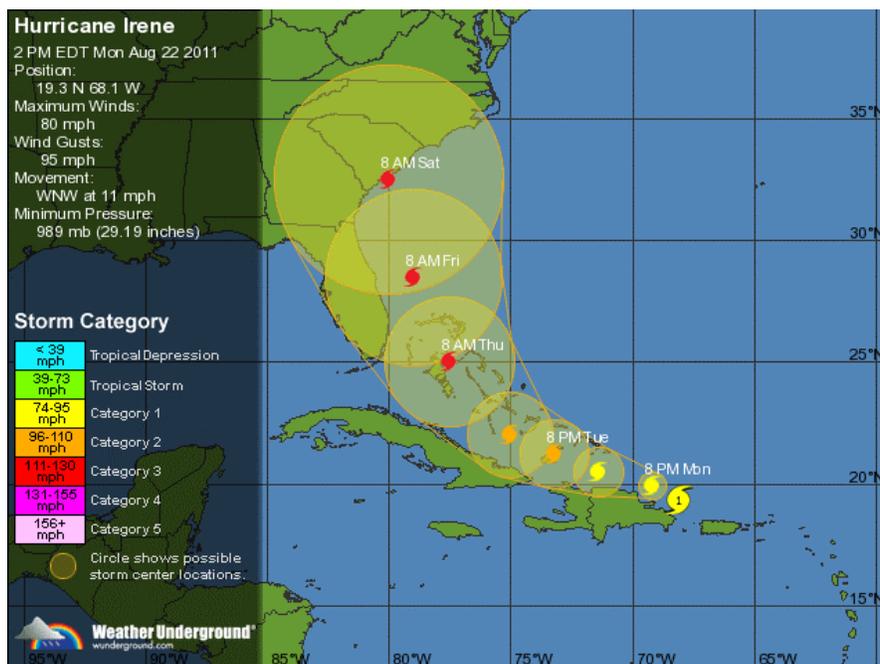
Hurricane Irene was located 50 miles north-northeast of Punta Cana, Dominican Republic as of 2:00PM EST Monday. Hurricane Irene is now expected to track up the Florida coast avoiding the Gulf Coast. The NHC is estimating Irene will become a category 2 storm once it makes landfall in Florida but it may be stronger if it avoids disruptions with Hispaniola. In addition, there is another low-pressure system located 575 miles northwest of the Cape Verde Islands. This storm is not expected to pose a threat to the Gulf Coast as projections show the storm staying out to sea. Development of this storm will occur slowly over the next few days if at all.

Generation Outages

FRCC- NextEra Energy Inc.'s Unit 2 at the Saint Lucie nuclear power plant ramped up to full capacity on Monday. The 839-mw unit was reduced to 45% power on Wednesday for scheduled maintenance.

WSCC- The Palo Verde nuclear power plant owned by Arizona Public Service reduced the 1,317-mw Unit 3 to 11% power on Monday while keeping Units 1 and 2 running at full power.

SERC- Tennessee Valley Authority's 1,148mw Unit 1 at the Sequoyah nuclear power plant in Tennessee left an outage and increased power to 98% on Monday after being shut on Friday due to an automatic reactor trip.



Bank of America lowered their expectations for Henry Hub natural gas prices to \$4.25 mmBtu due to an inequality in the amount of supply relative to demand. However, Bank of America does expect gas prices to rise to \$4.70 mmBtu in 2012.

Pivotal LNG has come to an agreement to supply Encana with 100,000 gallons of LNG per day for five years.

International

China's LNG imports reached an all time high in July. China imported 1.18 million tonnes, up 13.5% from a month ago. The cause of the sudden surge of

imports is the new LNG receiving terminal in the eastern Jiangsu province which came online in late May. In addition, through the first seven months of this year China's imports have increase by 32.5% from a year earlier.

China announced it will issue tax rebates for imports of natural gas when the import costs are above domestic wholesale prices. The tax will last until 2020 and will help save state run companies like PetroChina save money but it is not expected to increase long-term imports.

If Japan does not turn on its nuclear reactors after the finished scheduled maintenance over the August 2011 through April 2012 period it may increase LNG consumption by 800,000mt/month. If this were to occur it

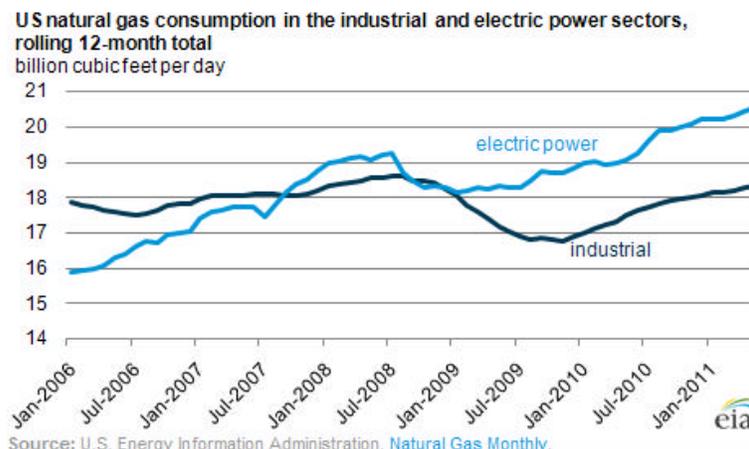
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	539,400	\$3.973	(\$0.020)	\$0.088	\$0.053	\$0.100
Chicago City Gate	673,400	\$4.040	(\$0.026)	\$0.155	\$0.037	\$0.130
NGPL- TX/OK	486,600	\$3.943	(\$0.019)	\$0.058	\$0.044	\$0.016
SoCal	549,900	\$4.141	\$0.007	\$0.256	\$0.070	\$0.225
PG&E Citygate	757,700	\$4.259	(\$0.024)	\$0.374	\$0.039	\$0.365
Dominion-South	880,300	\$4.015	(\$0.019)	\$0.130	\$0.044	\$0.108
USTRade Weighted	18,818,000	\$4.022	(\$0.010)	\$0.137	\$0.05	\$0.100

would be an 18% increase in consumption from July 2011, increase gas-fired generation capacity from 72% to 85% and it would add an addition \$10 billion to Japan's annual power generation costs.

KBR has been awarded a contract by Andark Mozambique Area 1, Ltd. to carry out a pre-front-end-engineering and design study for a potential LNG plant in Mozambique. The project was awarded to KBR after Anadarko and its partners discovered natural gas reserves in the Rovuma Basin off the shore of Mozambique.

Iran is currently in negotiations with an Indonesian company to export 1.5 million tons of LNG a year starting after 2013. Although Iran indented to start exporting 5 years ago but the first export is not expected until the end of next year after using domestic funds to beat international sanctions over Iran's nuclear program.

U.S. natural gas consumption for electric power tops industrial consumption



The largest underground gas storage operator in the Czech Republic, RWE Gas Storage, has already stocked its storage facilities for the upcoming winter.

Eni, of Italy, expects Libya to resume exporting oil and gas before the upcoming winter.

LNG TANKER	CAPACITY (Cubic meters)	Expected Arrival	From	Destination
Al Mafyar	266,000	August 22, 2011 (A)	Qatar	South Hook, Britain
Lusail	146,000	August 22, 2011 (A)	Qatar	Zeebrugge, Belgium
Castillo De Vilalba		August 23, 2011	Nigeria	Dahej, India
Al Aamriya	210,000	August 23, 2011	Qatar	Isle of Grain, Britain
Al Mayeda	266,000	August 25, 2011	Qatar	South Hook, Britain
N/A	266,000	September 1, 2011	Qatar	Rotterdam, Netherlands
Simaisma	145,000	September 2, 2011	Qatar	Zeebrugge, Belgium

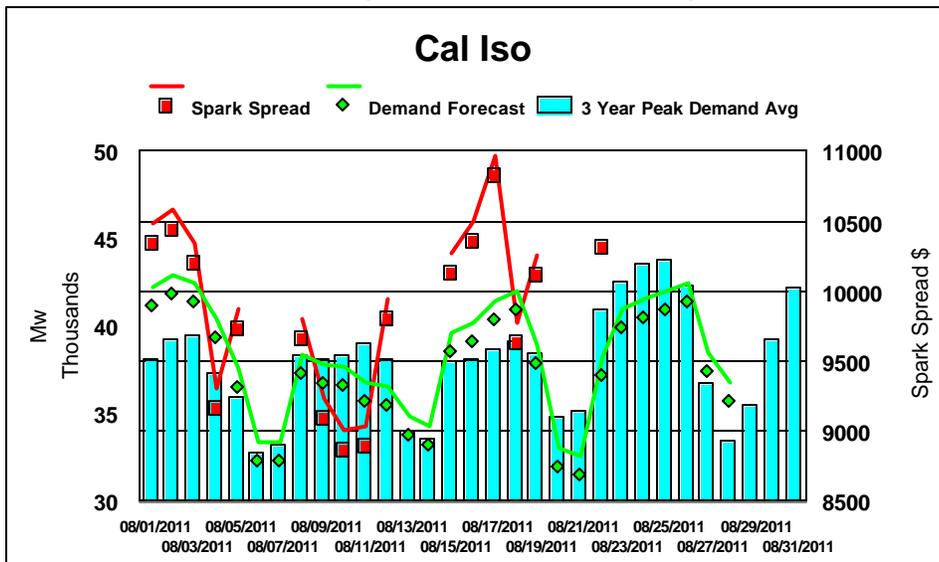
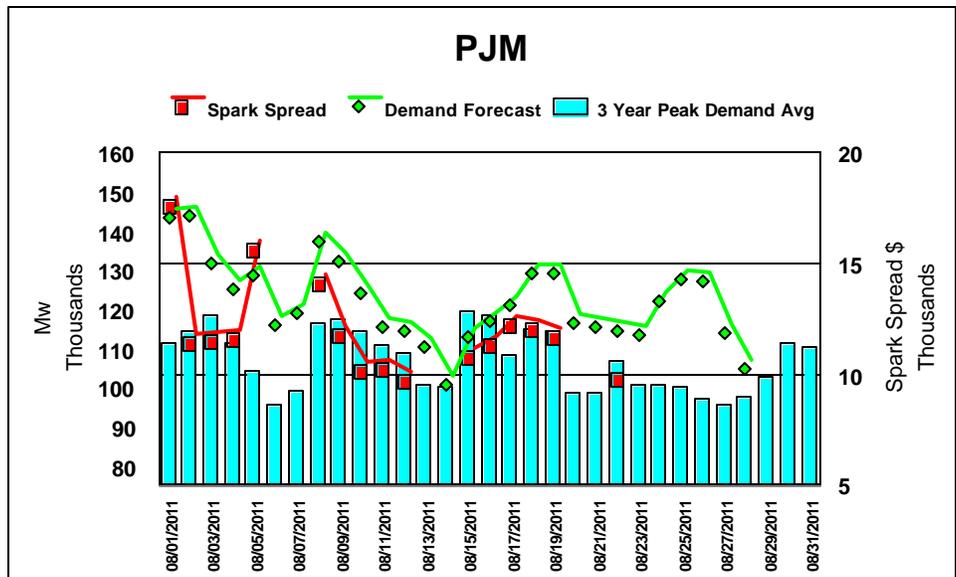
(A) Arrived (D) Delayed

ELECTRIC MARKET NEWS

The Climate Prediction Center reported this morning that it estimated U.S. cooling degrees for the week ending August 20th stood at 72 CDD, some 7.5% higher than normal but 15.3% less than the same week a year ago. For the current week the CPC is forecasting some 80 CDD, which would be 17.6% higher than the same week a year ago and 33% more than average. This higher cooling demand continues to be driven by strong cooling needs in the West South Central, which this cooling season has been nearly 38% hotter than normal along with higher demand from the Mountain region of the country.

ECONOMIC NEWS

Consumer Edge Research said US consumer confidence fell further after weeks of intensified economic concerns and broad stock market declines. Its Consumer Economic Index is now at 45.4, down 10 percentage points from July and down 1.5 points from the 46.9 level it reported on August 10th. Consumer Edge Research forecast the Conference Board's full month Consumer Confidence Index would deteriorate 8-10 percentage points from an unadjusted 59.5 in July when its report is issued on August 30th.



Market Commentary

Despite strength in the crude market today, natural gas futures settled lower for the second time out of the last three trading sessions as moderating temperatures in the east coupled with a rapidly

diminishing threat from Hurricane Irene to the Gulf of Mexico kept the market on the defensive. But despite a strong sell off early this morning the market held its support at the double bottom of \$3.855-\$3.843 before bouncing back a few pennies and settling basically at the same level where it started the trading session on Sunday evening.

While this market appears to be trying to build a base of support around the past several days of trading in this area of congestion, the daily stochastics remain pointing lower. Therefore we would look for this market to make another attempt to breach this support over the next couple of days which we see at \$3.853-\$3.839. If this support is finally taken out we would look for prices to move quickly lower and potentially test the next area of support at \$3.752. Additional support we see at \$3.731, \$3.636 and more distant support at \$3.391. Resistance we see at \$3.955 followed by \$4.127-\$4.143. Additional resistance we see at \$4.215 and \$4.302 but we do not think these levels are attainable without a tropical threat appearing to the Gulf of Mexico.

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