



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 25, 2011

NATURAL GAS MARKET NEWS

North America

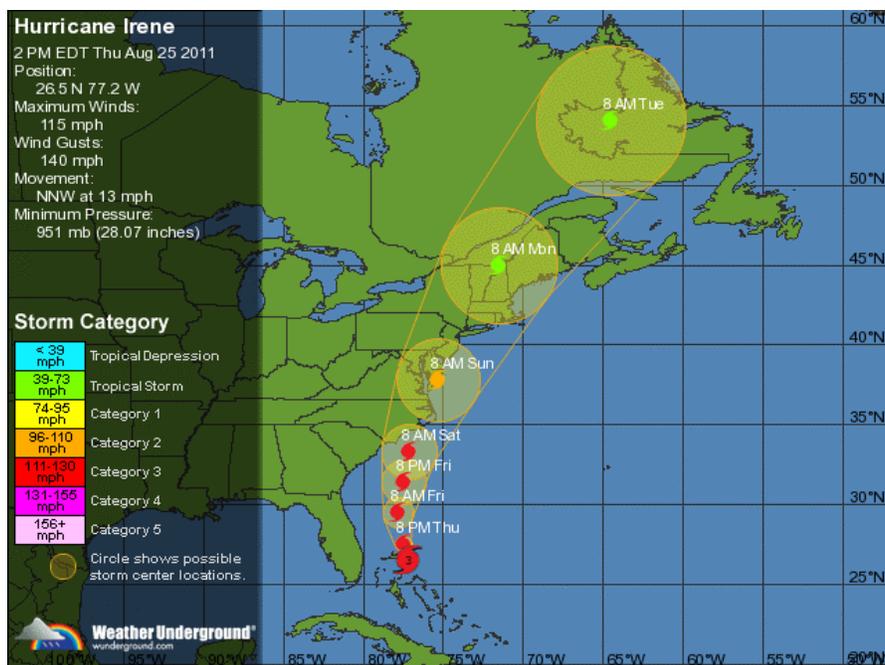
Hurricane Irene continues to move northwest at 14 mph through the Bahamas. Winds have been measured at 115 mph and the environment looks favorable for Irene to strengthen to a category 4 hurricane. Later in the week as the storm meets cooler water it is expected to weaken but may still be a category 1 or 2 when it makes its approach to the northeast coast. Elsewhere in the Atlantic Ocean there is a tropical depression that is not expected to make landfall.

Generation Outages

WECC- The 472mw Unit 4 at the Mountainview natural gas-fired power stations was turned on Wednesday afternoon after a planned shutdown on Tuesday. The Southern California Edison plant has been without Unit 3 since August 22nd. Arizona Public Service's Unit 3 reactor at Palo Verde was increased to full power on Thursday. The 1,317mw unit was operating at 71% power on Wednesday after operators saw high vibration in the main turbine on Sunday.

PJM- Unit 2 at the Susquehanna nuclear power station increased power to 81% on Thursday after operating at 21% of capacity on Wednesday. PPL Corp. shut down the unit at their Pennsylvania plant for scheduled equipment testing while keeping Unit 1 operating at full power.

The NRC reported this morning that some 92,805 Mw of nuclear generation capacity was online, up 1.14% from yesterday and some 2.75% less than the same day a year ago.



Texas has taken action to sue the EPA over the inclusion of Texas' coal-fired plants in a nationwide mandate to cut air pollution. The Texas Railroad Commission has asked the state's attorney general to take legal action against Texas' late inclusion into the law that puts stricter limits on emissions on sulfur dioxide and nitrogen oxide from coal and natural gas fired power plants. The state's grid operator Texas' inclusion will increase the probability of blackouts because Texas operates on a stand-alone grid and does not have the infrastructure to import large quantities of power from other states or enough time to find extra supply.

EnCana has started the process of selling off subsidiary businesses in north Texas. The natural gas producing properties produce 125 Mmcf/d. The pipeline facilities stretch across 52,000 net acres in the Fort Worth Basin. EnCana is hoping to raise between \$1 and \$2 billion by the end of 2011.

The US nuclear safety regulator said that Entergy Corp has agreed to improve the quality control and employee concerns programs at 11 nuclear power plants in the US.

El Paso Corp's 14,000 mile Tennessee Gas Pipeline that stretches from Mexico to Canada issued an operational flow order (OFO) on Thursday in anticipation of a limited ability to manage imbalances this weekend. The company is requiring zones 4, 5, and 6 delivery point operators to keep actual daily receipts into the system equal to or less than scheduled quantities and to keep actual daily take outs of the system regardless of their cumulative imbalance positions.

International

LNG shipment orders may triple next year, as stricter regulations will cause a switch to cleaner burning fuels according to risk management firm DNV. This year 20 LNG vessels have been ordered, about double the amount of the existing fleet. The report also expects that 100 ships will be delivered by 2014.

	EIA Weekly Report			
	08/19/2011	08/12/2011	Change	08/19/2010
Producing Region	960	953	7	950
Consuming East	1524	1466	58	1617
Consuming West	422	414	8	479
Total US	2906	2833	73	3046

*storage figures in Bcf

Vietnam will stop gas supply to two power plants for 10 days next month due to planned maintenance. The two plants supply roughly a quarter of the countries power. The company that owns Nhon Trach and Phu My will run the plants using domestically produced diesel during the shutdown between September 14 and 24.

The Royal Dutch Shell has shut down the Nigerian Utorogu gas plant on Wednesday following a pipeline gas leak. The 270 Mmcf/d pipeline has been shut off caused a shortage in gas supply for electric generation. Shell said that it might not be able to meet contractual obligations to export oil from Nigeria due to sabotage on two addition pipelines in Nigeria.

Canadian Gas Association

Weekly Storage Report

	19-Aug-11	12-Aug-11	20-Aug-10
East	169	160.6	174.7
West	340.7	327.4	349
Total	509.7	488.1	523.7

storage figures are in Bcf

Australia's AGL Energy supported a ruling by the New South Wales sate to lengthen its ban on some environmentally gas extraction procedures. AGL Energy believes the ruling will help address public concerns over damage to agriculture and water supplies caused by industry.

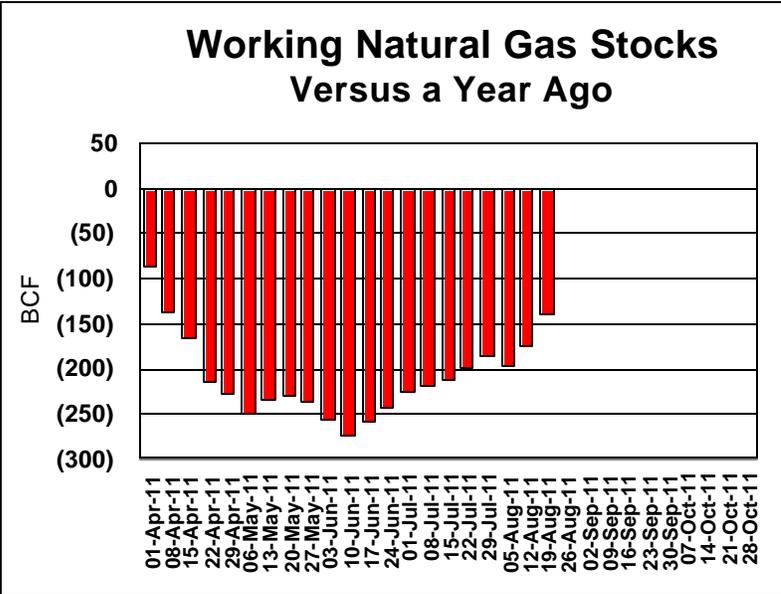
Workers have been on strike since Monday at Exxon Mobile's Papua New Guinea PNG LNG plant. Exxon Mobile does not expect the work stoppage to push back the start up date of the \$15 billion project. The workers are on strike because Red Sea, a sub-contractor of Laba Holdings did not meet workers demand for higher wages. The LNG project is expected to produce 6.6 tonnes per year when It comes online in 2014.

LNG TANKER	CAPACITY (Cubic meters)	Expected Arrival	From	Destination
Al Mayeda	266,000	August 26, 2011	Qatar	South Hook, Britain
N/A	266,000	September 1, 2011	Qatar	Rotterdam, Netherlands
Al Oraiq	206,000	September 1, 2011	Qatar	Dragon, Britain
Simaisma	145,000	September 2, 2011	Qatar	Zeebrugge, Belgium
Shnohvit LNG	N/A	September 10, 2011	Norway	Oita LNG terminal, Japan
(A) Arrived (D) Delayed				

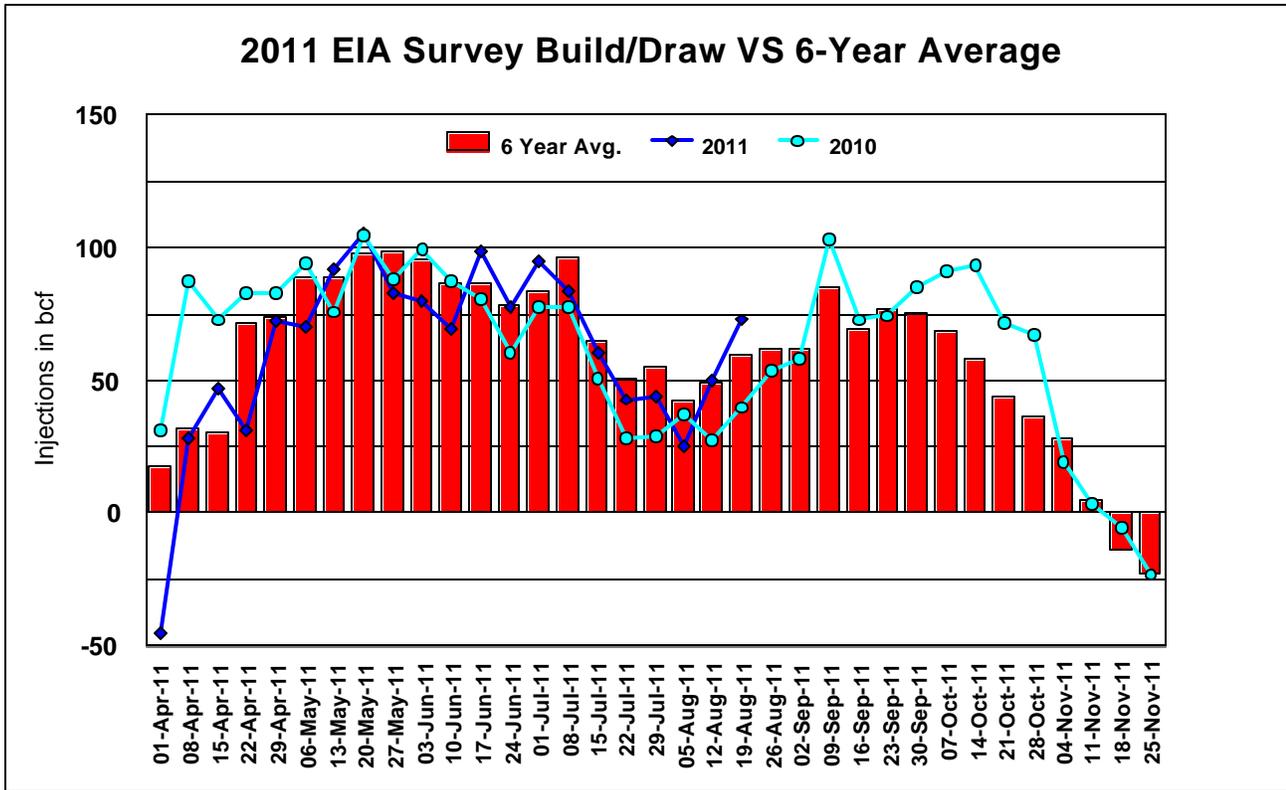
ELECTRIC MARKET NEWS

The Texas power grid was forced to hold back power to some industrial customers for the second time this month in order to avoid a wider power disturbance. The drain on power supplies from the summer's record-breaking heat and prolonged drought were exasperated as schools opened this week. In order to meet demand grid operators requested two gas-fired units to return to the grid from mothball status.

PSE&G has begun to take preliminary steps to insure their nuclear power plants along the Delaware River are prepared for Hurricane Irene. If winds from the hurricane exceed 74 mph both plants will need to be taken offline two hours before the winds arrive. If the Delaware River water level rises from its average of 89 feet to 99.5 feet then PSE&G will take the Hope Creek plant offline and if the water rises further to 100.5 feet it will take the Salem plant offline as well.



If Europe enters a double dip recession the European Union carbon permit prices could be driven below 10 euros for an extended period of time. The 2011 EU Allowances (EUAs) traded just below 13 euros per tonne on Thursday. The EUAs have lost 6% of their value since the beginning of July and UN backed certified emissions reductions have lost 21% this year due to heavy issuance.



ECONOMIC NEWS

The US Labor Department reported that the number of initial claims for unemployment increased by 5,000 to a seasonally adjusted 417,000 in the week ending August 20th. Claims filed in the previous week were revised up to 412,000 from an originally reported 408,000. The four-week moving average of new claims increased by 4,000 to 407,500. It reported that the number of continuing unemployment claims fell by 8,000 to 3,641,000 in the week ending August 13th. The unemployment rate for workers with unemployment insurance for the week ending August 13th was 2.9%, down from the prior week's 3%.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	469,900	\$4.005	(\$0.092)	\$0.034	(\$0.124)	\$0.106
Chicago City Gate	565,700	\$4.054	(\$0.112)	\$0.083	(\$0.141)	\$0.138
NGPL- TX/OK	765,200	\$3.931	(\$0.110)	(\$0.040)	(\$0.139)	\$0.025
SoCal	525,500	\$4.135	(\$0.091)	\$0.164	(\$0.120)	\$0.215
PG&E Citygate	1,052,600	\$4.231	(\$0.093)	\$0.260	(\$0.122)	\$0.331
Dominion-South	822,000	\$4.063	(\$0.087)	\$0.092	(\$0.116)	\$0.119
USTrade Weighted	18,134,600	\$4.025	(\$0.095)	\$0.054	(\$0.12)	\$0.106

UBS and Citigroup lowered their forecast for global growth, with sharp reductions to its euro zone view and more modest cuts for China but ruled out the likelihood of a recession for now. UBS cut its global GDP growth forecast for 2012 to 3.3% while Citigroup cut its global GDP growth forecast for 2011 to 3.1% from 3.4% and for 2012, to 3.2% from 3.7%. Citigroup however said it does not currently expect recessions in the major economies as the slowdown in economic growth is not enough to reverse global profits. For advanced economies, Citigroup cut its growth forecast to 1.4% from 1.8% for 2011 and to 1.7% from 2.2% for 2012. UBS maintained its 2011 GDP growth view for the euro zone at 1.8% but cut its forecast for 2012 by a full percentage point to 1%. Both UBS and Citigroup expect China's economy to grow at 9% this year, down from previous estimates of 9.3% and 9.2%, respectively.

Market Commentary

The natural gas market traded mostly sideways in overnight and early morning trading ahead of the release of the EIA Storage Report. It however posted a low of \$3.87 just ahead of the report's release before it rallied to its high of \$3.984. The market traded higher as the EIA report showed a build in inventories of 73 bcf, in line with market expectations. The market traded sideways and later gave up some of its gains ahead of the close. The natural gas settled up just 9 points at \$3.931.

While weather forecasts show warmer temperatures in the Midwest any added air conditioning demand in the region is expected to be negated by the effects of Hurricane Irene, which could knock out power in the East Coast. Technically, the natural gas market is seen finding resistance at its high of \$3.984, \$4.029, \$4.048, \$4.101 and \$4.143. Support is seen at \$3.91, \$3.87, \$3.853, \$3.814 and \$3.759.