



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR AUGUST 25, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Depression #12 has formed off the southern end of the Cape Verde Islands. The storm is currently moving westward at speeds of 15 mph and will meet favorable conditions for strengthening throughout the week. Computer models vary on the direction this storm may take, but it appears if this system is a threat to the U.S. it will be to the East Coast and not the Gulf of Mexico. Also several models are pointing to a tropical storm that could form later this week in the Bay of Campeche or the Gulf of Mexico before it moves ashore in southeastern Texas by next week.

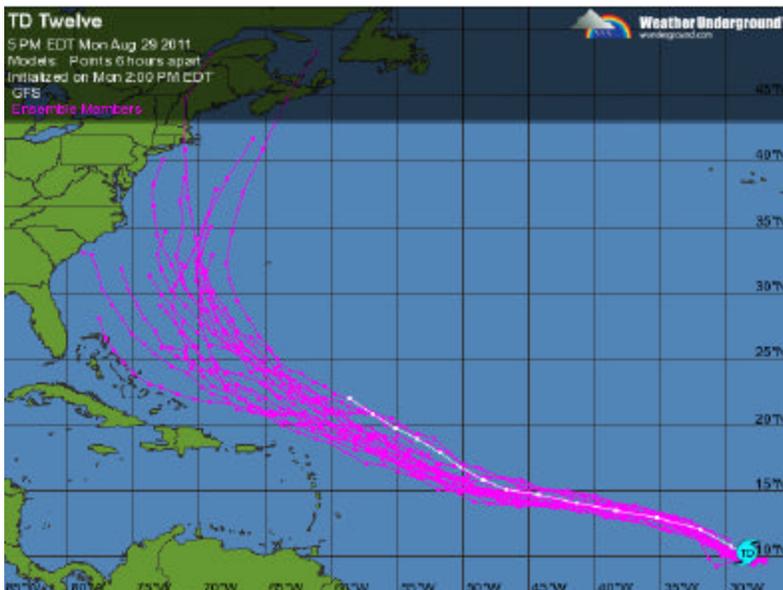
Generation Outages

ERCOT - The 1,209 mw Unit 1 at the Comanche Peak nuclear power plant in Texas was reduced to 62% operational capacity over the weekend from full power on Friday.

FRCC - NextEra Energy Inc's Unit 1 at the Saint Lucie nuclear power plant exited an outage and increased to full power early on Monday. The unit went offline when rising condenser back pressure was triggered by an influx of jellyfish into the intake structure.

MRO - The 572 mw unit at the Monticello nuclear power station reduced power to 48% on Monday from full power on Friday for planned maintenance.

The NRC reported this morning that some 90,836 Mw of nuclear generation was operating this morning, some 0.8% more than Sunday but 5.8% less than the same day a year ago.



New York's Department of Environmental Conservation is expected to release its 1,000-page study on the impact of natural gas production in the Marcellus Shale. The study outlines new rules for fracking. There will be a 60-day comment period for citizens to issue their opinion of the report.

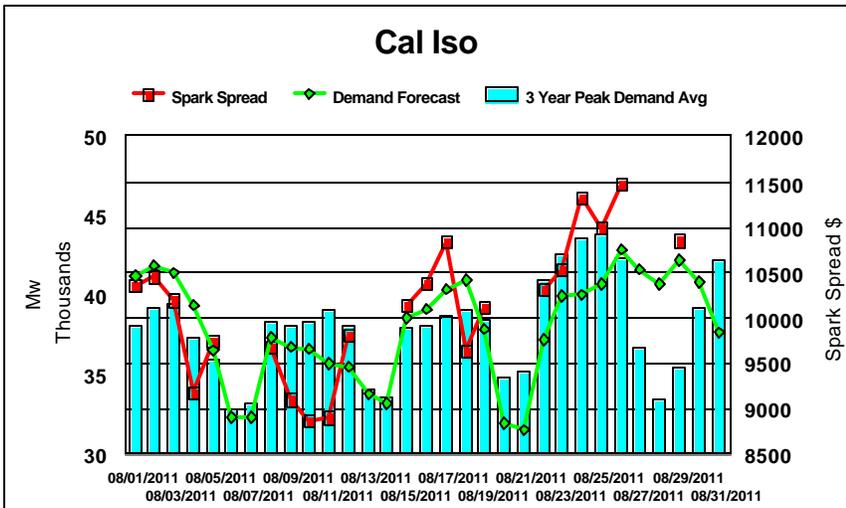
New Jersey's Governor Christie vetoed a bill that would have permanently banned hydraulic fracking in the state. Instead he issued a one-year moratorium so the Department of Environmental Protection can further analyze the environmental impacts of the practice.

Hurricane Irene is expected to reduce East Coast natural gas demand from the power sector by approximately 2.8 bcf. Benetec has estimated that demand has already dropped 1.3 bcf since Saturday on the East Coast and by 0.7 bcf in the Southeast.

International

Jordan is expected to sign a deal with Egypt next month to resume importing natural gas. Jordan had been skeptical of the deal since five explosions have already halted imports into Jordan. The loss of supply cost \$3 million per day. Jordan plans to reduce its reliance on Egypt, which supplies 80% of its electricity requirements by building a LNG terminal by 2013 and to start importing 1,000 tonnes of heavy fuel per day from Iraq.

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	544,400	\$3.930	(\$0.031)	\$0.064	\$0.064	\$0.086
Chicago City Gate	607,100	\$3.964	(\$0.017)	\$0.098	\$0.065	\$0.109
NGPL- TX/OK	689,100	\$3.850	(\$0.026)	(\$0.016)	\$0.056	(\$0.007)
SoCal	783,500	\$4.140	\$0.045	\$0.274	\$0.127	\$0.211
PG&E Citygate	728,600	\$4.225	\$0.009	\$0.359	\$0.091	\$0.315
Dominion-South	788,500	\$3.963	(\$0.018)	\$0.097	\$0.064	\$0.102
USTRade Weighted	19,709,200	\$3.960	(\$0.018)	\$0.094	\$0.06	\$0.086



Oil giants BP, ExxonMobil, Eni, and China National Petroleum Corp. may have to surrender gas they do not use for reinjection or power generation from Southern Iraq to state run South Gas Co. A \$17 billion deal soon to be signed by the Iraqi cabinet to supply Shell with all the raw gas and LNG.

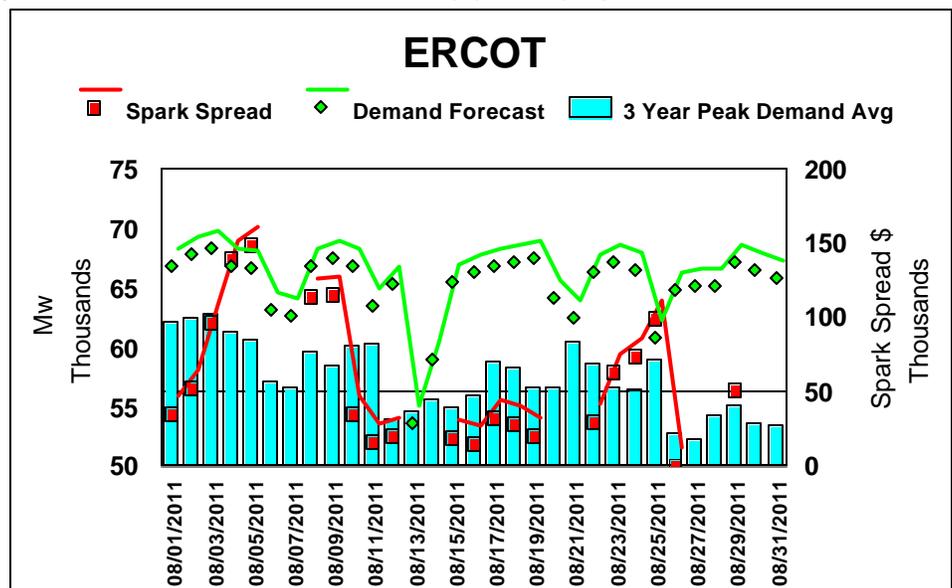
India's natural gas production fell 8.2% in July to 4.14 bcm from 4.51 bcm a year earlier.

Statoil is still unable to gain access to China's rich shale gas resources after hoping to come to an agreement by the end of 2010. The firm aims to expand oil and gas output by a third to 2.5 million barrels of oil equivalent a day. This year Statoil plans to spend \$3 billion on exploration as it hopes to close two new deals. The company hopes to drill 40-50 exploration wells in 2012.

The European Union's energy commissioner said the Nabucco pipeline project has a better chance to materialize in the wake of the Fukushima disaster and Germany's abandonment of nuclear power by 2022.

Eni announced that it is committed to establish conditions for a fast recommencement of activity in Libya including the restart of the Greenstream pipeline.

Russia's Vladimir Putin has ordered the government to award licenses to Russia's Novatek for four deposits in

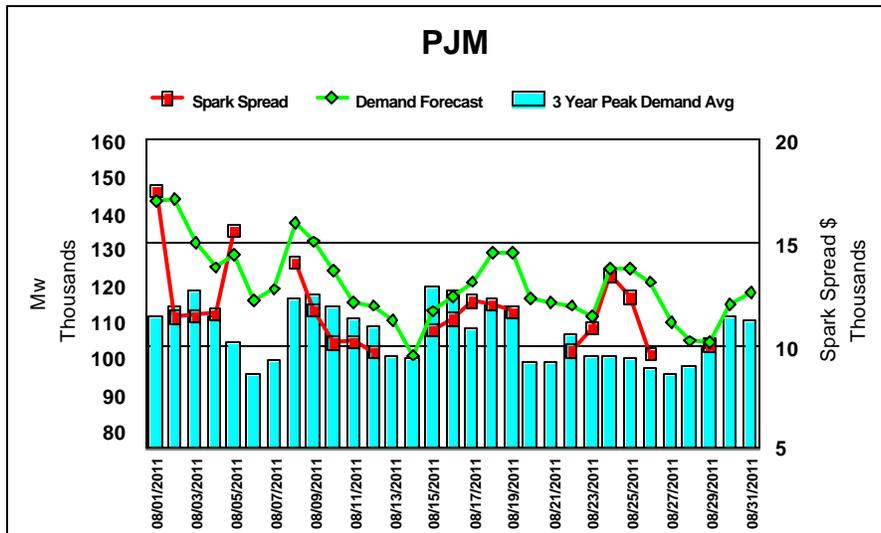


the Yamal peninsula. Novatek, Russia's largest independent gas producer was the only bidder for the fields in a June auction but the government did not recognize the results.

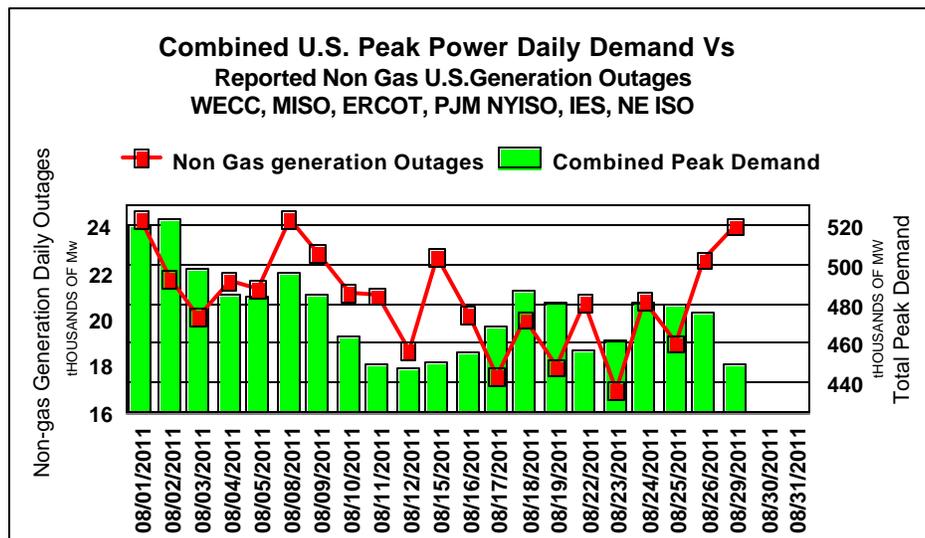
EconGas of Australia has sourced its first LNG cargo into the Netherlands' Gate LNG terminal. The shipment is scheduled to arrive on September 3rd.

ELECTRIC MARKET NEWS

The Energy Department released a statement on Monday saying that nearly 5.5 million people still do not have power across 14 states along the east coast. Utility line crews and tree trimmers have already been dispatched and many customers will have power restored in 24-48 hours. Unfortunately, due to the heavy amount of flooding full restoration will take several weeks.



Texas power grid operators believe this week will set a new record for all-time peak set earlier this month as the brutal heat wave enters its fifth week. Texans used a record amount of power this weekend as Houston hit 109 Fahrenheit and Dallas hit 106 Fahrenheit Saturday. Both cities are expecting triple digit temperatures to continue on Monday.



US power output rose 1.4% for the week ending on August 25th from the previous week and was up 0.3% from the same week last year.

The NRC said on Monday that initial reviews of Dominion's North Anna plant indicate that it may have exceeded the ground motion for which it was designed during last week's

earthquake. The NRC said it was sending an additional inspection team to the Virginia power plant and it will evaluate information carefully to determine if additional actions may be necessary to take.

ECONOMIC NEWS

Pending sales of US homes fell in July to 89.7 from 90.9 in June. The 1.3% decline is the latest signal of weakness in the housing industry. However, the index is up 14.4% from a year ago. This shows that sales are under performing but the underlying factors for sales were improving as rising rents and lower house prices could point to future growth.

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 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 27%. The IMF cut its euro zone 2011 growth forecast to 1.9% from 2% and the 2012 view to 1.4% from 1.7%.

Market Commentary

It appeared that the large loss of power demand along the East Coast in the wake of Hurricane Irene weighed on natural gas futures prices today. While the expiring September contract posted an inside trading session today it still posted the lowest settlement price of a spot contract since March 10th. Meanwhile the October contract moved to new contract lows on the session settling lower for the first time in three trading sessions. Despite the daily stochastics rolling back over to the downside basis today's trading, we would rather look to move to the sidelines rather than establish a new short at these levels and at this point of the peak hurricane season. We see support tomorrow at \$3.822 followed by \$3.795, \$3.731 and \$3.706. Resistance we see at \$3.909 followed by \$3.951, \$3.981-\$3.991 and \$4.03. More distant resistance we see at \$4.119, \$4.159, \$4.211 and \$4.303.

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