



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 21, 2011

NATURAL GAS MARKET NEWS

North America

Encana reported its second quarter results today and it noted it was able to post solid results despite operating in the face of natural gas prices that remain at levels the company believes are unsustainably low over the longer term. The company has been able to prosper it said by taking meaningful steps and applying advanced technologies to manage costs over the long term while it has pursued a policy of margin maximization on all natural gas that it produces. In its Haynesville resource play hubs; the company has reduced well drilling times by 20% to 40 days with a number of wells being drilled in 35 days. The company has also noted that it has quietly moved forward with assembling meaningful land positions to capture large resource opportunities in prospective liquids rich plays. One such area is the Duvernay play in western Alberta and the other is in Mississippi and Louisiana in the Tuscaloosa marine shale lands. The company noted it hopes to begin production at its Deep Panuke field in the fourth quarter, with production ramping up to 200 Mmcf/d. Overall its natural gas production in the second quarter averaged 3.309 Bcf/d up 3% from the same period a year ago. These gains were led by Canadian production that was up 9% while total U.S. production was off 1%, due in part to some divestitures. U.S. production declines though were partially offset by strong growth in production in the Haynesville shale region where production was up 89% from a year ago. The company noted that for the next 18 months it has hedged approximately half of its expected production of 1.8 bcf/d at an average NYMEX related price of \$5.75 per Mcf for the last half of this year and approximately 2 bcf/d

Generation Outages

NPCC - All four Units at Calpine/Mitsui 1153 Mw Greenfield natural gas fired power plant were shut late Wednesday.

OPG's 494 Mw Lambton #4 coal fired power plant was shut late Wednesday.

SERC - TVA's 1148 Mw Sequoyah #1 nuclear unit was shut early Thursday. The unit had been at full power on Wednesday.

ERCOT - Luminant's 765 Mw Monticello #3 coal fired power plant will be starting up over the next two days following the repair of a turbine bearing. The unit tripped off line on July 19th.

The NRC reported this morning that some 94,497 Mw of nuclear generation was online, down 2.8% from yesterday and off 0.4% from recorded a year ago.

EIA Weekly Report

	07/15/2011	07/08/2011	Change	07/15/2010
Producing Region	995	1001	-6	991
Consuming East	1298	1248	50	1419
Consuming West	378	362	16	473
Total US	2671	2611	60	2884

*storage figures in Bcf

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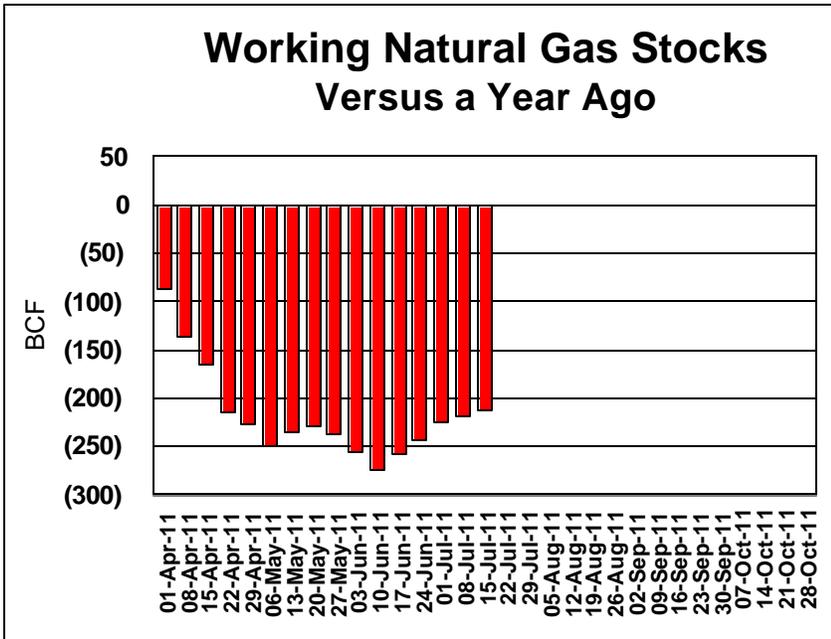
Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	692,300	\$4.577	(\$0.064)	\$0.155	\$0.145	\$0.186
Chicago City Gate	790,500	\$4.709	(\$0.097)	\$0.287	\$0.001	\$0.176
NGPL- TX/OK	1,239,300	\$4.514	(\$0.045)	\$0.092	\$0.053	(\$0.009)
SoCal	619,600	\$4.580	(\$0.017)	\$0.158	\$0.081	(\$0.002)
PG&E Citygate	895,800	\$4.717	(\$0.054)	\$0.295	\$0.044	\$0.192
Dominion-South	1,043,900	\$4.858	(\$0.042)	\$0.436	\$0.056	\$0.268
US Trade Weighted	23,904,700	\$4.899	\$0.047	\$0.477	\$0.14	\$0.186

average NYMEX related price of \$5.75 per Mcf for the last half of this year and approximately 2 bcf/d

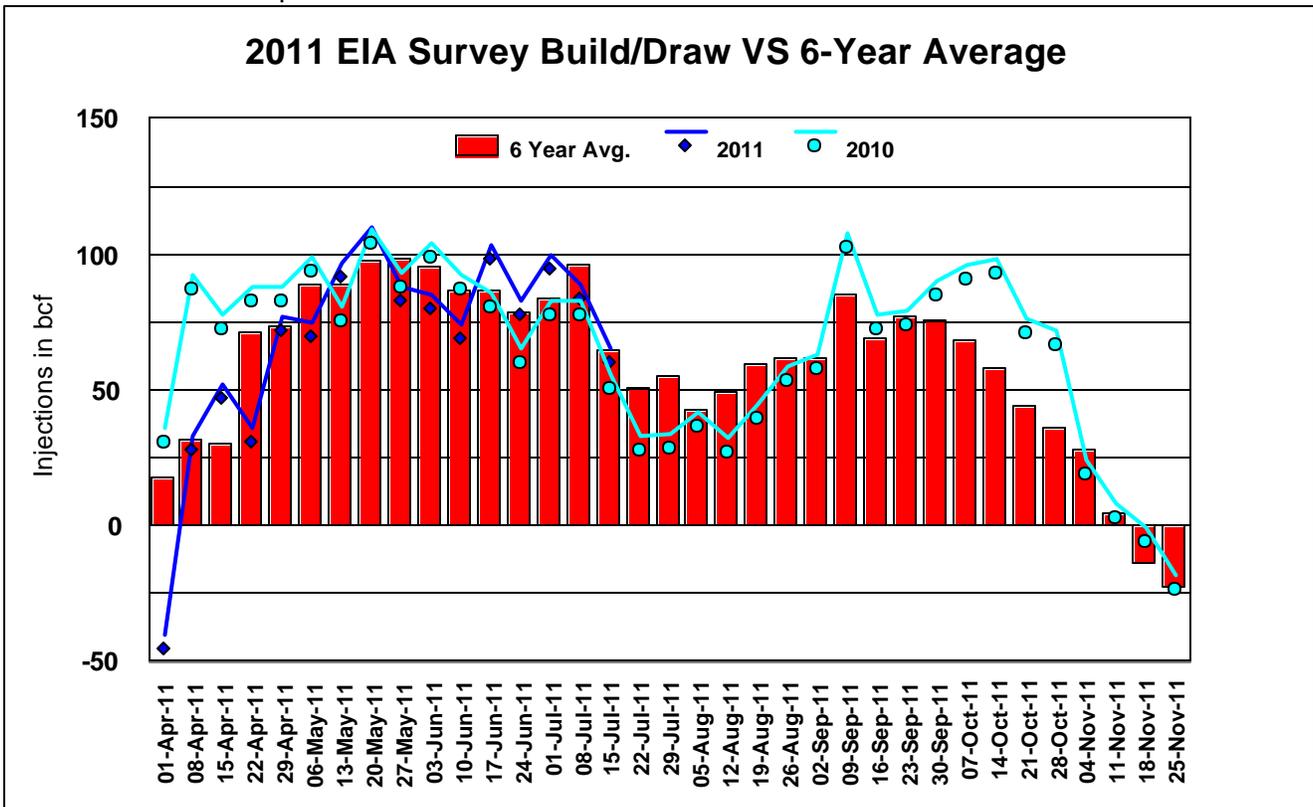
for 2012 at \$5.80 per Mcf. The company so far has hedged only 405 Mmcf/d of 2013 production at an average price of \$5.29 per Mcf.



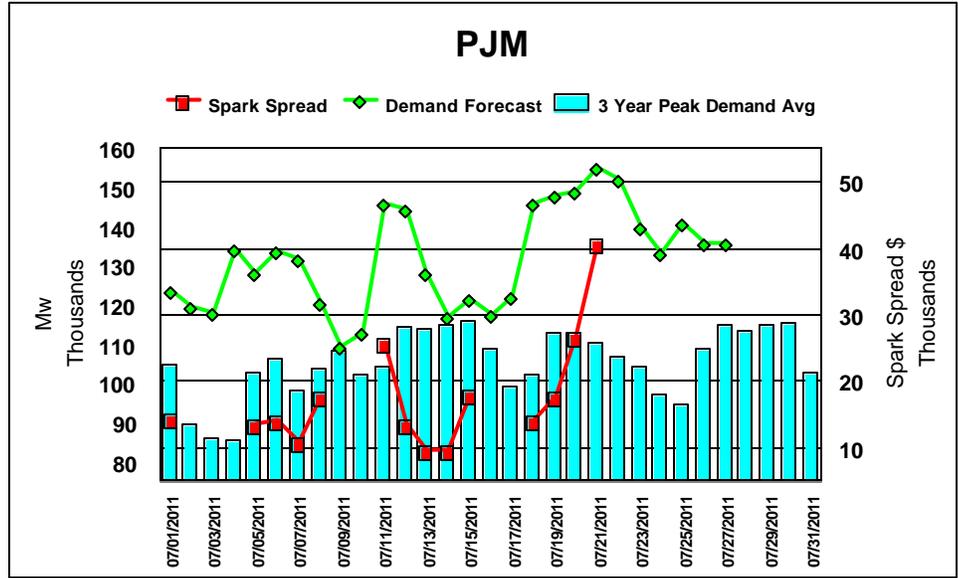
The National Oceanic and Atmospheric Administration said most of the US West Coast will see below normal temperatures in August through October while above normal temperatures are expected across the south and into the Great Lakes and Northeast. It said equal chances for normal, above normal or below normal conditions exist in the mid-Atlantic region and across the upper Midwest and western regions.

The National Hurricane Center this evening was watching a tropical wave located about 650 miles east of the Windward Islands is producing limited and disorganized

shower and thunderstorm activity. Some slow development of this system is possible over the next couple of days as it moves toward the west-northwest at 15-20 mph. Currently forecasters are assign only a 10% chance of it becoming a tropical cyclone over the next 48 hours, as nearby dry Saharan air is could inhibit development.



Poland's PGNIG sold 7.6 bcm of gas in 2011, a 1.3% increase from last year. The company said it extracted 2.1 bcm of gas and imported another 5.9 bcm of gas.



Bahrain plans to allow some international companies to start deep drilling for natural gas. The demand for gas has grown rapidly in recent years and may turn to Russia as a supplier of gas. Bahrain tried to set up a trade agreement with Iran in 2008 but the talks stalled over pricing and have not been resumed.

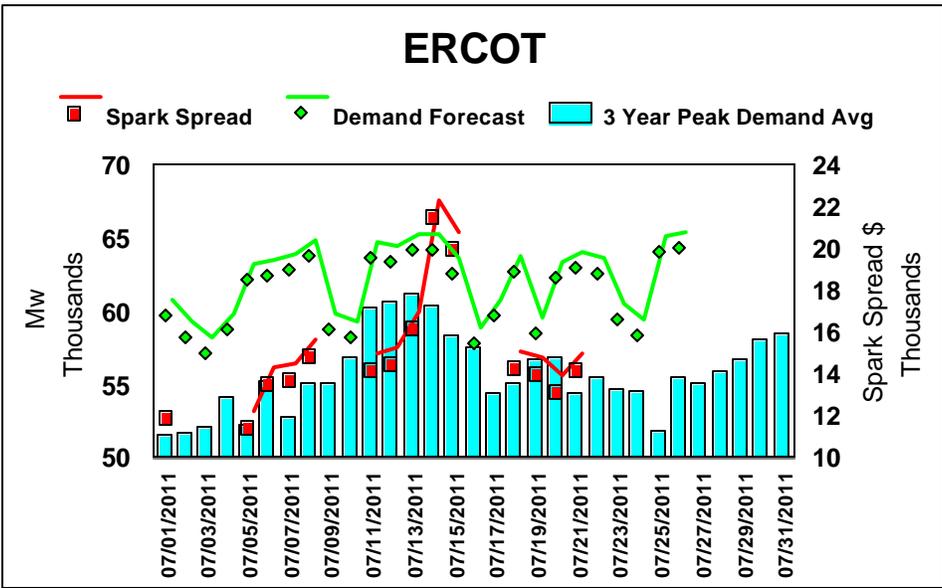
increased demand for LNG from East Asia has some analysts believing that the spot price will soon increase as competition for the resource intensifies. China's LNG demand is estimated to increase as power consumption grows and new LNG terminals are open.

The Netherlands' Gate LNG terminal is scheduled to receive its third commissioning cargo from Qatari's Al Samriya tanker on July 27.

Conoco Phillips has scheduled maintenance in its Suban gas field from July 23 thru July 29. During the first part of the shut down the company will produce 530 mmscfd of gas from July 23 through July 26 before a complete shutdown from July 27 to July 29.

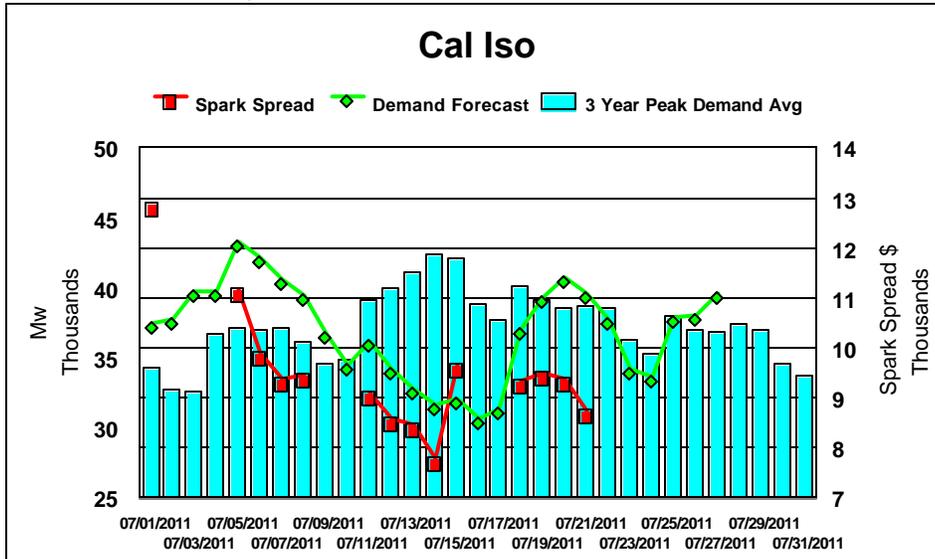
ELECTRIC MARKET NEWS

PJM was looking for peak power demand on Thursday to peak at 154,300 Mw, with NYISO post a new high for this summer season at 32,700 Mw with New England Iso seeing its peak on Friday reaching 27,400 Mw. Within NYISO, Con Edison was warning power consumption could easily break its all time record of 13,141 Mw set back in August 2006. As a result the utility was urging customers to conserve power.



ECONOMIC NEWS

The US Labor Department reported that initial claims for unemployment benefits increased more than expected by 10,000 to a seasonally adjusted 418,000 in the week ending July 16th. The prior week's claims level was revised to 408,000, up from an originally reported 405,000. The four week moving average of new claims fell by 2,750 to 421,250. The Labor Department said the number of continuing unemployment benefit claims fell by 50,000 to 3,698,000 in the week ending July 9th. The unemployment rate for workers with unemployment insurance fell to 2.9% in the week ending July 9th, down from 3% the previous week.



The Conference Board's index of leading indicators increased by 0.3% in June to 115.3 while the index of coincident indicators increased 0.1% to 102.9 and the lagging indicators increased by 0.3% to 109.5.

The Philadelphia Federal Reserve Bank said manufacturing in the US Mid-Atlantic region increased in July after unexpectedly falling in

June. Its business activity index increased to positive 3.2 from minus 7.7 in June. The new orders index increased to 0.1 in July from minus 7.6 while the employment index increased to 8.9 from 4.1.

The euro zone's private sector grew at its weakest pace in almost two years in July as demand from abroad fell. The Flash Markit Eurozone Services Purchasing Managers' Index fell to 51.4 in July from 53.7 in June, its lowest level since September 2009. The Flash Manufacturing PMI fell to 50.4 from 52 in June.

China's factory sector contracted for the first time in a year in July and at its fastest pace since March 2009. The HSBC flash purchasing managers' index fell to 48.9 in July. China's industrial output increased 15.1% in June from a year earlier following a 13.3% increase in May. Economic expansion slowed to 9.5% in the second quarter from 9.7% in the first quarter.

The International Monetary Fund said China should continue its tightening policy, including allowing the yuan to increase in value. In its annual report on China, the IMF said the economy was doing well.

According to a Dow Jones Newswire survey, analysts still expect crude oil prices to decline in the next 12 months. The 2011 median price forecast for WTI crude is \$99/barrel, down \$2 from a previous estimate while the 2012 median price forecast is \$100.50/barrel, down from a previous estimate of \$102/barrel. The 2011 median price forecast for Brent crude remained unchanged at \$110/barrel while the median price forecast for Brent crude in 2012 fell to \$107.90/barrel from a previous estimate of \$108/barrel.

US Securities Exchange Commission's Shapiro said a declining budget would impact the agency's capacity to keep up with regulatory obligations.

MARKET COMMENTARY

While the natural gas cash market posted mixed results today, the futures market saw prices finish the day lower for the third consecutive session as the expectations for moderating temperatures next week

helped to keep the bulls at bay. The August contract saw its widest trading range since June 9th as it appeared that bears waited until after the release of the storage report to swarm into this market and sell it down to levels not seen in a week. The bears found additional confidence in selling this market as in our mind technical damage was done by not only breaching a three-week support line but also seeing the 9-day stochastics crossing to the downside for the first time since July 11th. While we do not anticipate that this market will see significant downward price movement as long as the next two weeks appear to be warmer than normal, the appearance of the heat wave may be beginning to break at the end of two weeks may keep the bulls from protecting prices.

We see support in this market at \$4.37-\$4.338 followed by \$4.273, \$4.20 and \$4.064. Resistance we see at \$4.464, \$4.493 and \$4.54. Additional resistance we see at \$4.61, \$4.642 and \$4.81.

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