



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 27, 2011

NATURAL GAS MARKET NEWS

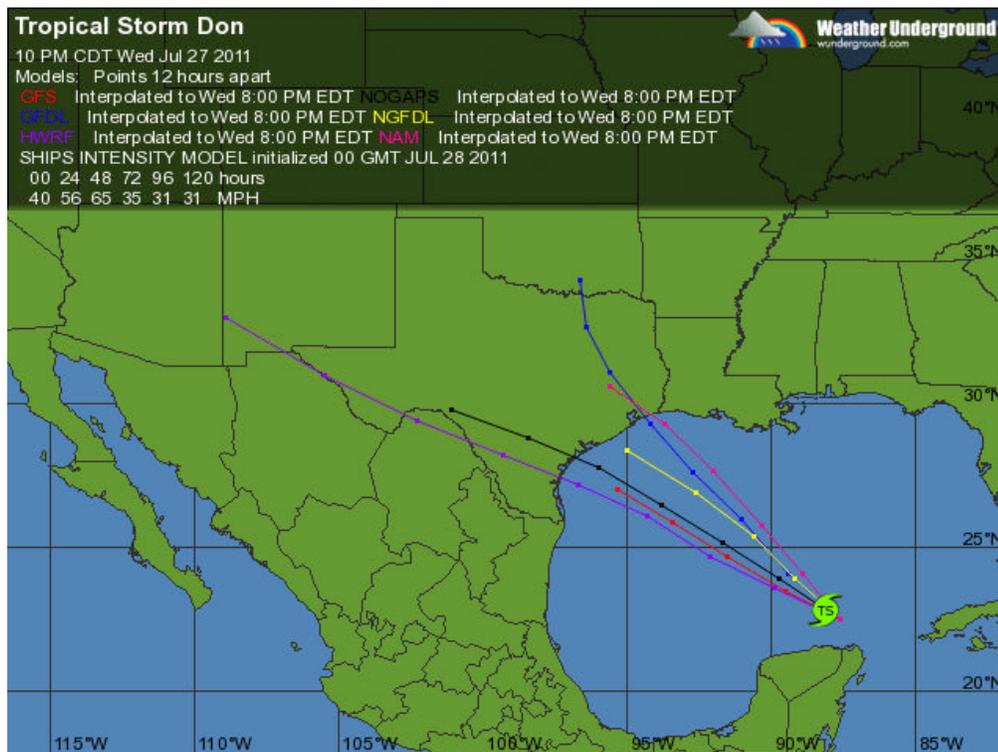
North America

This evening the National Hurricane Center has upgraded Invest 90-L to Tropical Storm Don, as hurricane reconnaissance aircraft found the system had developed into a tropical cyclone. As the system moves over warm waters of the Gulf of Mexico and wind shear conditions are expected to be low, and as a result some further intensification is expected over the next 48 hours with winds approaching 65 mph before making landfall. The forecasting models appear to show less agreement on the track of the storms than they were earlier this morning and as a result central Texas coast may now be in play as a potential spot for landfall and as a result a tropical storm watch was being issued tonight for a large portion of the Texas coast. Some reports of non-essential personnel being removed from offshore platforms were reported by Reuters.

Generation Outages

The NRC reported this morning that some 96,145 Mw of nuclear generation was online, basically unchanged from yesterday and up 1.6% from recorded a year ago.

El Paso Corp said on Wednesday that it has received regulatory approval from the FERC to commence service on its 680 mile, 42-inch Ruby natural gas pipeline in the western U.S.



A report from the energy-consulting firm, Energy Security Analysis (ESAI) said that they see U.S. shale liquids production could triple during the next few years, nearing 1.5 mb/d.

Japan's Sumitomo Corporation is reportedly looking to acquire additional American shale gas investments to its existing energy portfolio, as well as new opportunities in shale oil, but it is believed the company

may wait to pull the trigger on shale gas until natural gas prices are once again trending higher.

Canada's National Energy Board is moving forward with considering the application for a LNG export facility at Kitimat as it called for public comment on the application.

TransCanada Corp's 330 mile, 30 in diameter Bison natural gas pipeline will remain shut until a repair plan is approved by regulators. The pipeline's ruptured in a remote area of Wyoming last week.

International

Japan utility Hokuriku Electric Power Co. said it plans to build a LNG storage tank and receiving terminal in Toyama Prefecture. The project will have a capacity to receive 150,000 cubic-meter LNG vessels and have an 180,000-kilolitre class LNG tank.

Chevron signed a deal to sell natural gas to Tokyo Electric Power Co. (Tepco). Chevron will supply Tepco with 3.1 million metric tons of LNG for 20 years from its Wheatstone project in Western Australia. Chevron is expected to start exporting the LNG in 2016.

India's state-run gas utility, Gail, is planning to set a LNG trading desk in Singapore.

Indonesia shipped 11 of the 17 total cargoes of LNG, which it is scheduled to export to Japan this year.

| 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 | 524,200 | \$4.460 | \$0.034 | \$0.091 | \$0.018 | \$0.169 |
| Chicago City Gate | 438,100 | \$4.518 | \$0.021 | \$0.150 | \$0.013 | \$0.174 |
| NGPL- TX/OK | 860,400 | \$4.391 | \$0.026 | \$0.023 | \$0.018 | \$0.022 |
| SoCal | 707,900 | \$4.457 | \$0.014 | \$0.089 | \$0.006 | \$0.085 |
| PG&E Citygate | 651,100 | \$4.571 | (\$0.014) | \$0.203 | (\$0.022) | \$0.236 |
| Dominion-South | 916,500 | \$4.605 | \$0.046 | \$0.237 | \$0.038 | \$0.259 |
| USTRade Weighted | 20,419,400 | \$4.456 | \$0.026 | \$0.088 | \$0.02 | \$0.169 |

Dutch Gate LNG terminal received a delivery of LNG from Qatargas to help start up of the Gas Access to Europe Gate terminal in Rotterdam which is scheduled to open in September.

Belgium's Zeebrugge Terminal is expecting Rasgas' Asclepius LNG tanker to arrive on August 11th.

ELECTRIC MARKET NEWS

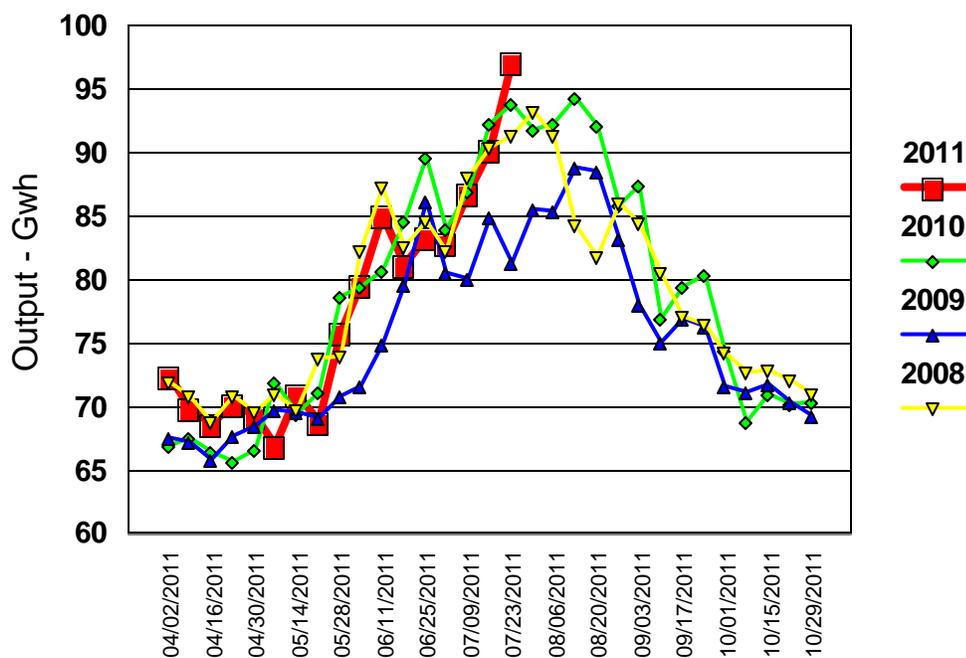
The Edison Electric Institute reported that for the week ending July 23rd it saw U.S. domestic power production reaching 97,067 Gwh, up 7.5% from the prior week and some 3.4% higher than the same week a year ago.

US Pacific Northwest's Bonneville Power Administration (BPA) will increase the power rate by 7.8% on October 1st. The increase in cost will supply the 31 dams and the Columbia nuclear power plant with capital to make needed improvements. In addition the BPA also announced that it would reduce the rate for integrating wind onto its transmission grid by 4.7%.

The consulting firm, ICF International said in a report on Wednesday that the U.S. power industry will probably retire up to 20% of the country's coal fired electric generating capacity this decade, due to proposed federal environmental regulations. The report found that this type of large-scale retirement can be accommodated without sacrificing system reliability only if the retirements are undertaken in a coordinated manner and with sufficient flexibility between environmental regulators and utilities.

If fear of nuclear power does not fade in Japan by next summer the country may face a 9% power shortage. All of the countries 54 reactors are scheduled to undergo maintenance before May 2012 but some fear they will not reopen.

Weekly Electric Output



ECONOMIC NEWS

The US Commerce Department said new orders for durable goods fell unexpectedly by 2.1% in June to a seasonally adjusted \$191.98 billion, weighed down by weak receipts for transportation equipment. It reversed May's downwardly revised 1.9% increase. New orders were pulled down by an 8.5% drop in orders for transportation equipment.

The Mortgage Bankers Association

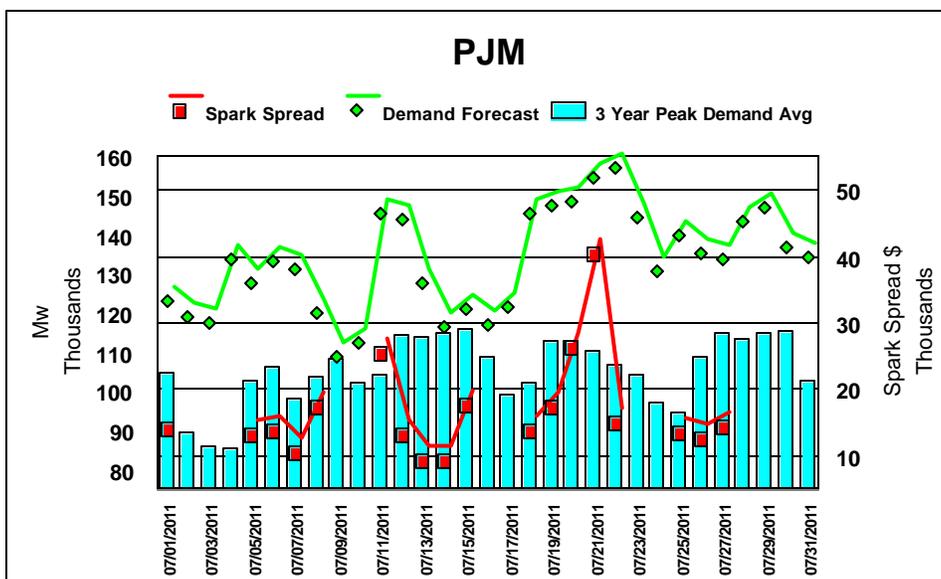
said its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase demand, fell 5% in the week ending July 22nd. Its seasonally adjusted index of refinancing applications fell 5.5% following a 23.1% increase the previous week. The index of loan requests for home purchases was down 3.8%.

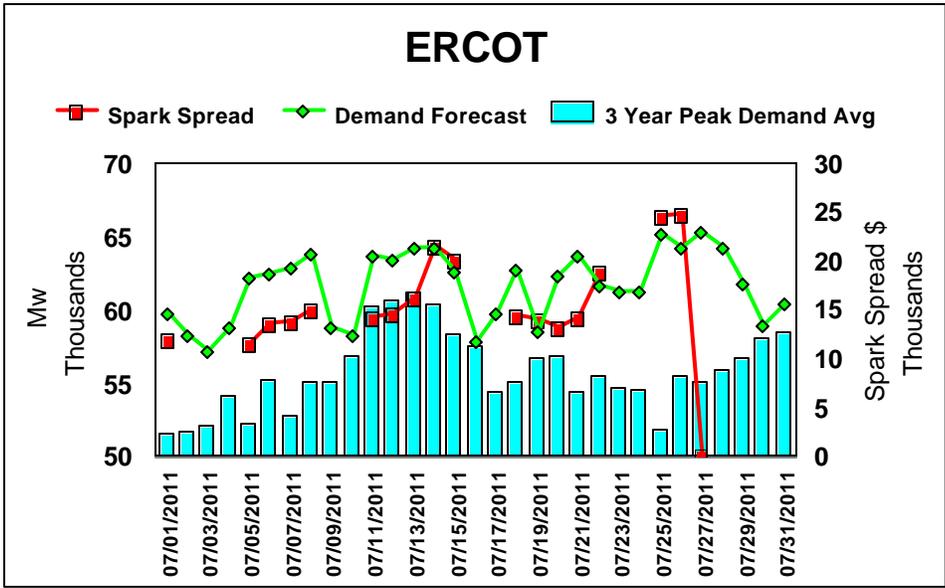
The Chicago Federal Reserve Bank's Midwest Manufacturing Index fell by 0.1% in June following an increase of 0.4% in May.

MARKET COMMENTARY

The natural gas market saw a relatively stable and quiet expiration today as futures finished the day down just over a penny and settled in negative territory for the fifth time out of the last seven trading sessions. The September

contract posted its lowest settlement since July 12th as moderating short term cooling demand, outside of the South Central U.S., coupled with strong hydro generation in the West and seasonally high nuclear generating levels helped to limit buyers interest in the market. Volume in the natural gas futures market this week has been averaging just over 200,000 lots per day, or nearly 20% less than the 30 day mean.





Market expectations for Thursday's EIA Storage Report appear to be running between a 20 to 50 bcf build with most estimates centered around a 40 bcf build. For the same week a year ago, stocks increased by an adjusted 31 bcf while the five-year average is for a 49 bcf increase.

We feel that with the potential for the season's first tropical storm to disrupt offshore production, there should be some

support to futures prices here over the next few days as traders begin to focus on the upside price risks from the upcoming hurricane season as we move into August and see the peak of the hurricane season just several week away. We see support tomorrow at \$4.277-\$4.273 followed by \$4.218 with more distant support at \$4.068. Resistance we see at \$4.379, \$4.432, \$4.468, \$4.529 and \$4.586.

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