



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 28, 2011

NATURAL GAS MARKET NEWS

North America

The EIA said today that it has been forced to delay the release of their July Monthly Natural Gas Gross Production Report and the July 2011 Natural Gas Monthly, originally scheduled to be released on July 29th until August 2nd due to processing difficulties arising from resource reductions to EIA.

Forecasters at the National Hurricane Center continued to monitor the progress of tropical Storm Don as it moves across the Gulf of Mexico. While by late in the day there appeared to be greater certainty on the eventual point the storm would make landfall along the Texas coast, there appeared to be a slight lowering of the strength of winds by the time the storm should

make landfall on late Friday. While the storm is expected to remain only as a tropical storm there were precautionary production shutdowns by several companies operating offshore in the Gulf of Mexico. Anadarko, BP, Exxon and Shell all reported shut ins. At midday the Bureau of Ocean Management was reporting 11

EIA Weekly Report

	07/22/2011	07/15/2011	Change	07/22/2010
Producing Region	987	995	-8	988
Consuming East	1338	1298	40	1454
Consuming West	389	378	11	473
Total US	2671	2671	0	2915

*storage figures in Bcf

production platforms were evacuated and a cumulative 94,962 b/d of production oil production was shut in and 148 MMcf/d of natural gas production. Meanwhile the NHC was watching a large tropical wave over the tropical Atlantic that was midway between Africa and the Lesser Antilles that is moving westward at 20 mph. Environmental conditions appear to be favorable for some slow development over the next few days. Forecasters were assigning a 20% chance it could be a tropical cyclone within the next 48 hours.

The Ruby Pipeline began its first natural gas shipments today with some 64 MMcf/d scheduled. This was just 4.3% of total capacity.

The US EPA issued a draft rules to cut emissions of harmful gases emitted from the production of oil and natural gas. The rules aim to cut emissions of volatile organic compounds by about 25% across the oil and gas industry and by 95% from natural gas wells drilled using hydraulic fracturing or fracking.

Generation Outages

NPCC – OPG's 881 Mw Darlington #3 nuclear unit was shut early Thursday.

OPG's 490 Mw Nanticoke #5 coal fired power plant was shut early Thursday, while Unit #1 returned to service. Unit #1 had been off line since July 25th.

OPG's 494 Mw Lambton #4 coal fired unit exited its outage and was back in service late Wednesday. The unit had been off line since July 20th.

SERC – TVA's 1065 Mw Browns ferry #1 nuclear unit dropped to 58% power by early Thursday. The unit had been at full power on Wednesday.

The NRC reported this morning that some 95,710 Mw of nuclear generation was online, down 0.5% from yesterday but up 1.5% from recorded a year ago.

Canadian Gas Association

Weekly Storage Report

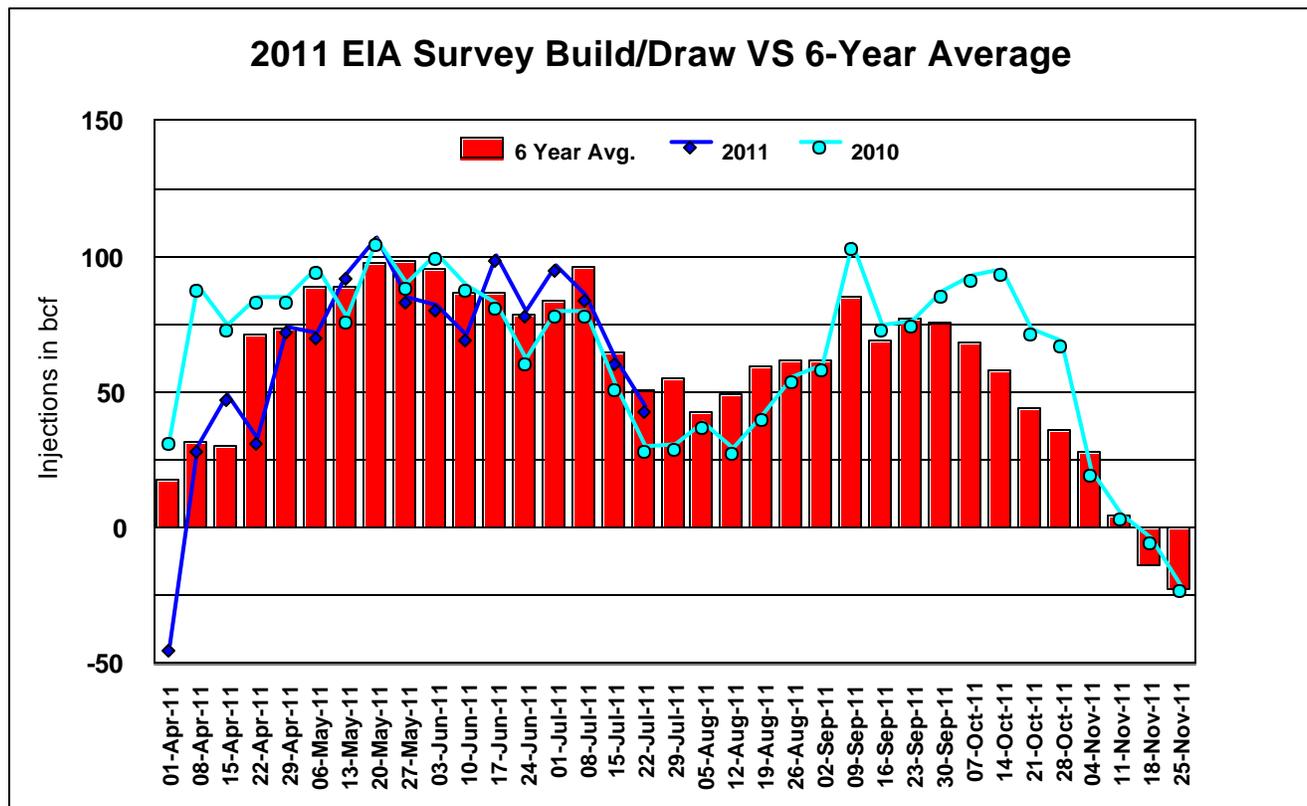
	22-Jul-11	15-Jul-11	23-Jul-10
East	150.6	151.1	157.9
West	297.7	287.1	327.1
Total	448.3	438.2	485

storage figures are in Bcf

International

Europe's only LNG producer Statoil has started to purchase LNG cargos from its competitors to compensate for the repair work at its Snoehvit plant, which is a month behind schedule. Statoil has been forced to look for spot cargos so it can supply its consumers. Statoil's vessel the Arctic Voyager is scheduled to arrive in Bilbao, Spain on August 1st.

Due to Thursday's closing of Easington for plant maintenance, gas flows from Norway's Ormen Lange field to Britain were redirected through St. Fergus terminal. The Easington maintenance is scheduled



to end around 4:00 GMT Friday.

ConocoPhillips and Origin Energy have come to an agreement on the first phase of their \$14 billion Australia Pacific LNG export project and Origin is already meeting with potential customers of the second train. The first train is scheduled to be online in 2015 and the second train will come online a year later in 2016. The total cost of the project will be \$20 billion and it will have the capacity to export 9 million tonnes a year.

ELECTRIC MARKET NEWS

Southern Co expects that federal regulators will approve a license by the end of the year to construct two nuclear units in Georgia. Before the NRC can

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	446,500	\$4.412	(\$0.047)	\$0.174	\$0.110	\$0.113
Chicago City Gate	527,900	\$4.430	(\$0.087)	\$0.192	\$0.043	\$0.155
NGPL- TX/OK	610,600	\$4.328	(\$0.063)	\$0.090	\$0.067	\$0.022
SoCal	511,700	\$4.449	(\$0.009)	\$0.211	\$0.121	\$0.096
PG&E Citygate	855,500	\$4.536	(\$0.035)	\$0.298	\$0.095	\$0.237
Dominion-South	903,100	\$4.561	(\$0.044)	\$0.323	\$0.086	\$0.236
USTrade Weighted	19,221,700	\$4.437	(\$0.020)	\$0.199	\$0.11	\$0.113

approve the construction of the new facility they must finish certifying Westinghouse Electric's AP1000 amended reactor design. If there is a delay in issuing the license it could cause Southern to miss its desired date of bringing the Vogtle reactor online by 2016.

The shutdown of a unit at a power plant in Astoria Queens, New York will not affect New York City customers demand this week. The unit has been shut due to a boiler tube rupture and will remain closed until a full assessment of the damage has been done. The other three units were unaffected by the rupture and continue to operate.

ECONOMIC NEWS

The US Labor Department said initial claims for unemployment benefits fell more than expected by 24,000 to a seasonally adjusted 398,000 in the week ending July 23rd. The prior week's level was revised up to 422,000 from the previously reported 418,000. It reported that the four week moving average of new claims fell by 8,500 to 413,750. The number of continuing unemployment claims fell by 17,000 to 3.7 million in the week ending July 16th.

The National Association of Realtors' seasonally adjusted index for pending sales of existing homes increased by 2.4% to 90.9 in June following a reading of 88.8 in May. The pending sales index was 19.8% above its level in June 2010.

The president of the Federal Reserve Bank of Richmond Jeffrey Lacker said the Federal Reserve's last round of monetary easing increased inflation but failed to support the economy, suggesting that more stimulus would do more harm than good. He said factors keeping the economy soft in recent months were likely to abate giving way to more rapid growth as the year progresses.

The Federal Reserve Bank of Kansas City's manufacturing index in July stood at 2, down from 22

MARKET COMMENTARY

While Tropical Storm Don continued to advance toward the Texas Gulf Coast, the natural gas futures market saw the spot contract plunge lower after the release of the EIA Storage Report today. The storage report which came in some 3 bcf more than most market expectations was viewed as bearish and triggered a sell off that momentarily pushed prices down to \$4.20 and through its 200 day moving average before stabilizing and bouncing back slightly. The inventory report also showed that even with record heat in some areas of the country, the year on year deficit in stocks from a year ago decreased for the fifth consecutive week. The market which appeared to remain on the defensive throughout the session did finish the day a penny above the widely watch 200-day moving average.

While it appears that Tropical Storm Don will only cause minor shut ins to offshore production it does appear to us that it is just the start to what could be an active hurricane season. As a result we feel this market should initially find enough price support from the fears of production reductions as we move towards the peak time of the hurricane season. As a result a price breakdown below \$4.00 in our minds will not become a reality for at least the next two months. But with the daily stochastics continuing to trend lower we do not feel that this market is on the verge of a change in the downward price trend in the next day or two. We see support at \$4.20 followed by \$4.083 and \$4.067. Resistance we see at \$4.338, \$4.381 and \$4/424. Additional resistance we see at \$4.461 and \$4.516.