



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 29, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Don continued its march toward making landfall on the southern Texas coast either late Friday or early Saturday with winds of 50 mph. Forecasters were also watching a large tropical wave accompanied by a well defined low pressure system. Invest 91-L, located about 1150 miles east-southeast of the Lesser Antilles. This disturbance continues to show signs of organization and environmental conditions are conducive for general development over the next few days. Forecasters were still assigning a 30% chance that this could be a tropical cyclone within 48 hours. Forecasting models appear to be pointing to this system moving on towards Puerto Rico, Hispaniola and/or the Bahamas over the next 5-7 days.

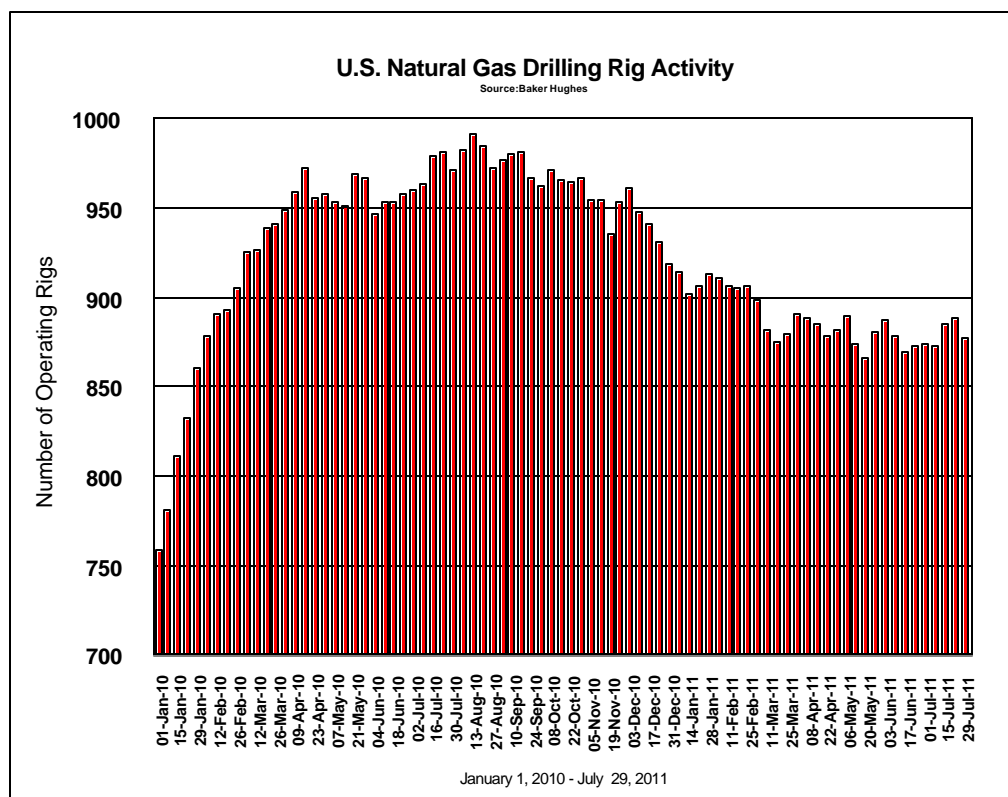
Generation Outages

PJM – Exelon’s 619 Mw Oystaer Creek nuclear unit dropped to 64% power early Friday. The unit had been at full power on Thursday.

The NRC reported this morning that some 95,499 Mw of nuclear generation was online, down 0.2% from yesterday but up 0.8% from recorded a year ago.

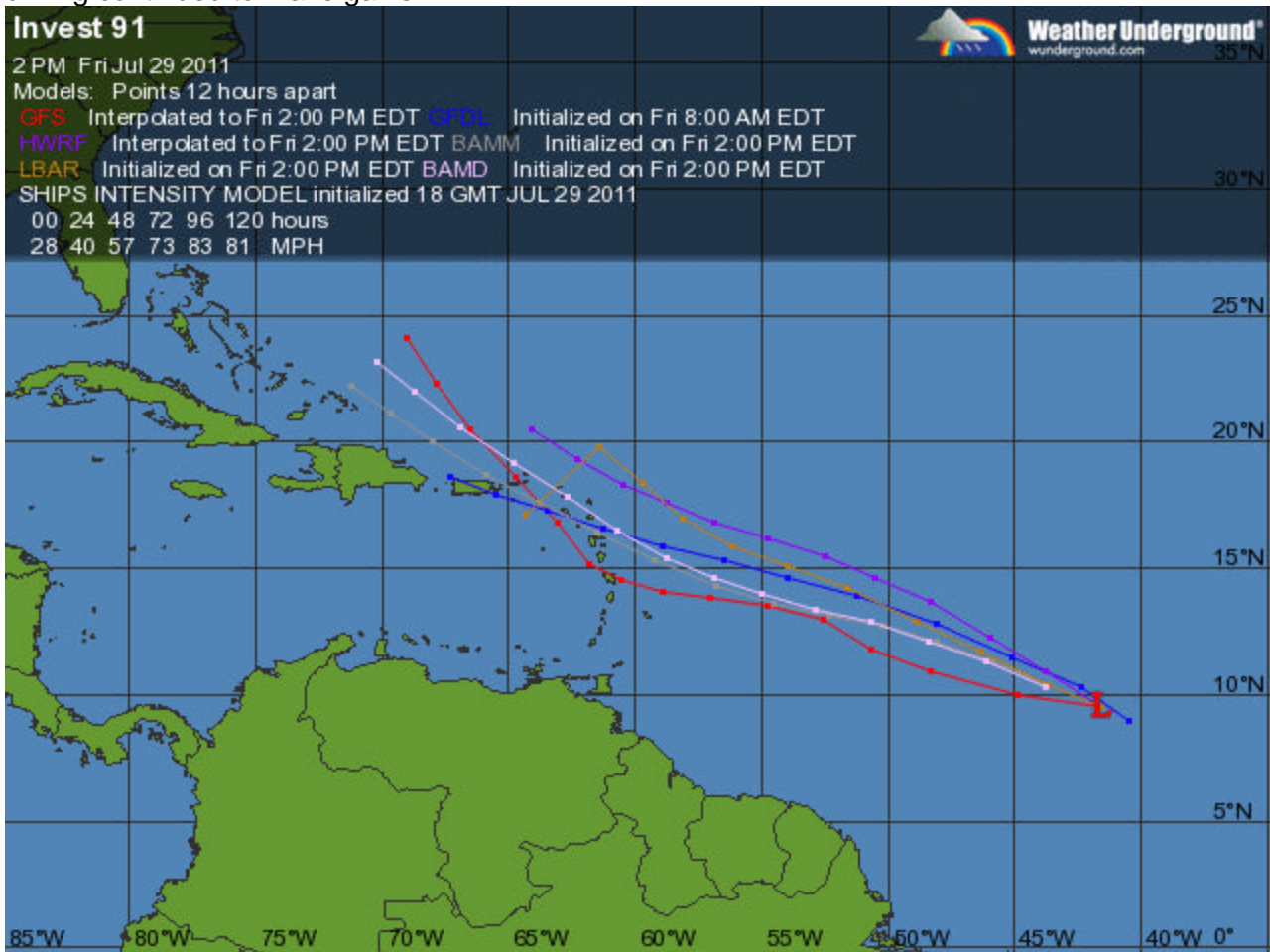
Chesapeake Energy Corp., the US’s second-largest producer of natural gas bought 1.2 million acres in Utica Shale on Wednesday for between \$1.5 billion and \$2 billion. The CEO said that it would also attempt to pursue a joint venture in the new liquids-rich Mississippi lime play.

ConocoPhillips is up to 46,000 acres in Colorado in an attempt to increase its exposure to oil and NGLs in shale formations in the US.



Baker Hughes reported this afternoon that for the current week the number of drilling rigs search for natural gas in the U.S. fell by 12 rigs to 877, after climbing last week to a 11 week high. The number of horizontal rigs also declined on

the week by 22 rigs to 1,080 after setting yet another record high last week. Analysts estimate that the number of horizontal rigs searching for natural gas stands at 57% down 7% so far this year, as oil drilling continued to make gains.



The Bureau of Ocean Management reported at midday today that some 327 Mmcf/d of natural gas production in the Gulf of Mexico is currently shut in as a result of Tropical Storm Don. This was up from yesterday's estimate of 149 mmcf/d. Some 166,554 b/d of oil production was also estimated to have been shut in.

International

An explosion occurred early Friday on a pipeline carrying natural gas from Iran to Turkey in Iran's West Azerbaijan province near the Bazargan boarder. In order to compensate for the lack of supply Turkey has increased gas imports from Azerbaijan. Iran hopes that the pipeline will be finished repairs and operational in three days. This was not the first attack on pipelines in Iran this year an early explosion killed several workers in Iran's largest refinery.

Japan's biggest

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	611,000	\$4.263	(\$0.149)	\$0.098	(\$0.080)	\$0.114
Chicago City Gate	683,200	\$4.312	(\$0.118)	\$0.147	(\$0.045)	\$0.156
NGPL- TX/OK	748,800	\$4.196	(\$0.132)	\$0.031	(\$0.059)	\$0.030
SoCal	782,800	\$4.330	(\$0.119)	\$0.165	(\$0.046)	\$0.126
PG&E Citygate	909,000	\$4.421	(\$0.116)	\$0.256	(\$0.043)	\$0.241
Dominion-South	880,200	\$4.393	(\$0.168)	\$0.228	(\$0.095)	\$0.242
UTrade Weighted	20,938,500	\$4.284	(\$0.153)	\$0.119	(\$0.08)	\$0.114

gas supplier, Tokyo Gas Co., is prepared to supply gas through pipelines to Tokyo Electric Power fossil fuel if there is a shortage of supply during the summer peak season.

Tokyo Gas is considering buying LNG from the Atlantic market where it is cheaper than the Asia-Pacific market in order to meet the increased demand due to the idle 54 nuclear reactors in Japan.

PGNiG, Poland's gas monopoly finished expanding a storage facility in southern Poland and has increased capacity to 330 million cubic meters from 150 million. PGNiG controls all 1.8bcm of gas storage in Poland.

ELECTRIC MARKET NEWS

Competitive Power Ventures, GE Energy Financial Services and Diamond Generating began construction at their co-owned, 800 Mw gas fired CPV Sentinel Energy Center in Riverside County, California. The facility has a price tag of \$900 million.

ERCOT warned today that it is estimating power demand in its area on Tuesday could reach 65,800 Mw, exceeding the 65,776 Mw record set back in August 2010.

ECONOMIC NEWS

The US Commerce Department said GDP increased at an annualized seasonally adjusted rate of 1.3% in April through June, while the first quarter GDP was revised down sharply to a 0.4% rate from an earlier estimate of a 1.9% gain. It reported that spending increased by an annualized rate of 0.1% in April through June following a 2.1% gain in the first quarter. The overall price index for personal consumption expenditures increased by 3.1% in the second quarter, down from a 3.9% increase in the first quarter.

The US Labor Department said the employment cost index increased 0.7% in the second quarter. It was the highest gain since the third quarter of 2008. Wages and salaries increased 0.4% in the latest quarter however benefit costs were 1.3% higher than in the previous quarter.

The Economic Cycle Research Institute said its Weekly Leading Index increased to 127.6 in the week ending July 22nd from 127.4 the previous week, originally reported at 127.5. The index's annualized growth rate increased to 2% from 1.6% the prior week, which was revised from 1.7%.

The Thompson Reuters/University of Michigan's final reading on the overall index of consumer sentiment in July stood at 63.7, down from 71.5 in June. It is slightly lower than the preliminary reading of 63.8. It fell to the lowest level since March 2009. The survey's index of consumer expectations fell to 56. Its barometer of current economic conditions was 75.8 in July, down from 82 in June.

Business activity in the US Midwest increased less than expected in July as the labor market weakened. The Institute for Supply Management-Chicago business barometer fell to 58.8 in July, down from 61.1 in June. The employment component of the index fell to 51.5 from 58.7 in June. New orders also fell to 59.4 from 61.2.

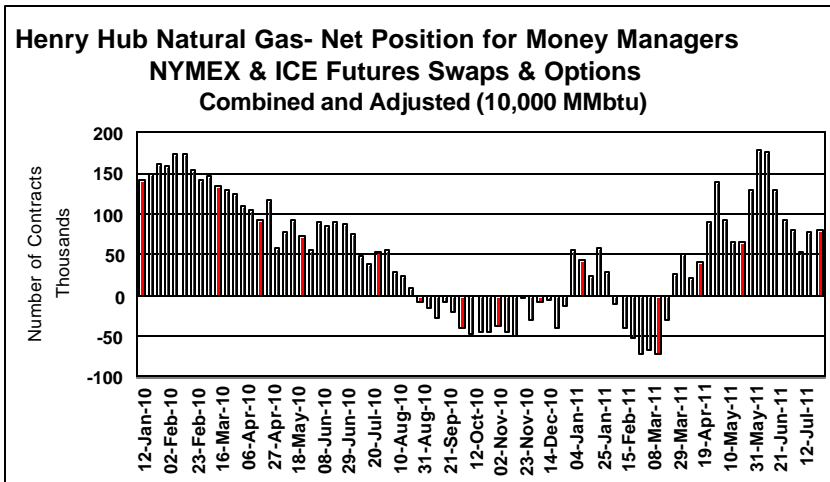
China's National Development and Reform Commission reported that the country's power supplies will remain tight in some regions for the rest of the summer even though electricity shortages since the start of the season were less severe than expected. It urged all parties and regions to continue their efforts to increase power supplies and curb unreasonable demand.

MARKET COMMENTARY

The natural gas market continued on its basically two week downward slide today as moderating temperature forecasts, especially at midday sent bulls to the sidelines. Prices posted most of their

losses for the day after the midday GFS temperature outlook for the 11-15 day period appeared to point to a significant expansion of colder than normal temperatures over much of the eastern half of the nation. By the end of the day futures were off a dime with the spot contract settling at its lowest level since May 19th and the lowest September settlement since March 14th. In addition this market

settled below the spot 200 day moving average for the first time since May 19th



Prices to start next week will be driven by the weather forecasts, both for temperatures and the tropics. If these reports show little or no threat then this market may well be ready to post its second daily spot settle below the 200 day moving average for the first time since early April and test the trend line of the past four months at \$4.084. Additional support we see at \$4.064 and \$3.99. Resistance we

see at \$4.25, followed by \$4.309, \$4.362, \$4.415 and \$4.457.

This afternoon's Commitment of Traders Report showed that for the week ending July 26th, commodity funds increased their net length in the natural gas market via swaps, futures and options on the NYMEX and ICE by a modest 2,063 lots on a combined and adjusted basis.

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