



ENERGY RISK MANAGEMENT

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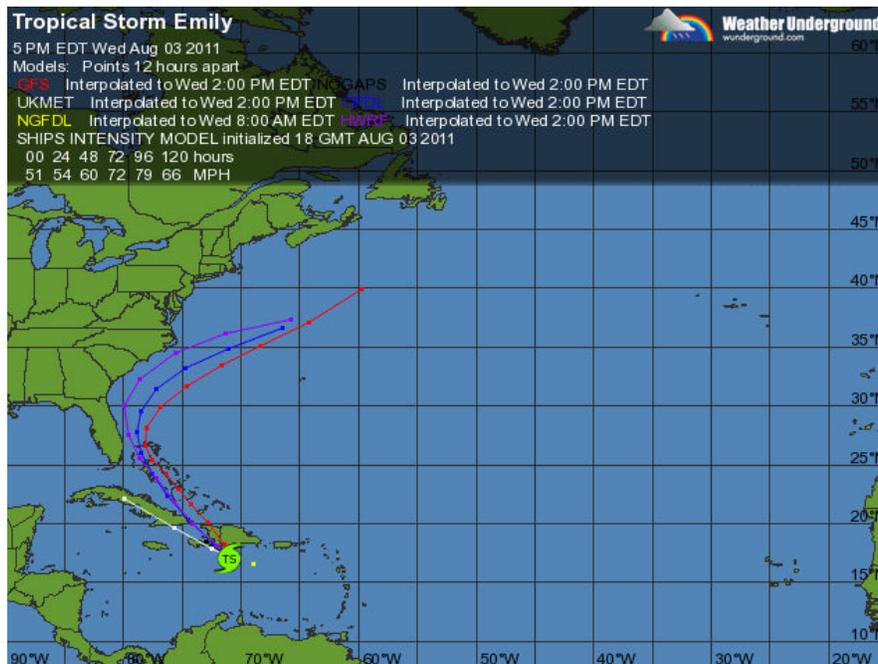
NATURAL GAS & POWER MARKET REPORT FOR AUGUST 3, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Emily continued to move across the Caribbean today and was expected to move across Hispaniola this evening and into early Thursday. The storm is then expected to begin to turn more to the northwest once it emerges back over water could strengthen into a hurricane as it passes over the Bahamas. The computer models have the storm remaining off the east coast of Florida Saturday and then turning toward the northeast and moving out to sea and sparing the Carolinas early next week.

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Generation Outages

SERC – Operators at TVA’s Browns Ferry nuclear plant reduced operations at Unit #2 and Unit #3 to 50% due to high river temperatures. Operators, which had reduced operations at Unit #1 on Tuesday, continued to run that unit at reduced levels as well. Operators said the plant will continue to run at reduced levels until water temperatures cool.

The NRC reported this morning that some 94,083 Mw of nuclear generation was online, down 0.8% from yesterday but up 0.7% from a year ago.

Devon Energy Corporation reported its second quarter results today and it showed that natural gas production in North America reached 240.3 bcf, up 5.4% from the first quarter of this year and some 4.1% better than the second quarter of 2010. The company noted that its Barnett Shale production has increased by over 13% from the same time a year ago to a record 1.3 bcf/d. The company has assembled 1.1 million net acres for exploration across multiple basins in the U.S. Devon plans to drill more than 30 wells this year targeting the

Tuscaloosa Marine Shale, Niobrara Shale, Mississippi Lime, Ohio Utica Shale and A1 Carbonate and Utica Shale in Michigan. The company reported that it continued to bolster its natural gas hedge positions for 2011 and 2012. For the second half of 2011 the company has approximately 980 million cf/d of production protected utilizing swap and collar contracts with a weighted average floor price of \$5.28 per mcf. For 2012 the company has hedged 815 MMcf/d of production at a weighted floor price of \$4.89 per mcf.

The Colorado State University team projects that the 2011 Atlantic hurricane season will have nine hurricanes, with five of them expected to be major. They claim that there is a 70% chance that one of

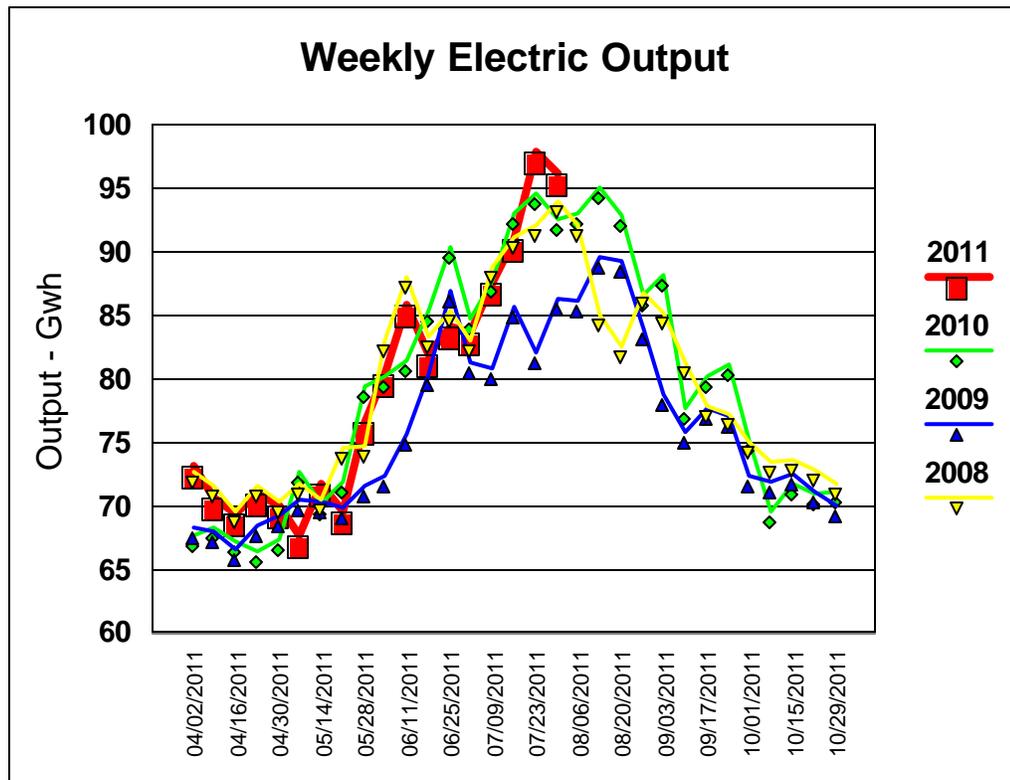
the major hurricanes will occur along the US Atlantic Coastline and a 59% chance that a hurricane will make landfall in the Caribbean. In addition the team projects 16 tropical storms in the six-month

hurricane season. If they are correct then the 2011 hurricane season will be less active than the 2010 season.

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	487,600	\$4.261	(\$0.037)	\$0.233	\$0.067	\$0.181
Chicago City Gate	725,100	\$4.325	(\$0.068)	\$0.297	\$0.039	\$0.218
NGPL- TX/OK	768,800	\$4.194	(\$0.047)	\$0.166	\$0.060	\$0.090
SoCal	922,500	\$4.329	(\$0.044)	\$0.301	\$0.063	\$0.220
PG&E Citygate	978,400	\$4.399	(\$0.038)	\$0.371	\$0.069	\$0.297
Dominion-South	964,100	\$4.357	(\$0.076)	\$0.329	\$0.031	\$0.283
USTrade Weighted	21,732,600	\$4.283	(\$0.040)	\$0.255	\$0.07	\$0.181

International

India's Reliance will stop output of gas and oil from its MA field two days later this week for scheduled maintenance to a floating platform. The field produces 8 Mcmd of gas and 15,000 barrels of gas. During the maintenance output from the D6 block will remain at normal or close to normal levels. The floating platform has been undergoing maintenance since July 31st and is scheduled to reopen after two weeks of construction.



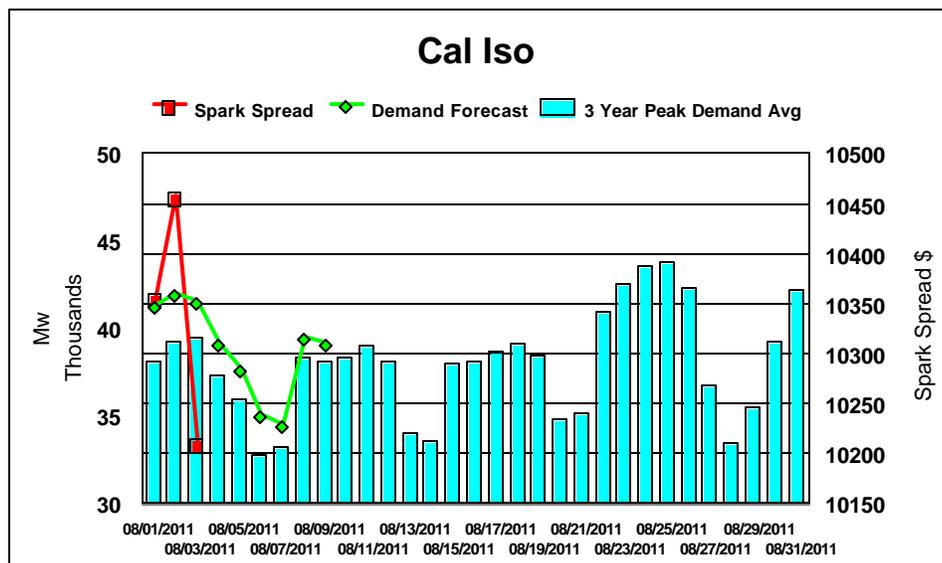
Stena Bulk of Sweden plans to order up to four LNG carries from South Korea next month. The company entered the LNG market in May with the purchase of three LNG tankers. Ulf Ryder, the company's CEO estimates that LNG rental rates will rise above \$130,000 a day due to with construction of new LNG tankers lagging behind a sharp increase in demand.

Due to a fall in India's natural gas output there is an increasing demand for super cooled fuel. Imports in the April-June period increased from 1.933 million tones to 2.675 million tones, a 34.8% increase.

The Lijmiliya LNG tanker is now expected to arrive at UK's South Hook terminal on August 6th from Qatar.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending July 30th, power production in the United States reached 95,427 Gwh, down 1.7% from the prior week but some 3.9% more than the same week a year ago.



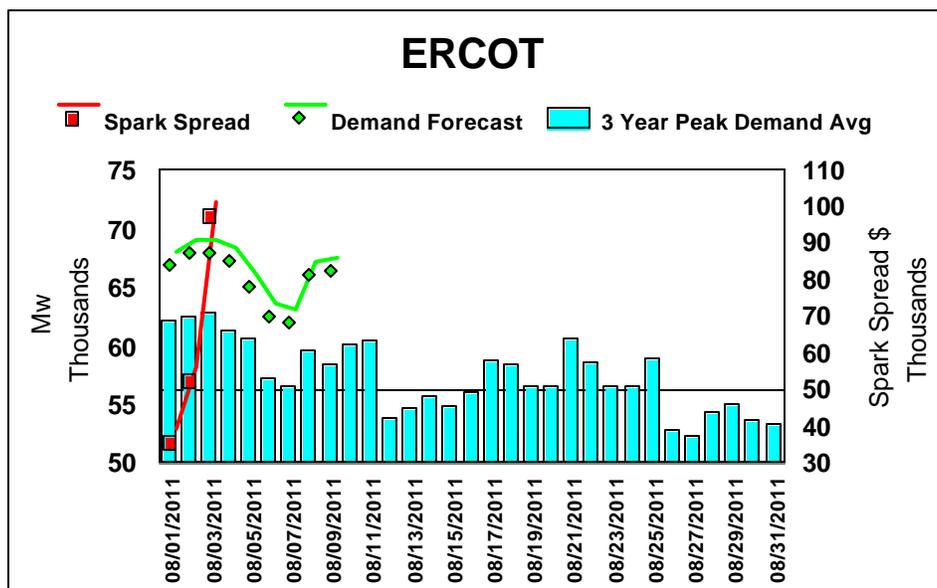
Both ERCOT and SPP broke power usage all time levels for the second day in a row on Tuesday. ERCOT was warning that it was forecasting usage to set another new record on Wednesday.

ECONOMIC NEWS

According to ADP, private businesses added more jobs in July than expected but the gain was not strong enough to allay concerns about the economy.

Private sector jobs in the US increased by 114,000 in July compared with market expectations of an increase of 105,000. The June data was revised to show an increase of 145,000, up from a previously reported 157,000.

Meanwhile, Challenger Gray & Christmas, an outplacement firm, said an unexpected increase in private sector downsizing increased the number of announced job cuts to a 16 month high of 66,414 in July, 60% above June's 41,432 and the highest since March 2010.

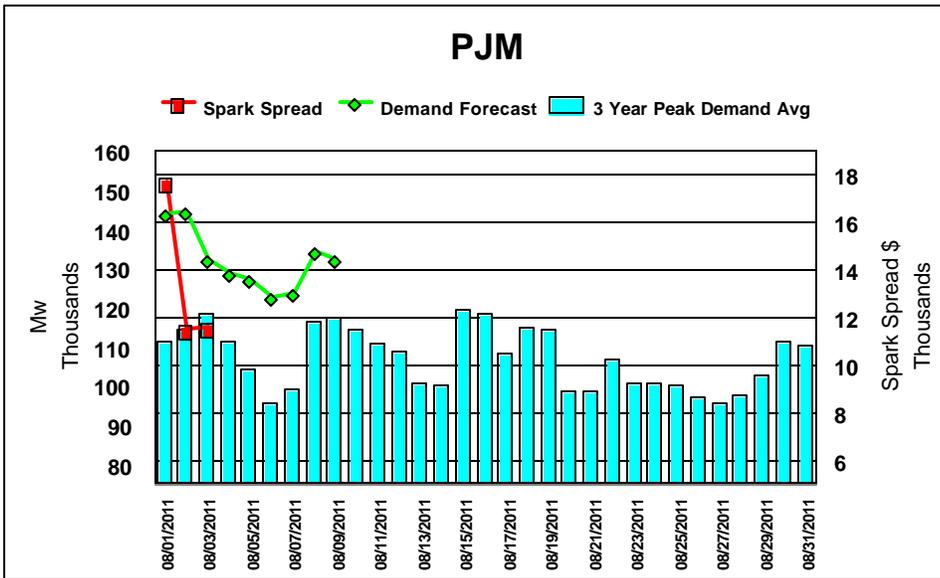


The US Labor Department stated that unemployment rates in most metropolitan areas of the US fell during June from a year earlier. Jobless rates were lower in 224 of the 372 metropolitan areas measured. Unemployment rates were higher in 127 areas and unchanged in 21 areas. The data also showed 217 metropolitan areas reported year over year increases in non-farm payroll employment while 143 reported decreases and 12 had no change.

The US Commerce Department said orders for US factory good fell for the second time in three months in June. Orders for manufactured goods fell by 0.8% from the prior month to \$440.69 billion. The decline follows a 0.6% increase in May and a drop of 0.9% in April.

The Institute for Supply Management said the US non-manufacturing sector expanded at a sluggish pace in July. The ISM's non-manufacturing purchasing managers' index fell to 52.7 in July from 53.3

in June. Its business activity/production index in July increased to 56.1 from 53.4 while the new orders index fell to 51.7 from 53.6 in June. The ISM employment index fell to 52.5 in July from 54.1 in June while the prices index fell to 56.6 from 60.9.



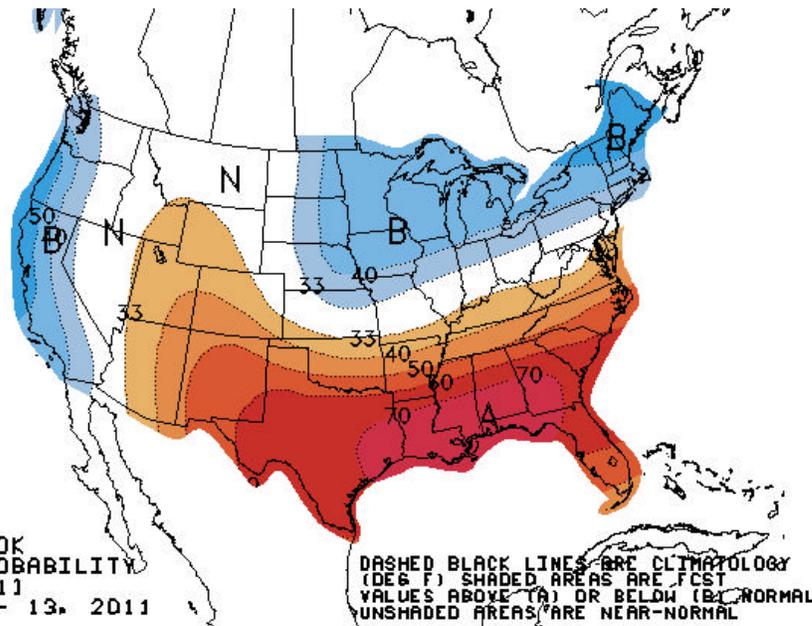
The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity, which includes refinancing and home purchase demand, increased by 7.1% in the week ending July 29th. Its seasonally adjusted index of refinancing applications increased 7.8% while the index of loan requests for home purchases increased 5.1%.

Societe Generale said there was an outflow of \$6 billion of net investments in commodities in June, mainly due to poor sentiment toward agricultural commodities and midyear portfolio rebalancing. Agriculture made up the bulk, about \$3.5 billion of the outflows. The energy sector reported an outflow of \$1.17 billion while base metals reported an outflow of \$880 million and precious metals reported

MARKET COMMENTARY

The natural gas market tumbled lower today as the market appeared to take to heart negative economic reports as well as a quick and

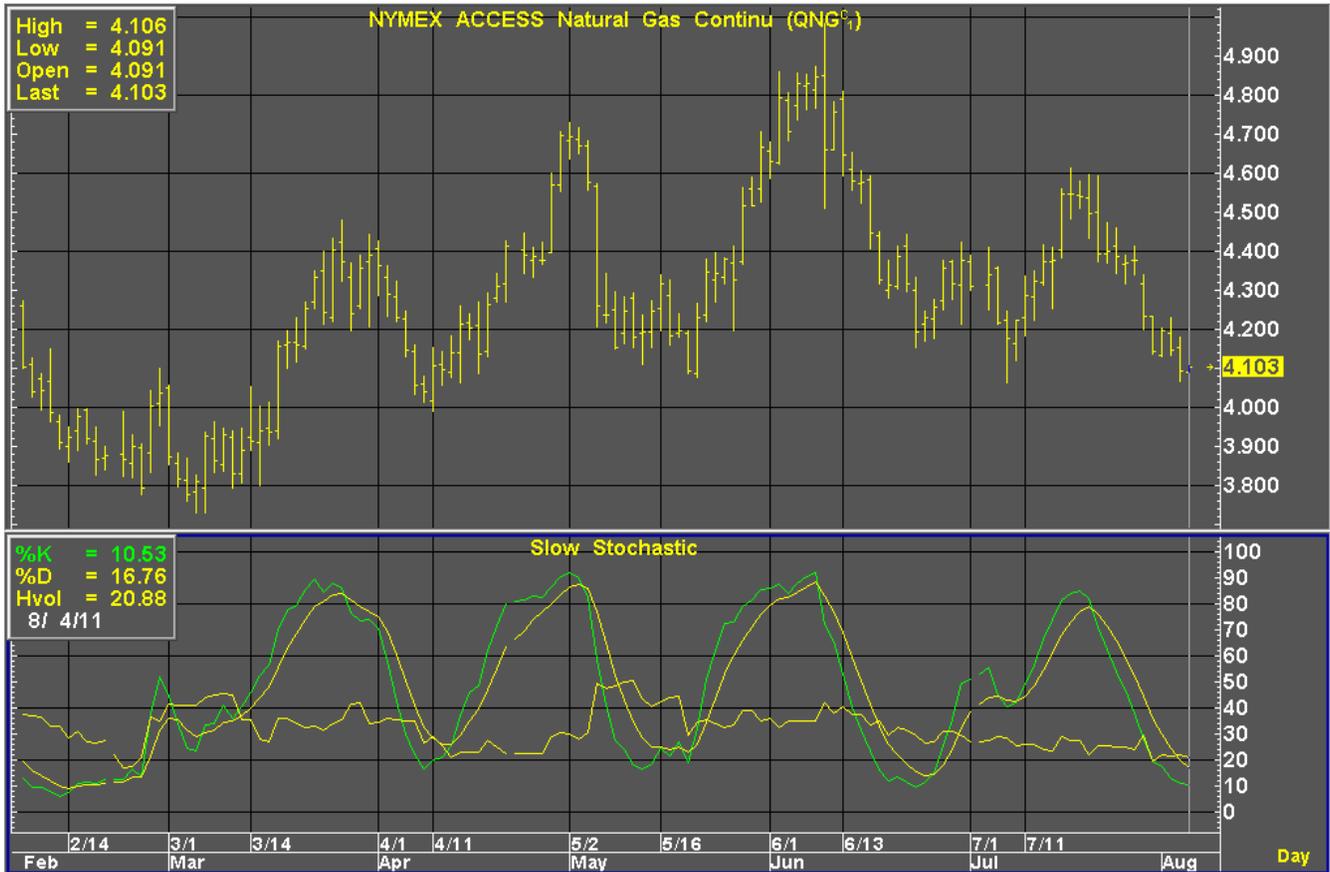
6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 3 AUG 2011
VALID AUG 09 - 13, 2011



hard sell off following the release of the oil inventory numbers at mid morning. The spill over effect from the EIA oil inventory report into the natural gas market was enough to trigger stops to be touched off as the lows from the prior three trading sessions were breached. Natural gas futures fell down to the lows from back on July 7th before support was found and prices stabilized. While midday forecasts were mixed as the 6-10 day outlook trended a little cooler from prior forecasts while the 11-15 day outlook moved to a bit warmer, traders in the afternoon appeared to move to the sidelines and await tomorrow's EIA Storage Report.

Market expectations for tomorrow's report appear to be running between a 25-45 bcf build with most estimates falling in around a 35-38 bcf build. For the same week a year ago stocks rose an adjusted 29 bcf, while the five year seasonal average shows a build of 47 bcf.

We continue to look for this market to put in a near term bottom in front of the upcoming peak hurricane period. Given that the 10-day historical volatility is approaching relative lows possibly signaling a upswing in volatility in coming days, we would look for a confirmation of a trend change coming from the 9 day stochastics to venture forth and buy some out of the calls to hold into October.



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