



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR AUGUST 4, 2011

NATURAL GAS MARKET NEWS

North America

The National Hurricane Center continued to watch Tropical Storm Emily. While the storm showed little change overnight, it did begin to show some better development this morning, as the center of the storm became well embedded in the convection, with outflows become established in all quadrants. While late yesterday and overnight there had been a shift in some guidance models westward with some leaving open the possibility of

the storm making it into the Gulf of Mexico, by this morning most models again had the storm remaining off the eastern shore of Florida and then moving out to sea some 24-48 hours later.

EIA Weekly Report

	07/29/2011	07/22/2011	Change	07/29/2011
Producing Region	982	987	-5	980
Consuming East	1380	1338	42	1488
Consuming West	396	389	7	476
Total US	2758	2714	44	2944

*storage figures in Bcf

Apache Corporation reported its second quarter results today. It showed that natural gas production in the U.S. has increased by 2.6% from the previous quarter and was 30.4% higher than the same quarter a year ago. Its production in Canada during the quarter was some 0.9% less than the first quarter but was still some 87% above the 1Q2010. The company reported that its realized natural gas sales at an average price of \$4.47 per mcf in North America. This revenue coupled with hedging gains of 44 cents resulted in average reported gas sales at \$4.91 per mcf, some 14 cents better than the first quarter and equal to the reported sales from a year ago.

Generation Outages

SPP-The American Electric Power Co. restarted its Pirkey coal-fired power in Texas early on Thursday. The 675mw power unit tripped due to under voltage on switchgear. The start up will last from August 4-10.

The NRC reported this morning that some 94,053 Mw of nuclear generation was online, basically unchanged from yesterday but up 0.1% from the same date a year ago.

The National Oceanic Atmospheric Administration (NOAA) released a statement saying that there will not be weather anomalies associated with El Nino or La Nina through the fall of 2011 but the outlook for 2012 is still unclear. The NOAA has

Canadian Gas Association

Weekly Storage Report

	29-Jul-11	22-Jul-11	30-Jul-10
East	151.8	150.6	157.9
West	308.5	297.7	329.1
Total	460.3	448.3	488.8

storage figures are in Bcf

said there is a 70% chance that the 2011 hurricane season will have 14 to 19 named storms and 7 to 10 hurricanes of which 3 to 6 will be Category 3 or larger.

Dominion is about to begin construction on a new natural gas processing, liquids

Natural Gas Cash Market

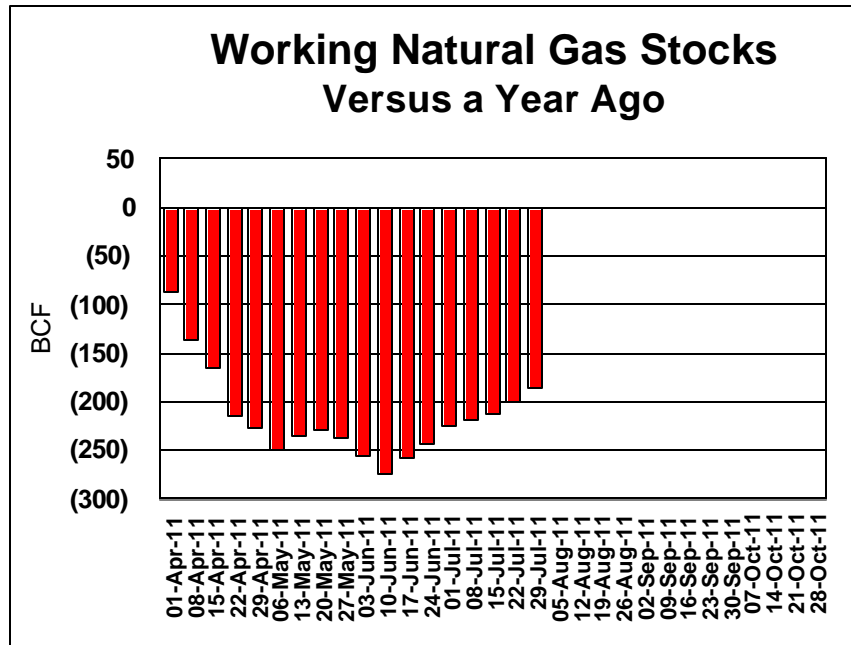
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	501,200	\$4.196	(\$0.065)	\$0.255	\$0.028	\$0.198
Chicago City Gate	606,200	\$4.269	(\$0.056)	\$0.328	\$0.031	\$0.245
NGPL- TX/OK	973,300	\$4.154	(\$0.040)	\$0.213	\$0.047	\$0.115
SoCal	775,200	\$4.284	(\$0.045)	\$0.343	\$0.042	\$0.247
PG&E Citygate	982,400	\$4.362	(\$0.037)	\$0.421	\$0.050	\$0.322
Dominion-South	1,026,500	\$4.281	(\$0.076)	\$0.340	\$0.011	\$0.286
USTrade Weighted	20,831,200	\$4.224	(\$0.059)	\$0.283	\$0.03	\$0.198

separation facility. The first phase is scheduled to be completed by December 2012 when the plant will employ 40-50 people, process 200 mcf of natural gas a day, and fractionate 36000 barrels of LNGs/day.

International

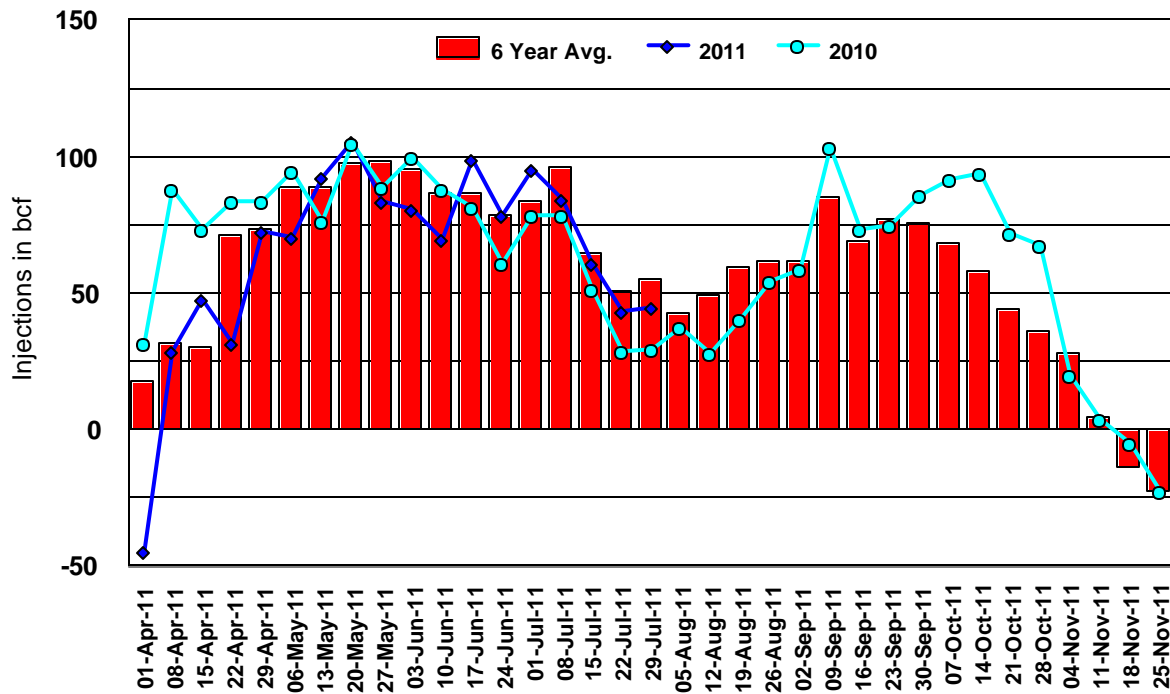
Britain's largest energy supplier, National Grid, said they need to update Britain's networks over an eight-year period starting in April 2013. The expected cost is 31 billion pounds (\$51 billion) will put pressure on households. National Grid is currently in the process of agreeing to price controls with UK regulator Ofgem to increase electric bills by 5 pounds and gas bills by 7 pounds during construction.

URE, Poland's energy regulator started the process of freeing gas prices by taking a poll of potential and existing market players and their views on liberalization. The results of the poll will help the URE determine the best course of action in lifting the current monopoly.



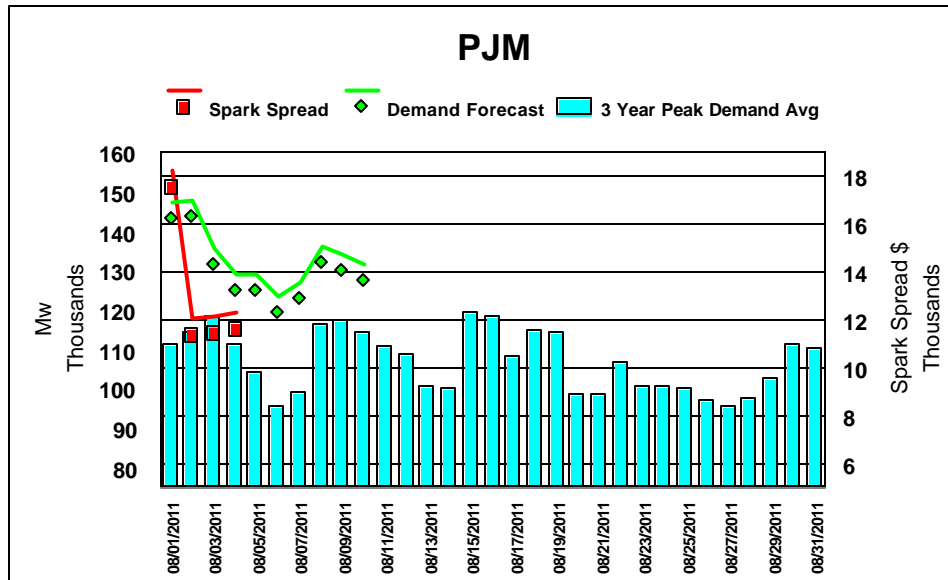
The Wilgas LNG tanker is scheduled to load from Belgium's Zeebrugge terminal on August 9th.

2011 EIA Survey Build/Draw VS 6-Year Average



ELECTRIC MARKET NEWS

The Northwest River Forecast Center said Thursday that it expects water flows at the Dalles Dam on the Columbia River to run 140% of normal for the April – September period. This was unchanged from last week's estimate and well above the 84% of normal recorded last year.



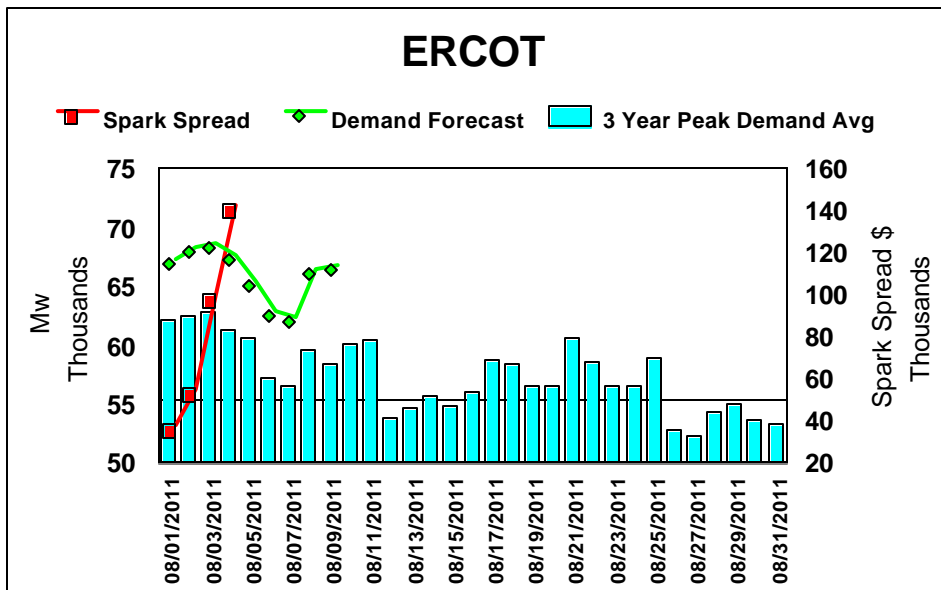
The continuing heat wave across Texas resulted in ERCOT setting yet another new record power usage level for the third day in a row. Peak demand was expected to reach 68,294 Mw today. The grid operator warned that the power infrastructure was strained to the limit Wednesday afternoon and was expected to be strained again today as another power emergency

was called. ERCOT warned rolling power outages might be needed.

ECONOMIC NEWS

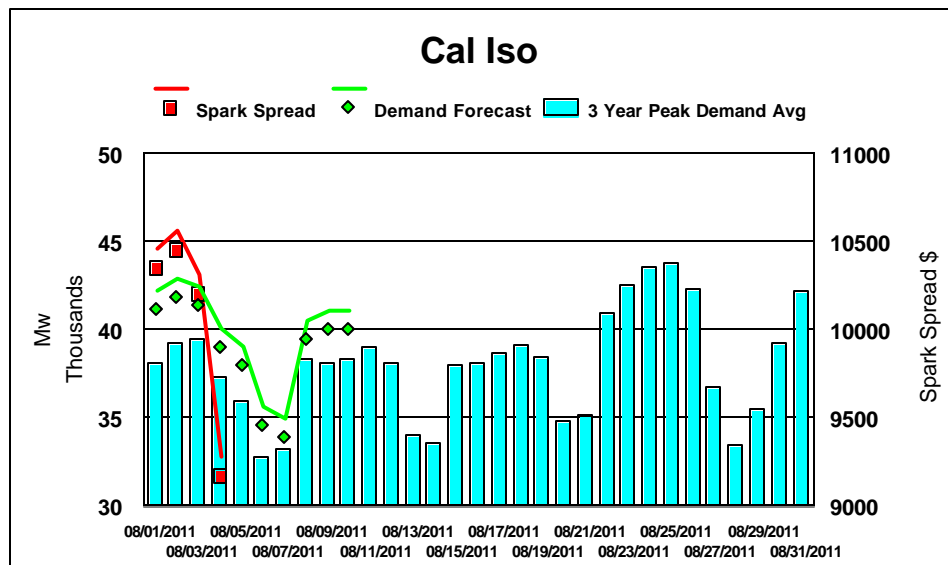
The US Labor Department said initial claims for unemployment benefits fell by 1,000 to a seasonally adjusted 400,000. The prior week's figure was revised up to 401,000 from the previously reported 398,000. The four week moving average of claims fell by 6,750 to 407,750, the lowest level since mid-April. The report showed the number of continuing unemployment benefits increased by 10,000 to 3.73 million in the week ending July 23rd. The unemployment rate for workers with unemployment insurance for the week ending July 23rd was unchanged at 3%.

The yen fell sharply as Japan intervened to curb the currency's strength to support its economy. The Bank of Japan decided to expand its special fund for asset purchases and liquidity supplying operations by a total of Y10 trillion at the end of the of policy board meeting on Thursday in response to increasing concerns over the negative impact of the strong yen on the economy. The central bank's policy board said it would increase the size of



the asset purchase program to Y15 trillion from the previous Y10 trillion. It also expanded its six month fixed rate operations to Y15 trillion from Y10 trillion. The policy board also decided to keep its unsecured overnight call loan rate target unchanged in a range of 0%-0.1%.

The European Central Bank held interest rates at 1.5% on Thursday, pausing a policy tightening cycle it started in April in the face of growing evidence the euro zone's economic recovery is losing momentum. It said the interest rate on its deposit facility would remain at 0.75% and the rate on the marginal lending facility would remain at 2.25%. European Central Bank President Jean-Claude Trichet said the European Central Bank's government bond buying program is still in operation. It has not bought any bonds since March and recent central bank policymaker comments suggested the program had effectively been shutdown.



MARKET COMMENTARY

The natural gas market finished sharply lower today. The bearish reaction to a larger than expected build in working gas stocks was the primary driver of this market to the downside, but the overall bearish contraction by equities and commodities today was reflected in this market as well. Once yesterday's low was breached at mid morning

this market was in a freefall until midday when support was finally found down at \$3.915. Prices for the afternoon basically remained in a sideways trading pattern, as traders appeared dazed by the general collapse of all the commodity markets today. It is interesting to note that in past years on a day when the National Weather Service increased their forecast on the number of expected hurricanes for the current hurricane season the market would most likely have finished the day in positive territory.

While the daily stochastics are in over sold territory and appear to be approaching a situation where they could signal that this market may be approaching a bottom, we still have not reached that point and would recommend staying on the sidelines and await an entry point for establishing a long position only when these finally cross over and point upward. We see support tomorrow at \$3.915 followed by \$3.881-\$3.875, \$3.80-\$3.795 and \$3.731. Resistance we see at \$3.875, \$4.129, \$4.181, \$4.264 and \$4.346.

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