

NATURAL GAS & POWER MARKET REPORT FOR AUGUST 5, 2011

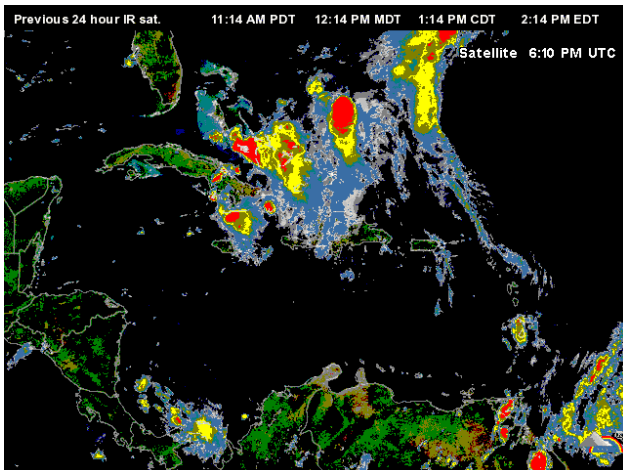
NATURAL GAS MARKET NEWS

North America

Emily has currently dispersed into a large area north of the Eastern tip of Cuba. The National Hurricane Service is predicting that there is a 60% chance that Emily can regenerate into a tropical storm over the weekend. If a storm reforms where the current center is then it will not touch down in Florida however, due to the dispersion of the storm it is difficult to estimate where the storm will relocate and construct an accurate projection of the storm's trajectory if it does reform into a tropical storm.

Generation Outages

SERC- The Big Brown coal-fired power plant in Texas lost Luminant's 617mw Unit 1 on Friday when the unit tripped due to a controls system malfunction on the turbine. The company is unsure when they will be able to restart the unit. In addition, Texas is in the middle of heat wave and the loss of power could force grid operators to shed loads, which could lead to rolling blackouts.



EOG CEO predicts that the North American natural gas market will balance in 2014 as demand grows. The company estimates that there are 900 million boe of recoverable reserves in the Eagle Ford Shale. The CEO also said that he believes a new railcar facility could handle as much as 140,000 barrels per day of oil with only a minimal investment.

International

Indonesia's oil and gas watchdog, BPMigas, reported on Friday that BP has discovered enough reserves to justify building a third LNG terminal with a capacity of 3.8million tones per year in the Tangguh gas field. A BP spokesman said no

decision has been made. A key to determine before BP proceeds with building the third terminal is the percentage of gas that will be exported vs. put into the domestic market.

Japan's new increased demand for LNG may threaten the UK's gas supply this winter but the UK is expected to import more LNG in the 4th quarter of 2011 than they did over the same period of

| 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 | 876,200 | \$3.998 | (\$0.198) | \$0.040 | (\$0.203) | \$0.190 | |
| Chicago City Gate | 721,100 | \$4.107 | (\$0.162) | \$0.148 | (\$0.179) | \$0.245 | |
| NGPL- TX/OK | 853,800 | \$3.984 | (\$0.171) | \$0.025 | (\$0.188) | \$0.114 | |
| SoCal | 951,200 | \$4.104 | (\$0.180) | \$0.146 | (\$0.197) | \$0.243 | |
| PG&E Citygate | 1,054,400 | \$4.220 | (\$0.142) | \$0.262 | (\$0.159) | \$0.323 | |
| Dominion-South | 1,023,800 | \$4.028 | (\$0.253) | \$0.069 | (\$0.270) | \$0.255 | |
| UTrade Weighted | 20,954,500 | \$4.038 | (\$0.186) | \$0.080 | (\$0.20) | \$0.190 | |

2010. The UK will also benefit from Norway's Statoil receiving approval to increase output from their Troll field because it will help supplement production during unseen outages. Vietnam's PV Gas has been in negotiations with Qatar on a contract to import LNG.

Japan's, Tohoku Electric Power Co. released a statement on Friday saying its 29 hydro power plants have been turned off since late July due to heavy rains causing damage to its plants in Fukushima and Niigata. The damage has caused the a shrinkage in generation capacity by 1,000mw.

The Coral Methane tanker, with a capacity of 7,500 cubic meters arrived at UK's Teesside gas port to deliver a shipment of LNG. Teesside cannot re-gasify LNG and requires specialized ships like the Coral Methane that have on-board re-gasification equipment.

Vietnam's PV Gas has been in negotiations with Qatar on a contract to import LNG.

ELECTRIC MARKET NEWS

The US Nuclear Regulation Commission reported that Tennessee Valley Authority's 3,274-mw Browns Ferry nuclear power plant in Alabama increased production in all three units. Units 1, 2, and 3 all rose from 50% power to 75%, 69%, and 70% power respectively. The plant was forced to reduce production due to high water temperatures in the Tennessee River since Wednesday.

Tokyo Electric Power Co. will reopen its oil-fired 600mw No. 4 unit at its Kashima plant on Saturday after completing repairs. The plant has been shut since July 27.

ECONOMIC NEWS

The US weekly economic growth gauge increased for the week ending on July 29.

Japan's yen-selling intervention on Thursday is estimated to have raised a record amount between 4.46-4.66 trillion yen (\$56.6-\$59.2 billion). The Bank of Japan intervened in the market on Thursday for the first time since March to stem the yen's gains. Policy makers fear this could derail the fragile economy as it moves toward recovery following the Fukushima disaster.

Italy's industrial output fell .6% in June after falling by the same amount in May. However, the overall output of Q2 was greater than Q1. In the second quarter output was up 1.5%. The increase in output is expected to be followed by an increase of quarterly GDP by .3% when the number is released at 9:00 GMT. While the numbers have increased from the first to second quarter projects for the third quarter are grim as projections suggest that the economy may become stagnant or even see a contraction.

German output fell unexpectedly in June by a seasonally 1.1% after a .9% growth in May. Output was projected to grow by 1.2% but a 2% fall in industrial products, which accounts for 30% of the overall figure and a 1% fall in consumer goods led to the overall figure. Despite not meeting projections a less volatile reading that combines figures for May and June shows a .1% growth and workday adjusted data shows a 6.7% growth in June compared to the figure from the previous year.

Market Commentary

Natural gas fell for the third straight week but finished the day unchanged. The sell-off has been weather related on predictions for cooler than normal weather from August 10 through August 14. This follows extremely hot weather in July. Supplies continue to weigh on this market being pressured by high production rates that lack the harmony of demand. This has had little impact on the number of rigs drilling for gas, which rose by 6 on the week. We are still awaiting an opportunity to enter this market

from the long side and are waiting for a cross of the slow stochastics to indicate a shift in market direction.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.