



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 31, 2009

NATURAL GAS MARKET NEWS

The US National Hurricane Center said a broad area of low pressure about 600 miles east of the Lesser Antilles has a high chance of becoming the season's next tropical depression during the next 48 hours. Some computer models forecast this system could strengthen into a hurricane by mid to late week. Forecast tracks show it crossing some of the islands, including one showing it crossing the Dominican Republic while others show it moving further to the north.

ExxonMobil said production was in the process of returning to normal levels of about 400 mmcf/d at the Sable Offshore Energy Project off Nova Scotia as of Sunday.

Generator Problems

SERC – TVA's Browns Ferry 3 nuclear power unit in AL was at 96% early Monday, up from 23% early Friday. The unit was manually shut a week ago due to the loss of two of three condensate booster pumps experiencing low pressure.

WSCC – Dynegy Inc's 754 MW Moss Landing 6 natural gas fired unit shut over the weekend. No reason was given for the shut down.

MAAC – Exelon's 636 MW Oyster Creek nuclear reactor in NJ was ramped up to 100% capacity from 55% on Aug. 28. The unit was reduced due to a leak from a six-inch pipe penetrating the turbine building.

Entergy Corp's 1,025 MW Indian Point 3 nuclear power unit in NY has ramped up to 100% capacity early Aug. 31. The unit was shut early Friday after an automatic reactor trip due to a turbine trip.

NPCC – Ontario Power Generation shut units, 4 and 8 on Monday. Each unit has 515 MW of capacity at the Pickering nuclear power station in Ontario.

The NRC reported this morning that 95,957 Mw nuclear generation capacity was on line, up 2.19% from Friday and up 1.8% from the same time a year ago.

Cheniere Energy's Sabine Pass LNG terminal in LA is expected to receive a cargo of LNG from Trinidad on Wednesday. The 155,000 cubic meter British Ruby tanker was seen heading north across the Caribbean Sea on Monday. Sabine Pass has received a limited amount of cargoes due to low gas prices in the Gulf of Mexico. The Elba Island terminal in Georgia has been receiving a steady flow of cargoes this summer from Trinidad and Egypt. Two more tankers are expected to arrive by Sept. 24.

Sempra Energy has confirmed the arrival of a LNG cargo to its Costa Azul terminal in Baja, CA from Indonesia on Saturday. This was the first commercial delivery to the terminal, following two commissioning cargoes, which came last year.

The Grand Aniva 147,000 cubic meter LNG tanker has arrived at the Mina Al-Ahmadi LNG terminal in Kuwait.

NorthernStar Natural Gas attempted last Friday to dismiss an allegation made earlier in August by Senator Jeff Merkley and a local newspaper that the proponents of the Bradwood Landing liquefied natural gas terminal along the Columbia River were secretly planning to export LNG from the facility.

Rhode Island Attorney General Patrick Lynch has called on the US Coast Guard to withdraw and reconsider its recent letter of recommendation providing conditional support for Weaver's Cove Energy LLC's proposal to construct a berth for tankers in Mount Hope Bay and underwater pipeline facilities to unload and deliver liquefied natural gas to the proposed terminal site at Fall River, MA.

PIPELINE RESTRICTIONS

Alliance Pipeline LP's unit 1 at the Whitecourt compressor station will be unavailable for 10 hours on Sept. 1 due to a routine inspection. Station capacity will be reduced to 627 e3m3 for the Sept. 1 gas day.

Florida Gas Transmission Co. LLC has issued an overage alert at a 25% tolerance for the Aug. 31 gas day due to high temperature forecasts in Florida and utilization of the pipeline capacity is high. FGT will not interrupt previously scheduled market area service below the elapsed prorated scheduled quantity.

PIPELINE MAINTENANCE

Necessary maintenance has been completed on Gulf South Pipeline Co's 7,700-mile interstate natural gas pipeline, Hall Summit Compressor Station unit 1 on Aug. 28.

ELECTRICITY NEWS

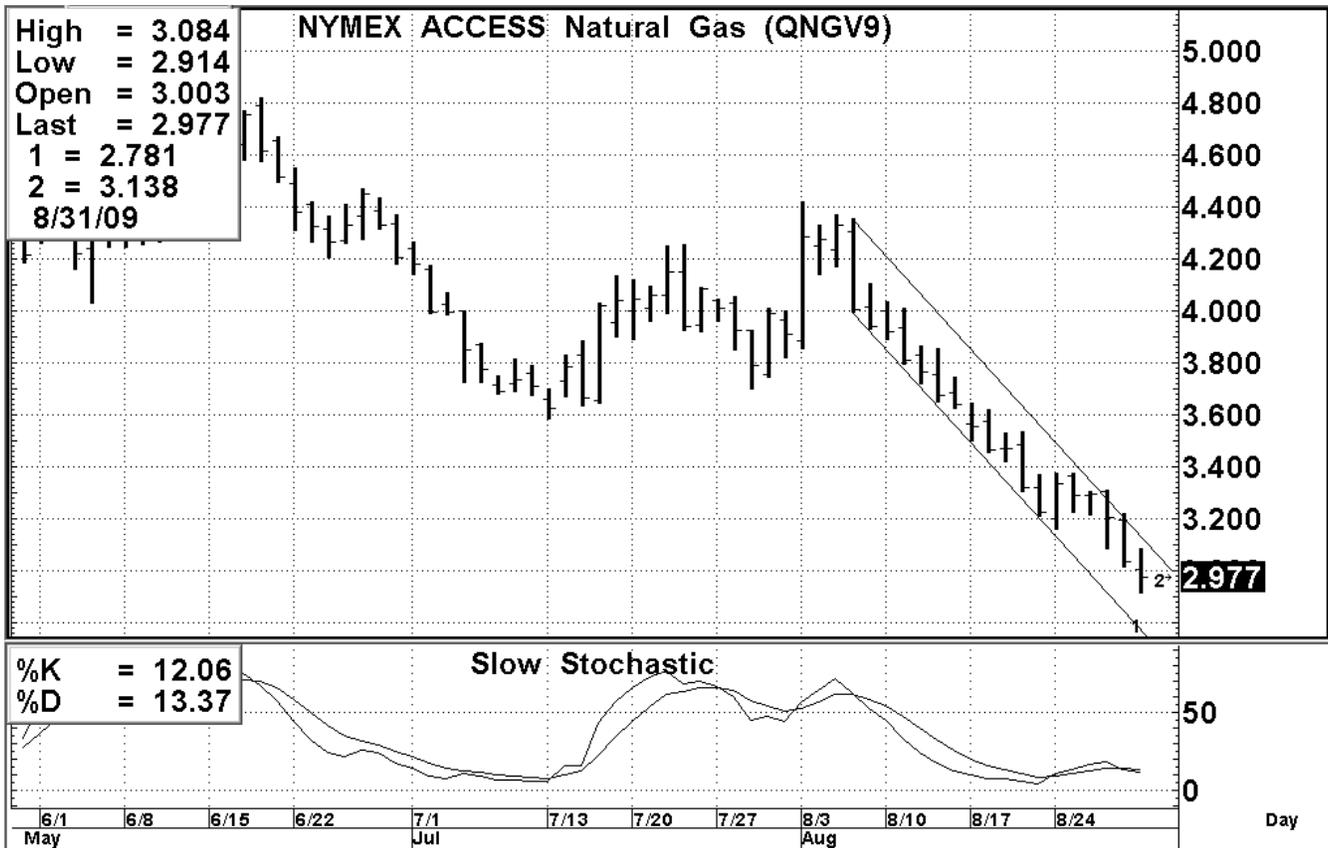
PECO has completed a \$22 million upgrade of its electric substation in the Grays Ferry section of Philadelphia, which added another transmission feed within the utility's Center City system to meet increased electric demand and ensure reliability for the city. The Gulf Ferry project involved installation of a new 69-kilovolt breakers and upgrades to two existing 230 kv breakers, reconfiguration of existing facilities and new controls and switchgear.

MARKET COMMENTARY

Last week's sell-off in natural gas was extended today, pressured by a lack of fundamental support. Mostly average temperatures are expected across the U.S. with sections in the northeast and upper-Midwest expecting above normal temperatures, with below-normal temperatures in Florida and parts of the west. Storage levels continue to grow and are expected to reach record highs. Storage levels are now set at 3,538 Bcf as of the week ending Aug. 21. This puts current levels 516 Bcf above year ago levels and 500 Bcf above the five-year average for the same week. The October natural gas remains within the descending channel that can be depicted on daily bar chart. We would look for this pattern of trading to continue with prices working towards the bottom of this channel. The channel will begin tomorrow's session set between \$2.9950 and \$2.6380.

Early expectations for this Thursday's EIA release of natural gas storage are calling for a build in the low 60s Bcf. The five-year average injection for the week under review is 66 Bcf. Last year's build was 92 Bcf. As of Aug. 21, working gas in storage was at 3,258 Bcf or 516 Bcf higher than a year ago.

Basis the October contract, resistance is set at \$3.158, \$3.21, \$3.268, \$3.349 and \$3.375. Support is set at \$2.867, \$2.822, \$2.729, \$2.655 and \$2.381.



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