



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 27, 2010

NATURAL GAS MARKET NEWS

The tropical Atlantic remained very quiet again today as dry Saharan air across the Atlantic and into the Caribbean was helping to suppress any potential storm development.

The U.S. Bureau of Ocean Energy Management reported this afternoon that 242,758 b/d crude oil production in U.S. regulated areas of the Gulf of Mexico was shut in Monday due to tropical Storm Bonnie along with 417 MMcf/d of natural gas production. The agency expects all of the remaining shut in oil production will be back on line by Wednesday.

Occidental Petroleum reported today that its production of natural gas in the U.S. in the second quarter of 2010 averaged 681 MMcf/d up 0.8% from the first quarter of this year and up nearly 10% from the 2Q2009. The company noted that domestic realized gas prices rose from \$2.87 per MCF in the second quarter of 2009 to \$4.19 per MCF for the second quarter of 2010.

Generator Problems

PJM – The Hope creek nuclear plant saw power drop back to 94% power this morning after ramping up to full power on Monday.

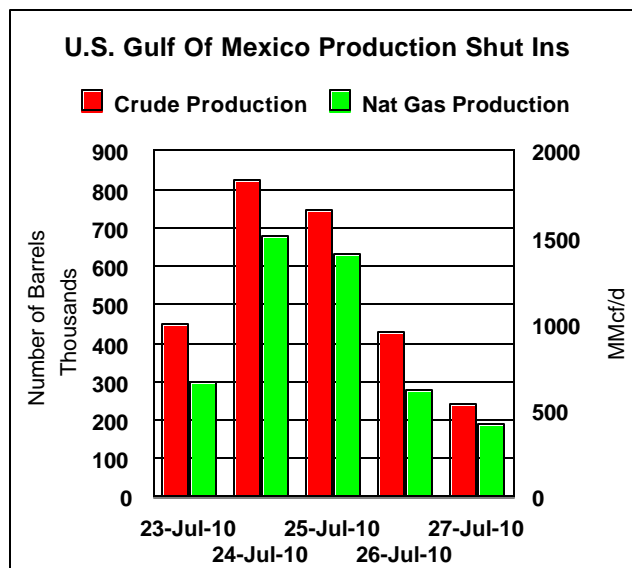
ERCOT – The coal fired 568 Mw Unit #4 of the Sandow power plant was shut down this morning to repair a tube leak. The unit is expected to be offline until July 30th.

MISO – The Point Beach #2 nuclear unit was off line this morning after running at full power for the past two weeks for planned maintenance.

SERC – TVA's Browns ferry nuclear units #1, #2 and #3 remained at half power for the fourth day in a row today due to related high water temperatures.

The Hatch #1 nuclear unit ramped back to full power early this morning, up 6% from the prior two-day's operating levels.

The NRC reported this morning that some 93,954 Mw of nuclear generation was operating today, down 0.4% from yesterday and off 2% from the same day a year ago.



Gas production from Britain's Alwyn area gas fields has been stopped since Sunday due to a minor technical issue. Total said it is working to resolve the problem and hoped to resume production as soon as possible. The field typically produces around 2.36 million cubic meters of gas per day.

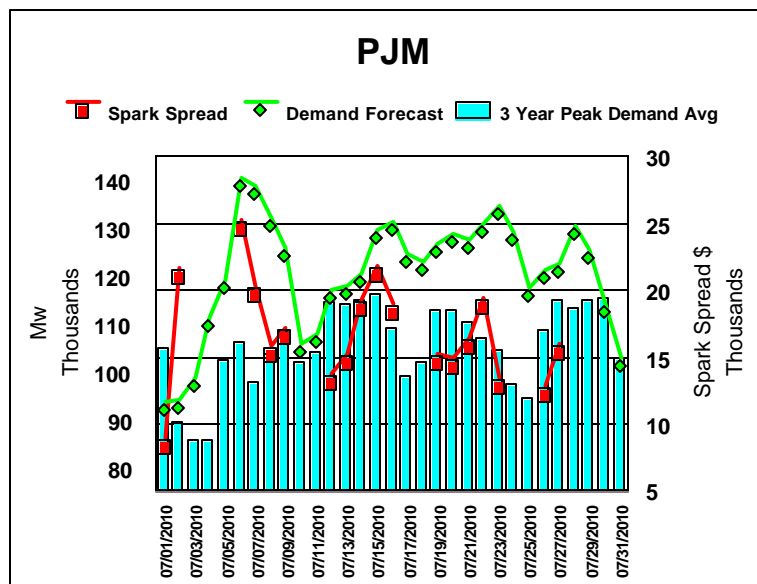
The Russian government reported that Russia's natural gas exports rose 40% on the year to 88.6 bcm for the January-June period. In June Russian gas exports dropped 8.5% on the year to 12 bcm.

Italian energy major, ENI has signed a deal with Egypt to allow Egypt's national companies EGPC and EGAS to participate in ENI's upstream activities outside Egypt including development of oil fields in Iraq and Gabon. The initiatives aim at developing a

Mediterranean gas hub in Egypt, as Egypt seeks to secure rights for ENI to gas transportation capacity in the Arab Gas Pipeline system.

The operator of Transitingas pipeline said today that gas was unlikely to start flowing from Switzerland into Italy until at least next week. The pipeline which moves Norwegian and Dutch gas from the Swiss borders with France and Germany to Italy was shut on July 23rd because of fears over possible damage to the line from falling rocks after a storm. The line, which has a capacity of 18 bcm/year, transported less than 14 bcm/year in 2009. The Italian gas market seems to have dealt with the disruption by suspending injection of gas into storage facilities and by increasing gas flows from Russia.

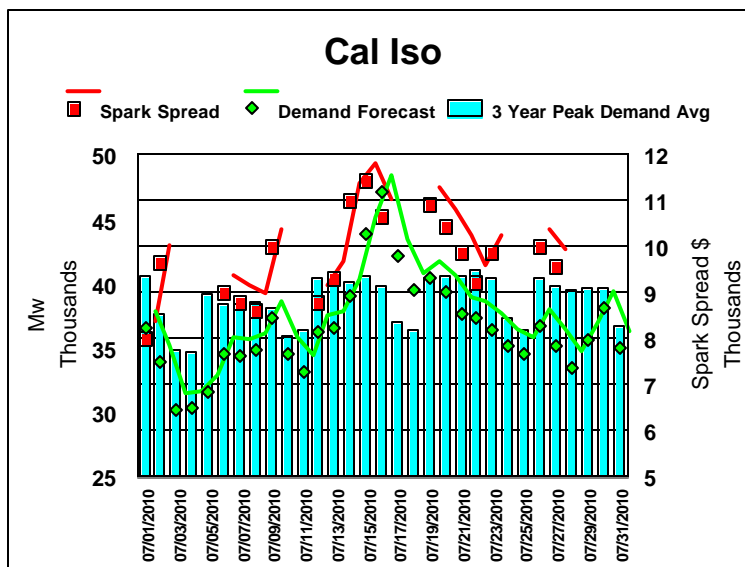
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	592,900	\$4.718	\$0.068	\$0.073	(\$0.021)	(\$0.021)
Chicago City Gate	346,500	\$4.676	\$0.051	\$0.031	\$0.023	\$0.057
NGPL- TX/OK	586,600	\$4.516	\$0.053	(\$0.129)	\$0.025	(\$0.117)
SoCal	373,700	\$4.310	(\$0.022)	(\$0.335)	(\$0.050)	(\$0.243)
PG&E Citygate	691,800	\$4.447	\$0.014	(\$0.198)	(\$0.014)	(\$0.180)
Dominion-South	457,200	\$4.894	\$0.068	\$0.249	\$0.040	\$0.330
USTrade Weighted	18,468,800	\$4.545	\$0.007	(\$0.100)	(\$0.02)	(\$0.021)



A barge collided with an underwater wellhead in south Louisiana's Barataria Bay on Tuesday, triggering a spray of natural gas and crude oil.

Bart Chilton told Reuters in an interview today he is "itching" for the CFTC to use its new authority to combat disruptive trading practices.

He noted that prior to the new legislation there were "impossibly high" standards in place for the CFTC to prove price manipulation. He noted that in its 36-year history the CFTC has successfully prosecuted and won only one price manipulation case. Under the new law the CFTC will only have to show a trader acted in a manner that had the potential to disrupt the market, not that the person had the market power to move the price of a commodity and that they caused an artificial price to occur. Chilton said the CFTC could also target "spoofing"—where a trader makes a bid or offer and cancels it before it is carried out, and "banging the close", when a trader acquires a substantial position leading up to the closing period and then offsets the position before the end of trading to try to manipulate closing prices. Chilton also said the CFTC already is moving aggressively to overhaul a proposal for limiting the number of speculative contracts a trader can hold in physical commodity markets.



PIPELINE MAINTENANCE

Gulf South said it will perform pipeline maintenance on Index 130 upstream of Montpelier Compressor Station in Livingston Parish, Louisiana beginning July 28th and lasting for two days. The company also said it will be performing pipeline maintenance on Index 301-18 (Canton 6-inch) pipeline starting on September 20th and lasting for 30 days. Based on system operations and nominations, the company does not anticipate any impact to shippers.

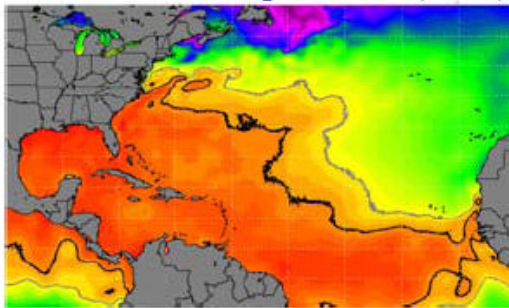
Tennessee Gas Pipeline said it is investigating the possibility of a leak on the Bluewater system upstream of Station 523. The company currently is not requiring adjustments to nominations at this time but requires that operators and producers keep physical flow to zero until further notice.

PIPELINE RESTRICTIONS

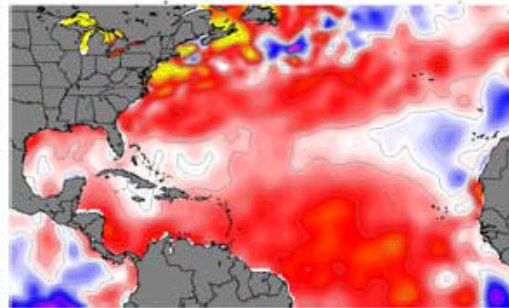
Tennessee Gas Pipeline said that for today it would accept nomination increases of 133,000 Dth at Station 245, 60,000 Dth at Station 321 and 19,000 Dth at Rivervale Delivery Meter,.

Northern Natural Gas said it has received confirmation from the Matagorda Offshore Pipeline System pigging platforms that gas production has been restored in sufficient volumes to allow normal pigging

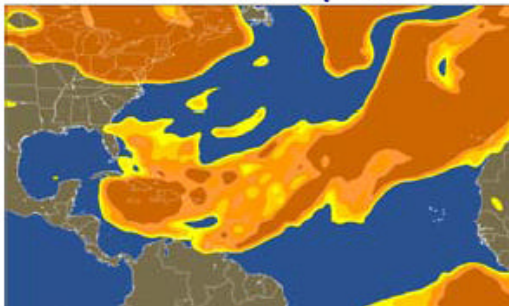
Sea Surface Temperatures (SSTs)



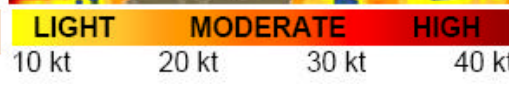
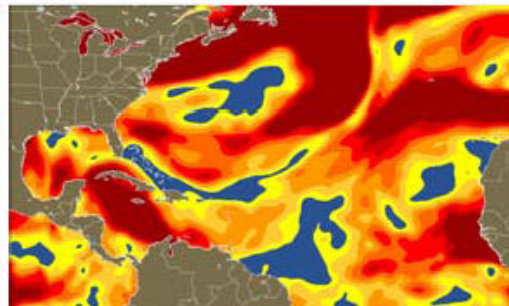
SST Anomalies



Mid-Level Dry Air



Wind Shear



and corrosion control operations to resume in all of MOPS. As a result starting today the company will again accept liquids transportation from all platforms connected to the MOPS on Phase I, II and III segments.

NGPL said that effective for today and until further notice it is at capacity for gas going southbound through Segment 16 in Atoka County, Oklahoma and for eastbound flow through Segment 15 located in Carter County, Oklahoma.

Interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.

ELECTRIC MARKET NEWS

The North American Electric Reliability Corp warned today that policymakers in formulating climate change initiatives should not overlook the impact they will have on the reliability of the North American power system. In order to keep the grid reliable, it noted the industry needs time to develop and implement technologies needed to respond to these climate rules. The NERC noted that under the

proposed global warming initiatives, it projects a large number of coal plants would be forced to retire between 2020 and 2030. This could have a tremendous impact on certain regions such as the Midwest that rely heavily on coal for generation. They noted that the targets currently discussed for 2030-2050 would require, even low carbon emitting resources like natural gas plants not fitted with carbon capture and sequestration technologies could be forced to retire in order to meet carbon reduction targets, thus increasing the reliance on renewable generation sources such as solar and wind. But increased reliance on renewables will not only require the development and expansion of transmission facilities to move power usually from remote locations, but will also require the development of large scale technologies to store power.

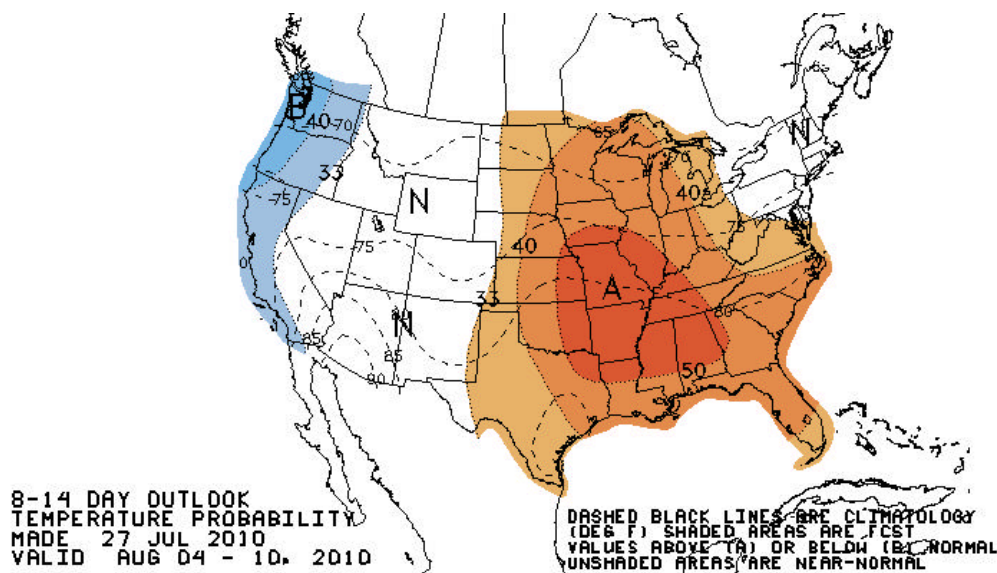
Genscape reported that U.S. coal stock piles declined by 1.6% for the week, or 55 days worth of forward supply, two days less than last week and some 11 days less the same time a year ago.

Terra-Gen Power LLC broke ground on Tuesday for what is expected to become the world's largest wind power project. Once completed in 2015, the company's 1550 Mw Alta Wind Energy Center in central California will be twice as large as the 782 Mw E.ON Climate and Renewables facility in Roscoe, Texas and NextEra Energy's 736 Mw Texas complex. Executives expect the project will run eventually at the typical industry average of 30-40% capacity.

Meanwhile the American Wind Energy Association announced today the amount of new wind power installed in the U.S. fell by 71% in the first half of 2010 from a year ago as a result of government support for renewable energy began to wane. Some 700 Mw of new wind capacity was brought on line during the first half of this year, with 5500 Mw still under construction. In 2009 some 10,000 Mw of new wind generation came on line. Wind generation currently accounts for almost 2% of the nation's total electric generation, up from 1.3% a year ago.

ECONOMIC NEWS

The Conference Board reported that US consumer confidence fell again in July. It said its index of consumer confidence fell to 50.4 this month from a revised 54.3 in June. The July reading is the lowest since 46.4 reached in February and was slightly less than the 50.8 expected by economists. The present situation index fell to 26.1 in July from a revised 26.8 in June, previously reported as 25.5. Consumer expectations for economic activity over the next six months fell to 66.6 from a revised 72.7 that was originally reported at 71.2. On the job front, only 4.3% of respondents thought jobs were plentiful, unchanged from June but 45.8% viewed jobs as hard to get this month, up from 43.5% last month. The percentage of consumers expecting more jobs in the months ahead fell to 14.3% from 16.2%.



State Street said confidence among institutional investors increased in July due to improved sentiment on European debt. Its global investor confidence index increased to 96 from an upwardly revised reading of 91.2 in June. The North American index gained 5.4 points to 99.9 from June's revised reading of 94.5. European

investors' confidence increased to 100 from 97.6 while confidence in Asia increased to 104.5 from 102.4.

Standard & Poor's/Case Shiller home prices indexes showed US single family home prices increased more than expected in May. The 20-city composite price index increased 0.5% on a seasonally adjusted basis in May after an upwardly revised 0.6% gain in April. On an unadjusted basis, prices increased by 1.3% in May following April's 0.9% gain, which was revised up from a 0.8% rise. Meanwhile, economist Robert Shiller said the state of the US economy is worrisome and there is a high possibility of a double dip recession. He however said he is unclear where home prices are headed.

MARKET COMMENTARY

Today's option expiration appeared to have little impact on the price direction today for natural gas, as the market settled higher for the third time out of the last four trading sessions, as the futures continued to follow after spot cash prices to converge by expiration as near term warm temperatures continued to support this market. With open interest in the NYMEX spot August natural gas contract coming into this morning with just 19,491, the smallest open position for an expiring contract this year and some 13% less than a year ago, it appears to signal that tomorrow's expiration of the August contract could be relatively calm and stable. With the August contract expiring tomorrow, we will move our price targets to the September contract. We see resistance in the September contract at \$4.699-\$4.74 followed by \$4.786, \$4.903 and \$4.961. More distant resistance we see at \$5.093, \$5.20 and \$5.282. Support we see at \$4.575, \$4.511, \$4.452. More significant support is at \$4.29, \$4.14 and \$3.986.

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