



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 4, 2010

NATURAL GAS MARKET NEWS

The US National Hurricane Center said the remnants of Tropical Storm Colin remained in the Atlantic Ocean but it and a second tropical wave in the Caribbean Sea were not likely to strengthen over the next 48 hours and posed no threat to energy production in the Gulf of Mexico. It said Colin's remnants had about a 20% chance to redevelop while the tropical wave over the central Caribbean had about a 20% chance to become a tropical cyclone. Tropical cyclone formation was not expected elsewhere in the Atlantic basin.

Nabucco's 3,000-kilometer pipeline that is to run from the Caspian region to Western Europe may be postponed until the beginning of 2011. Nabucco and its partners have been working on securing supply and customers for that supply. An "open season," whereby shippers can flag up interest in buying transport capacity will determine whether there is enough customer interest for such project.

Indonesia's Arun LNG plant has plans to ship 31 cargoes of LNG in 2011, down from 36 cargoes in 2010.

The 2008 postponed plans to launch a service that will effectively allow BBL to send gas in the opposite direction on a pipeline running from Netherlands to Britain has now been set for October 1. The plans were postponed due to a failure to agree on a tariff system with UK energy regulator Ofgem. Regulators have since approved a revised tariff plan earlier this year to offer the service by auction. According to BBL, the service will be offered in quarterly, monthly and daily products. The first product will be for the fourth quarter of 2010, with an auction set for August 26.

Gazprom has put off until further notice, decisions to invest in LNG projects that would supply LNG to China and India, as Exxon Mobil Corp and Chevron Corp. are securing long-term deals with PetroChinaCo. Gazprom has spent six years deciding as to whether or not to do the \$22 billion expansion at its Sakhalin-2 project. Gazprom currently supplies approximately one quarter of Europe's gas needs and has lost market share to Norway and Qatar. One spokesman at East European Gas Analysis was quoted as saying, "Gazprom should rather worry about keeping its share in the European market."

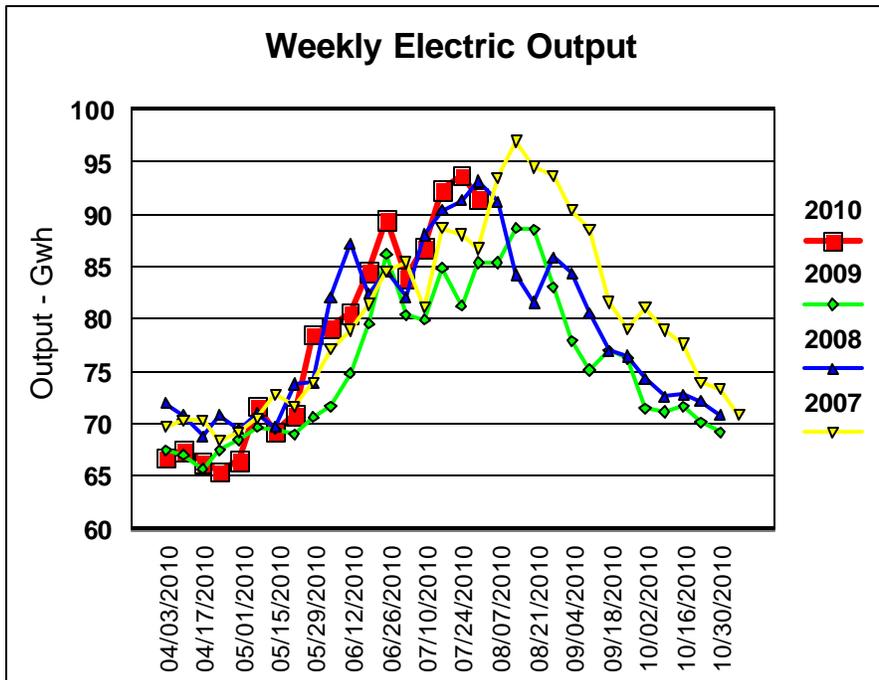
Generator Problems

NPCC – OPG's 515 Mw Unit #8 at the Pickering nuclear power plant returned to service early Tuesday. The unit had been shut on July 22nd.

SERC- All three reactors at TVA's Browns ferry nuclear power plant were running at reduced rates of 50% this morning due to high temperature readings in the Tennessee River. Yesterday the units had ramped up to 70% power.

PJM- PPL Corp's 1,149 Mw Susquehanna 1 nuclear power plant was at 16% early Wednesday after ramping up from a recent outage. The unit was shut late Friday after a leak was discovered in the reactors main condenser system.

The NRC reported this morning that some 93,451 Mw of nuclear generation was operating today, up 0.21% from yesterday and off 2.22% from the same day a year ago.



In a non-disclosed statement, Anadarko Petroleum Corp. is planning to announce a joint venture in the Eagle Ford Shale in south Texas. The joint venture is said to be similar to the \$1.4 billion venture with Japan's Mitsui & Co. in the Marcellus Shale in Pennsylvania. Anadarko hopes that with the additional capital it would be able to drill a significant greater number of wells in a shorter period of time.

PIPELINE RESTRICTIONS

FGT has issued an overage alert day at 10% tolerance in its market area for the gas day Aug. 4 due to high temperatures. FGT will not

interrupt previously scheduled market area interruptible transportation service -1 below the elapsed prorated scheduled quantity.

Restrictions have been lifted for Aug. 4 as progress has been made in Blueweather, effective intraday cycle 1. TGP said it would accept nomination increases of 65,000 Dth at Sta 245, 42,000 Dth at Sta 321 and 60,000 Dth at Rivervale Delivery meter. Customers were reminded that previously restricted nominations must be retriggered for any subsequent intraday cycle once a restriction has been lifted in order for increased volumes to be scheduled.

ELECTRIC MARKET NEWS

Power production in the continental U.S. for the week ending July 31 climbed 7.4 percent from the same week in 2009, to 91,704 gigawatt hours, according to data released Wednesday by the Edison Electric Institute.

ECONOMIC NEWS

According to ADP, private sector jobs in the US increased by 42,000 in July. The estimated change in employment for June was revised to a gain of 19,000 from an increase of only 13,000 initially reported. The July unemployment rate is projected to increase to 9.6% from 9.5% in June. The ADP report showed that large businesses with 500 employees or more added no new employees and medium size businesses hired 21,000 workers in July. Small businesses that employ fewer than 50 workers increased payrolls by 21,000.

MARKET COMMENTARY

Prices experienced a follow-through to yesterday's short covering rally as market participants eye weather reports calling for hotter than normal temperatures and storm activity brewing as we approach the height of hurricane season. Tomorrow's EIA report is expected to be slightly bullish in comparison to historical data. Coming into tomorrow's session, we would look for natural gas to begin the session trading on a higher note as we await the EIA report. Overall storage numbers are in oversupply based upon a 5 year average and technicals are calling for lower numbers. There is weekly support down around the \$4.59 area and we would like to see a settlement below this level in order for the down side to continue.

Estimates are calling for an increase in the low 30's bcf for the EIA storage report due out Aug. 5. The range was wide running between the upper 20's bcf to the 30's bcf. A build within the estimated range would be considered bullish when compared to historical averages and would pick away at the year-on-five-year average overhang and would widen the year-on-year deficit.

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