



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 5, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center said the remnant of Tropical Storm Colin, a low pressure area, reorganized and has a 70% chance of regaining tropical storm status later Thursday or Friday as it moves northwestward. However it is not expected to reach the Gulf of Mexico. Separately, the NHC projected a tropical wave over the southwest Caribbean weakened and has a 10% chance of developing over the next 48 hours, down from 20% earlier Thursday. The tropical wave is expected to move west over Central America during the next day or two. Elsewhere, tropical cyclone formation is not expected during the next 48 hours.

Generator Problems

SERC- Entergy Corp's 975 Mw River Bend nuclear power plant in LA exited an outage and ramped up to 2% capacity.

PJM- PPL Corp exited an outage and has ramped up to 52% by early Thursday after operating at 16% on Wednesday.

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.

The National Oceanic and Atmospheric Administration reduced its forecast for the 2010 Atlantic-Caribbean hurricane season. It expects 14 to 20 tropical storms, with eight to 12 of those strengthening into hurricanes. It forecast that four to six of those would strengthen into major hurricanes. The NOAA had previously forecast 14 to 23 tropical storms, with 8 to 14 developing into hurricanes and three to seven becoming major hurricanes.

The Climate Prediction Center said the La Nina weather anomaly is strengthening in the Pacific Ocean and could increase the number of hurricanes along the Gulf Coast. It said the strengthening weather anomaly can contribute to increased Atlantic hurricane activity by decreasing the vertical wind shear over the Caribbean Sea and tropical Atlantic Ocean.

Natural gas storage for the week ending July 30 was reported to have increased by 29 Bcf, below the consensus estimates of 33 Bcf. This number was viewed as supportive for prices as it was below historical averages with last year's injection of 67 Bcf and the five-year average build of 47 Bcf.

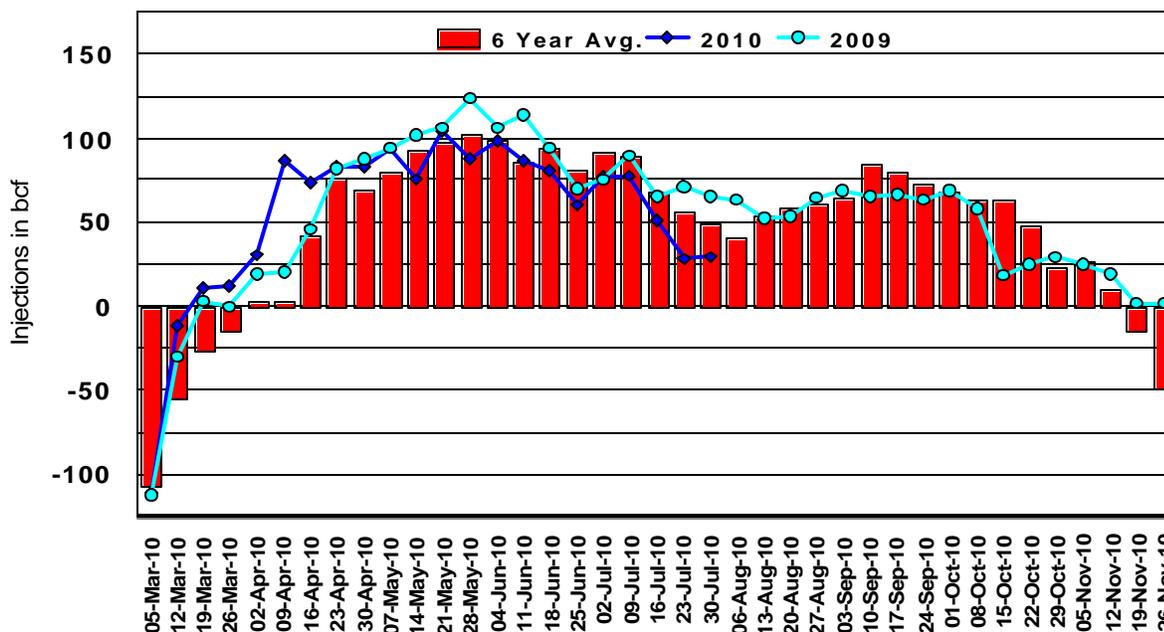
Norway's LNG tanker, Artic Lady, is expected to arrive at the UK's Isle of Grain terminal over the weekend. Total capacity for The Artic Lady is 147,200 cubic meters of super-cooled natural gas. In addition to The Artic Lady, Algeria's 126,190 million cubic meters, Mourad Didouche LNG tanker is expected to arrive at the UK's Isle of Grain on Aug. 13.

EIA Weekly Report

	07/30/2010	07/23/2010	Change	07/30/2009
Producing Region	979	987	-8	1067
Consuming East	1493	1459	34	1571
Consuming West	476	473	3	442
Total US	2948	2919	29	3080

At the height of the upcoming autumn refueling season in mid-October about 13,300 megawatts were expected to be out of service compared with about 24,000 Mw

2010 EIA Survey Build/Draw VS 6-Year Average



out at the same time last year.

PIPELINE MAINTENANCE

As a result of maintenance to change out a filter at STA 703A on Tennessee Gas Pipeline Co's Carthage Line Lateral, volume restrictions may become necessary. The company said that it expects the maintenance to last from Aug. 5 to Aug. 7. In a separate notice, Tennessee said effective intraday cycle 1, for the gas day of Aug. 5, it will accept nomination increases of 44,000 Dth at Riverdale Delivery meter. Restricted nominations must be retriggered for any subsequent intraday cycle once a restriction has been lifted in order for increased volumes to be scheduled.

PIPELINE RESTRICTIONS

PG&E has issued a system wide operational flow order effective for gas day Aug. 5th and Aug 6th due to high inventory. Customers are required to be within 6% tolerance of daily usage on Aug. 5 and 13% tolerance on Aug. 6. Noncompliance penalties are set at \$1.00/Dth.

An overage alert has been issued by FGT for Aug. 5, at 20% tolerance, for its market area due to extreme temperatures. FGT will not interrupt previously scheduled market area interruptible transportation service-1 below the elapsed prorated scheduled quantity.

ELECTRIC MARKET NEWS

The Electric Reliability Council of Texas is expecting to break its record usage of 63,954 megawatts achieved on Wednesday, as hotter than normal temperatures persist. Expectations are calling for possible usage to reach 64,553 Mw. The grid agency determines that it has sufficient generation this year to meet summer peak demand above 64,000 Mw and still maintain a 21% cushion to cover unexpected outages.

ECONOMIC NEWS

The US Labor Department reported that the number of initial claims for unemployment benefits increased by 19,000 to 479,000 in the week ending July 31st. Economists were expecting initial claims to fall by 2,000 to 455,000. The four

Canadian Gas Association

Weekly Storage Report

	30-Jul-10	23-Jul-10	31-Jul-09
East	159.7	157.9	212.3
West	329.1	327.1	313.9
Total	488.8	485	526.3

week moving average increased by 5,250 to 458,500. The report showed that the number of continuing claims fell by 34,000 to 4,537,000 from the preceding week's upwardly revised level of 4,571,000. The unemployment rate for workers with unemployment insurance for the week ending July 24 was 3.6%, unchanged from the prior week.

MARKET COMMENTARY

The natural gas market ignored the lower than expected 29-Bcf build in stocks for the week of July 30, falling to a low of \$4.556 in the September contract. Adding to the bearish tone was preliminary jobless claims, which indicated that jobless claims for the week ending July 30 rose to 479,000, the highest level since April. This brought about concerns on the economy and its recovery. The September contract experienced an outside trading session, obtaining a higher high and lower low than that of the previous one, settling lower on the day. Once the September contract fell below the \$4.777 support level, a free fall to \$4.682 followed. Volume today outpaced that of the past 5 trading days, an indication that today's sell-off involved weak length liquidation. We would have liked to see the September contract make stretches to the \$4.923 level, settling above it in order to continue higher next week. Should prices be unable to work back up towards this level and settle above it, this will end three weeks worth of higher settlements and should bring about continued moves lower at the start of next week.

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 written permission is prohibited.