



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 6, 2010

NATURAL GAS MARKET NEWS

The US National Hurricane Center said a low pressure system in the central Atlantic Ocean about 650 miles of west of the Cape Verde Islands had a 40% chance of strengthening into a tropical depression over the next 48 hours. It said conditions were favorable for additional development over the next couple of days as the system moves northwest at about 10 mph. It is too soon for the weather models to project whether the system would reach the Gulf of Mexico or where it would make landfall, if at all. The NHC also reported that a weak tropical wave in the western Caribbean Sea had only a 10% chance of strengthening into a depression before it moves west over Central America in a day or so. It also continued to watch Tropical Storm Colin, which is expected to pass near Bermuda over the weekend as it moves north towards Newfoundland over the next several days.

Baker Hughes reported that the number of rigs drilling for natural gas reached a 17 month high this week, increasing by 11 to 983. It is the highest since February 2009 when 1,018 rigs were drilling for natural gas.

The SCF Polar LNG tanker, loaded with LNG from Trinidad, is bound for Everett, MA on August 9. The tanker has a capacity of 71,000 cubic meters. The Methane Kari Elin, which has a capacity of 145,000 cubic meters, is bound for Elba Island, GA from Trinidad on August 10th. The LNG Edo, with a capacity of 126,500 cubic meters, is bound for the Altamira terminal in Mexico's Gulf Coast from Nigeria on August 13th while the LNG Lagos, with a capacity of 122,000 cubic meters, is bound for the Altamira terminal from Nigeria on August 20th and the Onaiza tanker, with a capacity of 210,000 cubic meters, is also bound for the Altamira terminal from Qatar on September 14th.

The Seri Balhaf LNG tanker, which loaded at Belgium's Zeebrugge terminal in late July, is headed to South Korea. Total capacity for the Seri Balhaf is 157,721 cubic meters of super-cooled natural gas. The Seri Balhaf has 157,721 cubic meters of super-cooled natural gas.

Development of the Marcellus Shale in Pennsylvania may be slowed down if dry weather conditions remain persistent. Dry weather means less water would be available from the nearby stream for use in the process known as hydraulic fracturing. Hydraulic fracturing involves the mixing of water, sand and chemicals to bust open rock about a mile underground to extract natural gas. The dry weather

Generator Problems

NPCC- Ontario Power Generation's 494 Mw Unit 4 coal fired power plant returned to service. Unit 2 was shut by early Friday.

SERC- Entergy Corp's 978 Mw River Bend nuclear power plant in LA exited an outage and ramped up to 80% capacity from 20% on Thursday

WSCC – Energy Northwest's 1,131 Mw Columbia nuclear power plant in Washington State returned to full power early Friday. The unit was at 65% early Thursday.

PJM- PPL Corp's 1,149 Mw nuclear plant has ramped up to 92% by early Friday after operating at 52% on Thursday.

The NRC reported this morning that some 93,925 Mw of nuclear generation was operating today, up 0.51% from yesterday and off 1.25% from the same day a year ago.

conditions in northeast Pennsylvania have caused regulators to restrict how much water can be drawn from nearby streams thereby possibly hampering the process.

PIPELINE MAINTENANCE

Compressor maintenance on Gulf South's unit 2 at its Clarence Compressor has been completed. Maintenance began early on Aug. 5 and was expected to take up to 12 hours.

PIPELINE RESTRICTIONS

FGT issued an overage alert day at 25% tolerance for its market area Aug. 6, due to high temperatures. FGT will not interrupt previously scheduled market area interruptible transportation service-1 below elapsed prorated scheduled quantity for gas day Aug. 6.

Effective intraday cycle 1, for gas day Aug. 6, TGP will not accept nomination increases of 2,300 Dth at Leidy Delivery Meters, 74,000 Dth at Sta 245 and 59,000 Dth at Sta 321. Previously restricted nominations must be retriggered for any subsequent intraday cycle once a restriction has been lifted in order for increase volume to be scheduled.

ELECTRIC MARKET NEWS

According to Genscape, U.S. coal use fell 1 percent this week from last but was 4 percent greater than the same week last year.

The U.S. Nuclear Regulatory Commission accepted Public Service Enterprises Group Inc's Early Site application for a new reactor at its Salem/Hope Creek plant for review. PSGE has not yet made the decision to build a new reactor but has said it is keeping its options open by applying for the ESP application.

ECONOMIC NEWS

The US Labor Department said the US economy cut more jobs than expected in July while the unemployment rate remained steady at 9.5%. Nonfarm payrolls fell by 131,000 bpd in July. Only 71,000 private sector jobs were added last month while 143,000 temporary workers on the 2010 census were let go. Economists were expecting total nonfarm payrolls to fall by a 60,000 in July. Payrolls in June fell by 221,000 compared with the previously reported 125,000 decline.

MARKET COMMENTARY

In what appears to be a fund fueled sell-off, natural gas continued lower from early in the session. Yesterday's bullish EIA report, hot weather related demand and the peak of the hurricane season were not enough to prop up prices. Expectations are for natural gas to work higher next week as above normal temperatures return in the Northeast and Midwest. Storage builds continue to shrink, eating away at surplus for next winter. It has been seven straight weeks that the builds have fallen short of the five-year average and this factor should limit downside movement. Dips could possibly reach the \$4.290 support area and we would look for possible rebounds.

The Commitment of Trader report showed that non-commercials in the natural gas market in the week ending August 3rd cut their net long position by 5,860 to 23,776 contracts, on a combined futures and options adjusted basis. The disaggregated futures and options report showed that managed money funds continued to cut their net short position by 11,272 contracts to 34,199 contracts in the latest week.

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