



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 11, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center said Tropical Depression Five remained disorganized and could dissipate later Wednesday as it moved northwest across the eastern Gulf of Mexico towards the Louisiana coast. It had earlier predicted that the depression could strengthen into a tropical storm within 24 hours before making landfall Thursday night. The computer models forecast it will make landfall in Mississippi. Separately, the NHC said a tropical wave in the central Atlantic about 350 miles east of the eastern Caribbean Islands still had a low 10% chance of strengthening into a depression over the next 48 hours as it moves west. The NHC also continued to follow another low pressure system in the central Atlantic about 700 miles northeast of the eastern Caribbean Islands with a 50% chance of developing.

Generator Problems

NPCC - US Power Generating Co.'s 175 Mw Unit 2 Astoria oil/natural gas fired power plant in Queens NY experienced a steam tank rupture early Tues. Traders believe that the 50-year old unit would not return to service. The company's other three units were not affected.

MAAC- The Freon leak that occurred at PPL Corp's Susquehanna, PA Unit 1 reactor has been stopped. A leak occurred early Tuesday.

FRCC- NextEra Energy Inc's 839 Mw Unit 1 at the St. Lucie nuclear power plant in FL ramped up to 95 percent early Monday from 48 percent early Friday.

The NRC reported this morning that some 95,578 Mw of nuclear generation was operating today, down 0.05% from yesterday and up 0.17% from the same day a year ago.

The Bureau of Ocean Energy Management said there have been no reports of oil or gas output cuts in the Gulf of Mexico due to the threat of tropical weather.

Enterprise Products Partners has evacuated two nonessential personnel from offshore infrastructure attached to natural gas pipelines on Tuesday on tropical storm concerns.

Anadarko Petroleum Corp said it evacuated non-essential workers from its natural gas facility, Independence Hub, and its oil and gas platform, Neptune, in the eastern Gulf of Mexico due to the threat of a storm in the area.

According to a Reuters report, U.S. natural gas winter storage is expected to fall short of the record highs seen heading into last winter, but should still climb to very comfortable levels.

South Korea's state-owned Korea Gas Corp said on Wednesday that it had sold 1.81 million tons of LNG in July, up 32 percent from a year earlier. Higher power generation demand was attributed to this increase. Approximately 1.01 tons went to power generation, up 58.3 percent year on year, while households and businesses consumed the rest.

BNP Paribas Commodity Futures Inc. has become the first Green Exchange LLC clearing member, making them the first firm allowed to clear customer business upon the launch of the new exchange. The Green Exchange was approved as a contract market by the CFTC on July 23. The environmental futures and options contracts currently listed for trading on the NYMEX trading platform and cleared

through CME Clearing that are to be migrated to the Green Exchange platform include CO2, NOX and SO2

PIPELINE MAINTENANCE

Norway’s Kaarstoe gas processing plant will shut down for scheduled maintenance from Aug. 17 and Sept. 7. The Karrstoe plant has the capability of processing up to 88 million cubic meters of gas a day. It separates rich gas arriving in the Statpipe and Asgard Transport lines.

Gulf South will perform pigging maintenance on FPL 22 on the Overton 10-inch line, beginning at 9 am CT on Aug. 18 and continuing for approximately four hours. Controlled flow rates will be enforced which may temporarily reduce flow. Customers may experience pressure fluctuations, however no service impact is expected over the 24-hour gas day.

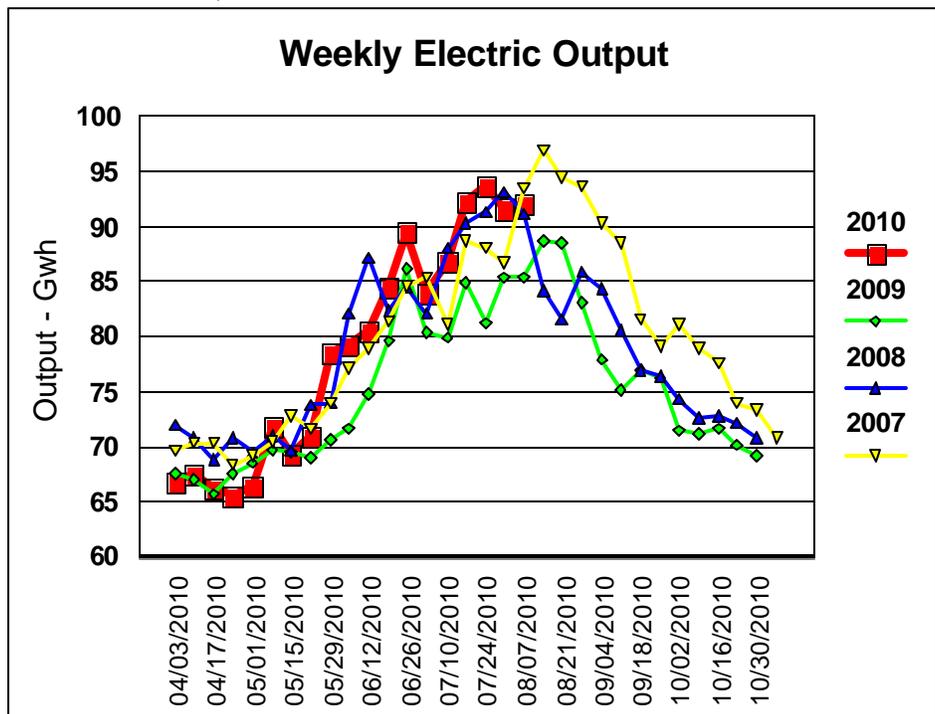
PIPELINE RESTRICTIONS

PG&E has issued a system wide operational flow order in effect for gas day Aug. 11 due to high inventory. Customers’ supplies are required to be within a 9% tolerance requirement of daily usage to avoid the Stage 2 noncompliance charge of \$1/Dth

Effective intraday cycle 1, for gas day Aug. 11, Tennessee Gas Pipeline Co. will accept nomination increases of 84,000 Dth at Rivervale and 96,000 Dth at Station 321. Customers are 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

Total U.S. power production rose 4.3 percent so far this year, according to data released by the Edison Electric Institute. The largest gains were seen in the Central industrial U.S. and the West Central U.S. with output jumping 16.3 percent to 15,778 Gwh and 15.7 percent to 7,992 Gwh, respectively.



ECONOMIC NEWS

The US Commerce Department said the US trade deficit widened unexpectedly to a record 21 month high in June. It reported that the shortfall in international trade of goods and services increased by 18.8% to \$49.9 billion. The trade deficit in May was revised down to \$41.98 billion from an initial estimate of \$42.27 billion. The US trade gap with China increased to \$26.15 billion in June, the widest level since October 2008 and a 17% gain on the previous month’s bilateral deficit of \$22.28 billion. The US bill for crude oil imports in June increased to \$22.6 billion from \$21.54 billion in May as volumes increased by 32 million barrels to 311.93 million barrels.

The US Labor Department said US job openings were flat in June while the number of new hires fell. It said there were 2.9 million job openings in June. With about 14.6 million people unemployed, the figures indicate there are five job seekers for every available position. Hires totaled 4.3 million in June, down from 4.6 million in the previous month.

MARKET COMMENTARY

Natural gas settled near unchanged, awaiting the release of natural gas storage numbers due out tomorrow. Expectations are calls for a smaller than normal build in supplies. According to a Dow Jones survey, analysts are expecting an increase in supplies of 34 billion cubic feet, about half of last year's injection. Storm activity has yet to impact prices, which have been pressured by high supply levels. Earlier forecasts for an active hurricane season may have already been factored in to the current market and the overhang in supply brought about by these expectations is keeping a lid on prices. Given the unusually hot weather across the Northeastern and Midwestern parts of the U.S., we would look for this market to try and work higher, with inventory levels keeping a lid on prices.

Technically, the natural gas market is seen finding support at \$4.263, \$4.201 and \$4.144 while resistance is seen at \$4.382, \$4.439 and \$4.501.