



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 12, 2009

NATURAL GAS MARKET NEWS

Tropical Depression #2 in the Atlantic continues to move in a westerly direction at approximately 12 mph. It is expected that given some further evidence of growing

convection it could become a tropical storm as early as today. But given the prospects for only marginal condition in its future path including some wind shear conditions it is not expected that the storm will develop beyond a tropical storm through early next week. The path of the storm is expected to begin to curve northwesterly by Friday, allowing the storm to pass far enough north of the Leeward Islands and Virgin Islands. Forecasters continue to closely watch a vigorous tropical wave emerging off the coast of western Africa this morning. The latest forecast guidance continues to strongly suggest that this system could quickly develop into a formidable hurricane by next week. The European model has this system impacting the Virgin Islands and the northern Leeward Islands by Wednesday August 19th and reaching the southern Bahamas by Friday August 21st. Finally the tropical wave some 400 miles east of the Lesser Antilles is showing poor development at this time. The system is expected to move into the Gulf of Mexico this weekend and move towards the upper Texas coast or Louisiana by late Monday or Tuesday morning. This wave could develop into a tropical depression or tropical storm but at this point the chances of this happening between Saturday and Monday are very low.

Generator Problems

The NRC reported this morning that 95,411 Mw nuclear generation capacity was on line, down 0.01% from yesterday and up 0.41% from the same time a year ago.

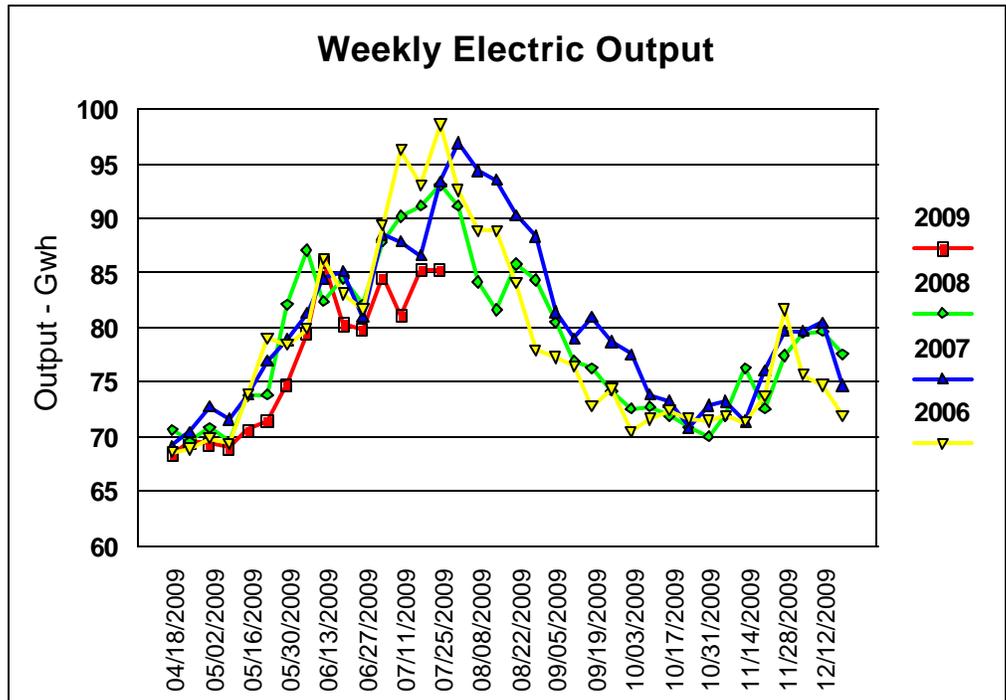
The United States Natural Gas Fund, the world's largest exchange traded natural gas ETF, said it will suspend offering new shares on concern that proposed federal regulations from the CFTC will prevent it from meeting its investment objectives. The fund operators said today it had gained approval from the SEC to sell up to 1 billion new units in the fund, which would have basically tripled the size of the fund. The operators of the fund said that blocks of 100,000 of the units would be available for sale if regulators were to allow the fund access to enough natural gas investment products to meet its objectives or as they "make other arrangements." The fund said it is in the process of entering into additional over the counter swap contracts and may invest in futures contracts other than the benchmark futures. But operators left open the possibility of holding greater amounts of cash and lesser amounts of natural gas interests. It may find it will be forced to distribute cash if it is unable to invest in appropriate investments or experiences a material tracking error.

The FERC and the CFTC entered into separate settlements requiring the failed hedge fund Amaranth Advisors LLC and affiliates to pay a total of \$15 million in penalties to settle the two year old claims that they manipulated or attempted to manipulate natural gas futures prices.

CenterPoint Energy Gas transmission announced that due to the growing production of natural gas in the Fayetteville Shale region it was holding a nonbinding open season for expansion of its core pipeline system in eastern Arkansas.

Qatar's RasGas said today its Train 6 has produced its first LNG cargo. The new train has the planned capacity of 7.8 million tons of LNG per year, and will bring the combined capacity of all RasGas companies to approximately 28.5 million tons per year.

Vitol bought via tender a spot cargo of liquefied natural gas from Trinidad for lifting this month.



PIPELINE RESTRICTIONS

For the remainder of the Aug. 12 gas day, Tennessee will not accept any supply to market increases pathed through STA 820C1. Additionally, Tennessee will not accept transfers into interruptible storage—pooling area accounts at Bear Creek. Storage or into interruptible storage—management service accounts at Northern Storage.

NGPL has said that effective gas day Aug. 12 and continuing until further notice FL Vermilion has limited capacity available for deliveries. Limited interruptible storage/authorized overrun and secondary firm transports are available.

Northern Natural Gas said the force majeure has expired for the Matagorda Offshore Pipeline System Beginning gas day Aug. 13, nominations will be accepted for receipts and deliveries.

NATURAL GAS MAINTENANCE

El Paso natural Gas has updated its August maintenance schedule. Work on the North Mainline, a Navajo ID overhaul began Aug.1 and will continue through Aug. 28. El Paso said Line 1208 gauge/cleaning pig will be conducted on Aug. 13. At the San Juan Crossover, maintenance in Aug will consist of bluewater annual ESD/DOT testing Aug. 12 through Aug13, to make room for North ML pigging on Aug.11.

The North Terrebonne Gas Plant is back to normal operations. The project for the installation of the pig traps is complete and the plant is processing the volume again. Pigging is slated to begin Aug. 17 and expected to last for five days on the lines to and from the North Terrebonne Gas Plant.

ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that for the week ending August 8th, U.S. power production stood at 85,351 Gwh down 0.08% from the prior week and some 6.9% less than the same week a year ago.

MARKET COMMENTARY

The natural gas market today continued to trend lower for the fifth consecutive session as the losses in the oil market continued to weigh on the market in overnight trading. The natural gas market posted a low of \$3.461 in early morning trading, breaching its support line at \$3.537. The market later retraced some of its losses and rallied to a high of \$3.61 amid concerns over the rising tropical activity in the Atlantic. However despite the concerns, the market remained on the defensive as it erased its gains and traded back towards its lows in afternoon trading. It settled down 6.2 cents at \$3.479.

Market expectations for tomorrow's EIA Natural Gas Storage Report appear to be running between a 45 to 70 bcf build with the consensus focused around a 65 bcf build. For the same week a year ago stocks rose by an adjusted 51 bcf while the five year average gain for the same week was a 42 bcf build.

The natural gas market on Thursday will be driven by the inventory report. The market, which continued to post lower highs and lower lows and breached its support line, will remain pressured in the short term as long as there is no threat of any approaching tropical system. The market is seen finding support at \$3.461, \$3.423, \$3.368 and \$3.274. Resistance is seen at \$3.53, \$3.572, \$3.61 followed by \$3.666, \$3.721 and \$3.739.