



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 19, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning noted that the westward moving tropical wave in the western Caribbean has shown no sign of further development and noted there is little chance of this system becoming a tropical cyclone in the next 48 hours. But the NHC forecasting models continue to point to a tropical depression will form either Friday or Saturday in the eastern Atlantic and then become a hurricane by early next week. But currently long-range track guidance has this storm eventually curving northward making it not a landfall threat to the Lesser Antilles nor impacting the U.S. coast line. Some forecasters are warning that a potential low-pressure system may develop off the northeast coast of Florida late this weekend and it may track southwestward and then westward and across the northern Gulf of Mexico next week. Currently it is unknown if it will gain tropical characteristics and just how long it may linger over the northern Gulf of Mexico.

EIA Weekly Report

	08/13/2010	08/06/2010	Change	08/14/2009
Producing Region	954	970	-16	1074
Consuming East	1576	1536	40	1674
Consuming West	482	479	3	448
Total US	3012	2985	27	3197

*storage figures in Bcf

The National Weather Service this morning released its longer-term temperatures forecasts. For September the NWS was looking for the Southwest and the eastern mid section of the country should be warmer than normal. The NWS three-month temperature outlook for this autumn looks for much of the nation to be warmer than normal except for the Pacific Northwest and the Southeastern U.S. For the upcoming winter, it looks for most of the southern U.S. to see warmer than normal temperatures with just the northern high plains states at risk for colder than normal temperatures.

China reported that it imported 710,000 tonnes of LNG in July, down slightly from the 741,732 tonnes imported in June.

Britain's St. Fergus Mobil gas terminal was shut on Thursday morning for planned maintenance but was expected to be restart later in the day. Gas flows through the terminal dropped from around to 21 million cubic meters to zero Thursday morning. Flows along the Langeled pipeline also dropped today but pipeline operator Gassco said there was no planned maintenance activities restricting gas flows, while Statoil declined to comment on the lower flows.

Generator Problems

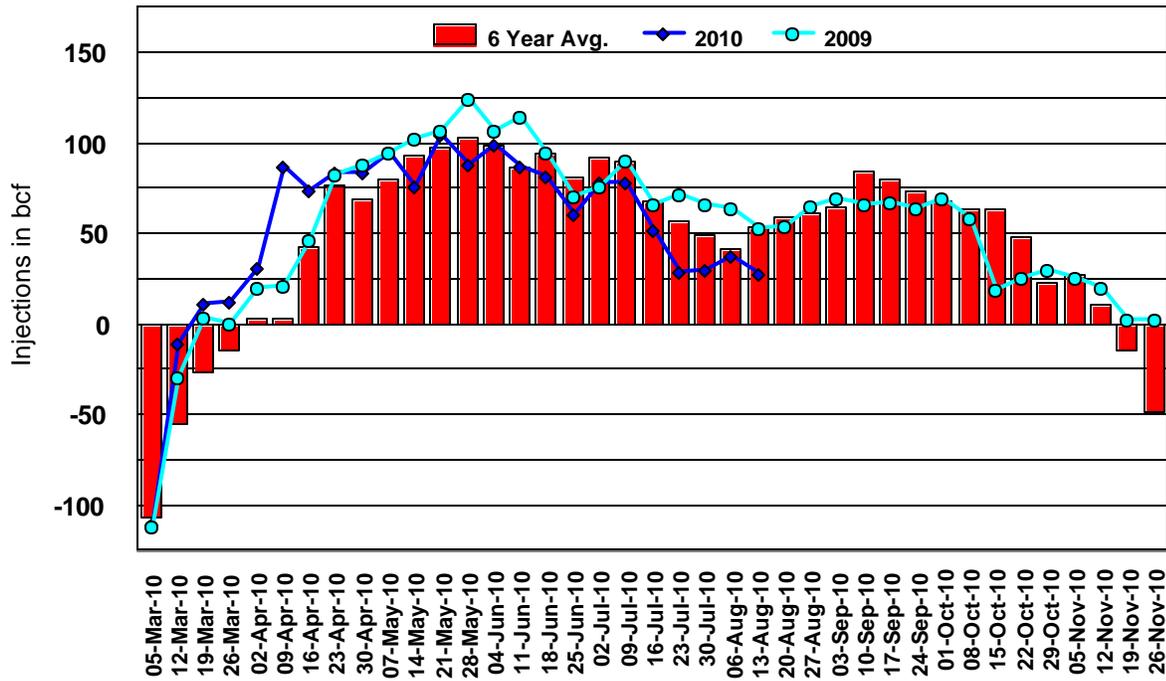
ERCOT – Luminant's 750 Mw coal fired Unit #1 at the Martin Lake power plant was scheduled to be taken off line today to fix a tube leak.

SERC – All three reactors at TVA's Browns Ferry nuclear plant ramped up 15% this morning and were at 60% power. The units have been running at reduced rates for several weeks due to high water temperatures in the Tennessee River.

NPCC- OPG's 494 Mw Lambton #2 coal fired power plant was shut for short-term maintenance etoday.

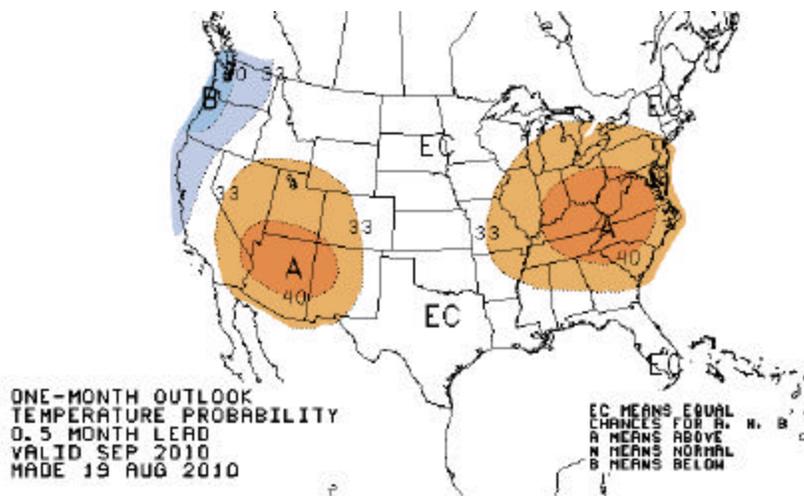
The NRC reported this morning that some 9,221 Mw of nuclear generation was operating today, up 0.9% from yesterday and down 0.4% from the same day a year ago.

2010 EIA Survey Build/Draw VS 6-Year Average



The Al Jassasiya LNG tanker from Qatar was scheduled to arrive at the Zeebrugge terminal on September 2nd.

Royal Dutch Shell said it plans to spend as much as \$50 billion in Australia over the next decade, more than in any other region, as the company continues to shift to gas production.



PIPELINE RESTRICTIONS

FGT said it has issued an overage alert day at 5% tolerance for August 19th due to high temperatures for its service territory.

Tennessee Gas Pipeline reported that for August 19th due to reduced nominations it will accept increases of 21,000 Dth for nominations pathed for delivery to the Leidy delivery meters.

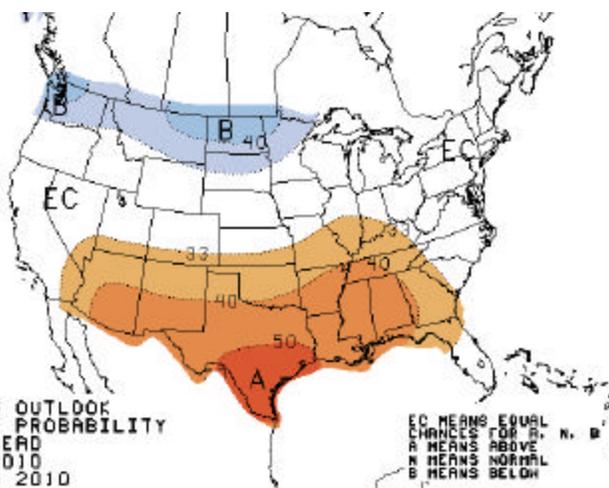
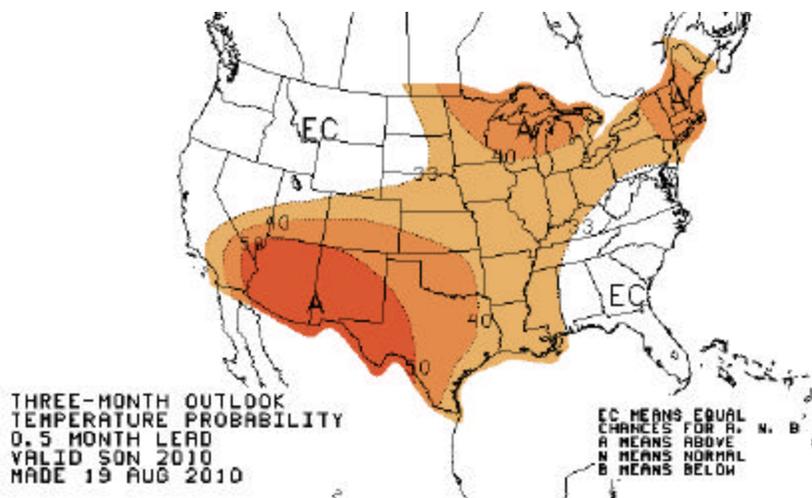
ELECTRIC MARKET NEWS

EBG Holdings, its principal operating unit Boston Generating and five other wholly owned units voluntarily filed for Chapter 11 in bankruptcy court. The company intends to continue its business operations throughout the administration of the bankruptcy case and said it has the requisite funding in hand for working capital purposes.

ECONOMIC NEWS

The Philadelphia Federal Reserve Bank reported this morning that factory activity in the U.S. Mid-Atlantic region unexpectedly contracted in August to its lowest level in more than a year. It was also the index's first contraction since July 2009. Meanwhile the Department of Labor reported that new claims for U.S. unemployment benefits unexpectedly climbed to a nine month high last week.

The Conference Board Leading Economic Index for the U.S. increased by 0.1% in July to 109.8, following a 0.3% decline in June, which had been revised lower from earlier estimates. The Conference Board noted that with inventory rebuilding moderating, the industrial core of the economy has moved at a slower pace, while the service sector has shown no change.



MARKET COMMENTARY

The market this morning over reacted to the slightly smaller than expected build in working gas stocks as reported by the EIA at mid morning, rallying a dime following the release of the storage report. But the general gloom of the economic reports for the day quickly put the brakes on the rally and the market returned to negative territory by midday and finished lower for the third day out of the last four. The market also posted an outside

trading session following two inside trading sessions.

The traded volume today was not particularly strong despite it being a volatile trading session and a storage report day. This leads us to believe that Friday's trading will be somewhat subdued given the summer absence of some traders. But with no true tropical threat on the horizon we still look for this market to make a move towards the \$4.00 level and it is at this level that we continue to look to be a seller of October \$3.50 or \$3.75 puts and or a buyer of October \$4.50 calls.

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