



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 24, 2010

NATURAL GAS MARKET NEWS

While the tropical activity in the Atlantic basin appears to be ratcheting up, there remains little immediate threat to the Gulf of Mexico. Hurricane Danielle which was estimated as a Category 2 hurricane this morning with winds of over 100 mph, and was expected to strengthen to a Category 3 storm later in the day or overnight suddenly found itself down graded to a Category 1 storm just three hours later with questions if it would even return to Category 2 strength over the next several days as unexpected dry air was seen wrapping into the western and southern side of the storm's circulation and as a result eroded the eye wall. By Tuesday evening the storm had been downgraded to just a tropical storm. The storm is seen curving northward and some 5 days from now finding itself east of Bermuda. Meanwhile forecasters are watching Invest 96-L a strong tropical wave located near the Cape Verde Islands that could become a tropical depression within the next 24 hours and a hurricane by the end of the week. While most track guidance has this system also curving harmlessly out into the Atlantic. There was still a slight possibility it could remain on a west-northwestwardly track for next week.

Generator Problems

NPCC- OPG's 490 Mw coal fired Unit #7 at the Nanticoke power plant returned to service this morning following a brief outage.

OPG's 515 Mw Pickering #6 nuclear unit was shut early this morning for maintenance work.

MAPP- Both units at Exelon's 2330 Mw Braidwood nuclear plant ramped up Tuesday. The 1178 Mw Unit #1 was back at full power Tuesday, up 14% from Monday, while the 1152 Mw Unit #2 was at 85% power up 27% from yesterday. Both units had been shut a week ago Monday due to a possible electrical fault.

ERCOT – Unit #1 at the coal fired Martin Lake steam electric station continued to have maintenance on ESP sets during daylight hours.

SPP – Entergy's 995 Mw Arkansas Nuclear 2 power reactor in Arkansas was shut early Tuesday, due to a planned emergency diesel generator outage. The adjacent 843 mw Unit #1 though continued to run at full power on Tuesday.

SERC- TVA's 1065 Mw Browns Ferry #1 nuclear unit and the 1104 Mw Unit #2 increased output Tuesday. Unit #1 was at 92% power, up 22% from Monday while Unit #2 was at 81% power up 13% from yesterday.

The NRC reported this morning that some 95,487 Mw of nuclear generation was operating today, up 0.1% from yesterday and up 1.9% from the same day a year ago.

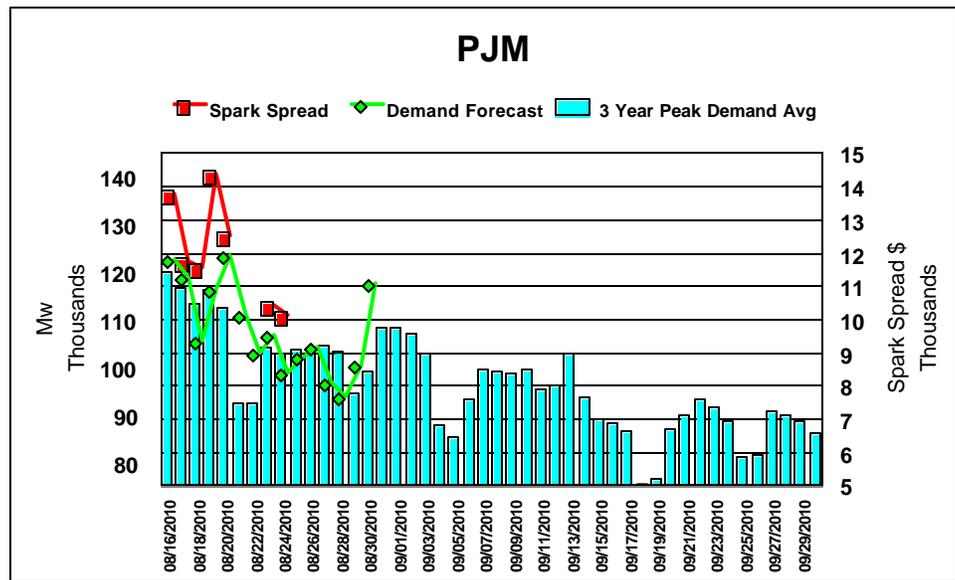
The private weather forecaster WSI Corp said today that while it expects a "very active" remainder of the Atlantic hurricane season, it still reduced its outlook for the number of named

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	566,600	\$4.070	(\$0.050)	\$0.026	\$0.023	(\$0.181)
Chicago City Gate	645,700	\$4.033	(\$0.076)	(\$0.010)	(\$0.037)	\$0.051
NGPL- TX/OK	931,600	\$3.946	(\$0.046)	(\$0.097)	(\$0.007)	(\$0.051)
SoCal	661,500	\$3.676	\$0.045	(\$0.367)	\$0.084	(\$0.490)
PG&E Citygate	892,900	\$3.770	\$0.034	(\$0.274)	\$0.073	(\$0.394)
Dominion-South	446,300	\$4.120	(\$0.039)	\$0.077	\$0.000	\$0.138
UTrade Weighted	21,677,700	\$3.845	(\$0.016)	(\$0.198)	\$0.02	(\$0.181)

storms and hurricanes by 1 to 18 and 10 respectively. But the forecaster still looks for 5 hurricanes to reach Category 3 or higher. WSI's hurricane landfall forecasting model continues to look for the coastal region from the Outer Banks of North Carolina northward to Maine is twice as likely as normal to experience a hurricane this year. The forecaster noted that over the last seven tropical seasons where a transition to La Nina occurred, 85% of all named storms occurred after August 16th. They noted that while small destructive pockets of wind shear and widespread dry air have hampered the early part of the current season, the atmosphere is now quickly becoming more favorable for tropical development.



National Grid reported that the Suez Neptune LNG tanker has berthed at its Isle of Grain terminal on Tuesday.

It appears that the restart of the southern leg of the Swiss-Italian Transgas pipeline was expected to be pushed back until at least November.

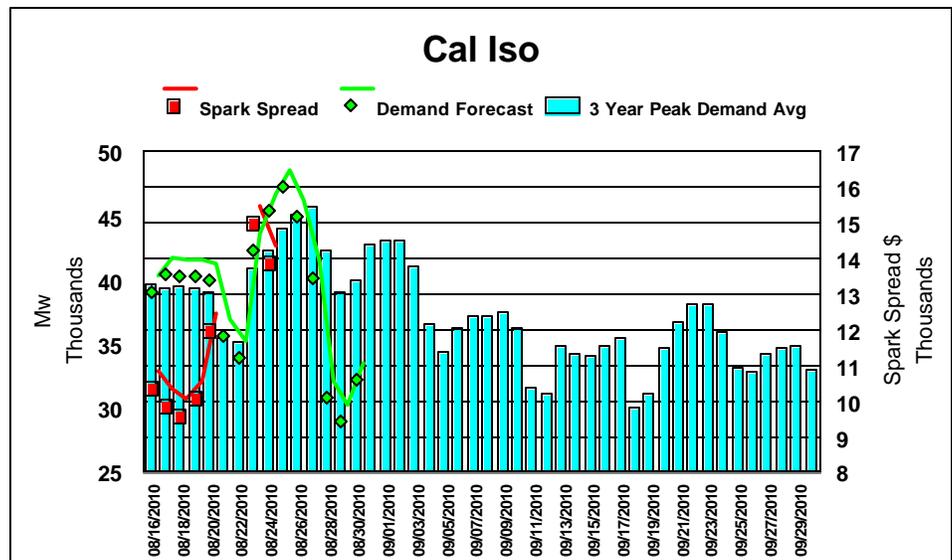
Mitsubishi Corporation announced Tuesday it has signed a contract to join in Penn West Energy Trust's project to produce shale gas in Cordova, British Columbia.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said today that it had lifted its restrictions at the Leidy Meters and would accept nomination increases of about 32,000 Dth.

ELECTRIC MARKET NEWS

ERCOT reported that Texas set yet another new all-time electric use record on Monday afternoon, as high temperatures coupled with the resumption of classes at many school districts and universities boosted air condition demand for electricity.

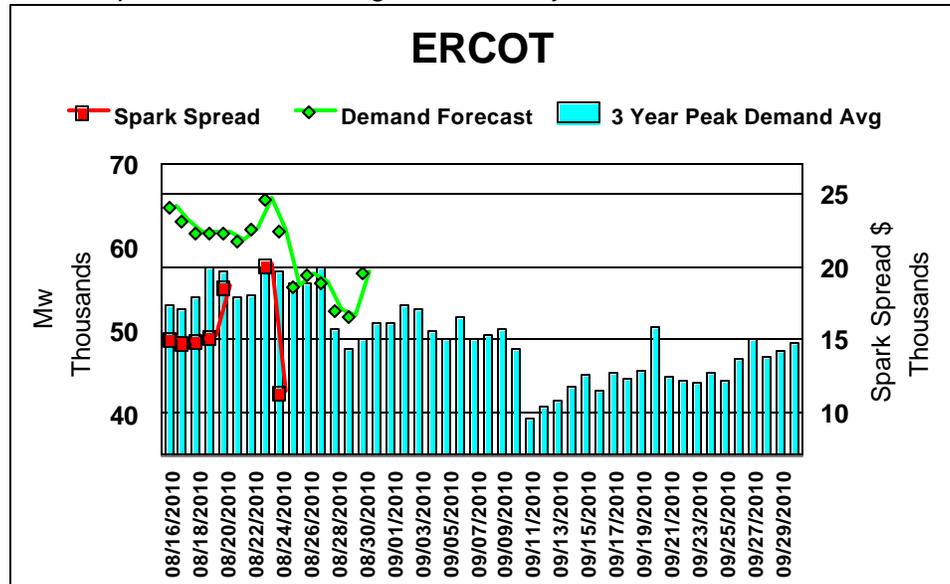


Power use between 4 and 5 pm was 65,715 Mw surpassing the prior record of 64,805 Mw set just a week ago. The grid operator had earlier in the year not expected power demand to exceed 65,000 Mw until 2011 due to the economic

slowdown. No major issues were reported across the grid. Electricity from the state's wind farms averaged just 650 Mw during the peak hour as wind generation typically is restrained during the summer months.

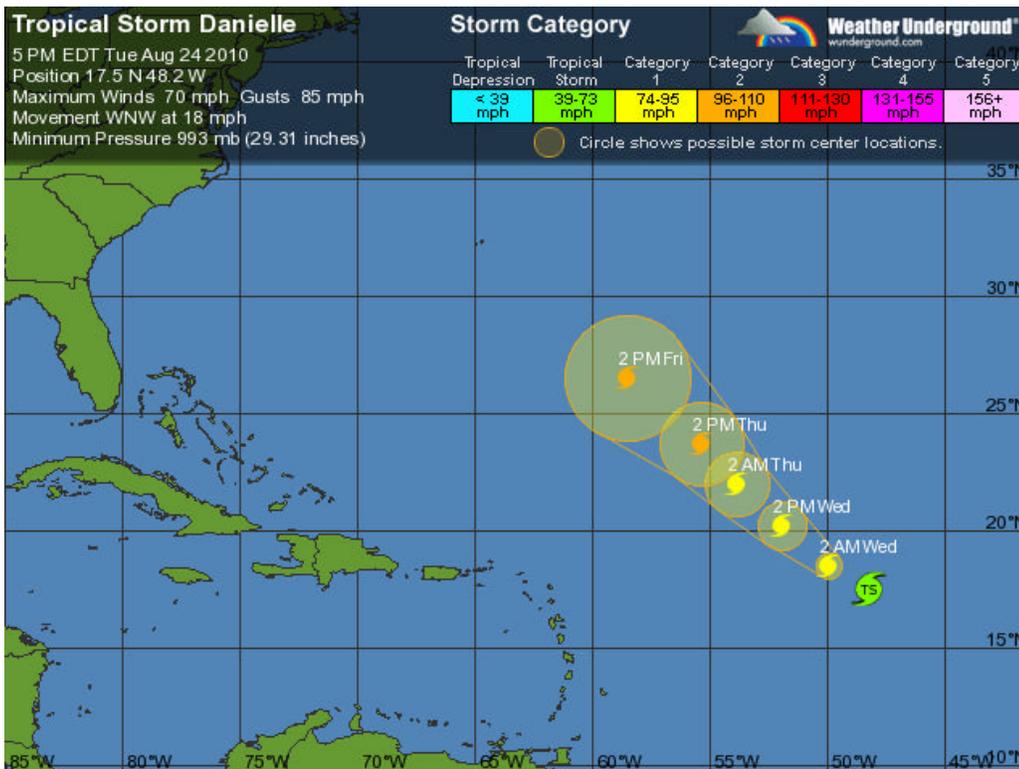
Genscape reported that coal stockpiles at U.S. power plants fell 1% this week and were 19.5% smaller than the same time a year ago.

TVA said it will idle about 1000 Mw of aging, inefficient coal fired generation over the next few years as it shifts to lower carbon resources. Nine units at three locations, which will no longer run beginning next year, are: Shawnee Unit 10; John Sevier Units 1 and 2 and Widows Creek Units 1-6. TVA also noted that other units totaling about 6000 Mw would require scrubbers or other environmental equipment additions in the future.



ECONOMIC NEWS

The National Association of Realtors said existing home sales in July fell by 27.2% on the month to an annual rate of 3.83 million units, the lowest level since May 1995. June's sales were revised down to 5.26 million units from a previously reported 5.37 million. The inventory of previously owned homes for sale increased 2.5% to 3.98 million units from June, representing a supply of 12.5 months.

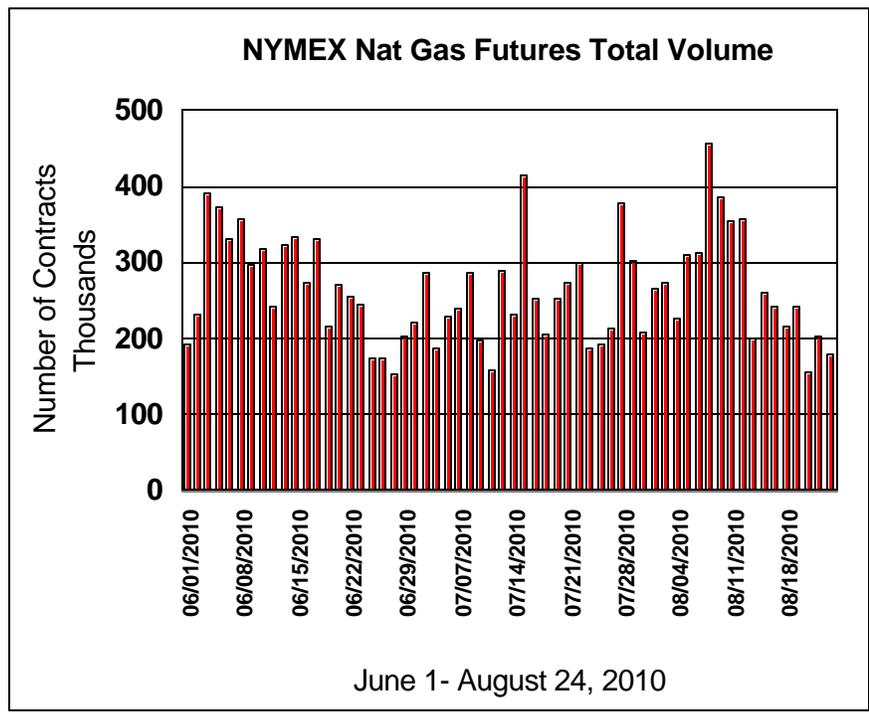
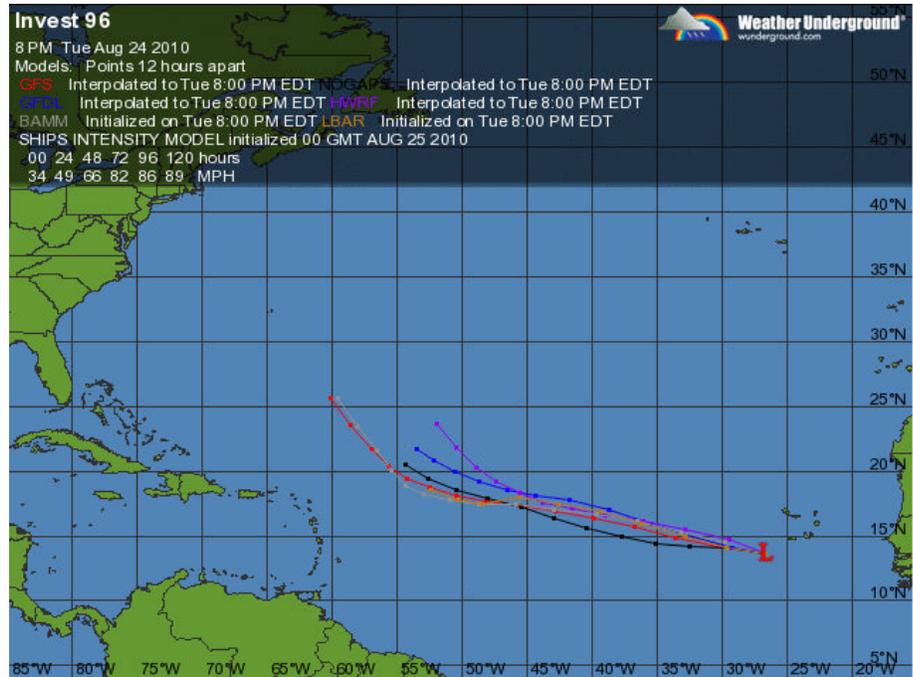


Chicago Federal Reserve Bank President Charles Evans said the risks of a double dip US recession have increased in the last six months. He said that while a new contraction in the economy is still not the most likely scenario, high unemployment and a fractured housing sector make the recovery a fragile one. He said a double dip is not the most likely outcome but is concerned about how strong the recovery will be.

Dallas Federal Reserve Bank President Fisher said the US Federal Reserve decided to reinvest proceeds from its mortgage related assets to avoid unintentionally clamping down on monetary policy when the recovery was showing signs of weakening.

MARKET COMMENTARY

While the oil market saw good volume today the natural gas markets saw volume contract by 12% from yesterday and as a result post one of the slowest trading days of this summer. The negative economic news today, which helped to pressure oil and equity markets also weighed on natural gas prices. But as prices approached the \$4.03 level prices appeared to find decent support.



As long as the current tropical outlook shows no immediate or possible threat to the Gulf the natural gas market appears will remain in the defensive and looking to challenge support at \$4.027 followed by \$3.986 and \$3.855. Resistance we see starting at \$4.08 followed by \$4.181 and \$4.375. Additional resistance we see at \$4.401, \$4.517 and \$4.633.

The Oct - Jan spread despite the absence of hurricanes continues to hold onto value fairly well, settling tonight with an October discount to the January of 57.7 cents. While volume has been relatively poor in recent days in this spread we would look for an upswing in activity with the

emergence of a supportive or bullish tropical forecast or a move to challenge key support at 66.7 cent discount an area where we would take a flyer on bull spreading this spread going into the heart of the hurricane season.

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