



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 25, 2009

NATURAL GAS MARKET NEWS

WSI Corp said it still sees a quiet 2009 Atlantic hurricane season with conditions not conducive to an active year for violent storms. It predicts a season of 10 named storms, five hurricanes and two intense hurricanes of category 3 or greater, unchanged from its July forecast.

The US National Hurricane Center said a tropical wave in the western Atlantic Ocean northeast of Puerto Rico has a high chance, greater than 50%, of becoming a tropical cyclone during the next 48 hours. It said the system has become better organized and upper level winds are expected to become more conducive for development over the next day or so as it moves west northwest at about 20 mph. While private forecasters agreed the system has the potential to strengthen into a tropical depression or a tropical storm, most see it steering in a more northerly direction toward the East Coast.

Generator Problems

WSCC – PG&E's 1,150 MW Diablo Canyon nuclear unit 2 in central CA was at 97% early Tuesday, up from 78% Monday. The unit shut on Aug. 13 for an in depth analysis of the reactor's main electrical transformer "A" phase 500 kv bushing.

SERC – Wolf Creek's 1,116 MW reactor in Kansas ramped up to 48 % up from 7% on Monday. The unit was shut on Wednesday due to a turbine trip. At the time of the turbine trip, the unit experienced a momentary loss of offsite power.

Tennessee Valley Authority's 1,105 MW Unit 3 at the Browns Ferry nuclear power station in AL was shut as of early Tuesday. The unit was shut Monday evening due to the loss of two of three condensate booster pumps because of low pump suction pressure. The unit was operating at 100% capacity on Monday.

NPCC – OPG's 490 MW Unit 8 at the Nanticoke coal – fired power station in Ontario was shut early Tuesday. Unit 7 shut by Aug 10 and is expect to return in late Aug.

FRCC – Progress Energy Inc's 838 MW nuclear Unit 3 at the Crystal River power station in FL was shut early Tuesday, after running at 100% on Monday.

The NRC reported this morning that 92,909 Mw nuclear generation capacity was on line, down 2.18% from Monday and down 2.43% from the same time a year ago.

Petronet LNG Ltd. will supply 1.2 million metric tons of LNG from its upcoming Kochi plant to NTPC Ltd. The gas supply, likely to begin in 2014, will feed NTPC's plant in Kayamkulam. NTPC plans to expand its Kayamkulam plant, located in the southern state of Kerala, to 1,950 MW from 350 MW now.

Two LNG tankers from Qatar are expected at Belgium's Zeebrugge terminal by Sept. 3. The Al Daayen tanker, which can carry 148,000 meters of the super- cooled gas, was heading towards Belgium through the Mediterranean Sea early on Tuesday. The expected date of arrival is Aug. 31, followed by the Al Jassasiya on Sept 3.

The Canaport LNG gas terminal in New Brunswick received its fourth LNG cargo on Monday afternoon. Respol YPF's 138,000 cubic meters Bilbao Knutsen LNG tanker set sail from Trinidad last week. The Canaport terminal is responsible for sending out 1 billion cubic feet of gas per day.

Elba Island is expected to receive three tankers between now and Sept. 10 and Sept 12. BG Group's 145,000 cubic meter LNG tanker, Methane Lydon Volney, was expected to arrive at the Elba Island NLG terminal on Tuesday from Egypt. U.S. imports of the super-chilled gas have been slower than expected this year, with only Elba Island and the Everett terminal in Boston taking regular cargoes.

Sonatrach's 138,088 cubic meters LNG tanker is expected to arrive at Britain's Isle of Grain Terminal from Algeria on Sep 1.

The Federal Energy Regulatory Commission has approved ANR Pipeline's proposal for a loop expansion of its 30-mile Madison Lateral to meet growing demand for natural gas in Wisconsin.

Newfield Exploration, located in Houston, said late Monday that it planned to voluntarily curtail about 2.5 Bcfe of its 3Q2009 production in response to low natural gas prices.

PIPELINE MAINTENANCE

Transco has completed the necessary repairs on a leak on a pipeline, which it operates in North Padre Island block 933 and all affected locations are available to flow. A leak was discovered on the pipeline on Aug.14.

Kinder Morgan Interstate Gas Transmission said maintenance scheduled for Wednesday, Sept. 9 and Tuesday, Sept. 22 at its Laton and Herndon compressor stations has been cancelled.

PIPELINE RESTRICTIONS

CGT has issued a system wide operational flow order in effect for gas day Aug. 25 due to low inventory. Customer supplies are required to be within a 7% tolerance requirement of daily usage to avoid noncompliance penalties. When the forecast pipeline-ending inventory exceeds the upper pipeline inventory operating limit or falls below the lower pipeline inventory operating limit, an operational flow order may be called to maintain the integrity and reliability of the gas transportation system.

Midcontinent Express Pipeline Co. is declaring a force majeure on its system and will offer a discounted interruptible transportation service rate of 5 cents for receipts at the Centerpoint Delhi Richland Point to available deliver points for flow on gas day Wednesday, Aug. 26.

Effective gas day Wednesday, Aug. 26, operating conditions at Clay Basin will allow a total injection capacity of 310,000 Dth/d with a daily injection capacity of 285,000 Dth and park/loan injection capacity of 25,000 Dth.

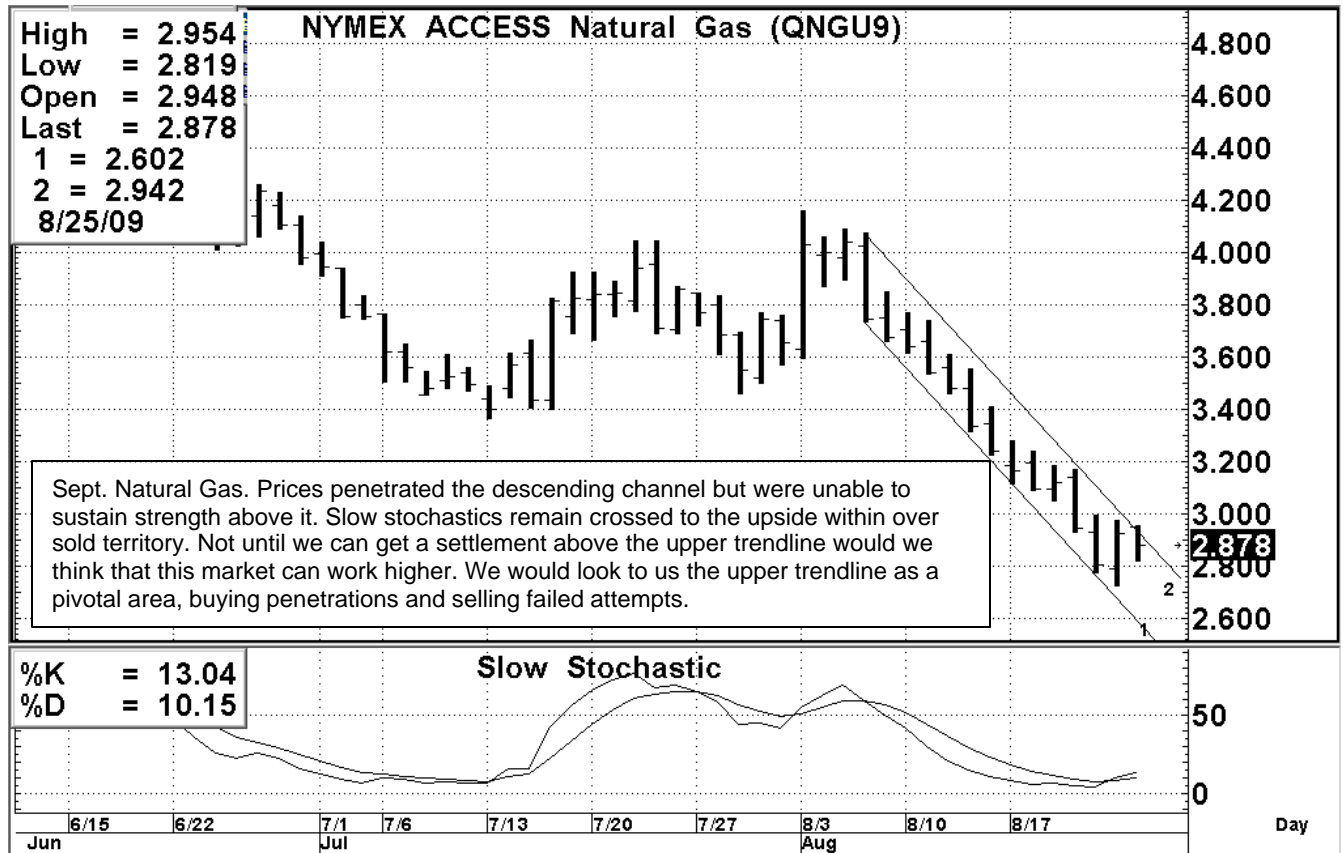
Effective gas day Tuesday, Aug. 25 and continuing until further notice, FL Vermillion has limited capacity available for deliveries. Limited interruptible transport service/authorized overrun and secondary firm transports are available.

MARKET COMMENTARY

Natural gas traded lower today, with the bulk of the trading taking place between \$2.889 and \$2.8390. It appears that yesterday's move higher was nothing more than a price correction, as the true fundamentals of this market weighed in. Record high storage, coupled with diminishing demand and predictions of milder weather were part of today's sell-off. Natural gas remains within the descending channel after spending a brief time above it. Based upon the fundamentals of this market and the peak

of summer heat over, we would look for prices to continue lower, working towards the channel bottom, which is currently set at \$2.602.

The natural gas market is seen finding support at its low of \$2.819, \$2.816, \$2.75, \$2.681. Resistance is seen at \$2.954, \$3.02 and \$3.086.



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