



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 26, 2010

NATURAL GAS MARKET NEWS

The National Weather Service this morning reported that Tropical Storm Earl had strengthened slightly overnight as it continued to move in a west-northwest direction toward the northern Leeward Islands. The storm could reach Category 3 strength by early next week. Track guidance models continue to call for the storm to eventually curve toward the northwest and toward Bermuda and not be a threat to the U.S. Gulf coast. Meanwhile Hurricane Danielle has strengthened back to a Category 2 hurricane overnight and is expected to reach a Category 3 storm by Friday and into the weekend. The storm though remains on track to move just past Bermuda to the east. But what may be of interest to traders is the current tropical wave just now tracking off the coast of Africa. Some of the computer models have this tropical wave being sheared apart due to its close proximity to Earl but other models have it moving at a slower pace westward and thus remaining far enough away to develop on its own. Some models have this storm reaching the Caribbean and western Cuba in 10 days.

Private weather forecaster Jim Rouiller at Planalytics said today that he sees the Gulf of Mexico and Florida being at greater risk of hurricanes in early September. He noted the thunderstorm complex currently moving through the Sahel region in West Africa could represent the first real threat to the Caribbean in 10-12 days.

Generator Problems

NPCC- Entergy's 852 Mw FitzPatrick nuclear unit ramped up 39% from yesterday and was at 94% power this morning.

OPG's 490 Mw Units #1 and #3 at the Nanticoke coal fired power plant were shut early Thursday for maintenance.

SERC – Duke Energy's 846 Mw Oconee #3 nuclear unit dropped to only 20% power this morning. The unit had been at full power on Wednesday. The reduction was made to conduct maintenance work on a relief valve.

Santee Cooper's Cross coal fired 2416 Mw power plant ramped up over the past 12 hours after powering down and was at 75% power this morning.

MISO – Duke Energy's JM Stuart 2452 Mw coal fired power plant ramped up over the past day after powering down and was running 71% of capacity.

Duke Energy's coal fired 1425 Mw WH Zimmer power plant tripped late Wednesday.

Dayton Power's 690 Mw coal fired Killen Station power plant shutdown on Wednesday.

AEP's 2600 Mw Rockport coal fired power plant ramped up Thursday morning and was at 93% power.

ERCOT – NRG's Limestone coal fired power plant powered down Wednesday but has since ramped back up and was running at 97% power this morning.

Luminant's Oak Grove 1710 coal fired power plant ramped its units back up on Wednesday and was running near 94% of power this morning.

SPP – KCP&L's 1578 Mw La Cygne coal fired power plant ramped up its generators on Wednesday and the unit was at 84% capacity this morning.

WECC – PacificCorp's Jim Bridger 2318 Mw coal fired power plant ramped up its generators Wednesday and the unit was at 98% power.

The NRC reported this morning that some 95,528 Mw of nuclear generation was operating today, down 0.6% from yesterday and up 1.8% from the same day a year ago.

Sahel region in West Africa could represent the first real threat

The EIA in its Natural Gas Weekly Update said today it estimates gas demand was some 5% lower last week as a result of lower demand for power generators by 10% and a 3% reduction in demand by industrial customers for natural gas. Demand though remained significantly above year ago levels, with power generation demand some 8% higher than a year ago and industrial demand 1% higher. The agency said the overall drop in supplies in natural gas during the week resulted from declines in Canadian imports and LNG send out, which fell 4% and 2% respectively.

EIA Weekly Report

| | 08/20/2010 | 08/13/2010 | Change | 08/21/2009 |
|-------------------------|------------|------------|--------|------------|
| Producing Region | 949 | 954 | -5 | 1078 |
| Consuming East | 1624 | 1576 | 48 | 1718 |
| Consuming West | 479 | 482 | -3 | 454 |
| Total US | 3052 | 3012 | 40 | 3197 |

*storage figures in Bcf

Gazprom said it has doubled its natural gas exports to Turkey to make up for the shortfall Turkey has experienced following the blast on the Iranian-Turkish gas pipeline earlier this week. Turkish officials noted that repairs on the damaged pipeline might not be completed for a week.

The chairman of the state run explorer Oil India Ltd is looking for shale gas opportunities in overseas markets.

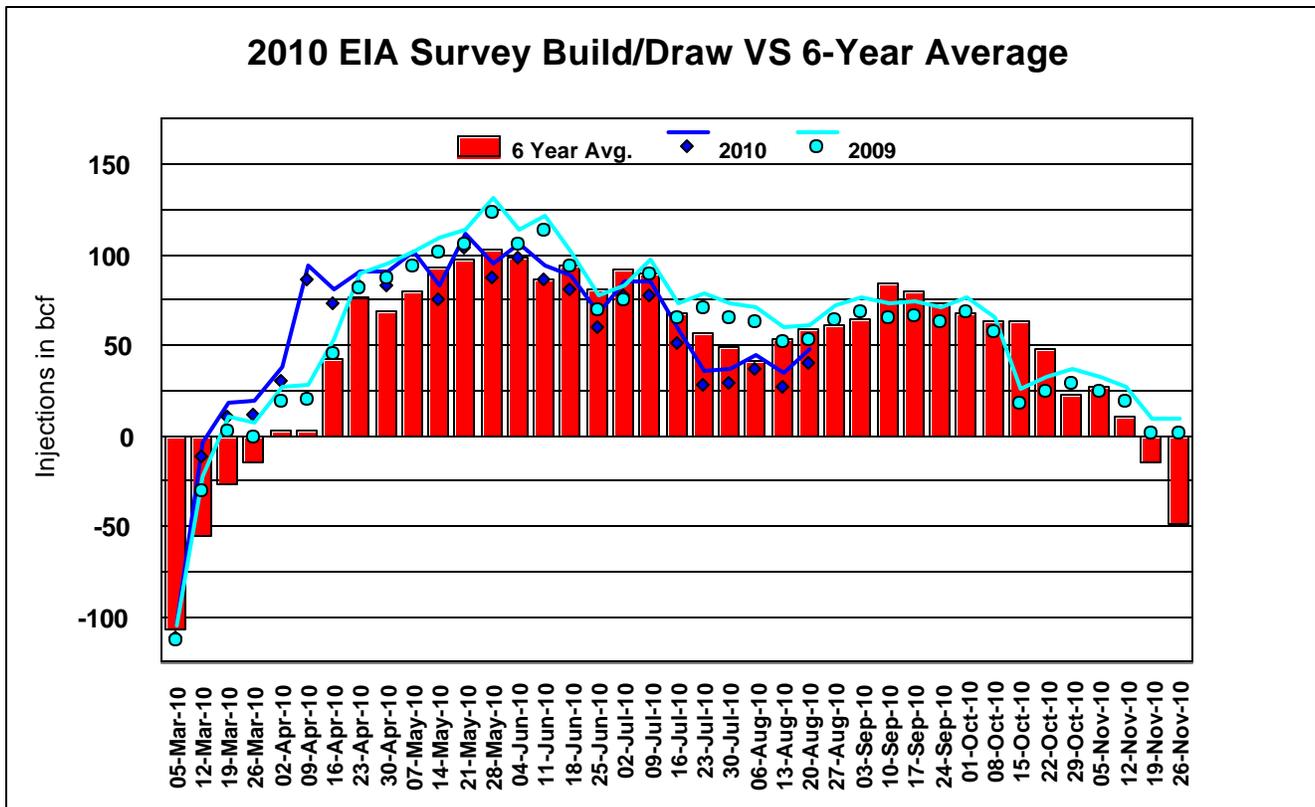
Canadian Gas Association

Weekly Storage Report

| | 20-Aug-10 | 13-Aug-10 | 21-Aug-09 |
|--------------|-----------|-----------|-----------|
| East | 174.7 | 170 | 217.2 |
| West | 349 | 343.8 | 332.4 |
| Total | 523.7 | 513.8 | 549.6 |

storage figures are in Bcf

Australian energy firm Santos Ltd said it has raised the amount of equity it was prepared to sell in its flagship \$15 billion Gladstone LNG project from 9% to 15%. Santos said it was already in advanced discussions with a number of Asian buyers for sale on an equity stake in the project as well as binding LNG sales contracts, with volumes likely to underpin both first and second production trains for the project. Santos holds a 60% stake in the project with Malaysia's Petronas the other major equity holder in the project.



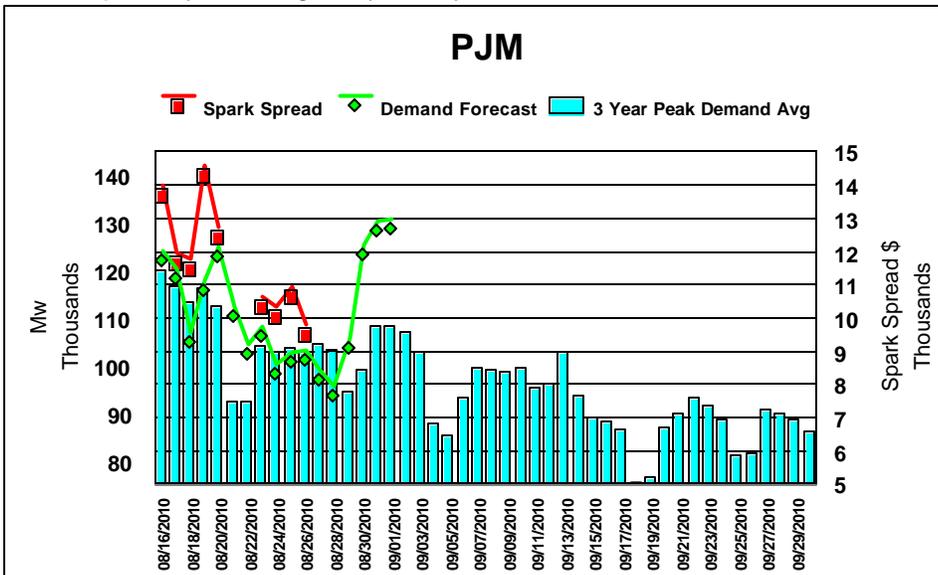
PetroChina confirmed today that is in talks with ConocoPhillips in shale gas plays in China. The company also said it continues to expand its coal-seam gas business.

Chile's state oil and gas company Empresa Nacional del Petroleo said it aims to double the amount of LNG it had originally planned to truck to its Bio Bio refinery near its southern port of Talcahuano. The gas will come from the GNL Qintero

regasification terminal. The company sees that using LNG will be more efficient and cheaper than the gas it currently uses

| Natural Gas Cash Market | | | | | | |
|--------------------------|------------|---------|-----------|------------------|-----------|-------------|
| ICE Next Day Cash Market | | | | | | |
| | Volume | Avg | Change | Basis | Change | Basis 5-Day |
| Location | Traded | Price | | (As of 12:30 PM) | | Moving Avg |
| Henry Hub | 430,900 | \$3.853 | (\$0.140) | \$0.024 | (\$0.028) | (\$0.168) |
| Chicago City Gate | 513,800 | \$3.799 | (\$0.122) | (\$0.030) | (\$0.069) | \$0.011 |
| NGPL- TXOK | 689,600 | \$3.726 | (\$0.123) | (\$0.103) | (\$0.070) | (\$0.075) |
| SoCal | 654,400 | \$3.595 | (\$0.106) | (\$0.234) | (\$0.053) | (\$0.361) |
| PG&E Citygate | 534,500 | \$3.648 | (\$0.093) | (\$0.181) | (\$0.040) | (\$0.277) |
| Dominion-South | 450,400 | \$3.904 | (\$0.122) | \$0.075 | (\$0.069) | \$0.100 |
| USTrade Weighted | 20,031,900 | \$3.701 | (\$0.081) | (\$0.128) | (\$0.03) | (\$0.168) |

which is generated from the refining process. The company looks to take 1,200 to 2,400 cubic meters of LNG per day, starting early next year.



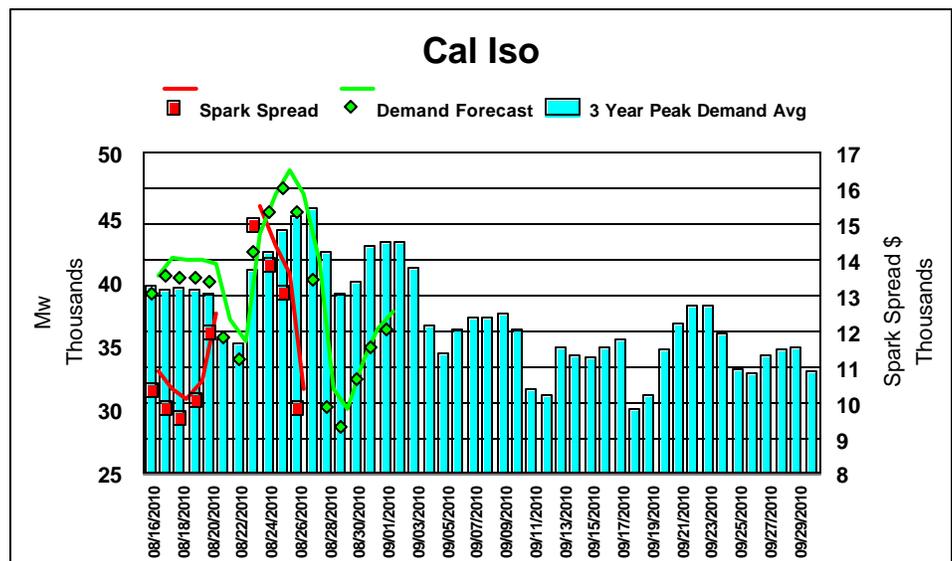
Peru's mining ministry said today that it will "correct" previous agreements on natural gas exports and royalty payments before the mandate of the current administration ends in July 2011. The process will "guarantee that reserves from Lot 88 will not be exported in the next ten years." Lot 88 is the main block in Peru's Camisea natural gas fields.

ELECTRIC MARKET NEWS

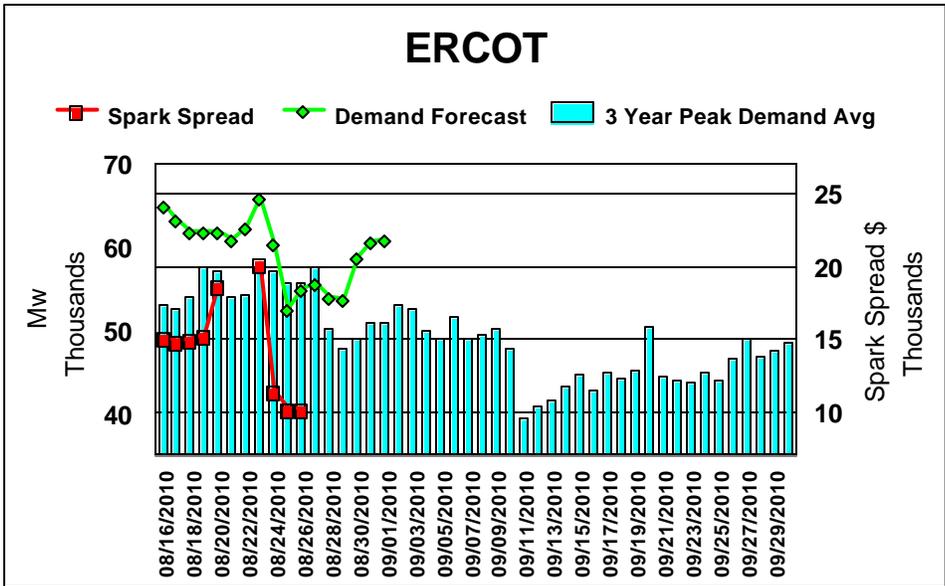
Vice President Joe Biden said today that the Obama administration's renewable energy investments have bought \$100 billion in private capital "off the sideline" and into the marketplace. He said these investments in this area are transforming the U.S. economy.

ECONOMIC NEWS

The KC Federal Reserve Bank reported this morning that its manufacturing index in August stood at zero, down from 10 reported for



July. An index number above zero indicates expansion while a number below zero indicates contraction.



The Labor Department reported today that the number of workers making new claims for jobless benefits fell last week by more than expected, dropping by 31,000 to 473,000. New claims for the previous week were revised upward to 504,000.

MARKET COMMENTARY

A slightly larger than expected build in the weekly storage numbers sent natural gas falling to an 11-month spot contract

low. The September contract slipped 2 percent, losing 7.7 cents upon the release of the 40 billion cubic feet increase. Front month gas prices based upon the 12- month strip, have fallen 8.5 cents and are down 29 percent since January's peak of \$6.191. The lack of any serious storms making threats in the Gulf of Mexico coupled, economic woes and expectations of production hitting a 40-year high, natural gas prices should remain under pressure. Not until we see definitive signs of an economic recovery or extremely low gas prices curtailing production, can we expect this market make to make a healthy rebound.



Invest 97

2 PM Thu Aug 26 2010

Models: Points 12 hours apart

BAMM Initialized on Thu 2:00 PM EDT LBAR Initialized on Thu 2:00 PM EDT

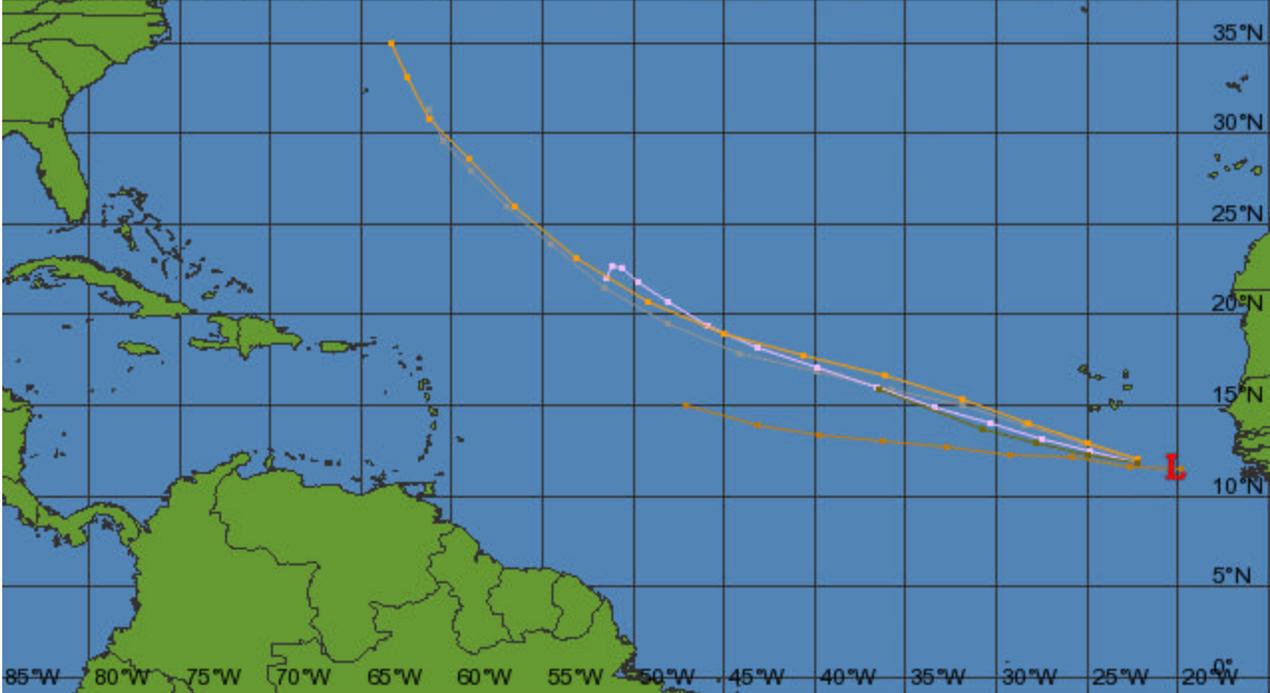
BAMD Initialized on Thu 2:00 PM EDT BAMS Initialized on Thu 2:00 PM EDT

CLIP Initialized on Thu 2:00 PM EDT IVCN Initialized on Thu 2:00 PM EDT

SHIPS INTENSITY MODEL initialized 18 GMT AUG 26 2010

00 24 48 72 96 120 hours

28 44 65 78 78 73 MPH



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