



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 31, 2010

NATURAL GAS MARKET NEWS

The National Weather Service noted this morning that Tropical Storm Fiona had changed little overnight and now forecasters see the storm remaining at tropical storm strength as it appears to be following the path of Hurricane Earl or a little east of its track and thus not a threat to the Gulf Coast or even the Atlantic Coast. Forecasters though were watching an area of low pressure, Invest 98-L located about 400 miles southwest of the Cape Verde Islands. Expectations were that this area would have little chance to develop into a tropical cyclone in the next 48 hours as it moves westward at 15 mph but by the weekend additional development is possible. Currently none of the model guidance forecast develop of this system.

Port authorities at Britain's Milford Haven reported that the 266,000 cubic meter LNG tanker Mōzah is scheduled to arrive at the South Hook LNG terminal on September 4th. The 266,000 cm LNG tanker the Al Ghuwairiya is also expected to arrive in Britain around September 9th. The Zeebrugge website reported that the 145,000 cm LNG tanker Ejan was due to arrive in Belgium on September 13th. Meanwhile this afternoon it became known that the Qatari LNG tanker Onaiza, which had been expected to deliver to Mexico's Altamira terminal on September 14th, has been diverted to Britain's South Hook terminal on September 7th. The tanker, which can carry 210,000 cubic meters of gas, was last seen anchored off of Malta lednesday.

The Dutch Ministry of Economic Affairs said today that a stimulus program to encourage production in marginal North Sea gas fields could lead to extra output of up to 21 bcm of natural gas. The program is slated to kick off September 16th. It will allow for producers to write off up to 25% of the capital cost of producing in the marginal fields.

Generator Problems

NPCC – Dominion's 1600 Mw coal fired Brayton Point power plant while restarting on Monday was back down at only 33% power.

OPG's coal fired Unit #3 at the Nanticoke power plant was shut early Tuesday while Unit #2 returned to service. Unit #2 was shut over the weekend.

PJM – Duke Energy's 3340 Mw coal fired Gibson power plant ramped up on Monday and was at 56% power this morning.

Duke Energy's 600 Mw coal fired R. Gallagher power plant ramped up on Monday but powered down overnight and was running at 45% power.

NRG's 819 Mw coal fired Indian River power plant ramped back online Monday and was at 45% power this morning.

Dayton Power's 690 Mw coal fired Killen Station powered down late Monday and was running at 454% power this morning.

SERC – Progress Energy's 2594 Mw Roxboro power plant ramped up yesterday before powering back down and was at 50% power this morning.

MISO – Exelon's Quad Cities #1 nuclear unit returned to full overnight.

WECC – Public Service Company's 1848 Mw coal fired power plant 89% power this morning

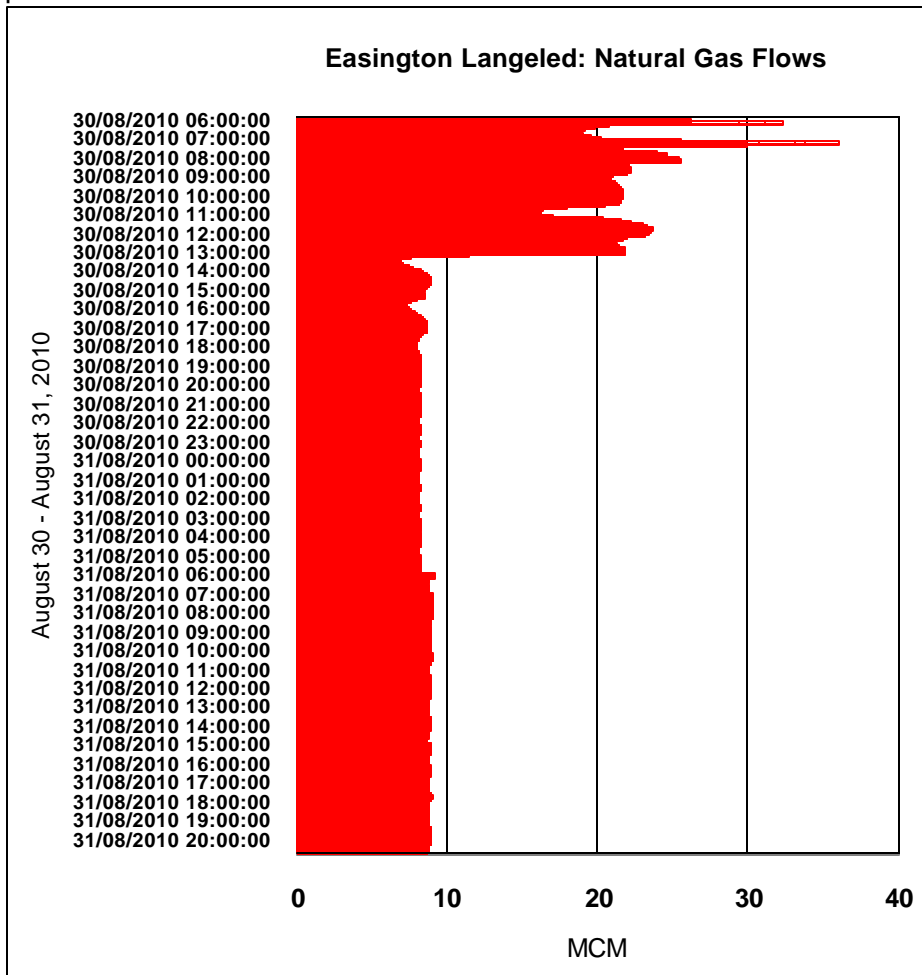
ERCOT – AEP's #2 coal fired Welsh power plant was slated to undergo maintenance Tuesday morning and last until Wednesday at least. Operators were removing a fan from service.

The NRC reported this morning that some 96,333 Mw of nuclear generation was operating today, down 0.1% from yesterday and up 0.4% from the same day a year ago.

Statoil declined comment today on the unexpected drop off in gas flows through the Langeled pipeline, which dropped from 22 mcm on Monday afternoon to around 9 mcm on Tuesday.

REX Energy announced today that it has sold 20% of interests in nineteen Marcellus Shale plays for \$5.7 million to Sumitomo.

The U.S. Freeport LNG terminal in Texas is currently loading a tanker for re-export overseas, Freeport LNG told Reuters today. The loading began Monday evening and will take two to three days. The 138,000 cm Excalibur tanker was docked at the terminal. The company said it was expecting to import two cargoes later this month at the terminal, which may be re-exported at a later time. Currently U.S. spot gas prices are some \$4.00 per Mmbtu below Asian values and \$3.00 less than European spot prices.

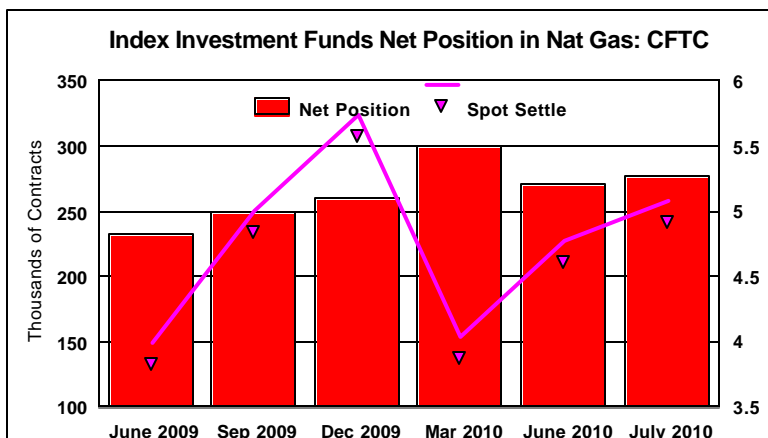


Spectra Energy said it has completed acquisition of the Bobcat Gas Storage assets and it plans to invest another \$400-\$500 million to fully develop the facility and bring the working gas storage capacity to 46 bcf.

Turkmenistan officials will seek to revive talks on construction of the TAPI gas pipeline, which would run across Afghanistan to Pakistan and India when its leaders meet with Afghan officials next month. The proposed pipeline would have a capacity of 33 bcm/year and would run 1250 miles and cost \$3.3 billion.

China Petroleum and Chemical said today it has started commercial operations of its \$9.2 billion Sichuan-to-East natural gas project. The project has a designed capacity of 12 bcm annually and will move gas from Sinopec's largest gas field, Puguang to Shanghai and other eastern cities.

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ELECTRIC MARKET NEWS

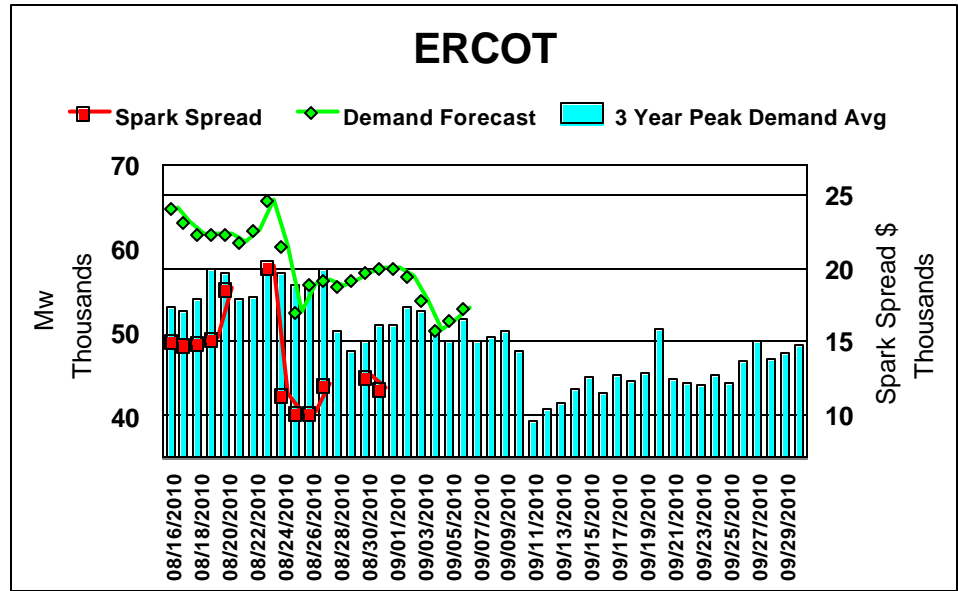
Genscape reported that coal stocks at U.S. power plants were basically unchanged this week from last but were 19.9% smaller than last year. Coal supplies though are still well above the 10 year average.

ISO New England reported to the FERC that it has procured 37,501 Mw of

generation and demand side resources to meet the region's needs for 32,127 Mw of capacity in 2013 and 2014. The resources were procured via the Forward Capacity Market auction. The latest auction started at a price of nearly \$9.84 per Kw-month and concluded with a floor price of \$2.95 per Kw-month.

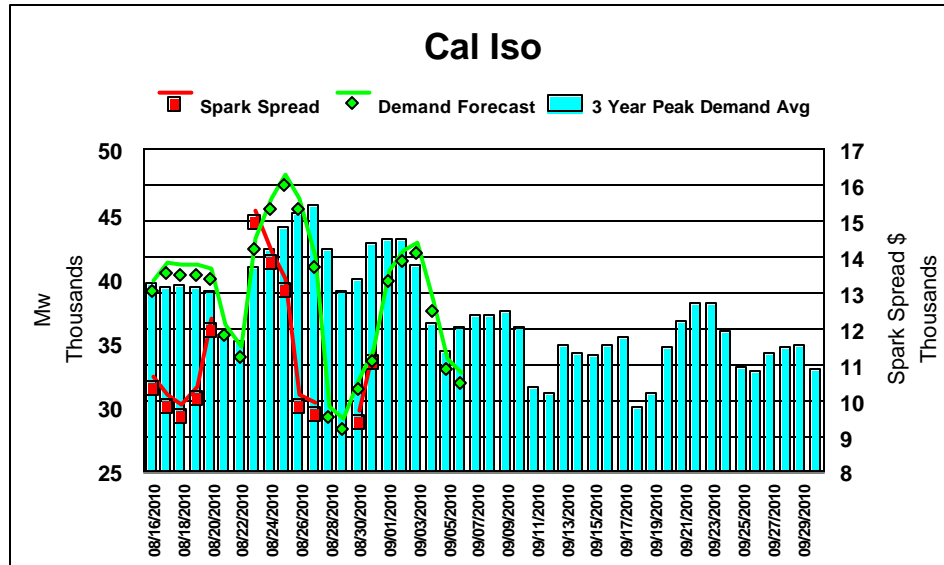
ECONOMIC NEWS

According to the Conference Board, US consumer confidence increased modestly in



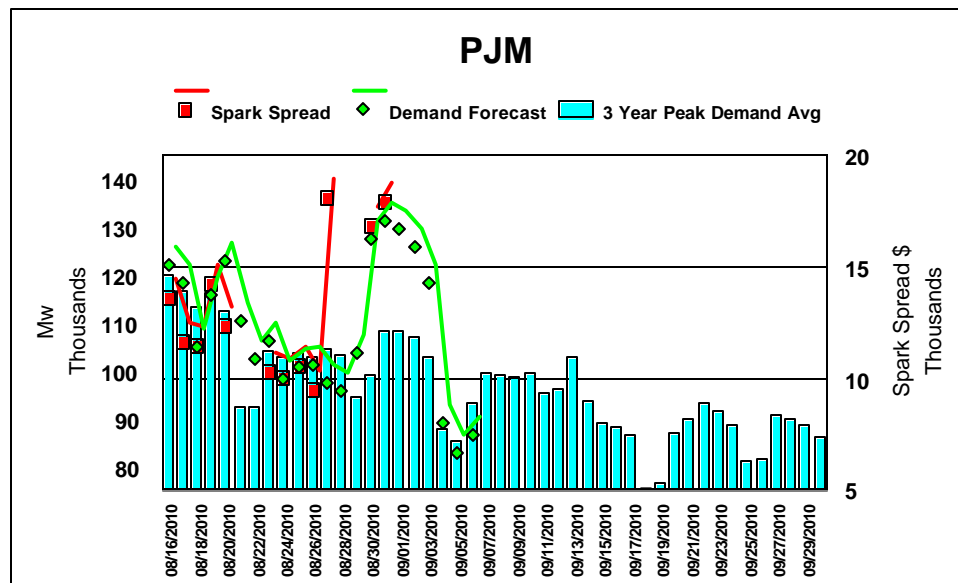
August. It said its index of consumer attitudes increased to 53.5 in August from an upwardly revised 51 in July. The expectations index increased to 72.5 from 67.5 in July. The present situation index fell to 24.9, the lowest level since February, from 26.4 in July.

The S&P/Case-Shiller index of property values in June increased 4.2% on the year and 0.3% on the month.



The Institute for Supply Management-Chicago said its business barometer fell to 56.7 in August, down from 62.3 in July. The employment component of the index fell to 55.5 from 56.6 in July. New orders fell to 55 from 64.6.

The Federal Reserve said the committee would need to consider steps it could take to provide additional policy stimulus if the outlook were to weaken appreciably further.

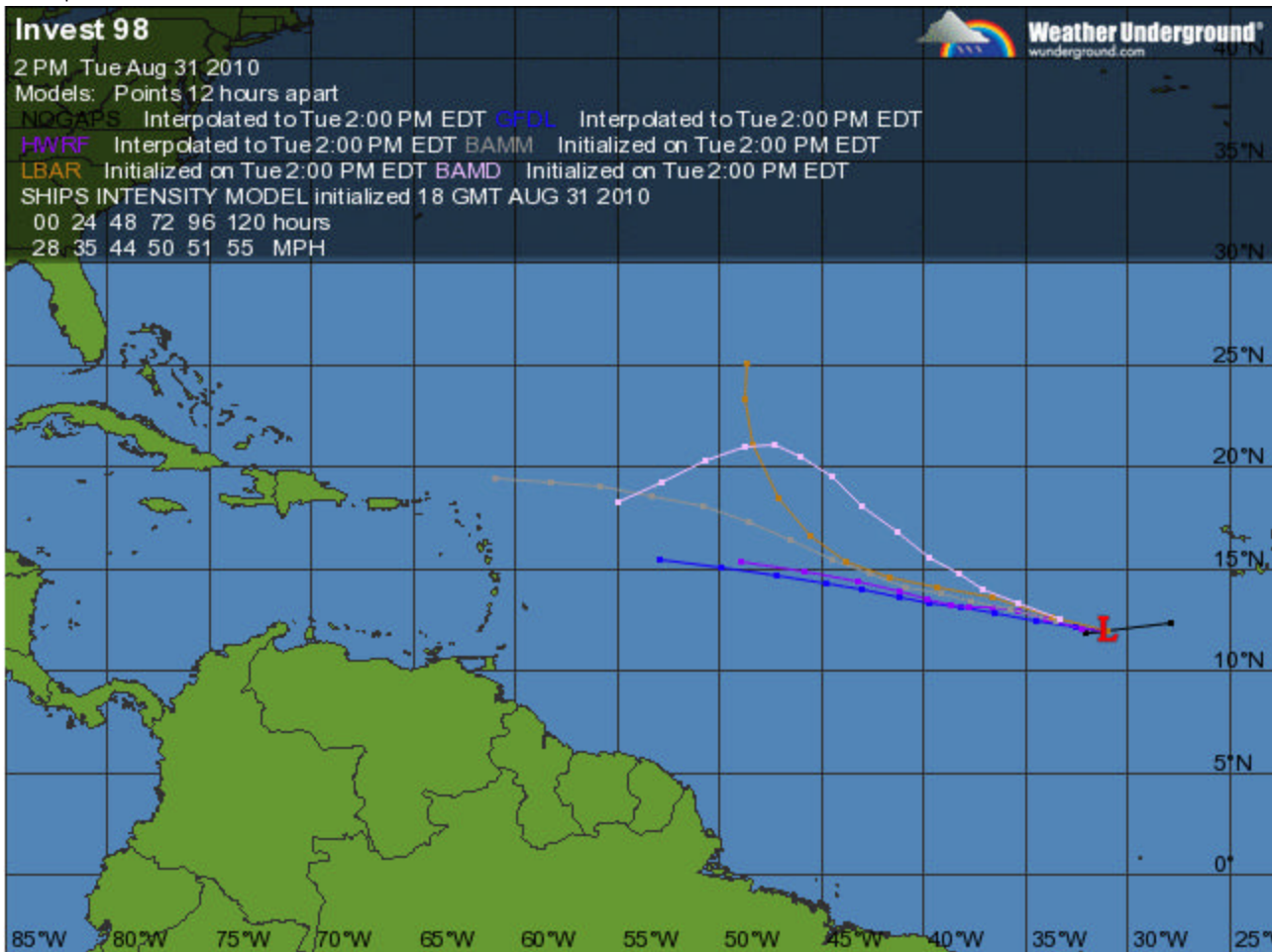


Federal Reserve officials agreed to reinvest maturing mortgage related securities in longer term US government debt to hold the Fed's balance steady at about \$2 trillion and keep in place supports for the economic recovery.

MARKET COMMENTARY

The natural gas market appeared to get a bit of support from the cash market as values firmed on active volume as near term hotter temperatures were prompting higher generation needs for natural gas. But the futures market failed to gain any real price traction especially in the October contract and as a result posted an inside trading session and for all practical purposes a second one in a row. While we feel the market has put in a near term bottom, at least in front of Thursday's storage report, we feel it is the tropics that hold the key for any upside move for this market. This evening's latest forecast models for Invest 98 do offer at least a glimmer of hope for the bulls as the path of this storm appears to at least be a little more of a potential risk to the Gulf of Mexico than it appeared earlier this morning.

We see resistance in the October contract at \$3.883 followed by \$3.957, \$4.036 and \$4.062. Additional resistance we see at \$4.196, \$4.352 and \$4.507. Support we see at \$3.693, \$3.657 \$3.588 and \$3.50.



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