



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 22, 2011

NATURAL GAS MARKET NEWS

North America

The National Hurricane Center continued to note that the tropical Atlantic basin remains very quiet this week with no threats for tropical development. But forecasters note that the GFS, Canadian and NOGAPS computer forecasting models are all pointing to the chance for some tropical development in either the Bay of Campeche or the Caribbean next week.

Generation Outages

SERC – Southern’s 860 Mw Farley #2 nuclear unit ramped up to full power this morning, up 30% from yesterday.

SPP - Entergy’s 1268 Mw Grand Gulf nuclear power plant ramped up to 86% power this morning, up 26% from Tuesday.

ERCOT – AEP’s 675 Mw Pirkey coal fired power plant was being restarted following completion of turbine valve repairs. The unit had been shut on June 18th.

The NRC reported this morning that some 88,697 Mw of nuclear generation was online, up 0.4% from yesterday and 6.2% below levels recorded a year ago.

Canada’s Alta Gas Ltd said it received all regulatory approvals to begin construction at its Canadian \$235 million Gordondale gas processing project in Alberta. The gas processing facility (120 million cubic feet per day) will likely be in service by late 2012, the company said in a statement. Shares of the Calgary, Alberta-based energy company closed at C\$25.66 on Tuesday on Toronto Stock Exchange.

International

Output from Kuwait’s hard-to-access pure gas fields is only expected to begin from 2015 or 2016 at the earliest, a Kuwait Petroleum Corp official said Tuesday.

Thailand’s PTT PCL said on Wednesday it was suspending a plan to cooperate with Japan’s top city gas distributor, Tokyo Gas Co, on the supply of LNG and related logistical issues.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	852,900	\$4.416	\$0.043	\$0.071	\$0.052	\$0.097
Chicago City Gate	781,000	\$4.515	\$0.052	\$0.170	\$0.079	\$0.144
NGPL- TX/OK	811,000	\$4.372	\$0.046	\$0.027	\$0.073	(\$0.010)
SoCal	524,700	\$4.589	\$0.038	\$0.244	\$0.065	\$0.167
PG&E Citygate	1,462,300	\$4.698	\$0.012	\$0.353	\$0.039	\$0.340
Dominion-South	809,000	\$4.538	\$0.041	\$0.193	\$0.068	\$0.141
USTrade Weighted	20,653,700	\$4.480	\$0.025	\$0.135	\$0.05	\$0.097

State-controlled PTT would seek cooperation with LNG suppliers in other countries in a bid to secure gas supplies to feed growing demand in Thailand. PTT had been in talks about cooperating with Tokyo Gas in July 2010 to help boost buying volume and facilitate imports to Thailand but the Japan,

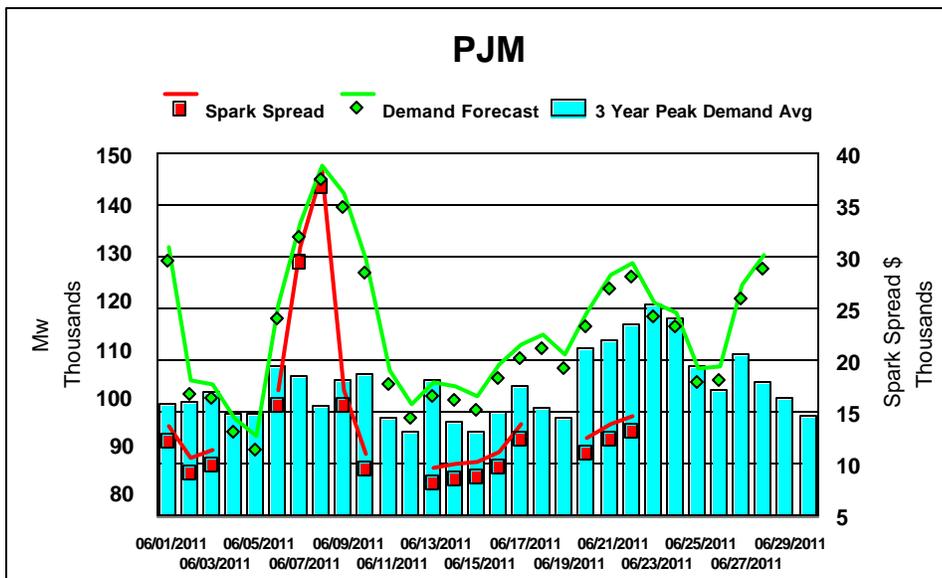
top LNG importer, is not battling to minimize power shortages in the aftermath of the March 11 tsunami and earthquake.

According to a local port authority, the Lijmiliya LNG tanker is expected to arrive at the UK's South Hook LNG terminal on June 29 from Qatar and the Umm Slal LNG tanker expected to arrive on June 22 from Qatar.

BP's North Sea Bruce field is expected to shut down for one-week routine maintenance on June 28, a spokesman said on Wednesday. The field exports gas through the Frigg pipeline and sends oil via the Forties Riser Platform, according to BP data.

BP is eyeing a possible \$15 billion investment in a tight gas project in Oman, and plans to make a decision on whether to proceed in spring 2012. BP Chief Executive Bob Dudley told the World National Oil Companies Congress, "Today we have just three wells, with plans to have 300, and this will be one of the largest projects, could be, in BP's portfolio". He added high costs could scupper the project if BP is not able to agree to a high enough price for the gas produced to compensate for these. Mohammed bin Hamed al-Rumhy, Oman's Minister of Oil and Gas and chairman of state oil company Petroleum Development of Oman, said the gas would be sold to the local market, where prices are controlled. Al-Rumhy said the \$15 billion cost estimate reflected expected expenditure over 10-15 years. BP signed a concession in 2007 to develop the tight gas, which is in complex formations that are difficult to exploit.

BP said Wednesday that output from its Shah Deniz offshore field in Azerbaijan has been disrupted due to power generation problems. The problems occurred on Tuesday at 1530 local time but a BP spokeswoman did not say how much production had been cut. She did say the field produced between 600 million and 650 million cubic feet of gas a day before the power problems.



Facing a storage of natural gas in 2012, Israel is looking to augment its depleting supplies with new drilling and LNG imports while energy companies rush to develop its recently found off-shore reserves. Gas production is set to soar in Israel in the coming decades since the windfall discovery of two of the world's biggest off-shore field, Tamar and

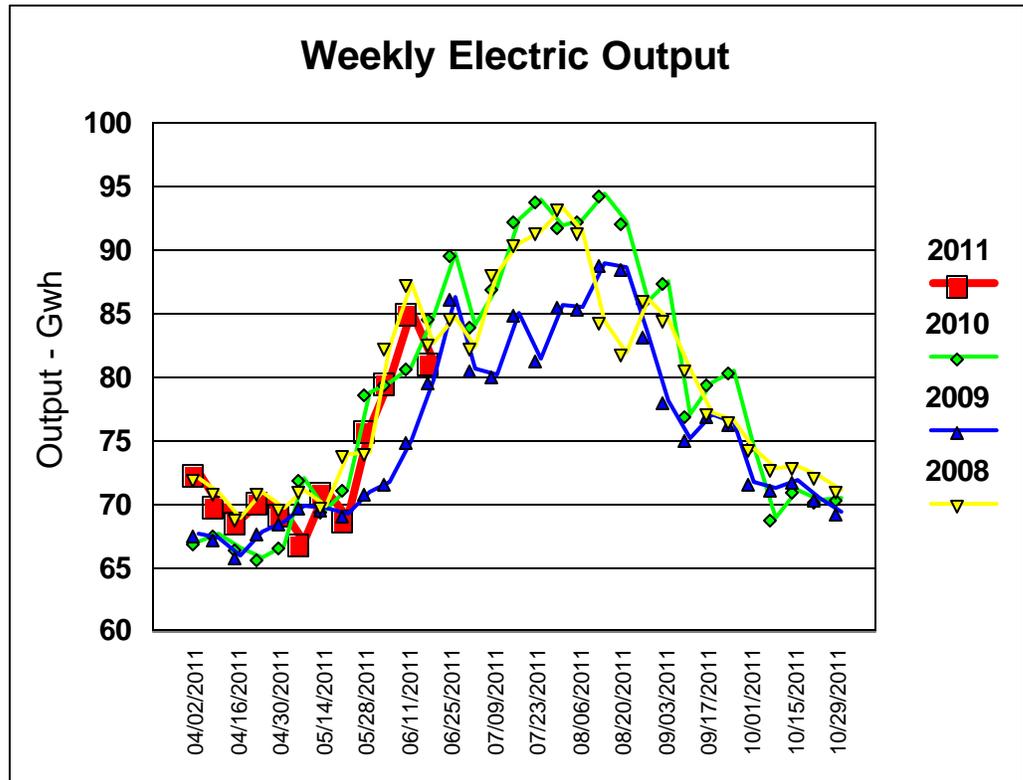
Leviathan, but there may be a short-term supply gap. So the country is scrambling to find alternatives to the dwindling, sole producing gas field and imports from politically unstable Egypt, which were recently halted twice after saboteurs in Sinai attacked the pipeline. The infrastructure ministry has instructed two exploration groups to speed up development of two new small fields and is accelerating plans to build an off-shore receiving terminal for LNG imports but both stopgaps take time and it will be cutting it close.

The Australian Financial review reported today that plans by Woodside Petroleum to approve the expansion of its Pluto LNG project by year end are in doubt as cost and schedule blowout at the project may impact the company's financial strength and credit rating.

ELECTRIC MARKET NEWS

Projected water runoff at The Dalles Dam on the Columbia River in Oregon held at 135 percent normal for January-July, the US Northwest River Forecast Center forecast on Tuesday in its Ensemble Stream flow Prediction (ESP), which is in line with the previous June 14 forecast. In the 2010 water year, the actual runoff at The Dalles

from January to July was 79 percent of the 30-year average. The projected runoff decreased to 140 percent normal from 142 for April-September. The actual runoff was 84 percent of the 30-year average.



The Edison Electric Institute reported that for the week ending June 18th it estimated some 81,084 GWh of power were generated, down 4.6% from the prior week and 4.3% less than the same week a year ago.

The Bonneville Power Administration reported no wind generation curtailments for the third day in a row on Wednesday.

CPS Energy said today that it is looking to mothball three gas-fired power plants in Texas, totaling 847 Mw over this coming winter.

The two Nebraska nuclear power plants are preparing for the rising floodwaters along the Missouri River the NRC reported. While the 800 Mw Cooper nuclear unit remains operating at full power and is not expected to see flood waters reach its vital equipment, the 478 Mw Fort Calhoun plant remains in shut down and possibly will continue to remain off line for the next two months due to lingering flood waters.

ECONOMIC NEWS

Federal Reserve Chairman Ben Bernanke said the central bank has several tools at its disposal to further stimulate the economy, though he acknowledged that the methods remain untested. He said the Fed could make more securities purchases, cut the interest on excess reserves it pay to banks, give guidance on its balance sheet or set a fixed time for its extended period.

Federal Reserve officials lowered their forecasts for economic growth and predicted underlying inflation would come in higher than believed this year, as the bank's policy setting committee cautioned that the recovery was experiencing what is likely a temporary loss in momentum. The change in its economic outlook follows a decision by the Federal Open Market Committee to keep interest rates at ultralow levels, while confirming that the \$600 billion program to buy long-dated Treasury bonds would end on schedule this month. The Fed revised down its estimate of 2011 growth to a range of 2.7% to 2.9% from a previous estimate of 3.1% to 3.3%. The 2012 forecast was cut to between 3.3% and 3.7% from 3.5% to 4.2%.

Pension funds are beginning to question their investments in commodities after accusations that massive flows into the sector have distorted the markets. They are concerned following high profile campaigns by pressure groups and French President Nicolas Sarkozy linking rising grain and fuel prices to an increase in poverty in developing countries. France is expected to press for new regulations on commodity speculation at a summit of agriculture ministers of the G20 group of top economies this week.

The European Union's statistics office Eurostat said Euro zone industrial new orders increased less than expected in April by 0.7% on the month for an 8.6% year on year increase.

MARKET COMMENTARY

The natural gas market today could not hold onto the gains from Tuesday as total nuclear generation levels began to rebound slightly coupled with moderating temperature outlooks for the 11-15 day period especially in the Midwest and eastern U.S. This appeared to prompt some longs to liquidate positions in front of tomorrow's storage report. As a result the spot contract posted an outside trading session for the first time since June 13th, but the volume today remained rather moderate at best.

Market expectations for tomorrow's EIA Storage Report appear to be ranging between a 80-90 bcf build with most centered around a 85-88 bcf build. For the same week a year ago stocks rose an adjusted 81 bcf while the five year seasonal average reflects a 86 bcf build.

This market appears to be talking about a 85-88 bcf build but given the lower power generation levels last week, appears to be fearing that it will be a 90+ bcf build. If the storage report comes in below 90 bcf one could quite possibly see buyers return to the market and re-establish long positions. We still are firm in our belief to remain on the sidelines of this market for the near term. We see support tomorrow at \$4.298-\$4.279, followed by \$4.231 and \$4.209. Additional support we see at \$4.14 and \$4.088. Resistance we see at \$4.444-\$4.45 followed by \$4.548, \$4.631 and \$4.714.

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