



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 1, 2010

NATURAL GAS MARKET NEWS

The Atlantic 2010 hurricane season began today with forecasters watching an area of tropical disturbed weather in the northwestern Caribbean Sea east of the Yucatan, which are the remnants of Pacific tropical Storm Agatha. But upper levels winds particularly north of the system in the Gulf of Mexico are not conducive for development and as a result forecasters assigned a less than 10% chance that this system becomes a tropical cyclone over the next 48 hours. The system though is expected to move little over the next day or so.

Reuters was reporting this morning that Waterborne Energy is estimating that June imports of LNG into the United States is expected to be slightly higher or 4 bcf more than previously estimated.

Stephen Smith Energy Associates has raised their natural gas price outlook through the end of September, but have tempered their price outlook for the fourth quarter, as ample supplies continue to inundate the market. They raised their 3Q2010 price outlook by 10 cents to \$4.36 Mmbtu, but lowered their 4Q2010 price outlook by 25 cents to \$4.50. For 2011 the group sees natural gas prices averaging \$5.45.

Indonesia's energy watchdog group said on Monday that Indonesia will offer a total of 24-26 cargoes of LNG to the market over the next two years. Between 4-6 cargoes will be offered in

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear power plant exited its outage and ramped up to 88% power this morning. The unit had been shut on May 26th.

OPG's Lambton coal fired Unit 3 was back in operation today. The unit had been shut since May 17th.

PJM – Dominion's 917 Mw North Anna #2 nuclear unit tripped off line late Friday.

MISO- Xcel Energy's 545 Mw Prairie Island #2 nuclear unit returned to full power on Tuesday, up from 73% power on Friday.

SERC- TVA's 1126 Mw Unit #2 at the Sequoyah nuclear power plant was shut this morning. The unit had been at full power last week.

TVA's 1,123 Mw Watts Bar #1 nuclear unit returned to full power Tuesday. The unit had been at 46% power on Friday after being shut on May 21st.

Progress Energy' 938 Mw Brunswick #2 nuclear unit was back at full power this morning, up 10% from Friday.

ERCOT – The coal fired Unit #1 at the Oklaunion power plant was being restarted today, following completion of repairs on a tube leak.

The coal fired Martin Lake Unit #3 was expected to see some maintenance on its electrostatic precipitator rapper cabinet.

The Sandow coal fired unit #4 was seeing load possibly reduced today due to work on an electrostatic precipitator.

Luminant's 750 Mw Monticello #3 coal fired power plant which was shut over the weekend due to the loss of feed water flow, has returned to service.

Texas Municipal Power Agency said it planned to restart its 470 Mw Gibbons Creek coal fired unit today. The unit was shut on Saturday to fix a tube leak.

Luminant's 617 Mw Big Brown #1 coal fired power plant was expected to be restarted today. The unit was shut on Sunday.

WSCC – APS' 1270 Mw Palo Verde #1 nuclear unit was back at full power this morning, up 15% from Friday.

SPP – Entergy's 1268 Mw Grand Gulf nuclear power plant returned to full power early Tuesday, up from 58% power on Friday.

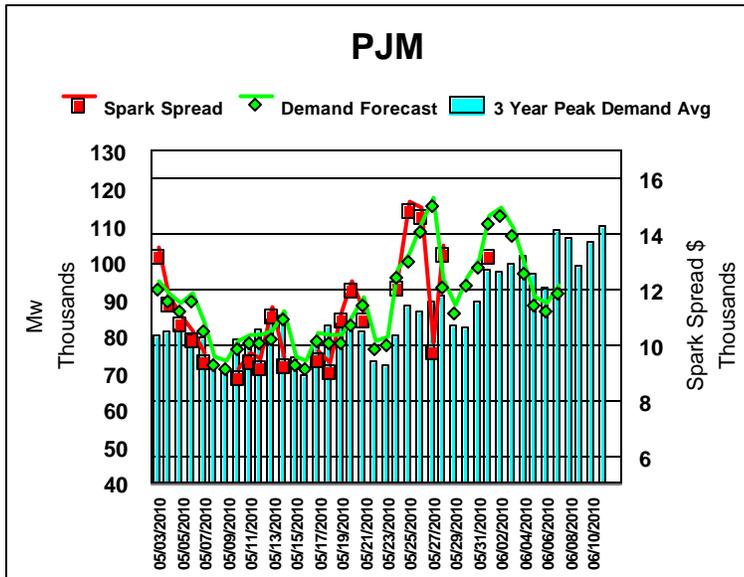
The NRC reported this morning that some 90,921 Mw of nuclear power was generated today, up 1% from yesterday but 2.4% below the same day a year ago.

2010 and another 20 in 2011.

Reuters was reporting that two LNG tankers were expected to berth at Belgium's Zeebrugge terminal in mid-June. The 145,000 cubic

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	787,600	\$4.391	\$0.079	\$0.120	\$0.130	(\$0.023)
Chicago City Gate	526,500	\$4.454	\$0.122	\$0.183	\$0.161	\$0.065
NGPL- TX/OK	667,700	\$4.260	\$0.079	(\$0.011)	\$0.118	(\$0.095)
SoCal	649,800	\$4.127	\$0.001	(\$0.144)	\$0.040	(\$0.191)
PG&E Citygate	911,800	\$4.406	(\$0.003)	\$0.135	\$0.036	\$0.124
Dominion-South	607,000	\$4.592	\$0.173	\$0.321	\$0.212	\$0.235
USTrade Weighted	23,066,700	\$4.321	\$0.091	\$0.050	\$0.13	(\$0.023)

metre Maran Gas Asclepius and the 138,00 cubic meter Al Thakhira are slated to arrive June 13th and 16th respectively. Both these ships will be coming from Qatar. Meanwhile port authorities at Milford Haven said on its website that it expects the LNG tanker Finima will arrive at the Dragon LNG terminal on June 3rd from Nigeria.



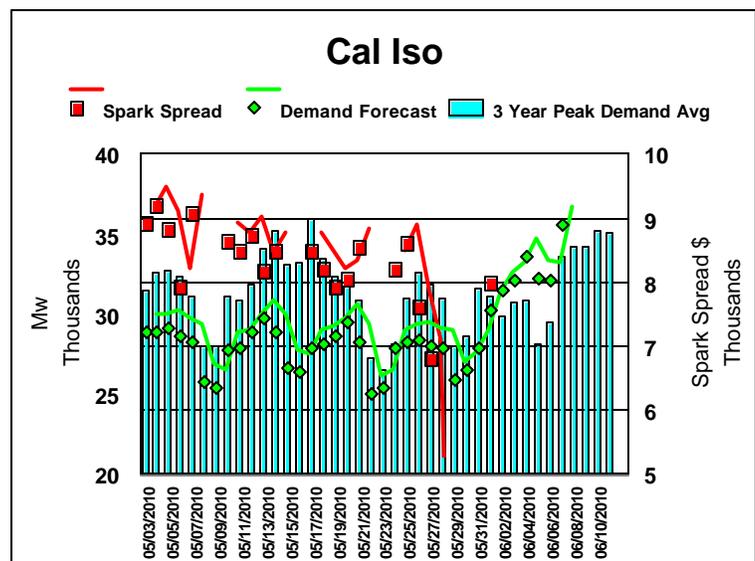
Nigeria.

Reuters reported today that the newly built Sevilla Knutsen LNG tanker has recently left South Korean shipyards and was headed to Peru, where it will join another recently built LNG tanker as Peru LNG begins production later this month. LNG from Peru which is earmark for the Manzanillo terminal on Mexico's west coast, appears could be diverted to destinations such as Canaport terminal in eastern Canada while construction is completed at the receiving terminal.

Norway's Gassco said today that it has taken over the operatorship of a pipeline that will carry gas from the North Sea's Gjoea and Vega fields to Britain. The 80 mile long pipeline is expected to start operations on October 1st, delivering gas to the St. Fergus terminal.

The Kaarstone gas processing plant was evacuated on Tuesday after a gas leak was discovered at a storage area inside the facility. The gas leak was brought quickly under control and production while reduced was not totally stopped. The plant was still processing 33-35 mcm of gas per day versus a normal capacity of 88 mcm/d.

Statoil said today that Melkoeya LNG plant in northern Norway, which processes gas from the Snoehvit field in the Barents Sea, had resumed production after a two-week shutdown. The company continued to say that the plant's overall



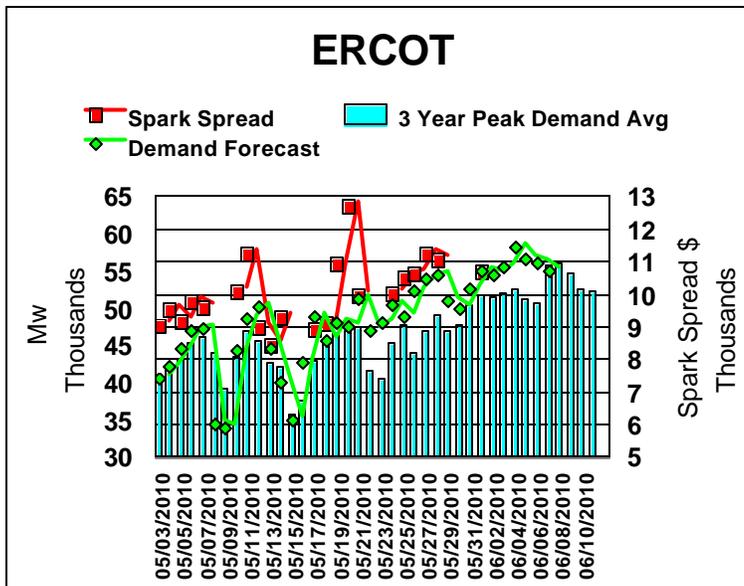
annual output will not be affected by the shutdown.

ECONOMIC NEWS

The Commerce Department reported that construction spending in April increased by 2.7%, the largest gain since August 2000 from a gain of 0.4% in March. Investment in private construction increased by 2.9%, the largest increase since July 2004 after falling 0.5% in March.

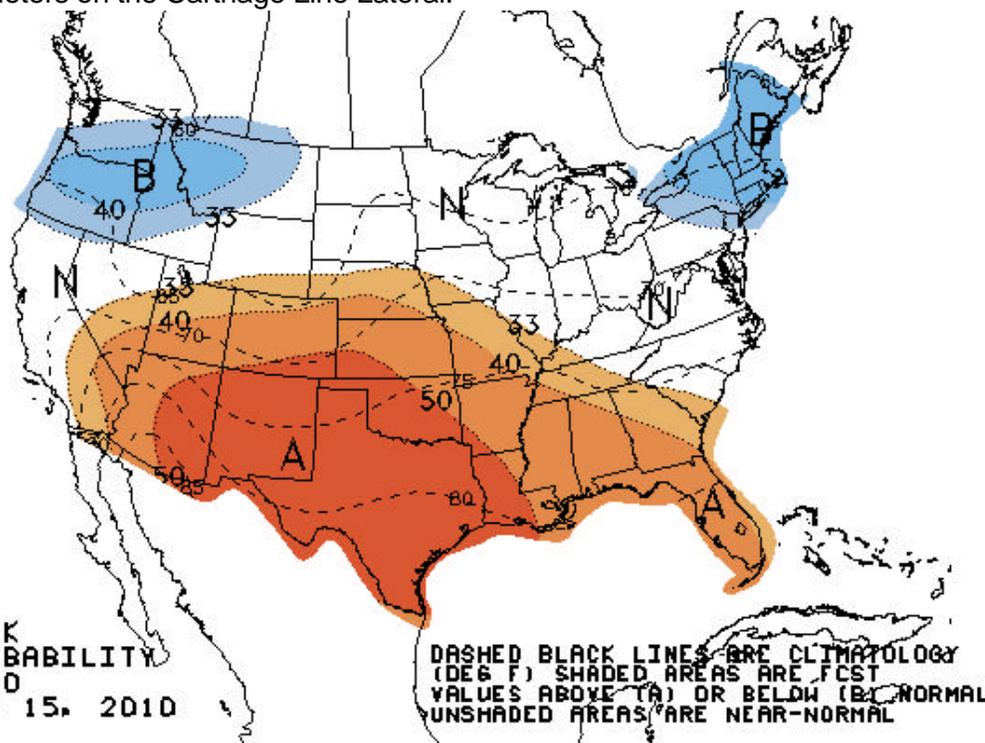
The Institute for Supply Management said the US manufacturing sector expanded for a tenth consecutive month but at a slower pace than in April, which was the highest in almost six years. Its index of national factory activity fell to 59.7 from 60.4 in April but was above market expectations of 59. The report's employment component increased to 59.8, the highest since May 2004, while new orders held steady at 65.7.

A Reuters survey predicted nonfarm payrolls in May increased by 513,000, the largest monthly gain since 1983, after a 290,000 rise in April.

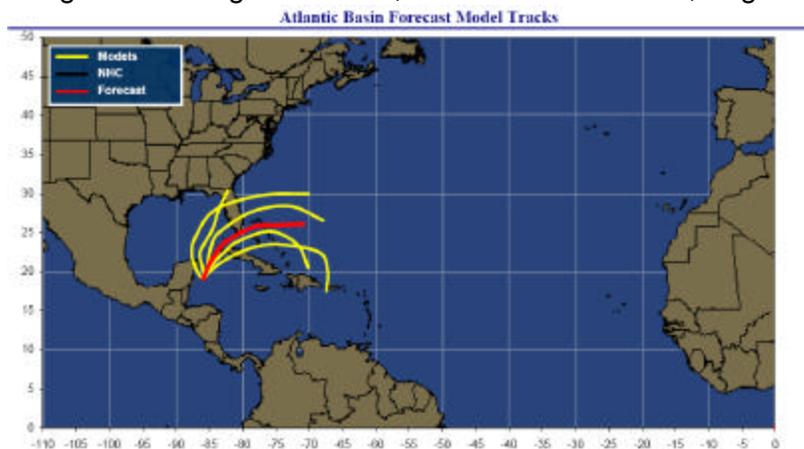


PIPELINE RESTRICTIONS

Tennessee Gas Pipeline reported today that it had restricted through approximately 46% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul point. The company also reported that due to an emergency event it would not accept any supply to market increases pathed from meters on the Carthage Line Lateral.



NGPL said that effective today and until further notice several points are at capacity. These are Bridgeline Holdings Vermillion, Florida Gas Jefferson, Segment 16 and Segment 13.



Rockies Express Pipeline has restricted capacity at several points effective today and until further notice. These are CIG Frewen Lake, WIC Bitter Creek and TPC Lone Tree. The company also reported today that it is at capacity at Segments 130, 200, 340 and 650.

ELECTRIC MARKET NEWS

Genscape reported this morning that U.S. power output for the week ending May 27th rose 7.1% from the

prior week and was 6.4% greater than the same week a year ago.

Genscape reported that coal stockpiles at U.S. power plants fell 0.6% this week from last week and were 3.7% smaller than last year

MARKET COMMENTARY

The natural gas market found support this morning from near term weather forecasts which show more than three quarters of the U.S. would see above normal temperatures for the remainder of this week coupled with an outlook for the southern half of the nation remaining warmer than normal next week. In addition the bulls found support by relative positive U.S. economic news, especially from the ISM manufacturing report. But by late morning the price erosion in the crude oil market appeared to spill over to the natural gas market and resulted in prices taking back slightly more than 50% of the gains that were recorded in last week's rally.

It appears to us that the natural gas market will probably remain in its sideways trading pattern this week and into next week without a significant deviation in this week's storage report and Baker Hughes report. We feel that near term power demand will most likely keep prices from breaching the \$4.00 level but like wise do not expect any serious challenge of the upper end of the trading channel without a significant heat wave or tropical threat to the Gulf of Mexico. We see initial support at \$4.217 followed by \$4.187, \$4.007, \$3.971 and \$3.81. Resistance we see at \$4.431 followed by \$4.587-\$4.608, \$4.63, \$4.69 and \$4.915.



Judging by the recent strength in the October-January spread it appears that this market has begun to fully price in the hurricane risk for the upcoming season, as in just three weeks has moved over 25 cents.

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