



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 2, 2010

NATURAL GAS MARKET NEWS

Colorado State University released their updated 2010 Atlantic hurricane season forecast today. The group noted that the upcoming season would be a "very active" season. The forecasting team is now looking for 18 named storms with ten becoming hurricanes and five hurricanes reaching Category 3 or higher strength. In its prior forecast from April 7th, the team called for 15 named storms, eight hurricanes and four major hurricanes. Their more bullish storm forecast was the result of a combination of a transition from El Nino to the current neutral conditions of and the

continuation of unusually warm tropical Atlantic sea surface temperatures. The team also anticipates a well above average probability of United States and Caribbean major hurricane landfall. The forecasting team said there is a 76% probability of a major hurricane making landfall in the U.S., and a 51% chance of a major hurricane making landfall in the Gulf of Mexico. Thirty-year averages are for 9.6 named storms, 5.9 hurricanes and 2.3 major hurricanes.

Generator Problems

NPCC – OPG's 535 Mw Unit #4 at the Lennox oil and natural gas fired power plant was shut for short-term maintenance today.

Entergy's 620 Mw Vermont Yankee ramped up 12% this morning and was back to full power.

SERC- South Carolina Electric & Gas Company's 986 Mw Virgil Summer nuclear plant was reduced by 11% to 89% of capacity this morning for unknown reasons.

ERCOT – Luminant's Comanche Peak #1 nuclear unit saw output cut to 85% of capacity, down 15% from yesterday.

SPP – Entergy's 978 Mw River Bend nuclear power plant dropped to 70% capacity this morning. The unit had been at full power on Tuesday.

The NRC reported this morning that some 90,424 Mw of nuclear power was generated today, down 0.5% from yesterday and 3% below the same day a year ago.

An environmental group on Wednesday warned that the rapid growth of drilling for natural gas in the

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	775,600	\$4.321	(\$0.070)	(\$0.070)	(\$0.184)	(\$0.061)
Chicago City Gate	596,400	\$4.369	(\$0.086)	(\$0.022)	(\$0.206)	\$0.040
NGPL- TXOK	711,300	\$4.198	(\$0.062)	(\$0.193)	(\$0.182)	(\$0.122)
SoCal	703,300	\$4.067	(\$0.060)	(\$0.324)	(\$0.180)	(\$0.228)
PG&E Citygate	1,157,500	\$4.362	(\$0.044)	(\$0.029)	(\$0.164)	\$0.072
Dominion-South	521,300	\$4.510	(\$0.081)	\$0.119	(\$0.201)	\$0.191
USTRade Weighted	23,046,500	\$4.257	(\$0.064)	(\$0.134)	(\$0.18)	(\$0.061)

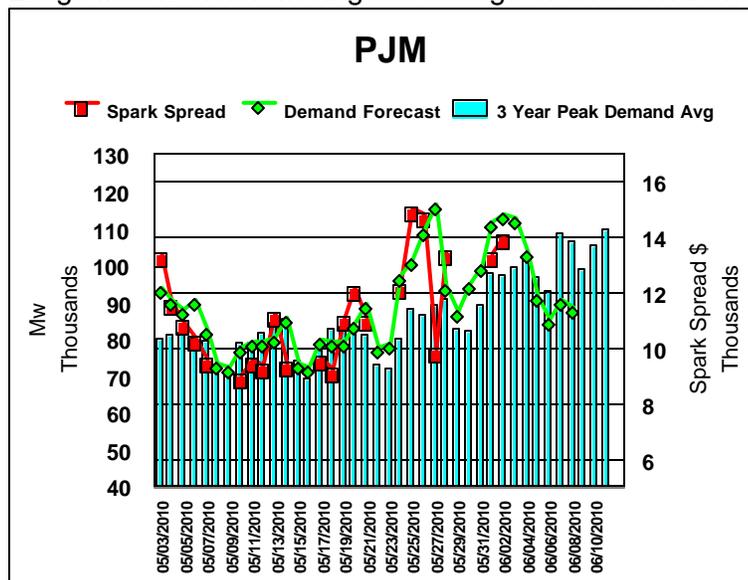
section of the Marcellus Shale in the upper Delaware River basin threatens the drinking water for 17 million people.

The Russian Energy Ministry reported today

that Russian natural gas production fell in May to 1.65 bcm per day, down some 12% from the previous month. Gas exports via Gazprom were off nearly 14% in May versus the prior month.

Norway's Karastoe gas processing plant returned to "normal production" this morning following repairs of a gas leak discovered on Tuesday.

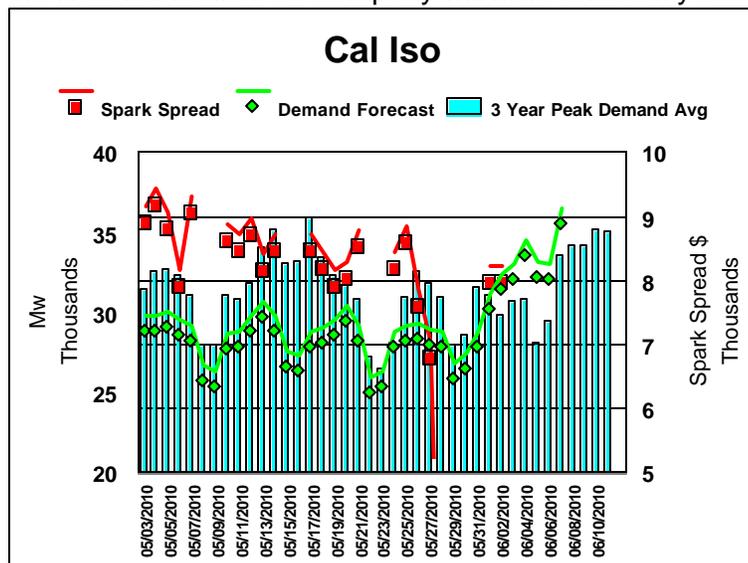
Shell Oil reported that the Ormen Lange gas field maintenance work that began on May 26th had been completed on Tuesday and that operators were ramping production back up. The Langedled pipeline which carries gas from the Ormen Lange field to Britain has also been down due to maintenance work, is not expected to be restarted until Thursday and as a result gas from the Ormen Lange field is either moving into storage or onto continental Europe today,



Reuters is reporting that according to ship tracking services the Golar Winter liquefied natural gas tanker is expected to arrive at Rio de Janeiro, Brazil today. The terminal has not received a cargo since September. The Golar Winter though may not be delivering a cargo but may instead will be used as a floating storage and regasification terminal

The gas supply from Britain's Isle of Grain LNG terminal was disrupted by pipeline maintenance on Wednesday, but the daily nominated amount of gas entering the grid was expected to be met, National Grid reported.

Iran said today that it would issue bonds in four installments of 250 million euros each to help finance natural gas projects in the Persian Gulf, especially the South Pars Gas field. The bonds guaranteed by the National Iranian Oil Company will have a maturity of three years and an interest rate of 8%.



Azerbaijan's state energy company Socar said today that Azerbaijan will have an additional 1.4 bcm of gas in 2011 that it will be able to export to Europe from the Shah Deniz gas field. The additional gas, due to increased efficiency, is higher than a peak level of 8.6 bcm this year. A gas deal with Turkey that would work out transit issues for Azeri gas exports to Europe could be signed as early as next week, but the company official noted that specific details on commercial aspects and export volumes will not be finalized for another 6-8 months.

President Obama today pledged to push forward with a clean energy bill. He noted that while there may not be enough votes to support the legislation currently but he would work on finding enough support to eventually pass the legislation. He noted that the oil spill in the Gulf of Mexico underlines the need for the country to expand its production of renewable fuels. He noted that putting a price on carbon pollution is the only way to transition to a clean energy future. He also noted that nation needs to tap into its natural gas reserves as well as expanding its nuclear power generation base.

ECONOMIC NEWS

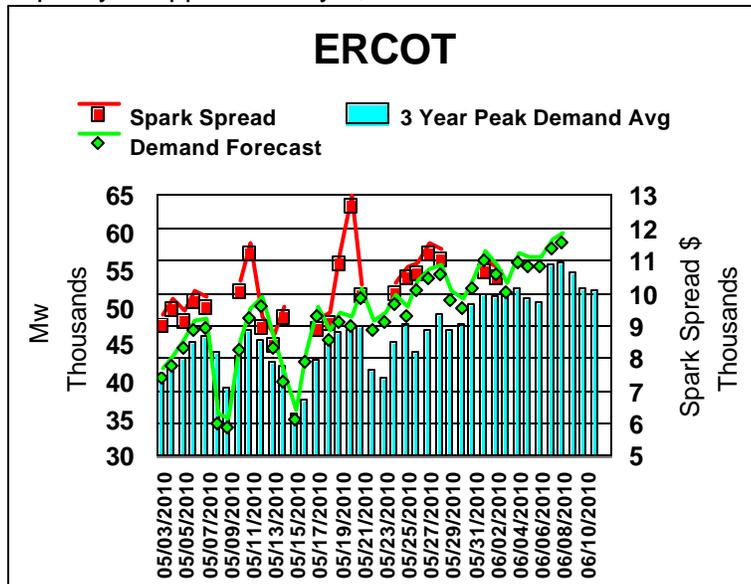
The National Association of Realtors' index for pending home sales increased by 6% to 110.9 in April, the third consecutive gain. Year over year, the index was 22.4% above its level of 90.6 in April 2009. Pending home sales in March were revised up, with the index rising 7.1% to 104.6, compared with the previously reported increase of 5.3% to 102.9. The NAR estimates existing home sales of 5.39 million this year and 5.66 million in 2011, compared with 5.16 million in 2009.

PIPELINE MAINTENANCE

Gulf South said today that in order to complete the pigging maintenance at Index 8-18 it will have to shut in Lindale C.P. for two days beginning June 3rd. The company also reported that it has completed the unplanned maintenance on Unit #2 at the Bistineau Compressor Station that began on May 11th and was expected to last three weeks.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that for today due to reduced nominations it would accept increases for nominations pathed for delivery to the Leidy Delivery meters. The company estimates available capacity of approximately 3,000 Dth.



NGPL said that effective for June 2nd and until further notice it has capacity available for gas going southbound through Segment 16 at Compressor Station 812 in Atoka County, Oklahoma. Interruptible transportation service/authorized overrun and secondary out of path firm transports are available.

ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center said today that its outlook for water runoff at the Dalles Dam on the Columbia River for the April – September period would be 75% of normal, up 2% from its prior forecast a week ago. Water flows at the Grand Coulee dam were estimated to

be 74% up 1% from a week earlier.

MARKET COMMENTARY

The natural gas market this morning appeared to find support from several factors. Stronger economic news, such as strong car sales as well as larger than expected new home sales appeared to support the energy markets in general. In addition the long awaited forecast from Dr. Gray's forecasting team at Colorado State University which called for a "very active" hurricane season helped to rally values 10 cents following the release of its report at mid morning. The futures market though seemed to be

enjoying a bit more bullish euphoria than the cash markets, which today were lower at most pricing points despite mixed power prices and slightly lower nuclear generation levels on the day.

2010 Atlantic Hurricane Season Forecasts

Forecaster	Tropical Storms	Hurricanes	Major Hurricanes
NOAA	14-23	8-14	3-7
CSU	18	10	5
WSI	18	10	5
Accuweather	16-18	5	2-3
TSR	16	8	4
WRC	8	5	---

The October-January natural gas spread finished today at

levels not seen since March 10th as moderate trading interest seemed to reflect traders friendly view of this spread as a result of the continued release of bullish hurricane forecasts. This spread seems destined to test resistance at the 77-80 cent level and as a result feel one should not attempt to sell into this rally until spread values reach this level.

The EIA Storage Report will be released at the normal time tomorrow despite the past Memorial Day Holiday. The range of market expectations for the report appears to range between an 85-110 bcf build with most estimates centered around a 92-95 bcf build. Stocks a year ago rose an adjusted 121 bcf for the same week, while the five-year average is for a 100 bcf gain.

The natural gas market today behaved like the crude, heat and gasoline markets in that trading ranges were close to yesterday's levels, as this market appears to remain confused and uncertain on price direction given the volatility in the equity and currency markets. While open interest in the NYMEX futures and swaps for Henry Hub contracts increased on a combined and adjusted basis yesterday, one would have to say that these new shorts were covering positions today and were a driving force behind the rally. The natural gas ETF, UNG has not shown any rebound in its open interest after minor upswing in positions early last week. As a result we feel that this market remains mired in its sideways pattern and would feel a dramatic change in tomorrow's storage report as a necessity to break this market out of its holding pattern.

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