



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 7, 2010

NATURAL GAS MARKET NEWS

Chief Oil & Natural Gas reported that they had a rig that was damaged in a fire after workers hit a pocket of methane gas while drilling for natural gas in the Marcellus Shale near Moundsville, West Virginia.

A natural gas pipeline exploded in North Texas today killing three people, with as many as 10 people still missing. Construction crews drilling holes for a power line reportedly struck the pipeline causing the explosion. The 36-inch line owned by Enterprise Products was part of its Texas Intrastate system. The explosion took place 15 miles south of Godley, Texas.

The tropics remained fairly

Generator Problems

PJM – Exelon's 1130 Mw Limerick #1 nuclear power plant was at 60% of power this morning. The unit had been at full power on Friday but reduced over the weekend for control rod testing.

SERC- Duke Energy's 1100 Mw McGuire #2 nuclear unit dropped to 50% power this morning. The unit had been at full power on Friday. The unit though began ramping back and by this afternoon was back up to 91% power.

Duke Energy's 846 Mw Oconee Unit #2 returned to full power Monday. The unit had been at 65% power on Friday.

Tva's 1126 Mw Sequoyah #2 nuclear unit was back to full this morning. The unit had been shut back on May 28th for rapirs on the valves to the coolant pumps.

ERCOT – AEP's 670 Mw Oklaunion coal fired power plant has been taken off line to fix a boiler tube leak over the weekend. The unit is expected back some time this week.

Luminant Generation's Comanche Peak #2 nuclear unit remained running at reduced levels, this morning at 86% power.

SPP – Entergy's 978 Mw River Bend nuclear unit was at 88% power this morning. The unit has been running at reduced levels since June 2nd.

MISO – DTE Energy's Fermi #2 nuclear unit was shut on June 6th when strong thunderstorms knocked out one of two-offsite power feeds to the 1122 Mw plant and damaged the turbine building.

FirstEnergy's 1245 Mw Perry nuclear unit dropped to 60% by early Monday from full power recorded on Friday.

NPPD's 770 mw Cooper nuclear unit dropped to 55% by early Monday. The unit had been at full power on Friday.

The NRC reported this morning that some 90,379 Mw of nuclear power was generated today, basically unchanged from yesterday but 4% below the same day a year ago.

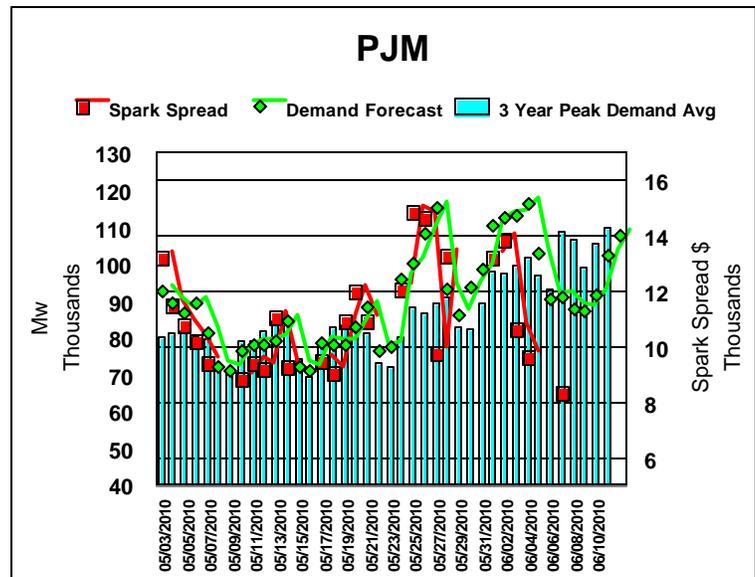
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,333,800	\$4.666	\$0.063	(\$0.164)	\$0.096	(\$0.164)
Chicago City Gate	530,600	\$4.774	\$0.141	(\$0.056)	\$0.140	(\$0.031)
NGPL- TXOK	692,600	\$4.585	\$0.093	(\$0.245)	\$0.092	(\$0.204)
SoCal	684,100	\$4.483	\$0.164	(\$0.347)	\$0.163	(\$0.340)
PG&E Citygate	843,500	\$4.656	\$0.142	(\$0.174)	\$0.141	(\$0.104)
Dominion-South	423,600	\$4.813	\$0.087	(\$0.017)	\$0.086	\$0.068
UTrade Weighted	21,735,900	\$4.608	\$0.097	(\$0.222)	\$0.10	(\$0.164)

quiet today and despite the Madden Julian Oscillation index being in a unfavorable phase for tropical development for the next couple of weeks, forecasters are watching for a

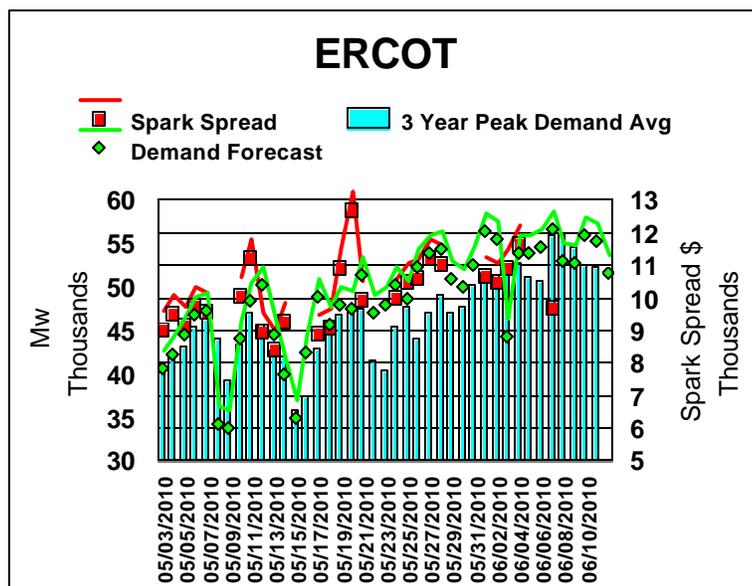
couple of possibilities for some tropical development by late this weekend and or early next week. The GFS model is showing that a tropical wave currently around 35 West Longitude, should track into the Leeward Islands later this week and develop into an area of low pressure in the western Caribbean by early next week. The European Model and NOGAPS are looking for an area of low pressure to form somewhere from the far southwestern Caribbean up to the Bay of Campeche late this weekend into early next week.

The CFO of Southwestern Energy said today that drilling for natural gas remains strong in the United States, even though the current energy prices are not high enough to justify companies' activity. He noted "there are not many plays that have been drilled in the U.S. that are hitting the economics right now." He noted his company's breakeven price in the Haynesville shale field is about \$5.15, but that the company would continue its drilling program there with another seven wells planned, even though current prices are not attractive.

Halliburton's Tim Probert, president of global business lines and corporate development told a conference today that he has been surprised by the number natural gas rigs operating on land in North America, but feels the number has remained stubbornly high as drilling decisions are also being driven by the "drill-to-hold" activity, as companies are forced to actively produce gas from leases they are holding or their right to the properties will expire.

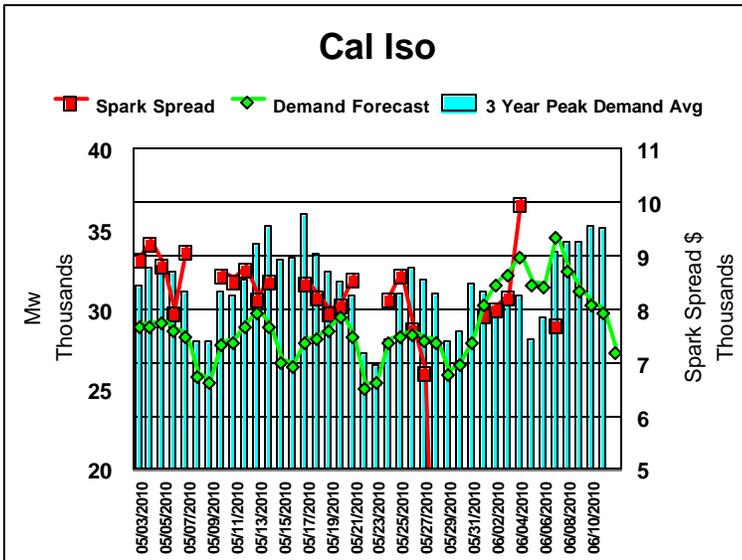


The U.S. Interior Department reportedly may issue new safety and environmental requirements as soon as Tuesday for energy companies looking to drill in shallow waters that are less than 500 feet deep. The six-month moratorium imposed by the White House on new drilling permits for exploration and development wells in waters greater than 500 feet will continue. Uncertainty though remains in the industry that companies with existing permits will have to resubmit their applications for approval.



The Pennsylvania Department of Environmental Protection ordered EOG Resources to suspend its natural gas drilling operations in the state in the wake of its June 3rd well blowout. The suspension will remain in effect until DEP has completed a comprehensive investigation into the leak and the company has implemented any needed changes. The DEP order prohibits EOG Resources from drilling activities for up to seven days, from engaging in fracking operations up to 14 days and from completing or initiating post fracking operations for 30 days in any wells

throughout the state. Preliminary investigations has determined that a blowout preventer on the well failed, but the DEP does not yet know if that failure was the main cause of the well explosion. EOG operates 265 wells in Pennsylvania and 117 of which are in the Marcellus Shale formation. The company has targeted drilling 40 wells in Marcellus in 2010.7



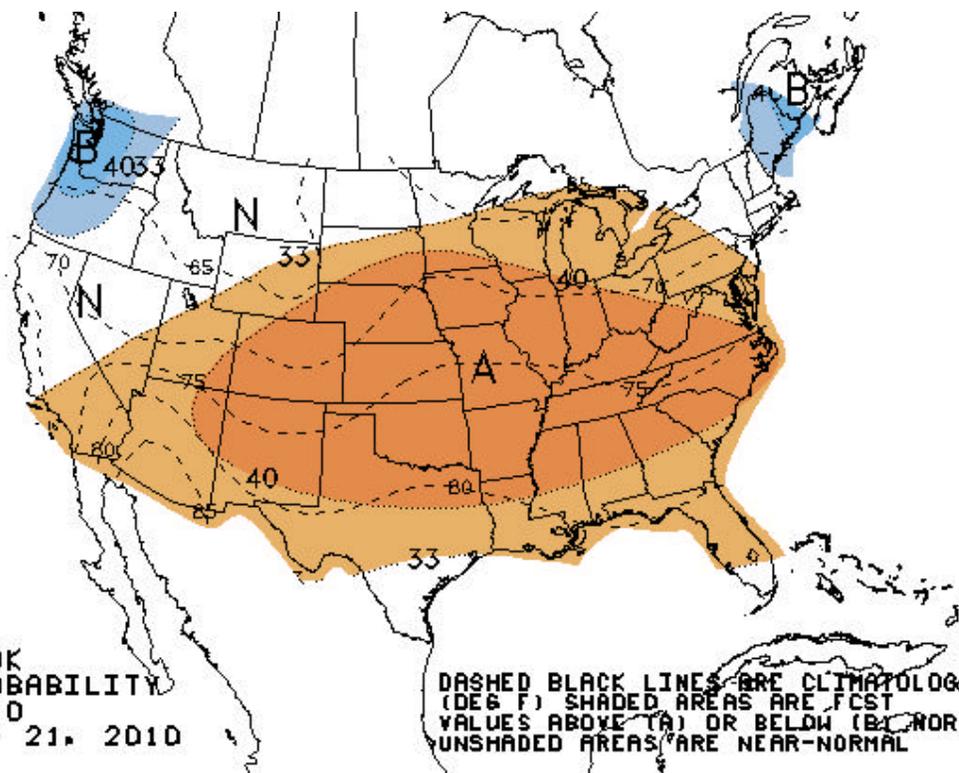
Qatargas said Monday that its latest production train, Qatargas Train 5 will commence a planned shutdown for summer maintenance work. The company did confirm that Train 3 has completed its recent maintenance and has resumed production. Maintenance at Train 4 continues.

The LNG tanker Bluesky was slated to arrive at Britain's Dragon import terminal on June 13th. The 145,700 cubic meter vessel is carrying LLNG from Trinidad.

BP partial shut its British Teesside gas terminal for maintenance over the weekend. The company declined to

specify the duration of the work or its impact on production. National Grid this morning reported that gas flows at the terminal was zero.

Turkey and Azerbaijan finally signed their long awaited deal on the transit of gas to Europe. The memorandum of understanding fixes the price of gas that Azerbaijan sells to Turkey and sets the fee Turkey will charge for the transit of Azerbaijan gas to Europe.



8-14 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 7 JUN 2010
VALID JUN 15 - 21, 2010

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

Azerbaijan said today that it plans to export 10 billion cubic meters of gas per year to Europe and 6 bcm of gas to Turkey from the second phase of production at its Shah Deniz offshore gas field. Production from the field's second phase is slated to begin in 2016. Turkey said that they will have the right to re-export the gas from the Shah Deniz II phase and would help make Turkey an energy hub for Europe's gas needs,

Gazprom and Greek natural gas operator DESFA signed a deal on Monday to build the Greek part of the South Stream pipeline. The firms agreed to establish a 50/50 joint venture to build the 559-mile long segment in Greece

Gazprom said today that it does not foresee the need to develop TNK-BP's Siberian gas field Kovykta in the near term, as the company does not see how gas from this field can be in demand either for the Russian domestic market or for export for the foreseeable future.

The Polish Environmental Minister said today that Poland has issued 58 licenses to companies to search for unconventional gas. While estimates are that Poland may hold 1.4 to 3 billion cubic meters of shale gas, she cautioned that hard estimates on volumes and accessibility will not be known for another 2-5 years. She also noted that production would take 10-15 years to bring on to the market.

A 152,300 cubic meter LNG tanker, the Seri Bijaksana was scheduled to arrive at the Rio de Janeiro LNG terminal in Guanabara Bay, Brazil today. The terminal, which began operations in March last year, has not received a cargo since September.

The head of NASA's solar research, said today that the "sun is waking up from a deep slumber and in the next few years we expect to see much higher levels of solar activity.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline said today it has completed repairs on the 524J-100 line in the South Timalier area and flow at the affected meters may resume as soon as nominations are in place. As a result the company was lifting its force majeure notice.

ELECTRIC MARKET NEWS

Suncor Energy said it has received regulatory approval to develop Wintering Hills wind project. The project is projected to have up to 55 1.6 Mw turbines located on approximately 16,000 acres of privately owned land in Alberta. Construction is expected begin this summer and be completed by the end of 2011

Genscape reported today that U.S. power output for the week ending June 3rd rose 6.1% from the prior week and was 10.9% over the same week a year ago

MARKET COMMENTARY

While the natural gas market posted an inside trading day to start the week, prices rose steadily through the trading session to be able to finish the day back up near the highs for the past two trading sessions. With cooling demand expected to run some 28% higher than normal this week and with the 8-14 day forecast calling for much the nation to be warmer than normal along with new minor supply problems and nuclear generation levels falling over the weekend to levels that are some 4% less than a year ago all seemed to help support buying on the day. Traded volume while good for the day was still less than the prior two trading sessions.

While this market is knocking on the door of last week's highs, and looking to spark further short covering, we still feel that this market lacks the fundamental support to significantly work higher, given the high level of working gas stocks and industrial demand that remains suspect. We would continue to

be a scale up seller. We see resistance at \$4.977 followed by \$5.023, \$5.23 and \$5.271. Support we see at \$4.78 followed by \$4.618, \$4.548-\$4.507, \$4.395 and \$4.256.

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