



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR JUNE 8, 2011

NATURAL GAS MARKET NEWS

North America

The National Hurricane Center continues to monitor Invest 94-L but the threat of this system becoming a tropical depression anytime soon appears to be zero as it drifts slowly northward over the next couple of days.

The first LNG tanker to arrive at El Paso's LNG terminal in Pascagoula, Mississippi, will dock and unload on Monday, June 13, according to El Paso business development executive David Porco. The cargo will be used for commissioning, or testing, of the terminal. The \$1.1 billion terminal will have the capacity to process up to 1.3 billion cubic feet per day of LNG. Two on-site storage tanks have a combined capacity of up to 6.6 bcf.

International

Fatih Birol, chief economist at the International Energy Agency, said natural gas contracts will increasingly have a higher degree of flexibility, tied to less to oil prices and more to spot prices. This flexibility will be for both new and existing gas contracts that will be renegotiated, he said, as "major discussions" will take place between exporting and importing countries as they hold differing views.

The block of Italy's supply line in Libya has put its energy security in serious risk if another route is halted. The supply from the Libyan gas pipeline accounts for approximately 14% of Italy's needs.

The Netherlands will receive its first shipment of LNG from Trinidad, the operator of a new LNG terminal in Rotterdam said. The new facility, built by Dutch Gasunie and Koninklijke Vopak, in Rotterdam is expected to need three cargoes to cool storage tanks and test systems before it is ready for commercial operation in September. Two trading sources told Reuters that Bank of America Merrill Lynch secured a contract to bring commissioning LNG cargoes to the new terminal.

All agreements for the Nabucco gas pipeline project will be implemented from the second half of this year with no delays expected. Chief executive Reinhard Mitschek said he sees no reason to revise the 7.9 billion euro cost estimate for the project, though he said evaluation continues and will be share upon completion.

Generation Outages

NPCC – OPG's Lennox #1 and #2 oil and gas fired units were back online late Tuesday following a one day outage.

Calpine/Mitsui's Greenfield generating facility was reportedly back on line late Tuesday after tripping off line earlier in the day.

FRCC – NextEra Energy's 839 Mw St Lucie #2 nuclear unit was back at full power Wednesday morning, up 89% from Tuesday.

SERC – TVA's 1104 Mw Browns Ferry #2 nuclear unit dropped to 20% power by early Wednesday from full power early Tuesday.

The NRC reported this morning that some 84,709 Mw of nuclear generation was online, up 0.3% from yesterday and 4.5% below levels recorded a year ago.

Ukraine may seek a loan from the International Monetary Fund if rising prices for its gas imports from Russia deplete its foreign exchange reserves, Prime Minister Mykola Azarov said Wednesday. Azarov said Ukraine may ask for an IMF loan of up to \$2 billion but there is no pressing need for financial support at the moment.

ELECTRIC MARKET NEWS

China's carbon dioxide emissions are estimated by BP to have risen by 10.4% in 2010 when compared to the previous year. BP estimated that global emissions rose at their fastest rate for more than four decades, increasing by 5.8% to 33.16 billion tones. Global coal consumption was estimated to have increased by 7.6% last year in its fastest growth since 2003. Coal now accounts for 29.6% of global energy consumption, up from 25.6% from 10 years ago.

Hot weather and high humidity in New York City pushed the state's New York Power Authority to activate its program to reduce power consumption. Temperatures in the city were expected to exceed 98 degrees F on Wednesday and 93 degrees F on Thursday, according to forecasts from Telvent DTN WTHR/LGA. This is the first time the NYPA has activated its Peak Reduction program this summer. The program compensates customers for reducing electric use at 67 locations during the highest-demand days of the air-conditioning season when called upon. New York State's summer peak demand can increase 80 percent over the average level of electric use, adding up to 15,000 megawatts of additional consumption, NYPA said. The Peak Reduction option can be activated up to 15 weekdays from June 1 to September 20 and provides electricity lowering commitments by NYPA's governmental customers of about 27 MY. The duration of the reductions is limited to two to six hours, between 11 am and 7 pm. One megawatt can power up to 1,000 New York homes.

Power production in the continental United States for the week ended June 4 rose 0.3 percent from the same week last year to 79,532 gigawatt hours, according to data released Wednesday by the Edison Electric Institute. The Rocky Mountains scored the largest year-on-year percentage drop in output, sliding 9.1 percent to 4,381 GWh. The South Central US, meanwhile, showed the largest of only three regional increases in output, sliding 9.1 percent to 4,381 GWh.

The nuclear plant utilization rate at Japan's 10 nuclear power companies in May fell to the lowest in at least a decade after the March 11 earthquake and tsunami shut several plants in the northeast region and triggered a radiation crisis that kept others from restarting after regular repair work. The average nationwide utilization rate was 40.9 percent last month, down from 62.1 percent a year ago, a Reuters calculation based on data from the Ministry of Economy, Trade and Industry showed on Wednesday. The run rate was 50.9 percent in April and 58.3 percent in March.

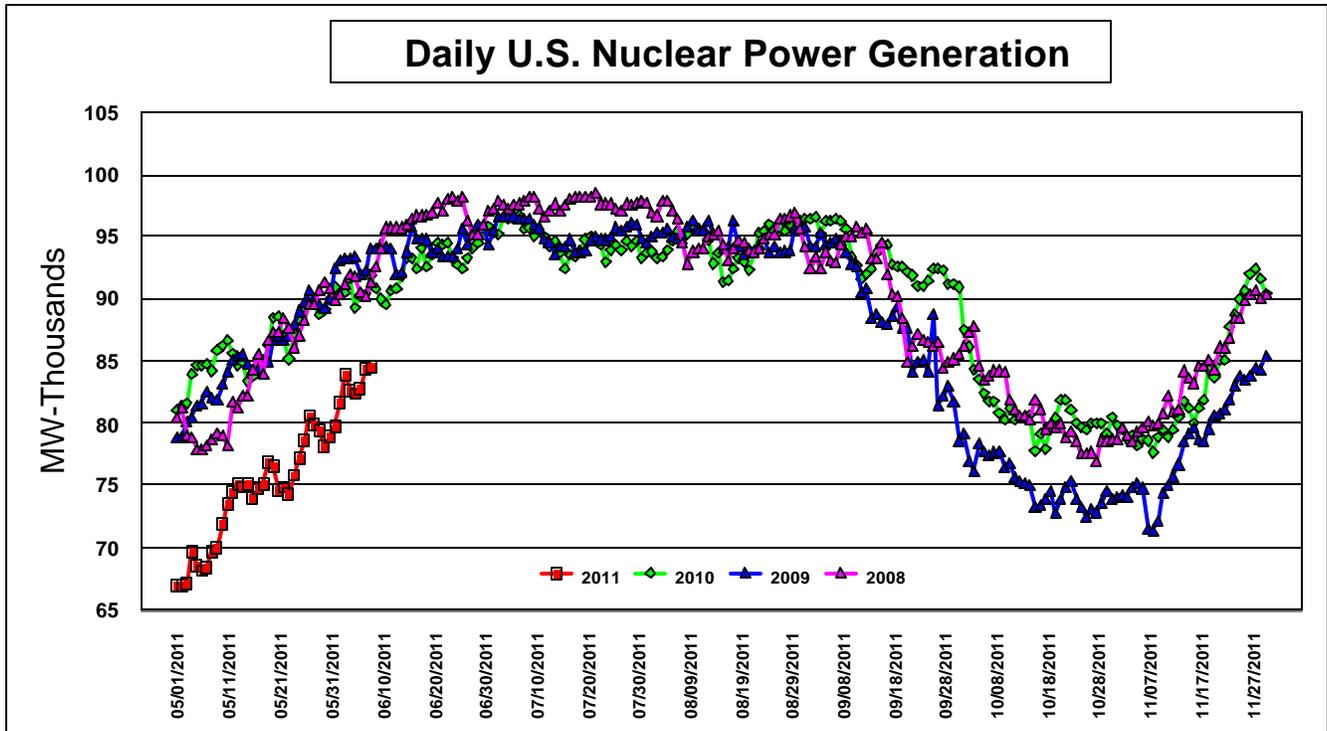
ECONOMIC NEWS

The Federal Reserve said growth slowed in some US regions during May as higher food and energy costs and supply disruptions stemming from Japan's earthquake took a toll.

An adviser to China's central bank said US Republican lawmakers are playing with fire by contemplating even a brief debt default as a means to force deeper government spending cuts. The idea of a technical default, essentially delaying interest payments for a few days, has gains backing from a growing number of Republicans who see it as a price worth paying if it forces the White House to cut spending. However any form of default could destabilize the global economy and sour already tense relations with US creditors such as China. The adviser to China's central bank said a default could undermine the US dollar.

The European Union's statistics office Eurostat confirmed its estimate that GDP in the EU increased 0.8% on the quarter in the first quarter this year, up from 0.3% in the previous quarter. In year on year terms, GDP growth was 2.5%, up from 1.9% in the fourth quarter of 2010.

A commissioner of the US Commodity and Futures Trading Commission, Bart Chilton said any shift in high frequency trading to Asia to avoid new regulations in the US and European Union is likely to be short lived and insignificant in size. Asian exchanges are opening up to computer driven trading, encouraging increasing numbers of algorithmic and high-frequency traders to set up in the region's financial centers.

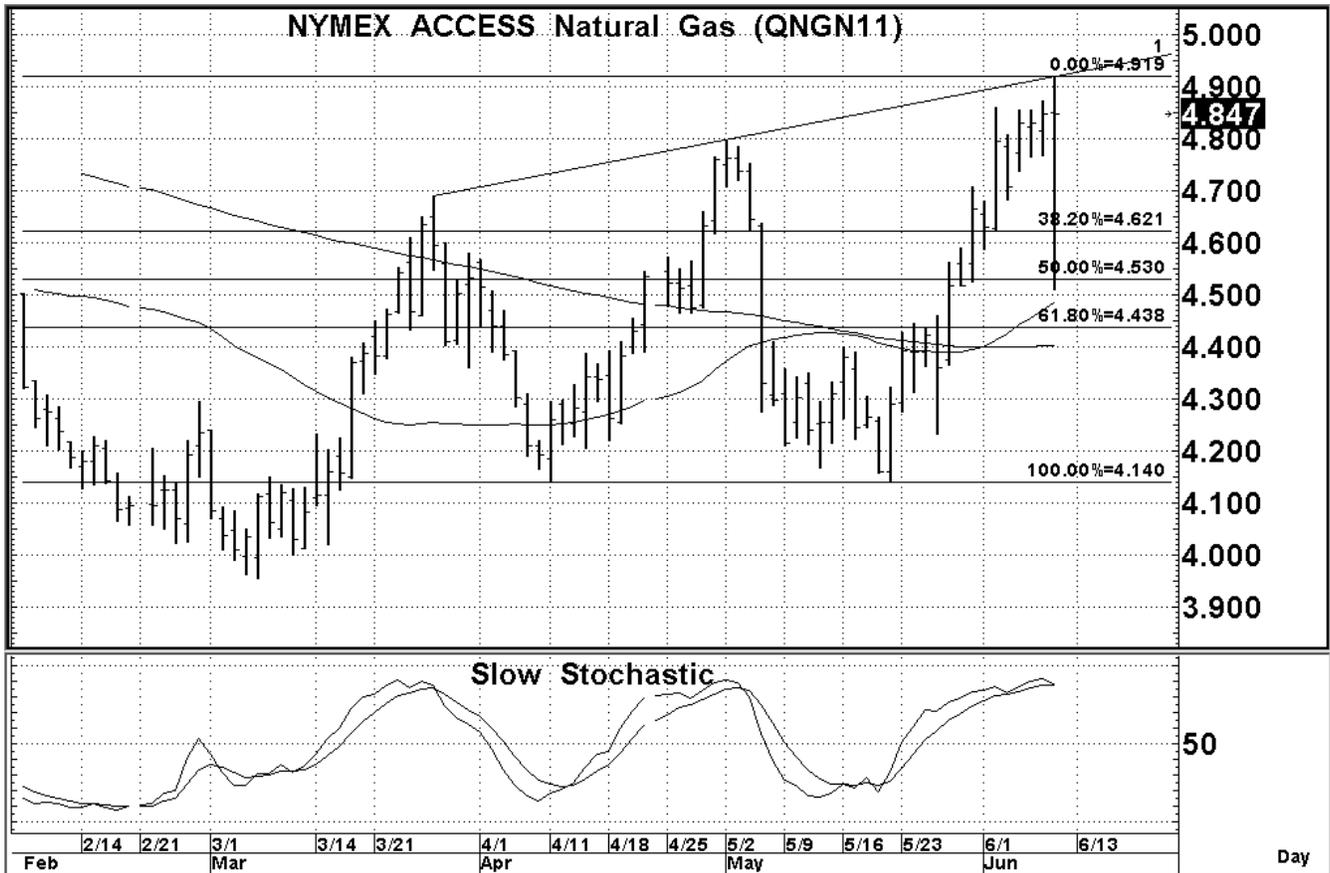


MARKET COMMENTARY

The natural gas markets today finished higher as an area unseasonably warm temperatures stretched from Texas to the U.S. Northeast was helping to boost spot cash prices again today at many trading points, and this support in turn lent support to the futures market as well. The price rise in the futures market though was muted as the duration of this heat wave was limited and the fact that nuclear generation levels continued to rebound today. In fact when prices in the afternoon finally breached the highs of the past several days, we were surprised it did not trigger and even larger technical buying spree. Prices did stall once the rally reached a trend line drawn off the highs of March 28th and May 2nd. It appeared that late in the day most traders were willing to stay on the sidelines until after the release of tomorrow's storage report.

Expectations for tomorrow's storage report appear to be running between a 75-80 bcf build. A year ago stocks increased by an adjusted 98 bcf while the five-year seasonal average shows a 96 bcf build.

While the daily stochastics still have not rolled over to the downside yet they are extremely close to doing so and we would be on the look out for that event tomorrow. We see resistance tomorrow at \$4.919-\$4.923 followed by \$5.009 and \$5.196. Initial support we see at \$4.785, \$4.723 and \$4.679. We see more substantial support at \$4.621, \$4.53 and \$4.438.



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.