



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 10, 2010

NATURAL GAS MARKET NEWS

Private weather forecaster Commodity Weather Group raised its 2010 Atlantic hurricane forecast on Thursday as warm water temperatures have increased the potential for an active storm season. The forecaster now estimates 15 named storms, up one from its previous estimate. It sees nine of these storms reaching hurricane strength and four becoming a major Category 3 or higher storms. The forecaster looks for most of the storms to occur between mid-August and mid-September as wind conditions look to hinder early development. It expects one storm this season to make its way into the Gulf of Mexico most likely in the mid-August to mid-September period.

The Canadian National Energy Board said today that it sees the natural gas market remaining near \$4.00 through the end of July, as stronger than anticipated drilling activity should maintain U.S. production levels through at least the summer.

The U.K.'s Isle of Grain LNG terminal was shut for planned maintenance on Thursday, but nominated gas flows were expected to resume late in the day, according to National Grid. Gas flows from the terminal dropped to zero from around 25 mcm per day this morning. Operators expect that this maintenance work will interrupt flows from the terminal frequently through the end of the month.

Gazprom's CEO said today before an industry conference that while he is less upbeat over an immediate recovery in European demand for natural gas, as he noted the financial and economic crunch negatively affects gas consumption. Nevertheless the company is confident that in the long term prospects for gas demand in Europe will rise and with it prices. By 2012 he looks for the gap between long term pipeline prices and spot gas prices will close. He also called the booming shale gas industry as a "fashion trend", which has relatively low output, high investment costs and sharp depletion rates after the first few years. Thus he sees shale gas as serving as a local source of energy,

Generator Problems

NPCC – All three natural gas fired generating units at Calpine/Mitsui's 1153 mw Greenfield natural gas fired power plant returned to service early Thursday.

While OPG brought back into service one of its 490 Mw Nanticoke coal fired power unit back into service this morning, the operator reported that Unit #8 was taken offline for maintenance that is expected to last for one week.

SERC- TVA's 1104 Mw Browns Ferry #2 nuclear unit was shut this morning due to the closure of main steam isolation valves. The unit had been at full power yesterday.

Southern Nuclear's Hatch #1 nuclear unit was at 72% power this morning, up 12% from yesterday.

ERCOT – Luminant's 545 Mw Sandow Unit #4 coal fired power plant was expected to be shut later today for maintenance.

MISO – NPPD's 800 Mw Cooper nuclear unit ramped up overnight and was at 94% power this morning, up 9% from yesterday.

FirstEnergy's 1231 Mw Perry nuclear unit was at full power again this morning, up 7% from Wednesday.

The NRC reported this morning that some 89,976 Mw of nuclear power was generated today, down 0.9% from yesterday and 4.6% below the same day a year ago.

EIA Weekly Report

	06/04/2010	05/28/2010	Change	05/29/2009
Producing Region	896	868	28	954
Consuming East	1148	1095	53	1081
Consuming West	412	394	18	393
Total US	2456	2357	99	2428

*storage figures in Bcf

compensating for a reduction of production volumes from traditional gas in the regional markets.

Indian energy major, Reliance Industries remains in talks to buy a stake in the shale gas assets of U.S. based Pioneer Natural Resources. Reliance reportedly is also in talks with several other companies as it tries to expand its exposure into this market segment.

Canadian Gas Association

Weekly Storage Report

	04-Jun-10	28-May-10	05-Jun-09
East	121	112.7	140.4
West	270.7	262.2	246.2
Total	391.8	375	386.6

storage figures are in Bcf

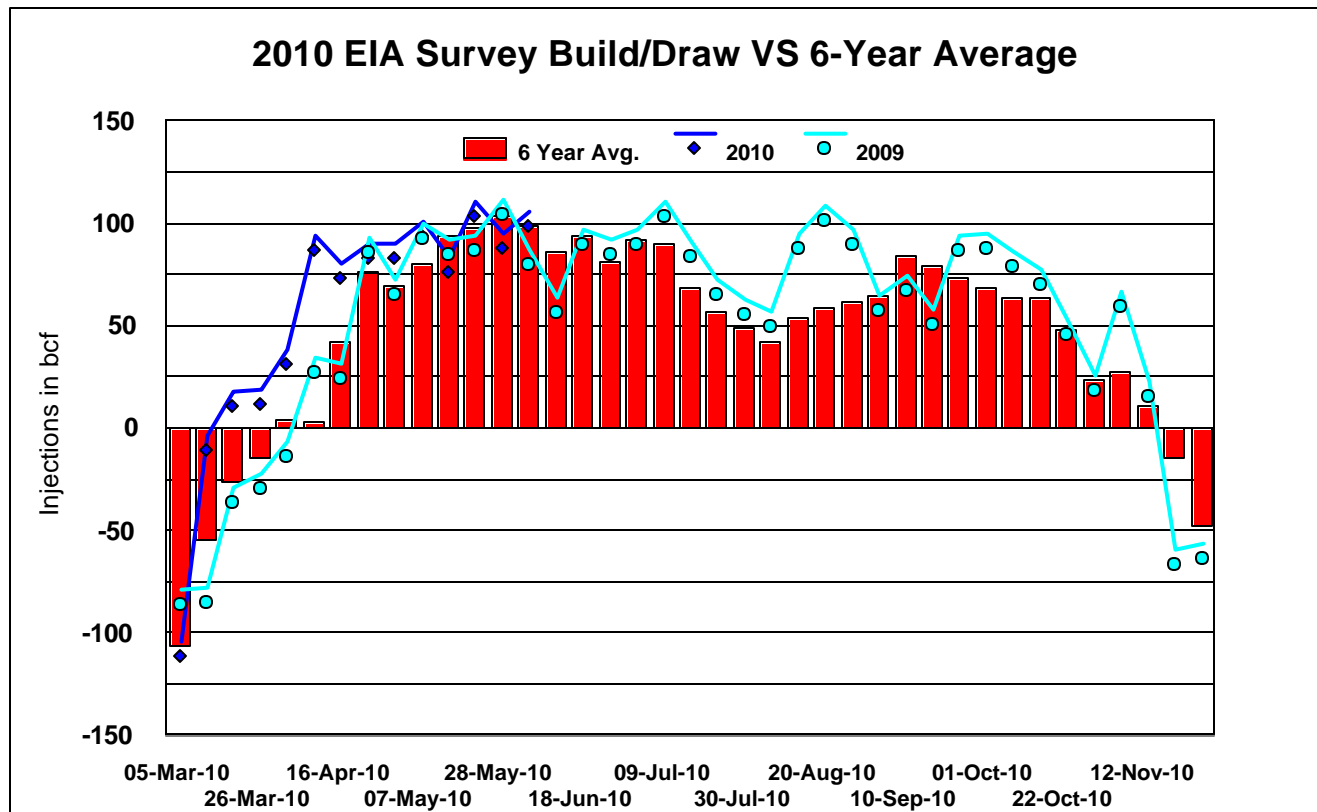
Gazprom said it will sign a deal with EDF next week on the French utility taking a stake in the South Stream gas pipeline project.

Reportedly the utility will take a 20% stake in the project which is jointly being developed by Gazprom and Italy's ENI. Construction of the pipeline is

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	811,300	\$4.680	(\$0.073)	\$0.019	(\$0.003)	(\$0.141)
Chicago City Gate	527,700	\$4.698	(\$0.088)	\$0.037	(\$0.024)	\$0.006
NGPL- TXOK	699,800	\$4.566	(\$0.051)	(\$0.095)	\$0.013	(\$0.156)
SoCal	659,100	\$4.354	(\$0.116)	(\$0.307)	(\$0.052)	(\$0.301)
PG&E Citygate	1,021,300	\$4.517	(\$0.055)	(\$0.144)	\$0.009	(\$0.150)
Dominion-South	402,200	\$4.813	(\$0.053)	\$0.152	\$0.011	\$0.085
USTRade Weighted	21,488,600	\$4.561	(\$0.067)	(\$0.100)	(\$0.00)	(\$0.141)

expected to start in 2012. Gazprom's CEO said that the company continues to see a 2015 start up for the South Stream pipeline.

Cyprus' public gas supplier Defa said today that it expects to select its preferred supplier of LNG some time next month, following the completion of a consultation process in which six short listed companies



were examined to supply the island with LNG over a 20 year period beginning by 2014. The island is

expecting to need 0.77 million metric tones of LNG per annum starting in 2014 and growing to 1.37 mmt by 2035.

Britain's St. Fergus gas terminal was reported to be back at normal operating levels today, following completion of repairs on a processing module. The North Sea Elgin gas field though was still shut due to a minor technical issue Total said today. This field, which feeds gas to Britain via the Bacton Seal gas terminal, stopped production on Tuesday night.

Peru LNG officially opened its first LNG plant today. The facility, which will have a 4.4 million ton per year capacity, cost \$3.8 billion to build.

PIPELINE RESTRICTIONS

NGPL said that effective for today and continuing until further notice it is at capacity for northbound flow through Segment 13 at Compressor Station 107 in Mills County, Iowa. Interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled. Additionally the company said until further notice, Florida Gas-Jefferson has limited capacity available for deliveries. Limited interruptible transportation service/authorized overrun and secondary firm transports are available.

Tennessee Gas Pipeline said that effective for today it has restricted through approximately 62% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul point.

MARKET COMMENTARY

The natural gas market settled lower for the third trading session in a row, helped in part by the report of a slightly larger than expected build in working gas stocks last week. While prices bounced back initially after the release of the report, it appeared the continued higher level of stocks versus last year, some 28 bcf and being 310 bcf above the five year seasonal average helped to weigh on the market as the day moved forward overcoming continued supportive temperature forecasts and another bullish hurricane forecast.

We continue to hold our bearish position in short \$5.00 calls in the July contract which we had been a scale up seller of last week from 9-20 cents. We would not recommend covering some of the position until the \$4.62 support level is breached, looking for prices to return to the \$4.515 and \$4.402 support region. These options today settled at 5.6 cents.