



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 14, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this afternoon was watching an area of cloudiness and showers some 1,375 miles east of the Windward Islands as of this afternoon. This area of disturbed weather has become a little less organized from overnight and this morning. Environmental conditions in the vicinity of the weather system are just marginally favorable for further development and are expected to become less favorable in a day or two. The NHC assigned a 40% chance that this system could become a tropical cyclone over the next 48 hours as it moves west-northwestward to northwestward at 15 mph.

Kohlberg Kravis Roberts & Company announced today that it would join with privately held Hilcorp Energy to develop that company's property in their Eagle Ford shale in south Texas. KKR will invest up to \$400 million to develop the property and will own 40% of Hilcorp Resources LLC.

Enterprise Products Partners has completed repairs to the portion of its partially owned North Texas natural gas pipeline that was damaged June 7th in Johnson County, Texas. Full service to customers was restored on June 12th. The North Texas pipeline is a 36 inch, 395 mile segment that runs from the Waha Hub to the Carthage Hub.

Generator Problems

NPCC – OPG's 535 Mw Unit #3 at the oil and gas fired Lennox power plant returned to service early Monday. The unit had been shut back on April 22nd.

SERC- Duke Energy's 1100 Mw McGuire #1 nuclear unit was shut this morning, due to a control rod drop indication. The unit had been at 44% power on Friday.

TVA's 1104 Mw Browns ferry #2 nuclear unit has exited its recent short outage and was back up to 85% power this morning. The unit was shut on June 10th from full power due to the closure of main steam isolation valves.

WSCC – Energy Northwest has again reduced production at its Columbia nuclear unit today. The unit was only at 22% power this morning, down 18% from operating levels reported on Friday.

FRCC – FPL has restarted its 853 Mw St. Lucie #1 nuclear unit and was at 20% power this morning. The reactor was shut on April 5th for maintenance and refueling.

MISO –Ameren's 1190 Mw Callaway nuclear unit returned to 70% power by early Monday after an almost two month long outage for refueling.

The NRC reported this morning that some 91,905 Mw of nuclear power was generated today, up 1.2% from yesterday but 3.1% below the same day a year ago.

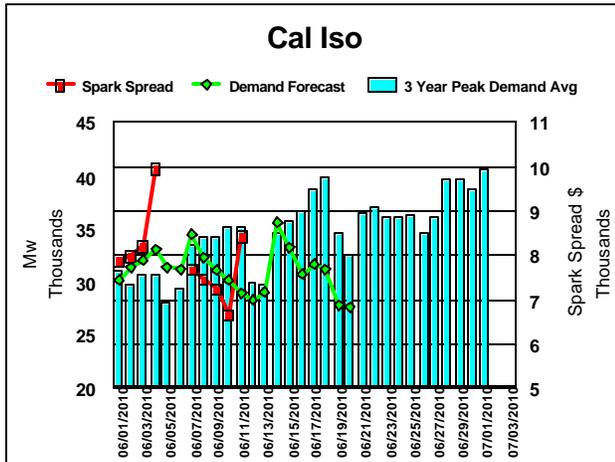
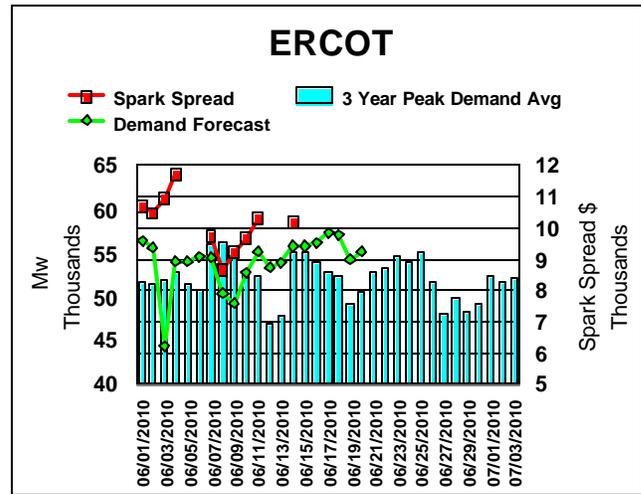
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	731,000	\$4.939	\$0.255	\$0.016	\$0.051	(\$0.121)
Chicago City Gate	417,900	\$4.943	\$0.274	\$0.020	\$0.084	\$0.018
NGPL- TX/OK	677,000	\$4.796	\$0.231	(\$0.127)	\$0.041	(\$0.119)
SoCal	705,400	\$4.559	\$0.240	(\$0.364)	\$0.050	(\$0.329)
PG&E Citygate	639,000	\$4.697	\$0.199	(\$0.226)	\$0.009	(\$0.180)
Dominion-South	419,100	\$5.065	\$0.220	\$0.142	\$0.030	\$0.142
USTRade Weighted	21,225,900	\$4.793	\$0.241	(\$0.130)	\$0.05	(\$0.121)

EnCana Corp, Canada's largest natural gas producer, said today that it continues to look for potential partners that could help it speed development of

its unconventional gas fields in North America. The company said it is looking for joint venture investments of between \$1 billion and \$2 billion annually, with \$900 million already raised this year. The company's CEO said today that despite the company warning in April it was prepared to shut in production of some gas fields if prices weakened further, such as the 500 mmcf/d of production shut in back in 2009., the company has not shut in any natural gas production this year as prices for natural gas have not dipped to the lows of 2009 and futures are holding steady.

Britain's Elgin gas field was restarted on and returned to normal on Friday. The field had been shut on Tuesday due to a technical issue. Elgin supplies gas to Britain via the Bacton SEAL terminal.

The operator of the Interconnector pipeline reported today that Britain's average daily gas exports to Europe jumped by more than 40%, year on year, in the period April 1-June 13th, as buyers on the mainland restocked after the long cold winter. During this period exports have averaged 43.44 mcm/day versus 25.46 mcm for the same period a year ago.



The British Diamond LNG tanker was slated to arrive at the Isle of Grain receiving terminal on June 13th from Trinidad. The ship has a capacity of 155,000 cubic meters. Meanwhile port officials at Zeebrugge reported the LNG tanker, the Al Deebel is expected to arrive at the port from Qatar carrying 145,700 cm of LNG, on June 18th. This ship is to be followed by the Al Jassasiya LNG tanker from Qatar on June 27th.

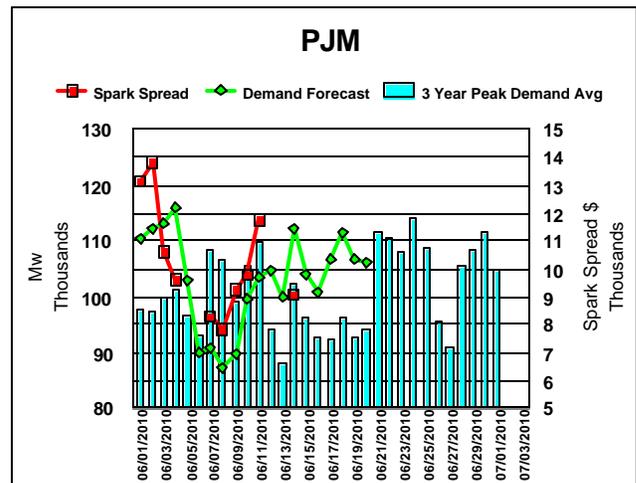
ECONOMIC NEWS

The EU reported early this morning that European industrial output advanced 0.8% in April from March and stood some 9.5% from a year earlier. This was the biggest year on year gain since data reporting started in 1991.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline reported it has restricted through approximately 22% of supply to market secondary out of the path nominations pathed for delivery to the Leidy delivery meters and approximately 58% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul point.

PIPELINE MAINTENANCE



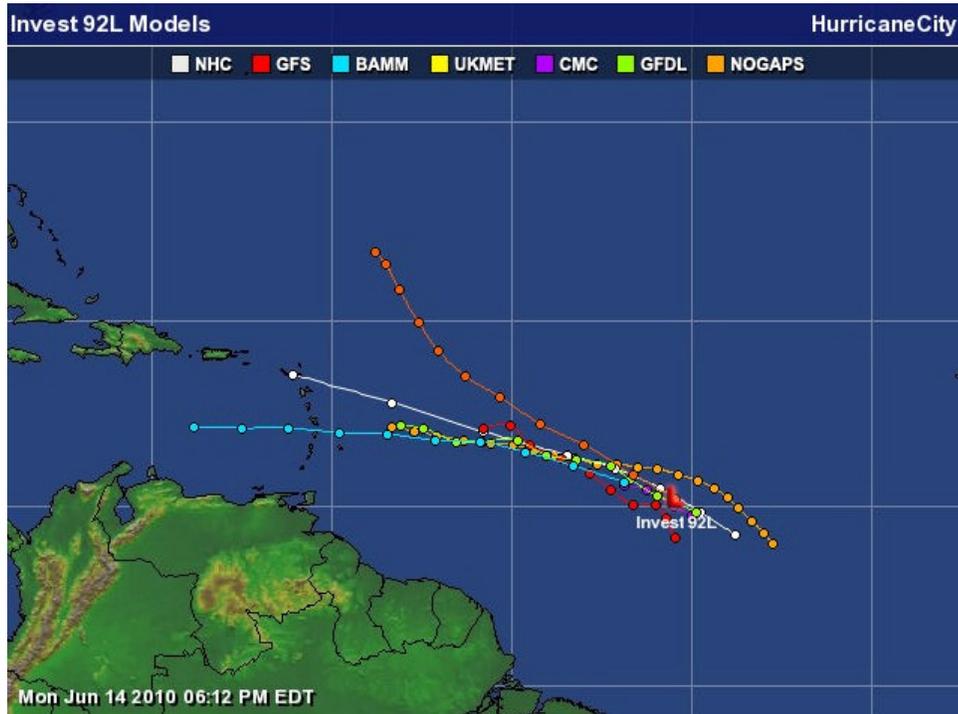
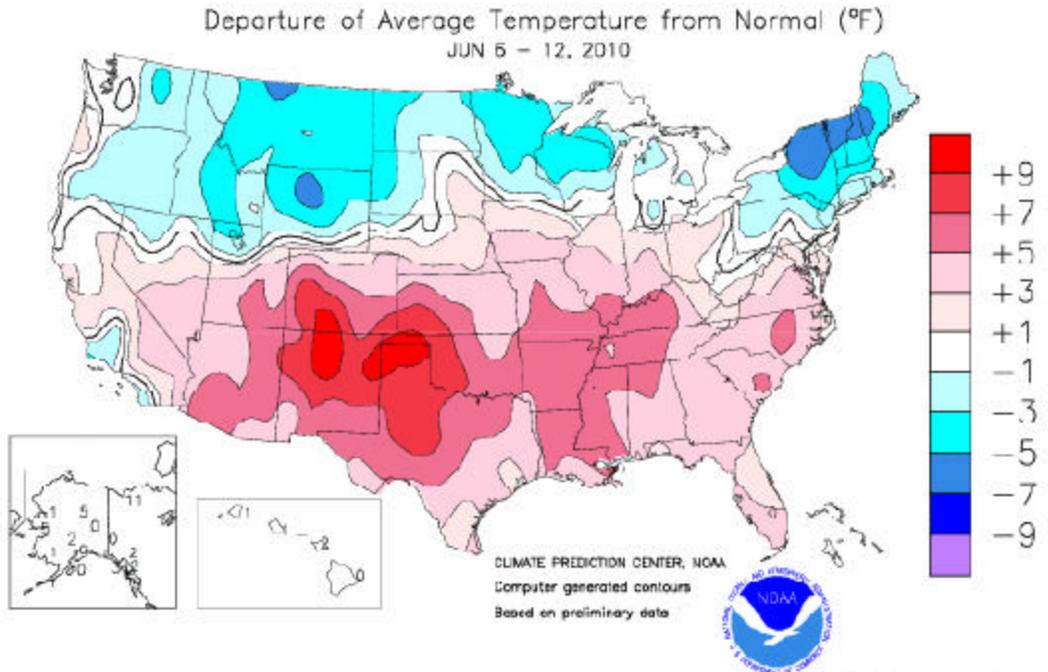
BBL reported that maintenance work at the receiving terminal of the gas pipeline which runs between the Netherlands and Britain has been completed ahead of schedule and flow resumed today. National Grid reported that flows were running at 21 million cubic meters, after being just zero earlier in the day. The line has a capacity of 36 mcm.

ELECTRIC MARKET NEWS

Genscape reported this morning that U.S. power output for the week ending June 10th rose 1% from the prior week and was some 9.8% over the same week a year ago.

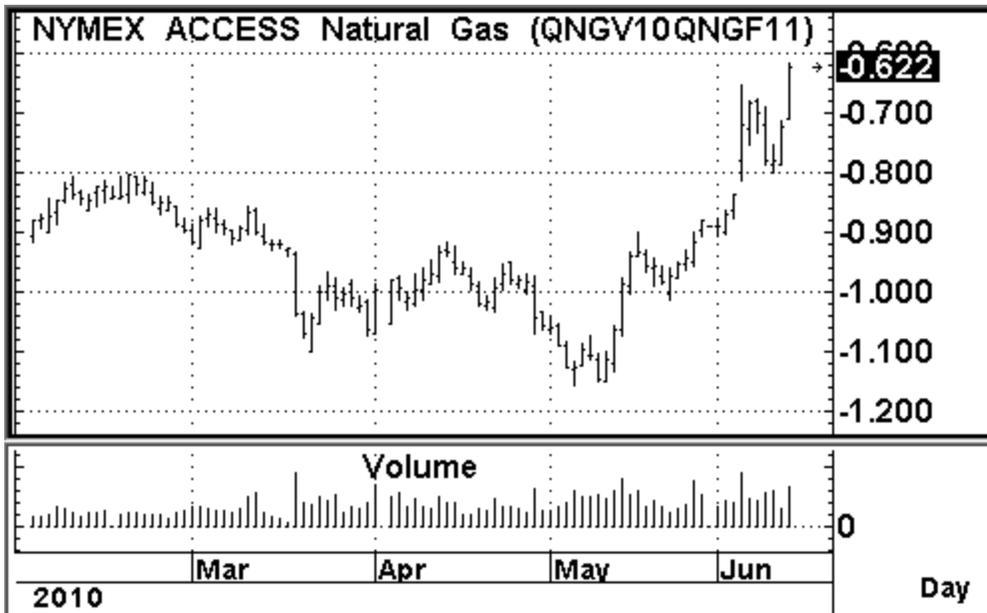
MARKET COMMENTARY

The natural gas market today gapped higher driven by a temperature forecast that sees the warmer than normal temperatures in the Gulf Coast and mid section of the country expanding throughout most of the nation within 11-15 days. In addition the bulls gained additional support by the potential for Invest 92L to potentially become a tropical storm with 48 hours, before it runs into wind shear conditions that could rip it apart or at least weaken it. But it appeared traders were more focused on its potential path if it does in fact survive, since it does not rule out a threat to the gulf. Prices were finally able to breach the \$5.00 level on the close and by the time Globex trading ended this market found itself at levels not seen in the July contract since March 1ST.



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through this market for a potentially blistering summer cooling season and a deadly hurricane season.

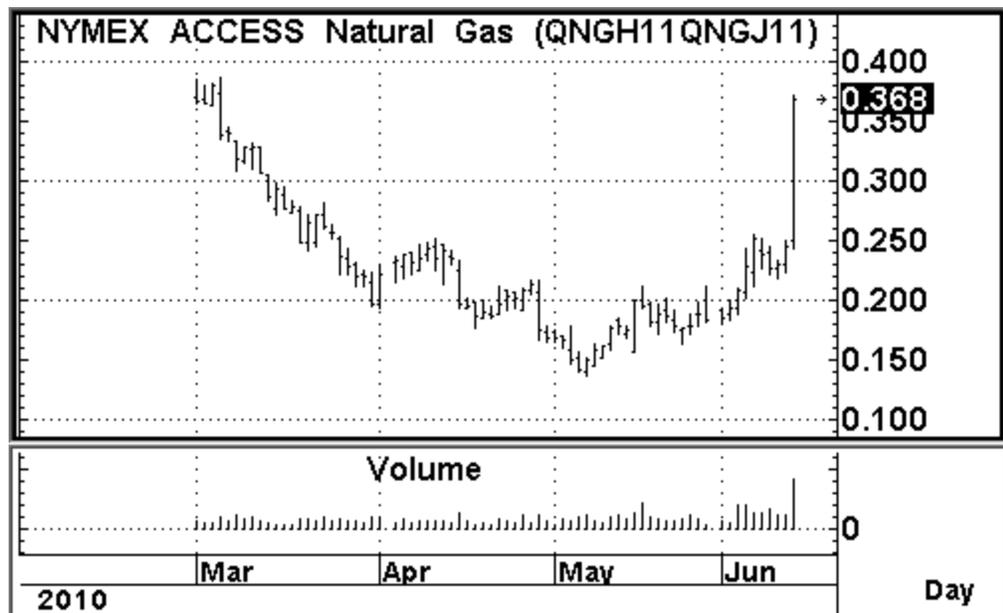


The steady advance of natural gas throughout the trading session also makes it look to us as commodity funds were in this market as potentially buyers following through in their net short liquidation as shown in Friday's Commitment of Traders Report. It is interesting to note that this market saw open interest on a combined and adjusted basis for Henry Hub futures and swaps on NYMEX jumped by 19,148 lots

the largest one-day advance since April 15th.

While we feel the equity and oil markets also received a dramatic kick higher today by the reports of stronger than expected industrial production levels in the euro zone in April, making commodities more desirable, we still are not a believer in this early season weather mania. As a result we would continue

to look to be a scale up seller of this market but maybe not as aggressively given the apparent departure of the funds from the net short side of this market. As a result this market may have additional legs to continue to rally for another few days, unless weather forecasts change quickly. We see resistance in the July contract at \$5.10 then \$5.188 and \$5.23. More distant resistance we see at \$5.40 and \$5.58. Support we see at \$5.00 tomorrow followed by \$4.863.



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