



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 14, 2011

NATURAL GAS MARKET NEWS

North America

Natural gas supply from Sable Offshore Energy Project off the coast of Nova Scotia will be unavailable to flow on the Maritimes Canada pipeline system for one week beginning Wednesday during planned maintenance work, two Spectra Energy pipeline units said Tuesday. The Sable project, operated by Exxon Mobil Corp has the capacity to produce between 400 million and 500 million cubic feet of natural gas and 20,000 barrels of natural gas liquids per day.

Generation Outages

MISO - Exelon's 867 Mw Quad Cities #1 nuclear unit was shut on Monday due to a steam leak in the turbine building.

NextEra Energy's Point Beach #2 nuclear unit tripped off line late Monday while operators were performing required tests before returning the plant back to service.

The NRC reported this morning that some 89,366 Mw of nuclear generation was online, down 0.1% from yesterday and 4.1% below levels recorded a year ago.

Hess LNG has announced that it is dropping its controversial proposal for building a LNG facility in Fall River, the Weavers Cove project. Hess LNG said it was abandoned the project in part because imported gas would not be able to compete against inexpensive shale gas. The company said it would focus its efforts on more viable LNG projects including one in Shannon, Ireland.

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	929,900	\$4.587	(\$0.164)	(\$0.003)	(\$0.123)	\$0.086
Chicago City Gate	525,400	\$4.632	(\$0.135)	\$0.042	(\$0.092)	\$0.131
NGPL- TXOK	923,500	\$4.476	(\$0.154)	(\$0.114)	(\$0.111)	(\$0.037)
SoCal	654,500	\$4.595	(\$0.165)	\$0.005	(\$0.122)	\$0.020
PG&E Citygate	810,400	\$4.818	(\$0.153)	\$0.228	(\$0.110)	\$0.254
Dominion-South	806,500	\$4.635	(\$0.223)	\$0.045	(\$0.180)	\$0.223
USTrade Weighted	20,649,800	\$4.559	(\$0.166)	(\$0.031)	(\$0.12)	\$0.086

International

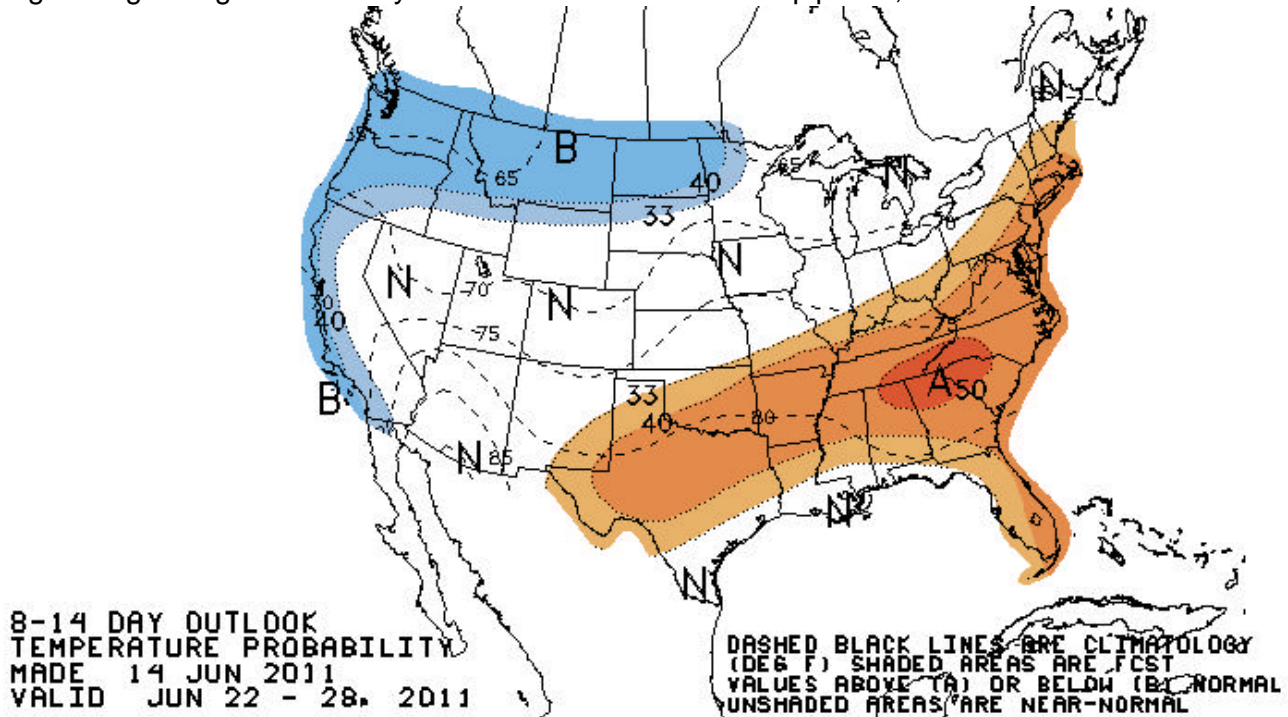
PetroChina has completed all pipeline-laying work for the country's largest gas trunk and aims to start operating the pipe by the end of this month, the China Petroleum

Daily reported on Tuesday. The progress of the \$22 billion project was largely in line with the earlier schedule. The trunk line, or the second West-to-East pipeline, was designed to take 30 billion cubic meters of gas a year from Turkmenistan via the China-Central Asia gas pipeline.

The Simaisma LNG tanker, which has a 145,000 cubic meter capacity, is expected to arrive at Belgium's Zeebrugge terminal on June 29, according to Reuters.

Azerbaijan's natural gas output fell 2.6 percent in January-May 2011, year-on-year, to 10.7 billion cubic meters, the State Statistics Committee said on Tuesday. Although the statistics committee did not

provide a reason for the decline, Azeri state energy company SOCAR's President Rovnag Abdullayev told journalists earlier this month that the decline in oil and gas production was linked to "revision of some drilling works in order to strengthen their security". Gas output fell by 3.6 percent in January-April to 8.4 bcm. Azerbaijan's gas output rose by 11 percent in 2010 year-on-year to 26.2 bcm from 23.6 bcm in 2009. The oil-rich country plans to produce between 28 bcm and 29 bcm of gas this year, including 9.1 bcm from its major Shah Deniz field. Azerbaijan sells gas to the domestic market and to neighboring Georgia and Turkey via the Baku-Tbilisi-Erzurum pipeline, as well as to Russia.



Demand for natural gas will increase amid a global backlash over safety of nuclear energy in the wake of the Japan disaster, Qatargas CEO Sheik Khalid bin Khalifa Al Thani said. Qatar said in April it would supply an extra 4 million tons of LNG to Japan over the next year to meet its electricity needs after an earthquake destroyed its Fukushima Daiichi nuclear plant. Qatargas already supplies 6 million tons a year of LNG under long-term contracts to Japan from its Qatargas 1 liquefaction facility, Sheikh Khalid said according to QNA, adding that it could export a further 3 million tons pending a decision by the Japanese government.

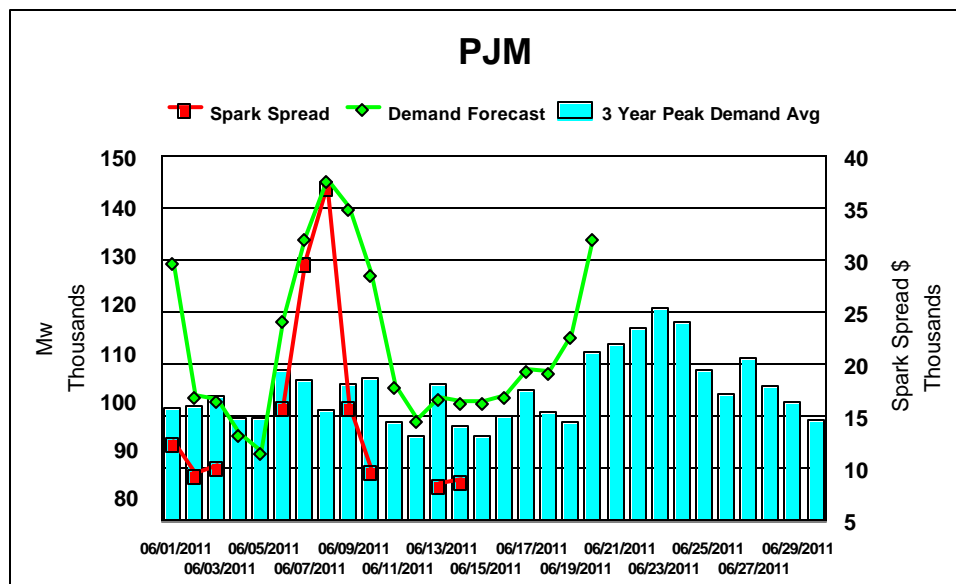
An agreement to raise the price of Egyptian gas exported to Jordan will open the way for boosting prices to other markets, notably Israel, the Egyptian oil minister said in remarks published on Tuesday. Egypt said in April it would review gas contracts, including those with Israel and Jordan, amid accusations the government of ousted President Hosni Mubarak had improperly negotiated the sale of gas at preferential prices. A newspaper reported in May that Jordan agreed to a new price for Egyptian gas. Egypt resumed pumping natural gas to Israel on Friday after supplies were halted in April following an attack on a pipeline.

Algeria's Sonatrach and Spanish utility Gas Natural have settled a long-running dispute with a deal that gives the Algerian firm the opportunity to take a minority stake in Gas Natural. "This is a very important deal as it puts an end to five years of dispute," Sonatrach chief executive Nourredine Cherouati said at a ceremony to sign the deal.

Maintenance on the North Sea CATS riser gas platform will take place on July 6-17 and July 28-Aug 3 instead of this month, operator BG Group said. The maintenance was originally scheduled to start on Tuesday, but work has been deferred to July, a spokeswoman for BG Group said.

ELECTRIC MARKET NEWS

Genscape reported yesterday that it estimated U.S. power production for the week ending June 9th fell 1.6% from the previous week but was some 2.8% higher than the same week a year ago.



Projected water runoff at The Dalles Dam on the Columbia River in Oregon rose to 135 percent of normal for the January to July period, the US Northwest River Forecast Center said Tuesday. The latest outlook is p from the NWRFC's prior forecast of 132 percent of normal in its Ensemble Stream flow Prediction (ESP). In the 2010 water year, actual

runoff at the Dalles from January to July was 79 percent of the 30-year average.

ECONOMIC NEWS

The US Commerce Department said US businesses stocked up on goods in April as sales slowed. Business inventories increased 0.8% to \$1.497 trillion, an indication that companies expect demand to increase. Sales by business in the US increased by 0.1% in April to \$1.186 trillion, down from March's 2.4% increase. The inventory-to-sales ratio increased to 1.26 from 1.25 in March. Separately, the Commerce Department said US retailers suffered the first decline in sales in 11 months. US retail and food services sales fell by 0.2% on the month to \$387.12 billion. April sales were revised down to a 0.3% gain from an initial estimate of 0.6%.

The US Labor Department said US producer price growth eased in May due to lower oil prices and signs of weakness in the global economy. The Producer Price Index increased a seasonally adjusted 0.2% compared with the prior month. Producer prices increased 0.8% in April. The deceleration was caused by a sharp drop in food prices and lower energy prices. Core producer prices increased 0.2%. Year over year, the core index in May was up 2.1%.

China's value added industrial output in May increased 13.3% on the year, down from April's 13.4% increase. China's retail sales in May increased 16.9% on the year compared with 17.1% in April. Meanwhile, government data showed that China's consumer price index increased 5.5% in May on the year, up from a 5.3% on year increase in April. China's producer price index in May increased 6.8% on the year, unchanged on the month.

China's central bank increased bank reserve ratios on Tuesday for the ninth time since October to try to curb inflation. The 50 basis point increase in the reserve ratio requirement means that banks would have to hold 21.5% of their deposits, a record high.

The Commodity Futures Trading Commission members are set to consider delaying certain swap rules until as late as December 31, 2011 in order to avoid confusion in the over-the-counter derivatives market as regulators miss the approaching one-year deadline set by Congress. Certain parts of the new Dodd-Frank financial law are set to automatically take effect July 16th. CFTC Commissioners are

meeting on Tuesday to vote on a proposal that would delay those provisions until December 31, 2011 or until the commission completes defining certain key terms in the statute.

French President Nicolas Sarkozy said regulating trade in raw materials derivatives should be extended and added that France wants a minimum cash deposit for such transactions.

MARKET COMMENTARY

With cooler than normal temperatures across much of the northern half of the country today, the natural gas cash markets fell by 10-20 cents at many cash trading hubs, and it appears helped to have some spill over effect on the futures market which dropped by 6.5 cents today, posting its second consecutive lower settlement. This market continues to go its own way, posting a down session despite the oil markets finishing the day higher, which in part had been supported by market perceptions of supportive economic news.

We do not expect though that this market will significantly move lower tomorrow as traders will probably move to the sidelines in front of Thursday's storage report. We also see that this market is approaching key technical support that most likely will hold the market until after the release of Thursday's storage report. We see support at \$4.554-\$4.505, followed by \$4.477-\$4.462. Additional support we see at \$4.357 and \$4.209, but feel that this numbers will not be in play until nuclear generation levels resume their upward rebound, which today had posted a slight set back. Resistance we see at \$4.639-\$4.657 followed by \$4.811, \$4.983 and \$5.048.

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