



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 15, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center throughout the day continued to reduced the probability of the current low pressure system in the central Atlantic would become a tropical cyclone down to just 20%. In addition the forecasters noted that the conditions are expected to become less favorable for further development over the next day or so as the system which is moving at about 15 miles per hour west-northwest runs into wind shearing conditions of 30-50 knots should start to rip the system apart. It appears that while this system does not pose a significant threat to the Gulf of Mexico, it has made some traders and forecasters nervous as it was spawned by the "African wave train" an event that typically does not happen until much later in the hurricane season.

The AGA in a report released today noted that the natural gas market today seems to be all about supply. The AGA estimated marketed natural gas production prior to extraction losses has averaged 60.2 bcf/d so far in June up from 60.1 bcf/d recorded in May.

Gassco reported that maintenance work which has been limiting export capacity at Norway's Kollsnes gas export plant was expected to be completed by Wednesday.

British gas prices were also supported today due to a strike threat at Norway's Gullfaks B and C oil and gas fields.

Generator Problems

NPCC –OPG's 490 Mw Nanticoke #5 coal fired power plant was shut late Monday.

SERC- Duke Energy's 1100 Mw McGuire #1 nuclear unit has been restarted and has ramped up to 9% power this morning. The unit was shut over the weekend.

TVA's 1100 Mw Browns ferry #2 nuclear unit was at 90% power this morning, up 5% from yesterday.

WSCC – Energy Northwest's 1131 Mw Columbia nuclear unit ramped up to 69% power, up 47% from yesterday.

FRCC – FPL's 853 Mw St. Lucie #1 nuclear unit was at 30% power this morning, up 10% from yesterday.

MISO – DTE Energy's 1122 MW Fermi #2 nuclear unit was restarted from its recent outage and was at 1% power this morning. The unit was shut last week after strong thunderstorms knocked out one of two offsite power feeds and damaged the turbine building.

Ameren's 1190 Mw Callaway nuclear unit ramped up to 97% power early Tuesday, up 27% from Monday.

The NRC reported this morning that some 93,220 Mw of nuclear power was generated today, up 1.4% from yesterday but 2% 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	1,137,300	\$5.111	\$0.172	\$0.017	(\$0.037)	(\$0.135)
Chicago City Gate	454,700	\$5.115	\$0.172	\$0.021	\$0.001	\$0.015
NGPL- TX/OK	619,800	\$4.970	\$0.174	(\$0.125)	\$0.003	(\$0.125)
SoCal	659,600	\$4.645	\$0.086	(\$0.449)	(\$0.085)	(\$0.358)
PG&E Citygate	661,400	\$4.679	(\$0.019)	(\$0.415)	(\$0.190)	(\$0.235)
Dominion-South	321,600	\$5.216	\$0.151	\$0.122	(\$0.020)	\$0.136
USTRade Weighted	22,072,300	\$4.927	\$0.134	(\$0.167)	(\$0.04)	(\$0.135)

South Korean customs data showed that imports of LNG by South Korea, the world's second largest buyer of LNG, rose for the fourth month in a row

on bullish power demand driven by a recovering economy and cooler weather. South Korea imported 1.96 million tones of LNG in May, up from 1.26 million tones a year earlier.



Poland's minister of oil and gas in the energy ministry said Poland needs to sign a natural gas deal with Russia in coming months to avoid supply cuts as early as October. The countries had reached a preliminary agreement for 10 bcm of gas a year until 2037, but the final signing of the deal has been delayed.

Germany's federal cartel office said today that German gas competition is beginning to work in the German market and it has decided

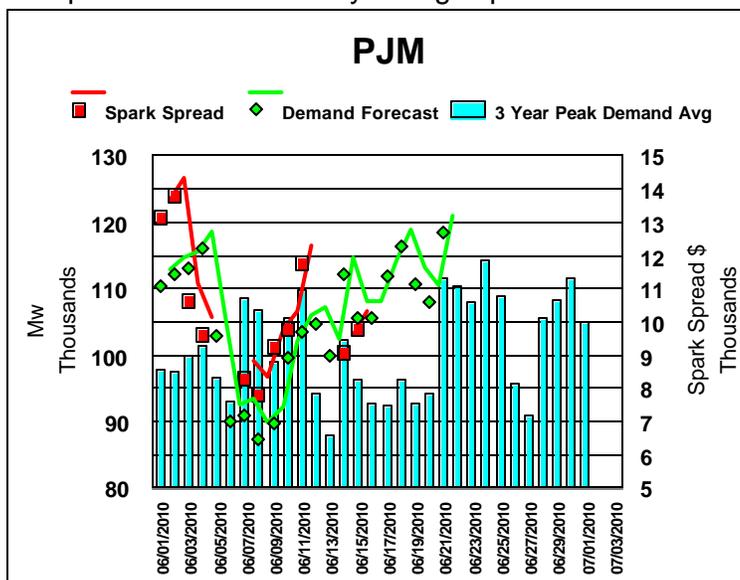
against lengthening measures to restrict long term supply contracts beyond September 30, 2010, as the curbs in place previously helped change the market infrastructure for good. The curbs had been in place since 2006.

Yemeni President Saleh has asked his government today to consider raising contract prices for its LNG exports, since many feel the country is selling its gas too cheaply. Yemen LNG sells about two thirds of its exports to the United States and Europe based on the Henry Hub gas price.

National Grid confirmed that the British Trader LNG tanker has berthed at its Isle of Grain terminal on Tuesday.

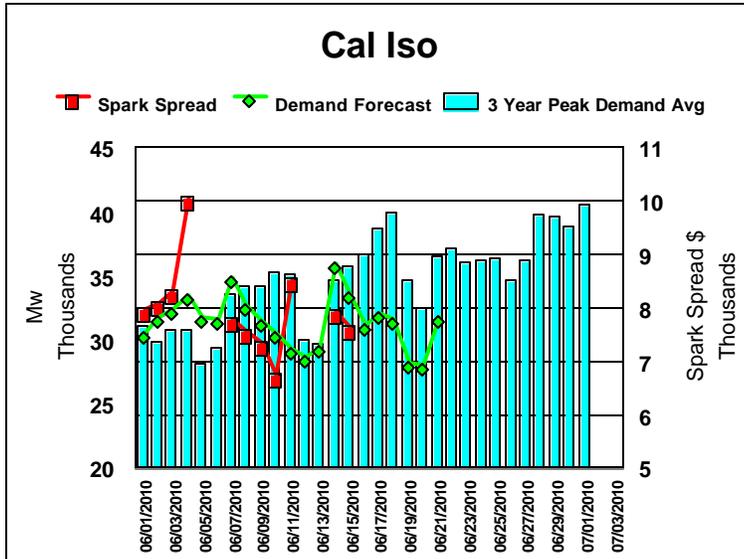
Saudi Aramco's Khursaniyah gas processing plant is expected to become fully operational by the end of this month. The plant will have the capacity to process 1 bcf/d of raw sour gas from the Abu Hadriya, Fadhili and Khursaniyah fields.

Iran announced today that it was awarding contracts worth \$21 billion to its domestic companies to develop six phases of the South Pars gas field. Royal Dutch Shell and Repsol had been in negotiations with the Iranian government for years on the



heading this development, but had delayed final agreement pending the resolution of potential sanctions against Iran. Some of the contracts awarded to domestic companies reportedly have close ties to the revolutionary Guards.

Russian President Medvedev said today that Gazprom would reduce gas supplies to Belarus if that country does not pay off its debt by the end of the week. Gazprom said last month that Belarus owed it nearly \$200 million for gas supplies and the debt could grow to \$500 - \$600 million by year's end.



Alcoa said Tuesday that by 2020 it would reduce energy use at its downstream manufacturing operations in the United States by 25% as part of a U.S. Department of Energy program. Alcoa put all of its U.S. manufacturing locations, other than aluminum smelting, in the program and pledged to reduce energy intensity by 25%, using 2005 as a baseline. The company said its U.S. aluminum smelters have separate energy reduction goals as part of its global effort to improve energy efficiency across the company.

ECONOMIC NEWS

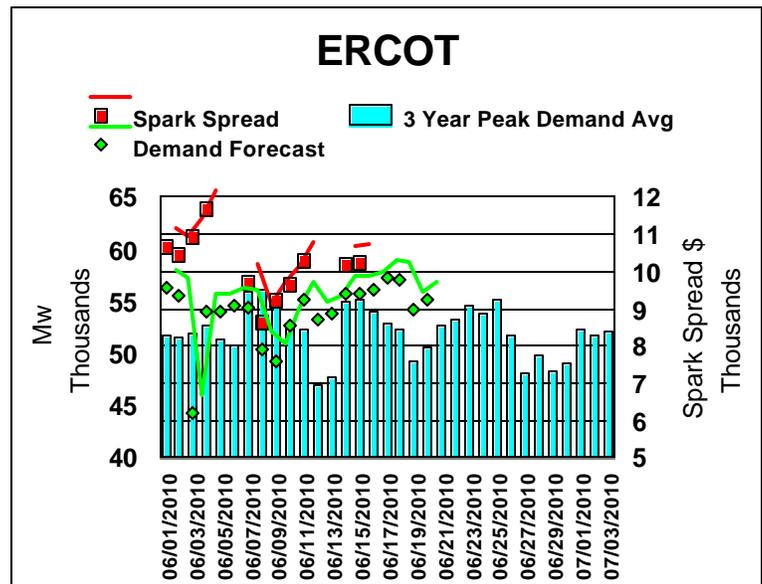
The Federal Reserve Bank of New York's Empire Manufacturing Survey indicated business conditions improved in June. The Empire State's business conditions index increased to 19.57 this month from 19.11 in May. The index for new orders increased to 17.53 this month from 14.3. The index for shipments increased to 19.67 from 11.29 in May. The index for employment remained positive but fell to 12.35 from 22.37 in May.

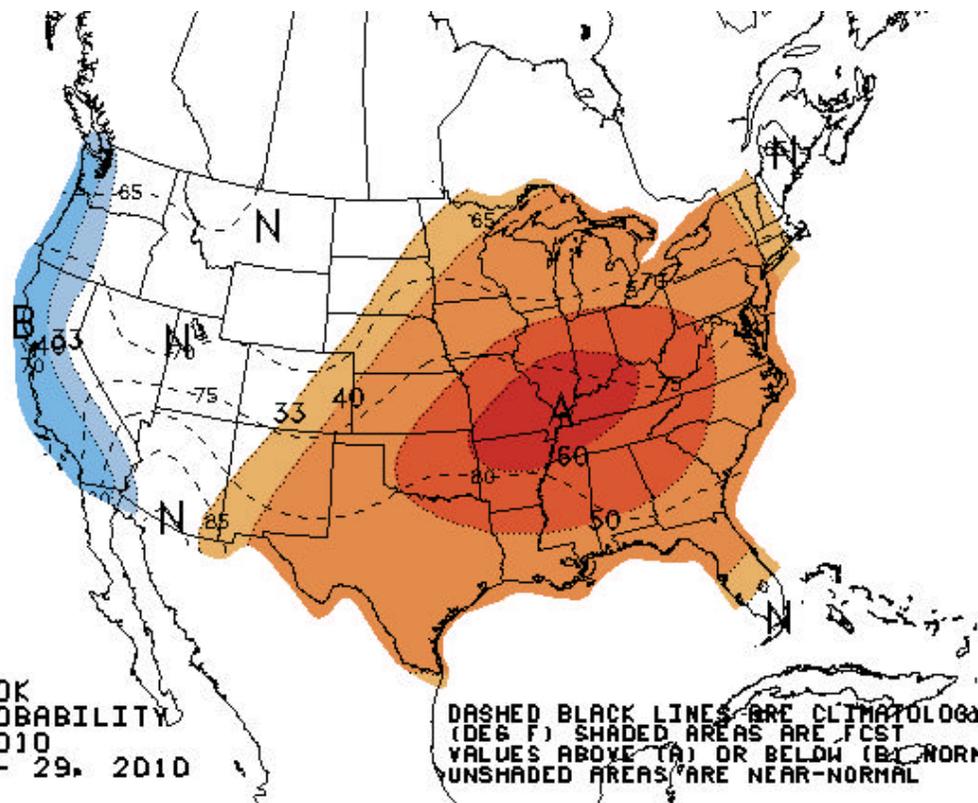
The National Association of Home Builders said the NAHB/Wells Fargo Housing Market index fell 5 points to 17, the largest decline since November 2008.

PIPELINE RESTRICTIONS

KMIGT said that effective for today and until further notice it is at capacity for delivered quantities to NGPL Pony Lincoln. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

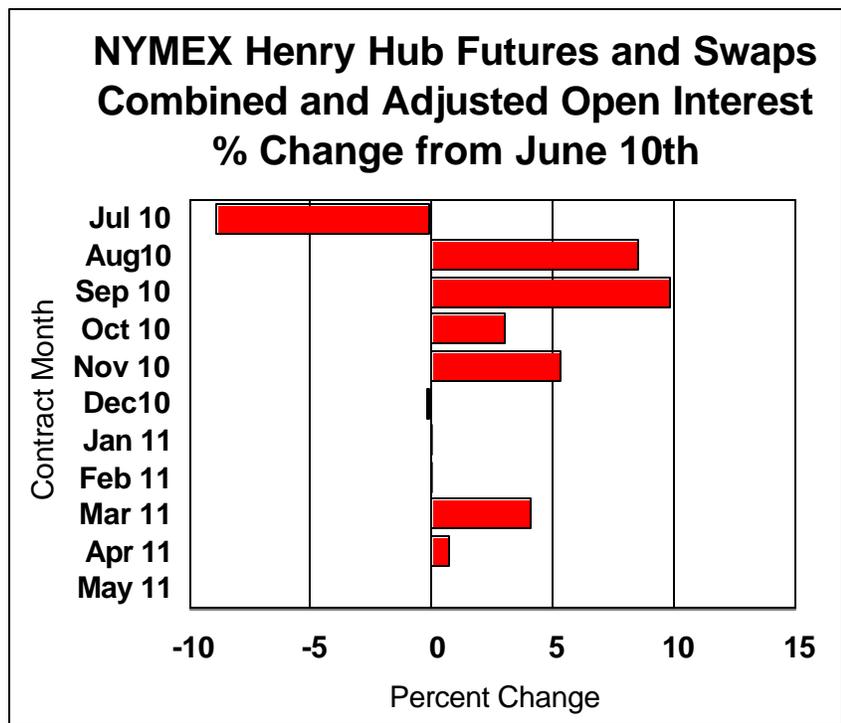
Tennessee Gas Pipeline said that effective for today it would accept nomination increases at Leidy delivery meters, the Rivervale delivery meter and Niagara Spur Backhaul Point. The company said the available capacities at these points would be 15,000, 37,000 and 10,000 Dth respectively.





NGPL said a gas quality problem has been reported at the receipt from Enbridge #1 Washita on Segment 5 in Oklahoma.

Panhandle Pipeline said today that due to a recent increase in utilization, it is now anticipating an impact to primary firm shippers through Houstonia beginning June 15th, as the company continues expanding its comprehensive pipeline integrity testing on the 200 Line and repairing or replacing sections of the pipe when necessary. The work is expected to last through the summer.



PG&E has issued a system wide OFO for June 16th due to high inventory levels. A 14% tolerance was set.

PIPELINE MAINTENACE

SONAT said it was forced to isolate and remove from service its 24 inch South Main Loop, located just downstream of its Gwinville compressor station in central Mississippi. A repair plans is being developed and will be announced shortly.

Enterprise Product Partners said the annual shutdown at the Blanco Compressor Station on June 14th was a success and all of the gas

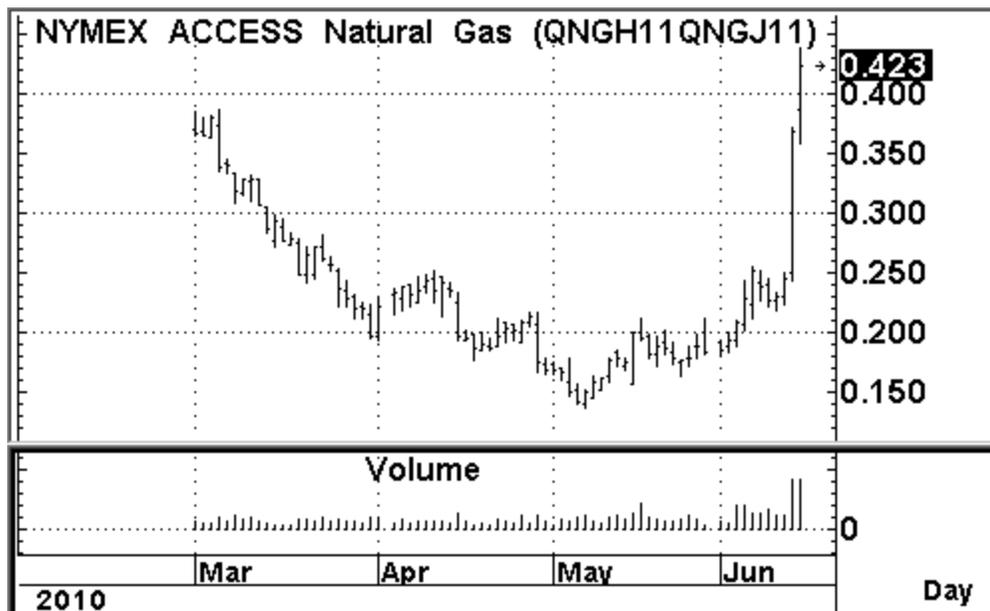
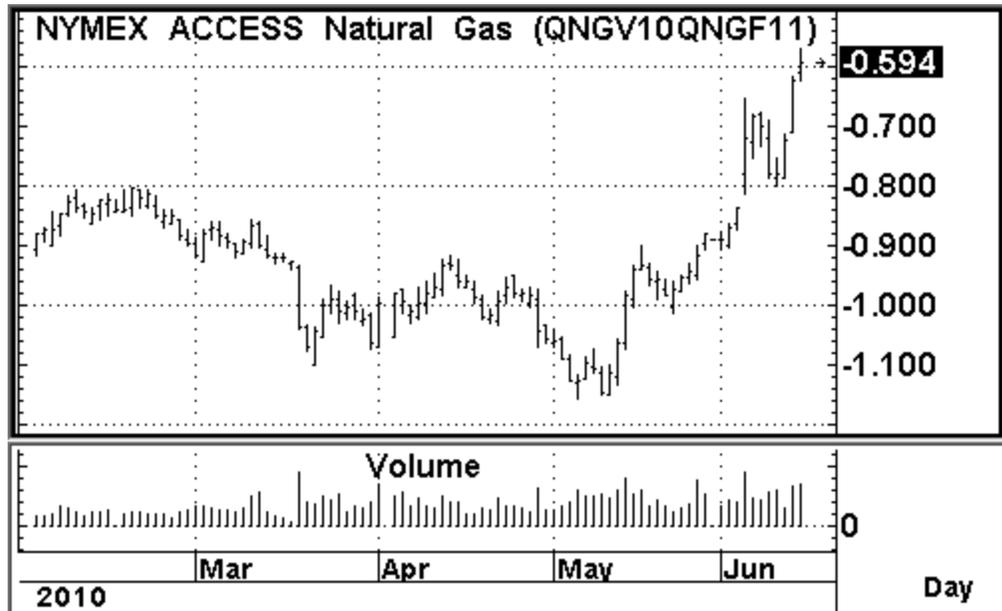
has been called on. The C-2 Turbine at the Blanco Compressor station will remain down through June 19th to complete the overhaul.

ELECTRIC MARKET NEWS

Genscape reported this morning that coal stockpiles at U.S. power plants fell 0.4% this week and were 6.4% lower than at this time last year.

MARKET COMMENTARY

As we feared yesterday, the rally in natural gas continued today as a relative economic bullish outlook coupled with expected high power generation demand over the next two weeks was seen as keeping the bears running for cover. The biggest technical breakout for this market in our mind has not been in flat price but in the dramatic shift in two popular time spreads, the Oct-Jan and the March-April. These two spreads saw strong volume for the second day in a row as prices for these spreads since Thursday's close have jumped 18.6 cents and 19.3 cents respectively. Judging by open interest changes it appears that new buyers have been coming into September, October and November contracts as well as the March contracts, as fear of the hurricane season continue to be elevated in this market.



We feel that this market has just two more major technical resistance points that stand in the way of this market seeing possibly \$6.00 gas levels once again. We see the 62% retracement level of \$5.26 and the gap in the July chart at \$5.33-\$5.348 from February 18th as the two key points. If we clear these two points we will be forced to liquidate our shorts. We see support starting at \$5.06 followed by the gap at

\$4.861-\$4.815, \$4.749, \$4.613 and \$4.476. On a side note we find it interesting that today's technical market action demonstrated how inter-related many of these markets have become. Not only did July natural gas break above and settle above the 200-day moving average, the crude and equity markets either breached or touched their 200-day moving averages as well.

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