



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 16, 2010

NATURAL GAS MARKET NEWS

The tropical weather system that traders and forecasters had been watching this week now some 625 miles east of the Lesser Antilles appeared poorly organized this afternoon, as upper level winds appear to be taking a toll on the system. Forecasters had now lowered the chance of this system becoming a tropical cyclone by 10% over the next 48 hours. But some forecasters are still warning that while this system could be ripped apart by wind shear over the next couple of days could still be a problem next week. The Canadian, European and GFS models this morning were all are showing that the energy associated with this system could reach the southern Gulf of Mexico by the middle of next week.

Gazprom and the Italian utility, A2A, received regulatory approval from the European Union today to form their joint venture to market gas in Italy. The joint venture is called PremiumGas. Regulators felt the joint venture would not pose any significant barriers to competition.

Indonesia's Pertamina said on Wednesday that China's CNPC has withdrawn from its bid to be a potential partner for the giant \$40 billion Natuna natural gas project. The field reportedly has a 46 tcf of commercially recoverable reserves. The Indonesian government

Generator Problems

PJM – PSEG shut its 1174 Mw Salem #1 nuclear unit on Tuesday. Repairs were planned on a valve that controls water flow to one of the steam generators. The unit was expected to be off line for up to one week.

SERC- Duke Energy's 1100 Mw McGuire #1 nuclear unit was at 75% power this morning, up 66% from yesterday.

WSCC – Energy Northwest's Columbia nuclear unit saw production ramp back up 16% from yesterday to 85% of power as of this morning.

FRCC – FPL's 853 Mw St Lucie #1 nuclear unit continues to ramp up operations. The unit was at 45% power this morning, up 15% from yesterday.

MISO – Ameren has returned its 1190 Mw Callaway nuclear unit to near full power, up to 98% capacity following its recent refueling outage.

DTE said its 1122 Mw Fermi #2 nuclear unit was still warming up and at 10% power this morning, up only 1% from yesterday.

The NRC reported this morning that some 93,293 Mw of nuclear power was generated today, basically unchanged from yesterday but 1.7% 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	591,600	\$5.128	\$0.017	\$0.132	\$0.090	(\$0.131)
Chicago City Gate	387,300	\$5.123	\$0.008	\$0.127	\$0.106	\$0.028
NGPL- TXOK	615,200	\$4.970	\$0.000	(\$0.027)	\$0.098	(\$0.108)
SoCal	564,600	\$4.491	(\$0.154)	(\$0.505)	(\$0.056)	(\$0.408)
PG&E Citygate	597,400	\$4.591	(\$0.088)	(\$0.405)	\$0.010	(\$0.285)
Dominion-South	358,200	\$5.247	\$0.030	\$0.250	\$0.128	\$0.158
USTRade Weighted	20,407,500	\$4.920	(\$0.008)	(\$0.076)	\$0.09	(\$0.131)

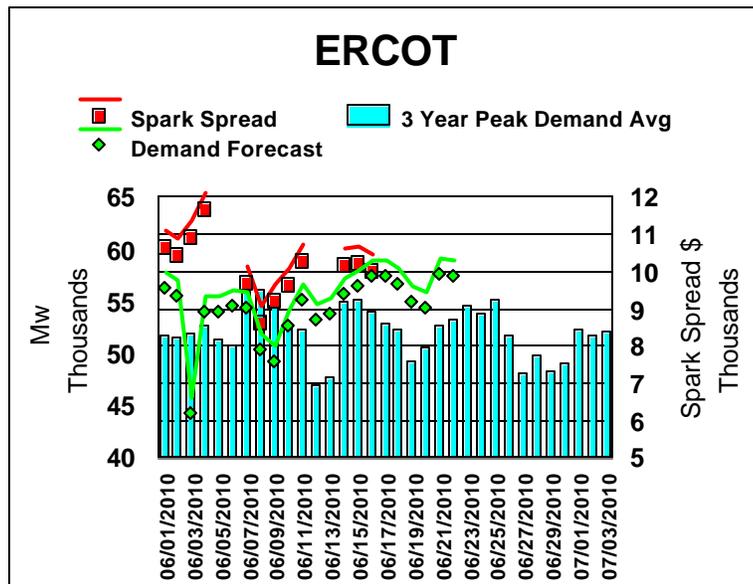
continues to work out terms and conditions for the project before it decides on a partner for the project. Meanwhile Indonesia said today that it wants to renegotiate the

terms of its natural gas supply contract with Singapore because it wants to keep more gas for the domestic market. Its long-term supply deal with Singapore is for 700 billion btus per day.

Spanish grid operator, Engas said today that Spanish gas demand in May rose 0.3% after falling in April. The operator said that unseasonably cold weather helped to boost demand. Year to date gas demand is running 3.5% above a year ago. Normal gas imports were down 7% on the month while LNG imports were up 9%.



Market fears of a Norwegian oil and gas workers may call a strike Wednesday at midnight appeared to ease a bit today. The union has been threatening to strike if talks between the unions and operators about pay fail. If the strike is called though the Norwegian Oil Industry Association could also try and force a settlement by threatening a lookout to keep 6570 employees from working, although the government could intervene at that stage.

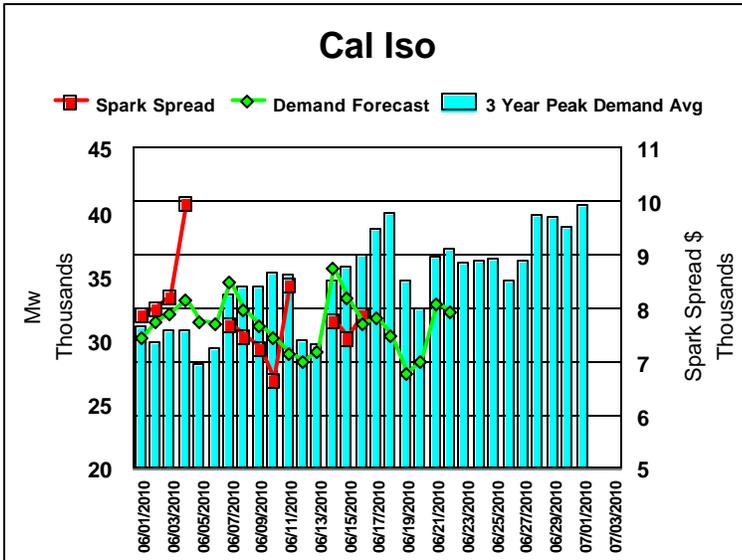


ECONOMIC NEWS

The US Labor Department said the Producer Price Index in May fell a seasonally adjusted 0.3%. It was the second consecutive decline, following an unrevised 0.1% drop in April. The core PPI, excluding food and energy prices, increased 0.2% in May. In April, the core PPI had also increased by 0.2%. The report showed that for the 12 months ending in May, the PPI increased by 5.3%, slowing down from an annual increase of 5.5% reported in April.

The US Commerce Department reported that US home construction fell in May. Housing starts fell 10% in May to a seasonally adjusted annual rate of

593,000. Permits for new construction also fell. Single-family housing starts fell by 17.2% to an annual rate of 468,000, the lowest level in a year. It reported that building permits in May fell 5.9% to an annual rate of 574,000.



The Federal Reserve reported that overall US industrial production in May increased by 1.2%, above expectations for a 1% increase. April's industrial production was revised to a 0.7% gain from 0.8%. US industries operated at 74.7% in May, up from 73.7% in April.

According to Barclays Capital, global spending on oil and gas exploration and production will increase 12% to \$447 billion in 2010, slightly higher than expected at the end of last year. Spending in the US is likely to increase by 18% to \$85 billion while spending in Canada is expected to increase by 28% to \$27 billion.

PIPELINE RESTRICTIONS

NGPL said it has limited capacity for June 16th and until further notice for eastbound flow through Segment 15 at Compressor Station #801 in Carter County, Oklahoma. Limited interruptible transportation service/authorized overrun and secondary out of path firm transports are available. The company also reported that it is at capacity for storage injections on both the Amarillo and Gulf Coast systems.

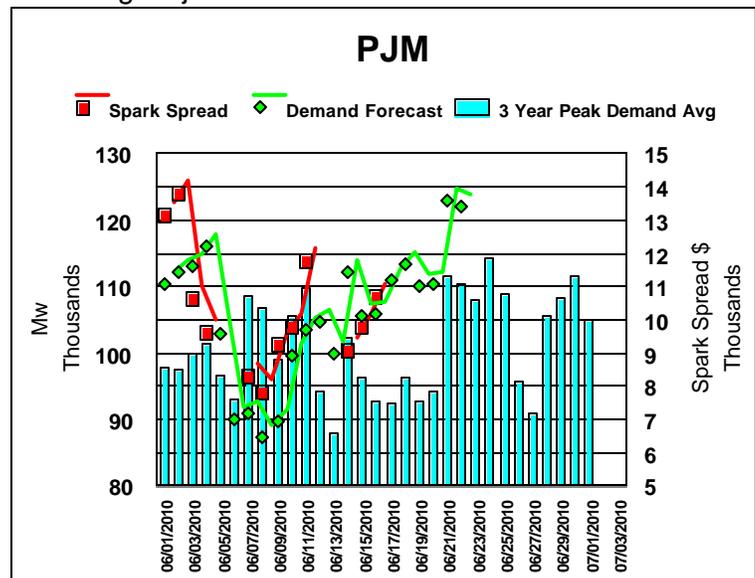
Tennessee Gas Pipeline said today it has lifted restrictions at the Leidy Meters and Niagara Spur Backhaul.

PIPELINE MAINTENANCE

Gulf South said it would perform compressor maintenance on all four units, one at a time at the Jackson Compressor Station beginning June 22 and lasting for 21 days. Capacity through the station could be reduced by as much as 100,000 Dth.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that power generated in the United States for the week ending June 12th reached 80,617 Gwh, nearly 1.7% more than the prior week and 7.2% higher than the same week a year ago. For the first 24 weeks of this year power production is some 2.9% higher than a year ago.



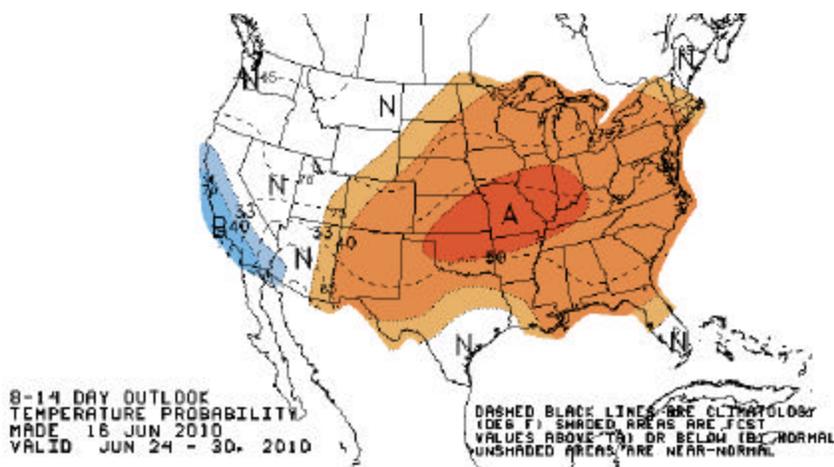
The Northwest River Forecast Center predicted water run off at the Dalles Dam climbed to 82% of normal for the April-September period, up 2% from last week's forecast.

The CFTC and the FERC are scheduled to hold a joint meeting on June 22nd to examine clearing and risk management issues for the wholesale power market. The meeting will have particular focus on how RTO's and ISO's can utilize inter-ISO clearing to help reduce risk as well as how the two agencies can define their individual jurisdiction over this market.

MARKET COMMENTARY

Rumors swirled about the natural gas market today that a large commodity fund had been forced to liquidate sizeable positions in the back month spreads over the past several days and that this had helped to fuel the dramatic price and trading volume increases in these contract months over the past few days. Speculation on the size of these liquidated positions ran as high as 50,000 spreads. As a result when it appeared that this short covering inspired buying might be drying up, the new bulls in the market were quick to cash out and take profits on the run up of the past several days. When this market early on failed to generate further upward traction at yesterday's highs bulls were eager to exit

this market and as a result natural gas prices back slid despite crude oil and equity market which basically worked higher throughout the morning and into the early afternoon. The natural gas market retraced more than 38% of the rally of the past week and closed back below the key \$5.00 level.



Market expectations for tomorrow's EIA natural gas storage report are running between an 80 to 105 bcf build

with most expectations centered around a 88-90 bcf build. Stocks a year ago rose an adjusted 113 bcf while the five year seasonal average shows a 84 bcf build.

While we welcome this sell off we do not expect that this sell off will have significant legs to the downside unless tomorrow's storage report comes in larger than the expected 90 bcf build. We feel that while the tropical threat seems for the immediate term to have dissipated we feel the forecast for above normal temperatures over the next two weeks needs to be altered before the bears will venture back into this market with any conviction. As a result we would look for initial support in this market at \$4.98-\$4.965 followed by \$4.912 and \$4.845-\$4.815. Additional key support we see at \$4.628 and \$4.549. Resistance we see at \$5.04, \$5.194-\$5.196 and \$5.249-\$5.26.

