



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 17, 2010

NATURAL GAS MARKET NEWS

SandRidge Capital, a \$1 billion energy hedge fund based in Texas, that also manages money for Citigroup said Thursday it has lost more than 19% on the year as a result of losses in the natural gas market. The fund led by Andy Rowe, reportedly is down 15% for the month of June. Reuters reported that according to Hedge Fund Research, energy funds in general are down 2.3% for the year.

The EIA said today in its latest "Natural Gas Weekly Update" that summer like temperatures in the eastern and southern U.S. last week, likely led to the 5% increase in natural gas demand for electric power generation, despite overall U.S. demand falling 1% during the period according to estimates from BENTEK Energy Services. The EIA estimated that domestic production remained robust, exceeding 60 bcf/d for most of the week, but a 5% decrease in Canadian imports offset increases in LNG imports and production, resulting in a weekly net increase of supply of 0.2%

The planned strike by Norwegian unions to disrupt oil and gas operations in the North Sea was called off last night as the two sides reached agreement on a salary dispute.

Gazprom said today that it would reduce gas supplies to Belarus by 85% to Belarus on June 21st if the country fails to pay \$192 million in debt owed to Gazprom.

Private Weather forecaster Jim Rouiller said yesterday via a webcast that there are strong signals for a historic 2010 hurricane season which will have a significant impact on the natural gas markets. He

EIA Weekly Report

	06/11/2010	06/04/2010	Change	06/11/2009
Producing Region	919	896	23	981
Consuming East	1200	1148	52	1154
Consuming West	424	412	12	406
Total US	2543	2456	87	2428

*storage figures in Bcf

He also noted with the outlook for a heat

Generator Problems

PJM – Dominion's 903 Mw North Anna #2 nuclear unit was shut again today. The unit had been at 98% power on Wednesday.

PSEG Nuclear's Salem #1 nuclear unit was running at just 8% power this morning and remained off line. The unit was taken off line on June 15th to repair a water control valve.

Constellation Energy's 890 Mw Calvert Cliffs #2 nuclear unit was running at a reduced 83% capacity this morning, off 17% from yesterday.

SERC- Duke Energy's 1100 Mw McGuire #1 nuclear unit returned to full power early Thursday, up 25% from yesterday.

TVA's 1100 Mw Browns Ferry #2 nuclear unit was running at 89% this morning, down marginally from yesterday.

FRCC – FPL's 839 Mw St. Lucie #1 nuclear unit was shut early Thursday. The unit had been at 45% power and ramping up from its recent refueling outage.

MISO – DTE Energy's 1122 Mw Fermi #2 nuclear unit has exited its outage and has ramped up to 34% power as of this morning. The unit was knocked off line last week due damage from severe thunderstorms.

The NRC reported this morning that some 92,435 Mw of nuclear power was generated today, down 1% from yesterday 2.7% below the same day a year ago.

wave spreading across the nation in the later part of June and into July, presents a typical hurricane pattern. He expects the season to be most active for the Gulf of Mexico and southeastern U.S.

British spot gas prices rose early on Thursday, as a result of gas flows through the UK-Norway Langed pipeline fluctuating and dropping by 20 mcm to roughly 32 mcm this morning, despite no reports of any ongoing maintenance. Meanwhile maintenance and testing is expected to continue at least through Friday at the Kollsness gas processing plant.

Canadian Gas Association			
Weekly Storage Report			
	11-Jul-10	04-Jun-10	12-Jun-09
East	131.3	121	151.8
West	280.7	270.7	258.1
Total	412	391.8	409.9

storage figures are in Bcf

El Paso Pipeline Partners announced it has agreed to acquire additional interest in Southern Natural Gas Company from El Paso Corporation to 41% for approximately \$394 million. The company reportedly has an option to purchase additional 4% stake in Southern Natural at a price of \$25 million per percent interest purchased.

Turkmenistan reportedly has agreed to increase natural gas exports to Iran, but both parties declined

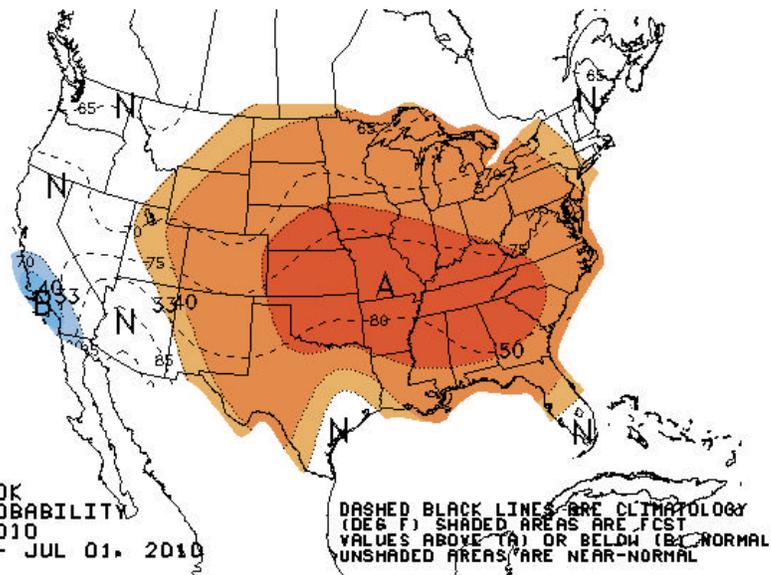
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	591,100	\$5.137	\$0.010	\$0.088	(\$0.058)	(\$0.138)
Chicago City Gate	375,200	\$5.150	\$0.027	\$0.101	(\$0.026)	\$0.041
NGPL- TX/OK	597,500	\$4.987	\$0.018	(\$0.062)	(\$0.035)	(\$0.102)
SoCal	618,400	\$4.447	(\$0.044)	(\$0.602)	(\$0.097)	(\$0.467)
PG&E Citygate	619,300	\$4.571	(\$0.020)	(\$0.479)	(\$0.073)	(\$0.352)
Dominion-South	290,800	\$5.281	\$0.035	\$0.232	(\$0.018)	\$0.172
USTrade Weighted	19,553,100	\$4.914	(\$0.005)	(\$0.135)	(\$0.06)	(\$0.138)

to disclose the volumes or price of the deal. The new deliveries are expected to be shipped via a new pipeline, which will run from the Dovlrtabad gas field in

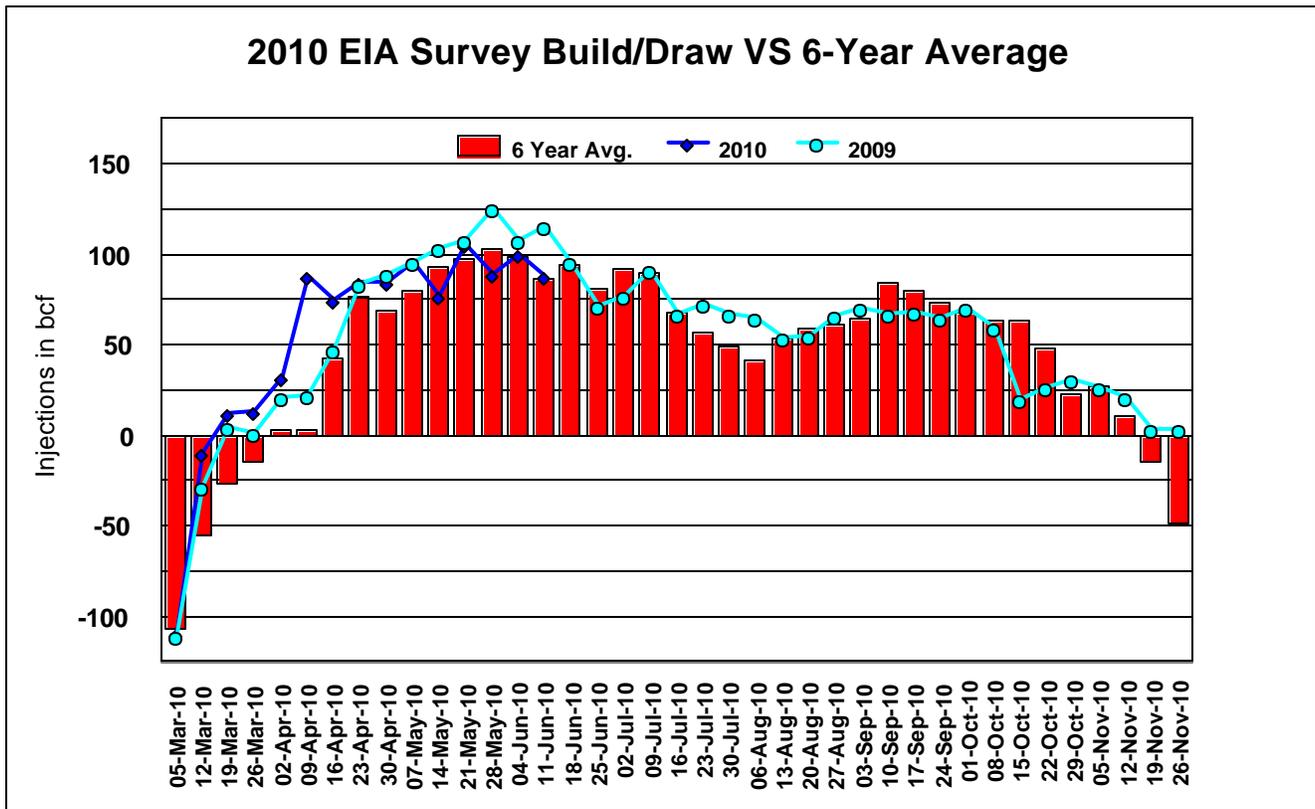
Turkenistan

parallel with another pipeline to Iran. These two pipelines could allow Turkmenistan to ship up to 20 bcm of gas a year to Iran.

Indonesia's biggest gas distributor, PT Perusahaan Gas Negara said today it may raise up to \$1.64 billion to finance the acquisition of several gas blocks, so it can secure gas supplies, and that it is not interested in controlling or operating the blocks. The company in the past has shown interest in the gas blocks in Sumatra and Kalimantan. Meanwhile Indonesia's energy minister said today that the terms of the Donggi-Senoro LNG project has been approved in which it will provide for 25-30% of the production to go to the domestic market and the rest will be targeted for export. The plant will have a capacity of 2 million tones per year. The project will require \$1.7 billion investment in upstream activities and \$2 billion for downstream. The project could be



operational by 2014. Pertamina said previously that the price of the gas would be about \$6 per Mmbtu at the wellhead and \$12 per Mmbtu at the receiving terminal in Java.

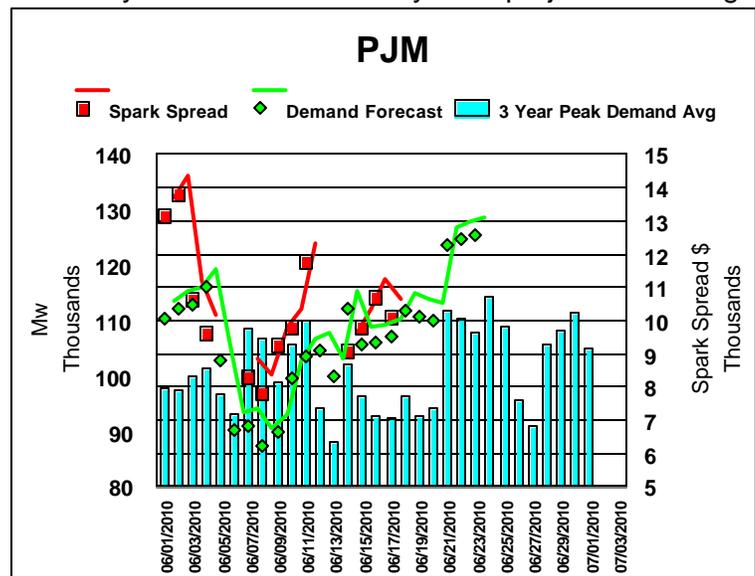


Romania has negotiated lower prices for some of the gas it imports from Russia and hopes to get further cuts by the end of the year, the Romanian Economic Minister said today. It appears Romania received a reduction of \$13 per thousand cubic meters of gas imported from Wintershall, an intermediary. As a result Romania has paid for stored gas at \$352 per thousand cubic meters.

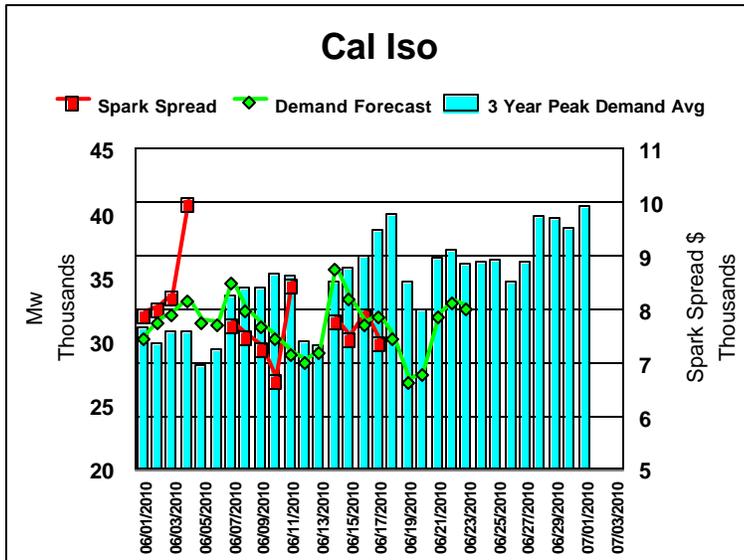
Turkey's state natural gas company Botas signed a memorandum of understanding on Thursday for the construction of a pipeline that will connect Turkey with Greece and Italy. The project would begin commercial operations by 2017. The company declined to give cost estimates for the project. This pipeline though is seen as a possible threat to the EU-backed Nabucco pipeline project which is targeting access to the same Azeri Shah Deniz gas production for its planned start up phase. Turkish officials though said they are supporting both pipeline projects.

ECONOMIC NEWS

The government reported that new U.S. claims for jobless aid rose unexpectedly last week by 12,000 to a seasonally adjusted 472,000 as manufacturing, construction and education sectors shed workers. Market expectations had been for a 10,00 decline.



The Philadelphia Federal Reserve Bank's business activity index dropped to 8.0 in June from 21.4 in May. This was well below market expectations of a 20.9 reading. A reading above zero indicates expansion in the region's manufacturing.



The Conference Board reported its leading economic index indicator rose 0.4% to a record 109.9 in May, after stagnating in April. Market expectations though had been for a 0.5% gain.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline reported today that it was accepting increased nominations at both the Leidy Delivery Meters and the Niagara Spur Backhaul. The pipeline said it would accept nominations of 2,000 Dth at Leidy and 12,000 Dth at Niagara.

PIPELINE MAINTENANCE

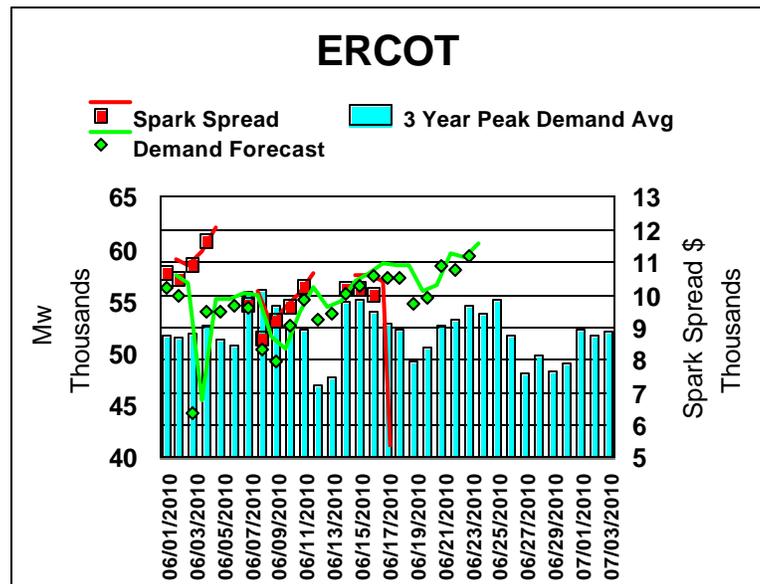
Gulf South Pipeline reported that it has completed work at Unit #3 at the Hall Summit compressor station. The work began on June 15th and was expected to last through June 18th.

ELECTRIC MARKET NEWS

AEP announced it has begun operating a new natural gas fired power plant in Shreveport, Louisiana. The 508 Mw J. Lamar Stall unit at the Arsenal Hill Power Plant was declared commercially ready on Wednesday.

MARKET COMMENTARY

The natural gas market today despite finishing higher for the fourth trading session out of the last five, seemed a bit confused and unable to hold onto a general trend throughout the session. The market did post its first inside trading session since June 7th. The market did receive a supportive storage report, which came in slightly less than market expectations and resulted in the year on year surplus storage difference basically disappearing, but relative to the five-year seasonal average stocks remain 313 bcf more than average. Prices initially rallied only to find sellers quickly jumping in looking at the rally as a selling opportunity. The selling though ran out of steam once prices reached back to the key psychological \$5.00 price level late in the morning, only to see prices recapture their earlier mid morning values going into the close, supported by weather forecasts for east of the Rockies remaining well above normal for the next two week, compounded by nuclear generation levels that lag behind a year ago.



This market will probably make another assault on the resistance levels of \$5.20-\$5.23 and \$5.26. We feel though that this region will most likely hold at least until next week. Support we see at \$4.979 followed by \$4.912 and \$4.845. More distant support we see at \$4.628 and \$4.579.

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