



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 20, 2011

NATURAL GAS MARKET NEWS

North America

TransCanada announced the completion of the Guadalajara pipeline. The pipeline cost \$360 million and has the capacity to transport 500 million cubic feet of natural gas per day to a nearby cfe owned power plant.

While the National Hurricane Center was following the movements of Tropical Storm Beatriz in the Pacific today, forecasters noted that the Atlantic basin remains very quiet and is expected to remain that way for at least the next several days. Some computer models though were noting that this could change during the early to middle part of next week when some potential tropical development may be found in either the Bay of Campeche or the Southern Gulf of Mexico.

The Climate Prediction Center reported this morning that for the week ending June 18th the nation saw some 51 cooling degree days recorded on a population weighted basis, some 4% hotter than normal but 19% cooler than a year ago. For the current week ending June 25th, government forecasters are estimating that there will be 71 CDD, which would be nearly 25% hotter than normal but still 9% cooler than the same week a year ago. Meanwhile private weather forecaster WSI said today that they look for a warmer and more intense summer heat spell for the Northeast, which will help to contribute to some 824 CDD to be recorded in the United States for the July-September period, but this will be less than a year ago when 937 CDD were recorded.

Generation Outages

NPCC – Dominion’s 877 Mw Millstone #2 nuclear unit was at only 30% power early Monday. The unit had been at full power last week. Operators reduced power on Sunday evening to make repairs on one of its reactor coolant pumps.

OPG’s Nanticoke #7 coal fired power plant has finally exited its maintenance outage that began back on February 18th.

PJM – Operators at PPL’s 2289 Mw Susquehanna nuclear plant said today that they have completed the replacement of the turbine blades on both reactors and expects to return to service both reactors within the next two weeks. Some testing was still ongoing at the facility.

Dominion’s 799 Mw Surry #2 nuclear unit ramped up to 94% power this morning, up from 30% recorded on Friday.

ERCOT – AEP’s 528 Mw coal fired Unit #2 at the Welsh power plant was to be shutdown for operators to perform some maintenance on auxiliary equipment. Meanwhile the company was restarting the sister unit, Unit #3.

AEP also reported that it shutdown its 675 Mw Pickey coal fired power on Saturday to work on a turbine valve.

SPP – Entergy’s 1268 Mw Grand Gulf nuclear unit dropped to 52% power on early Monday after being at 96% power on Friday.

WECC – TransAlta’s 406 Mw Sundance #4 coal fired power plant returned to service following a two day maintenance outage.

SERC – Southern’s 860 Mw Farley #2 nuclear unit dropped to 70% power on Monday morning. The unit had been at full power at the end of last week.

Progress Energy’s 920 Mw Brunswick #2 nuclear unit ramped up to full power on Sunday, after being at only 50% power on Friday. Operators had reduced power at the unit to facilitate repairs on the plant’s condenser pumps.

The NRC reported this morning that some 89,797 Mw of nuclear generation was online, down 0.7% from yesterday and 5% below levels recorded a year ago.

Texas Governor Perry signed into law today legislation that will require public disclosure of hydraulic fracturing chemicals being used in drilling operations in that state.

International

Japan's LNG imports rose 26% in May as utilities boosted thermal power generation to partially offset nuclear power capacity they have reduced amid rising concerns over atomic energy safety. This comes on the heels of 9% on-year LNG import growth rising in April and is expected to continue for some time because the implementation of safety measures at nuclear power plants across the nation in the aftermath of the March 11 earthquake and tsunami will take years according to analysts. Japan's LNG imports totaled 6 million metric tons in May according to the Ministry of Finance. The surge coincides with the shutdown of the Chubu Electric Power Co.'s Hamaoka nuclear-power plant in central Japan which was ill-equipped to cope with potential earthquakes and tsunamis.

Russia hopes to finalize a long-term natural gas supply deal with China before the end of 2011. The two sides failed to reach an agreement on price during talks between Russian Prime Minister Vladimir Putin and Chinese President Hu Jintao last week.

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	860,100	\$4.329	(\$0.057)	\$0.000	\$0.008	\$0.039
Chicago City Gate	614,200	\$4.440	(\$0.029)	\$0.111	(\$0.001)	\$0.106
NGPL- TX/OK	794,400	\$4.281	(\$0.048)	(\$0.048)	(\$0.019)	(\$0.055)
SoCal	582,700	\$4.457	\$0.038	\$0.128	\$0.066	\$0.083
PG&E Citygate	1,216,400	\$4.623	(\$0.061)	\$0.294	(\$0.033)	\$0.297
Dominion-South	764,600	\$4.448	\$0.006	\$0.119	\$0.034	\$0.084
USTrade Weighted	20,116,100	\$4.393	(\$0.020)	\$0.064	\$0.01	\$0.039

Russian gas firm Gazprom said Monday export revenues for the first five months of 2011 were \$36.3 billion and that it expects sales to export markets this year to exceed the

record \$81.6 billion reached in 2008.

Gazprom has delivered three additional cargoes of LNG from its Pacific LNG plant to Japan since the Fukushima disaster, export chief Alexander Medvedev said. He said Gazprom plans to expand production near its eastern seaboard and stood ready to meet extra Japanese gas demand for the longer term.

Gazprom is looking to participate in gas power generation projects in Germany after a decision on phasing out nuclear energy, Medvedev said on Monday. Gazprom, operator of the Gazprom Energy power unit, is in talks on joining gas-fired power plant projects with Wintershall and independent producers.

Gazprom expects European spot prices for gas to exceed \$400 per thousand cubic meters during the winter of 2011-2012. According to Medvedev, spot prices would be close to the price of gas sold under long-term contracts, Gazprom's preferred form of sales to its key European clients or even higher.

A jump in orders of ships to transport LNG could cause difficulties in finding qualified staff to run them in the months and years ahead, shipping recruiter Faststream said on Monday. The UK-based company said that it has already seen triple the number of vacancies for shore-based technical staff with LNG vessel experience in 2011, compared with the whole of last year, and that a shortage would hit Europe in particular.

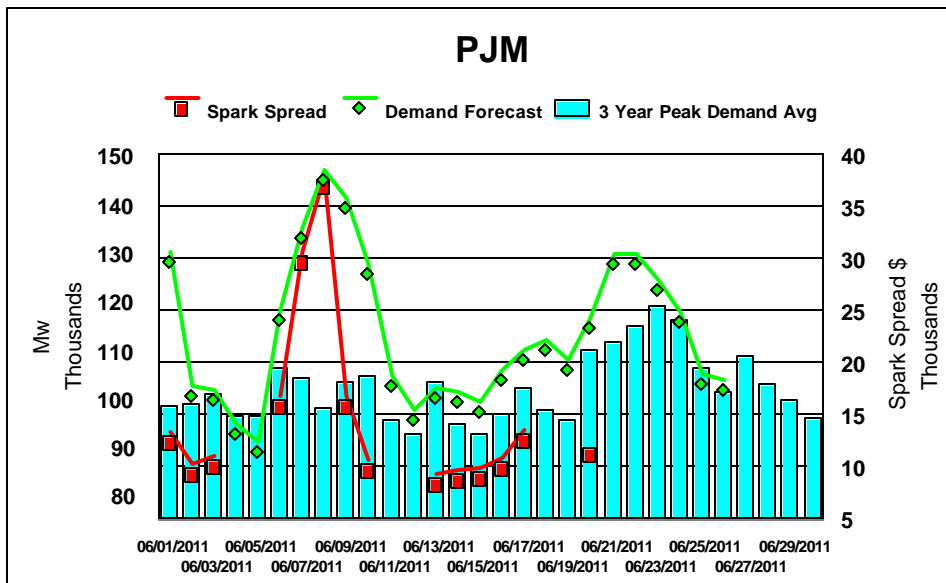
Royal Dutch Shell's big Ormen Lange gas field off Norway returned to production this weekend after three weeks of maintenance and was gradually increasing output on Monday, the company said.

Production was halted on May 30 for planned maintenance. The field can produce the equivalent of a fifth of Britain's gas needs. Between January and March its average daily output was 62 million cubic meters per day. Meanwhile a British court ordered Shell to pay \$2 million in fines and legal costs for a fire at its Bacton gas terminal in 2008. Shell had earlier been found guilty of seven offences related to environmental and safety regulations.

The Qatari Al Kharsaah LNG tanker, with a 214,000 cubic meter capacity, is expected to arrive at Britain's Isle of Grain terminal on June 29, according to Reuters.

Australian Energy firm Woodside Petroleum delayed the planned start-up of its flagship Pluto LNG product by another six months, reported an almost \$1 billion cost blowout and trimmed its overall production guidance for the year. The first LNG shipments are now scheduled for March 2012, a year behind the original target, and the costs are seen rising by \$15.7 billion US as a design fault and weather-related issues delayed the project, Woodside said on Friday.

Statoil CEO said today that production estimates that the company released today, in which it estimated its gas and oil production in 2020 would increase by a third from current levels, did not include any potential gas production estimates from the Shtokman gas field off of Russia.



ELECTRIC MARKET NEWS

CPS Energy reported that it will shut its two 871 Mw JT Deely coal generating units by 2018 to avoid the cost of installing environmental equipment needed to comply with pending federal regulations.

Japan's economy will suffer major damage if it reduces output from nuclear power stations to zero in wake of the

Fukushima disaster, its trade minister said on Monday. Routine maintenance and public concern since the Fukushima accident have left only 19 of Japan's 54 reactors functioning.

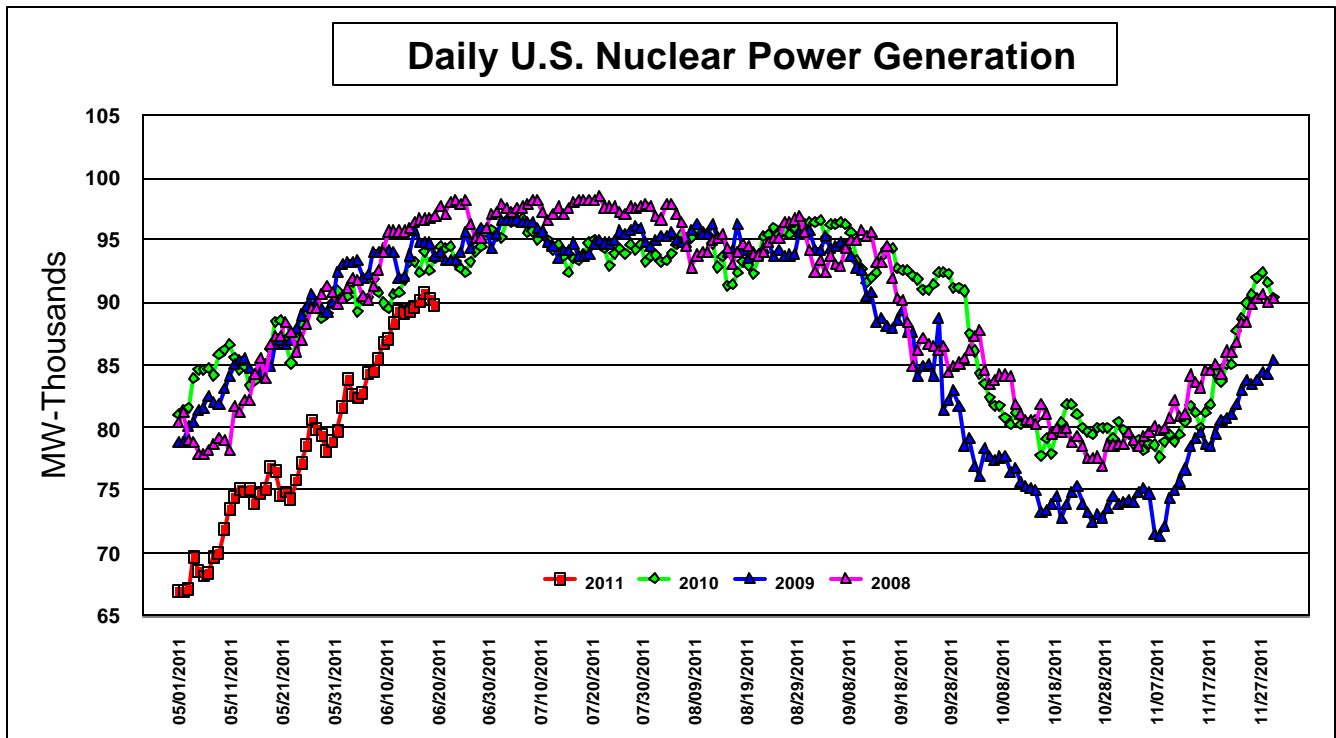
Germany's decision to speed its nuclear exit will require about 10 gigawatts of additional conventional power capacity by 2015, Societe Generale said in a research report on Monday. Because the estimated target would be hard to meet, older plants may have to shut later and power prices would have to increase to give incentives to incentives, it said. Berlin is preparing a law change to back the immediate closure of 8,400 MW of Germany's nuclear capacity and to shut the remainder by 2022. The move towards large-scale renewable power follows the Japan nuclear disaster but the fickle nature of renewables means a level of supply volatility unknown with round-the-clock thermal power provision. Societe Generale said that between 2011 and 2015, 13 GW of new hard and brown coal and gas-fired generation plants and 31 GW of renewable capacity such as wind or solar are to come on stream if projects already started and those planned are counted. Meanwhile, 16.4 GW of thermal generation will have to close, as those plants reach the end of their technical lifespan.

The investment bank estimated where nuclear power will need to be replaced, gas will cover around 80 percent of replacement capacity in Europe, while renewables will cover the remaining 20 percent.

As utilities face high demand for gas as a fuel to feed power plants, companies will need to find a new way of negotiating gas supply contracts, SocGen said, moving away from oil-indexed contracts as European gas markets are increasingly liberalized. In continental Europe, around 69 percent of contracts are based on oil-linked prices.

Renewable resources are a growing part of the fuel mix at electricity-generation facilities in the US, and nowhere is their impact more evident than in the massive wind corridor running down the middle of the country, according to a published report by Standard & Poor's Ratings Services titled "Renewable Energy Mandates Bring Winds of Change To US Midwest Power Transmission." From North Dakota to Texas, state-level renewable portfolio standards (RPS) and the potential for a federal renewable energy standard have put significant momentum behind renewables—particularly wind. The Midwest Reliability Organization, the Southwest Power Pool, and the Electric Reliability Council of Texas have proposed the addition of more than 90,000 MW of wind capacity through 2019, on top of the 20,000 that exist now. And though not all of this conceptual capacity will come to fruition, the size of these proposals is significant compared with the current total operating generation capacity of about 270,000 MW in these regions.

Weather Services International said European temperatures in the summer are expected to be higher than normal, with only southern France and Iberia expected to see cooler than average temperatures.

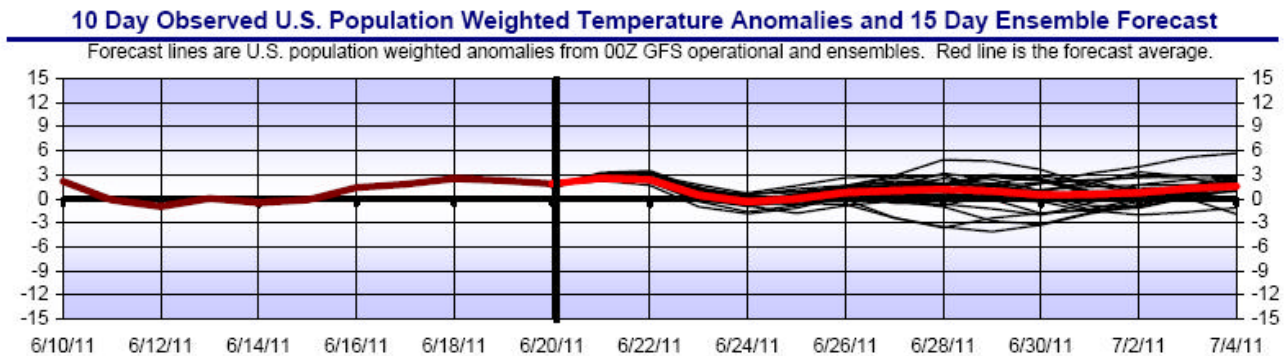


ECONOMIC NEWS

The Secretary General of the Organization for Economic Cooperation, Angel Gurría said the world economy is slowing down due to a combination of factors such as the euro zone's debt problems and a weak US housing sector but is not headed for a double dip recession. He cited political turmoil in the Middle East, debt problems in euro zone economies, higher commodities prices, that March earthquake in Japan and the fractious US budget negotiations as some of the factors behind the slow down.

IntercontinentalExchange became the first European exchange to publish weekly Commitment of Traders reports for its global benchmark crude and gasoil futures contracts. The exchange previously

provided data to the US Commodity Futures Trading Commission for its weekly report on ICE's contract for US crude oil futures. The move is an attempt to bring regulation in Europe in line with the US. Its first report showed that money managers were net long 81,294 lots of Brent futures and



options and 41,322 lots of gasoil in the week ending June 14th.

ICE Futures Europe Exchange imposed a 25,000 pound or \$40,340 penalty on Goldman Sachs for what it called disorderly trading in oil contracts. The exchange said it detected six price spikes in the April 2011 Brent/WTI spread.

MARKET COMMENTARY

The natural gas market ended slightly lower today, the sixth consecutive lower settlement in this contract. Volume today though appeared to be the lightest out of the sell off period, as traders started the week with seeing a rather modest cooling demand picture and the prospects for the following week to be just slightly warmer than normal as well, thus producing little excitement for traders to trigger new long positions. But on the reverse side the bears found little to stimulate excitement as nuclear generation levels were seen as taking a small step backward over the weekend. It would not surprise us that this week natural gas begins to look to enter into a sideways trading pattern and begins to build a near term support level to work around. We would look for the daily stochastic indicators to give us the final signal to exit our remaining shorts once they roll back over to the upside. We see support tomorrow at \$4.279, \$4.233 and \$4.158-\$4.14. Resistance we see starting out tomorrow at \$4.37-\$4.399 followed by \$4.45, \$4.496, \$4.548 and \$4.631. We would also keep an eye on the Oct-Jan spread, which we would look to be a buyer on a scale down basis starting at a January premium of 46 cents down to 52 cents, with a retest of the 40-35 cent area.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.