



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 21, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center today noted that it was watching a large area of showers and thunderstorms over the eastern Caribbean Sea that is associated with a strong tropical wave that is just moving westward by 10-15 mph. While the NHC noted this afternoon there was no evidence of surface circulation, the system is showing some signs of organization and environmental conditions appear conducive for gradual development over the next couple of days especially as it approaches the western Caribbean. The European, Canadian and NOGAPS models all agree that a tropical cyclone will form in the western Caribbean by the end of the week. The European model is by far the most aggressive model as it calls for a major hurricane will form and make landfall on the northern Gulf Coast by June 30th. The GFS model does not see this system strengthening at this current time, but it does have it tracking into the Gulf of Mexico. One forecaster noted that European model has a tendency at times to ramp up storms too much, but he noted that this model has possibly been the most accurate in predicting storms in the Atlantic basin over the past three years. But most forecaster warned that overall model accuracy beyond seven days is poor.

Generator Problems

NPCC – Ontario Power Generation's 490 Mw Naticoke 2 coal fired unit returned to service early Monday.

Dominion Resources Inc's 903 Mw North Anna 2 nuclear unit exited a short outage and ramped up to 98% of capacity as of Monday. The unit shutdown on June 16th due to a lightning storm.

FRCC – FPL Group's 516 Mw Point Beach 2 nuclear unit exited an outage and ramped up to 38% of capacity by early Monday after it automatically shut on June 19th due to a generator lockout.

WSCC – Arizona Public Service's 1,311 Mw Palo Verde 1 nuclear unit exited an outage and ramped up to 77% of capacity by early Monday.

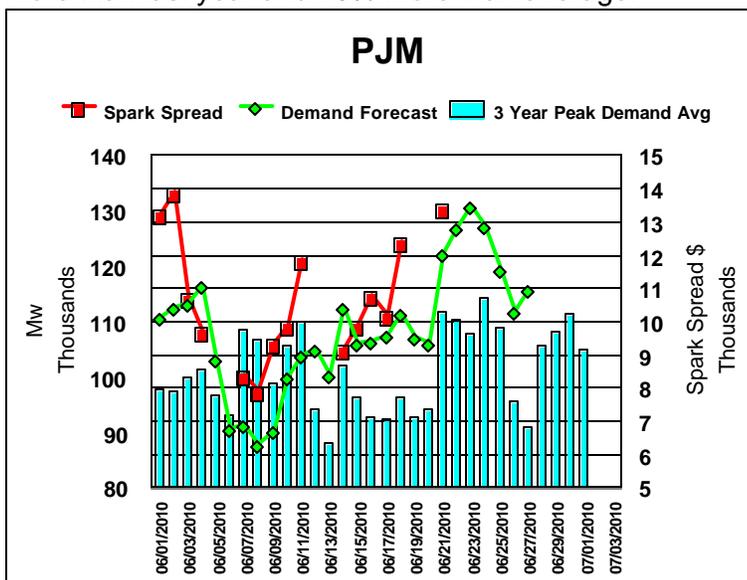
The NRC reported this morning that some 94,549 Mw of nuclear power was generated today, up 1.1% from yesterday and 1.25% above the same day a year ago.

Private weather forecaster, WSI Corp said today that it sees above normal temperatures across most of the U.S. this summer, with the exception of parts of the central and northern Plains. This forecast is driven in part by the new La Nina weather event continuing to rapidly evolve as well as record warm temperatures in the Atlantic. The forecaster though noted near record soil moisture levels across parts of the central U.S. would help temper the overall magnitude of the heat. In early July, WSI expects

heat to spread across most of the western U.S. and persist across the Southeast, while relatively cooler temperatures remain across the north central and northeastern U.S.. But by

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	573,500	\$5.151	(\$0.022)	\$0.295	\$0.165	(\$0.082)
Chicago City Gate	243,300	\$5.156	\$0.022	\$0.300	\$0.182	\$0.133
NGPL- TX/OK	610,300	\$4.988	(\$0.021)	\$0.132	\$0.139	(\$0.018)
SoCal	716,100	\$4.453	\$0.024	(\$0.403)	\$0.184	(\$0.509)
PG&E Citygate	694,600	\$4.587	\$0.001	(\$0.269)	\$0.161	(\$0.400)
Dominion-South	331,500	\$5.315	\$0.019	\$0.459	\$0.179	\$0.269
UStTrade Weighted	20,703,700	\$4.922	\$0.005	\$0.066	\$0.16	(\$0.082)

August and September, the heat will become more widespread across the northern U.S. For the July-September period WSI sees on a population weighted basis cooling degree day totals to be 7-8% more than last year and 10% more than average.



Belarussian First Deputy Prime Minister Vladimir Semashko said Belarus plans to pay off its gas debt to Russia within two weeks. Russia's President Dmitry Medvedev told Gazprom to cut its gas supplies to Belarus by 15% on Monday to pressure the country into paying a \$192 million debt. Meanwhile, the European Union said it expected Russian gas to continue flowing despite the dispute between Russia and Belarus. The EU said the Yamal pipeline, which carries gas directly from Russia to the EU was not affected by the cut.

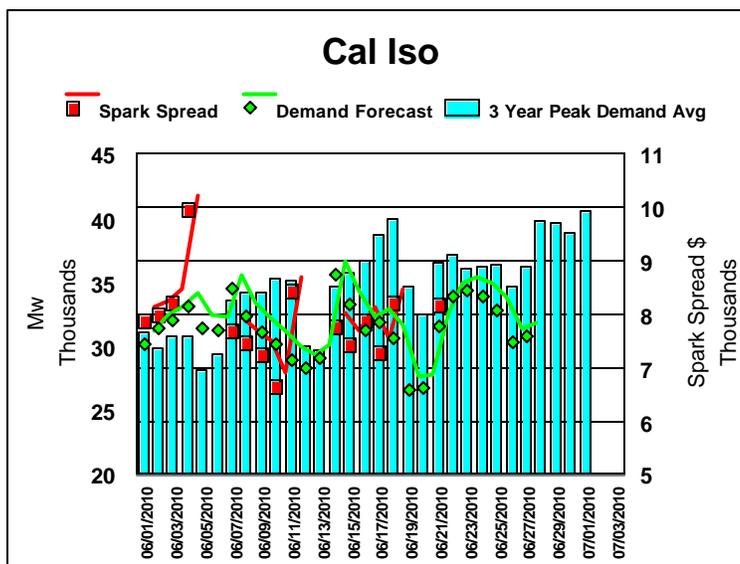
Sempra Energy will continue operating its Costa Azul liquefied natural gas terminal in

Mexico unless it is told to suspend operations by the government. Sempra LNG has been engaged in a long running dispute over its facility in Baja California. It said the claimant won a Baja California state court order directing Mexican regulators to suspend the plant's permits. Sempra said it expects Mexican federal authorities to overturn the order.

The Gaselys liquefied natural gas tanker is expected to arrive at the UK's Isle of Grain terminal on June 25th. The vessel can carrying 153,500 cubic meters of LNG.

Iran has made a new natural gas discovery with a potential of 2.19 trillion cubic feet of in-place gas reserves in the existing field of Toos. National Iranian Co said the development of the new reserves would require the drilling of six wells.

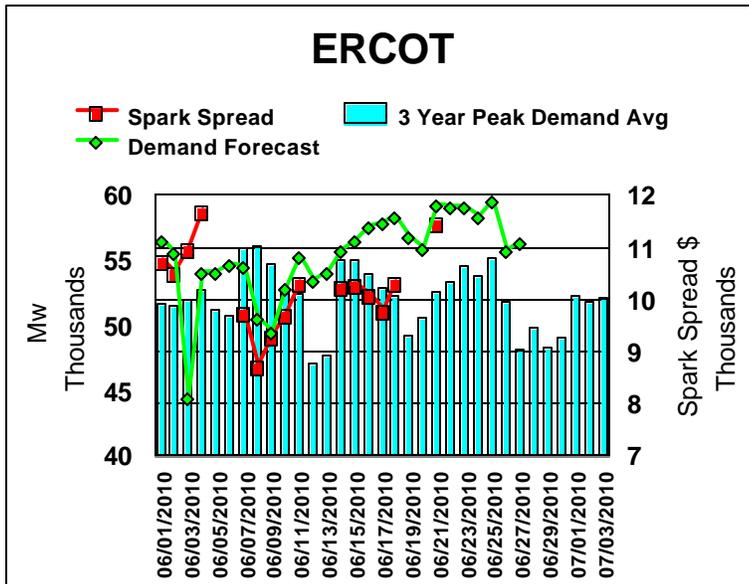
China's General Administration of Customs reported that the country's liquefied natural gas imports in May increased by 26.91% on the year to 648,540 tons.



China aims to increase the share of natural gas in its energy consumption mix from the current 4% to 8% by 2015. China will increase its efforts to develop unconventional gas sources such as coal bed methane and shale gas, build natural gas storage systems and increase imports of natural gas and liquefied natural gas.

PIPELINE MAINTENANCE

Alliance Pipeline LP said routine inspection will require unit #2 at the AB47 Carson Creek lateral meter/compressor station to be unavailable for 10 hours on June 24th. Station capacity will be reduced to 380 e3m3/d for gas day June 24th.



Panhandle Eastern Pipe Line Co LP is planning an outage on the Louisburg 100 Line starting June 28th. The outage is expected to last three days. During the maintenance period, nominations will not be accepted at the Pony Express-Kinder Morgan location.

Kern River Transmission said a recently discovered mechanical issue requires an exchange of unit#3 at the Veyo compressor station. The exchange is scheduled for June 22 to June 23. The estimated operational capacity at Veyo will be reduced from an average capacity for June of 2,202,000 Dth/d to 2,052,000 Dth/d.

Dominion Transmission Inc will perform regulator maintenance and repair, limiting deliveries at the #30060 Armstrong Energy delivery station effective immediately and continuing until further notice.

ELECTRICITY NEWS

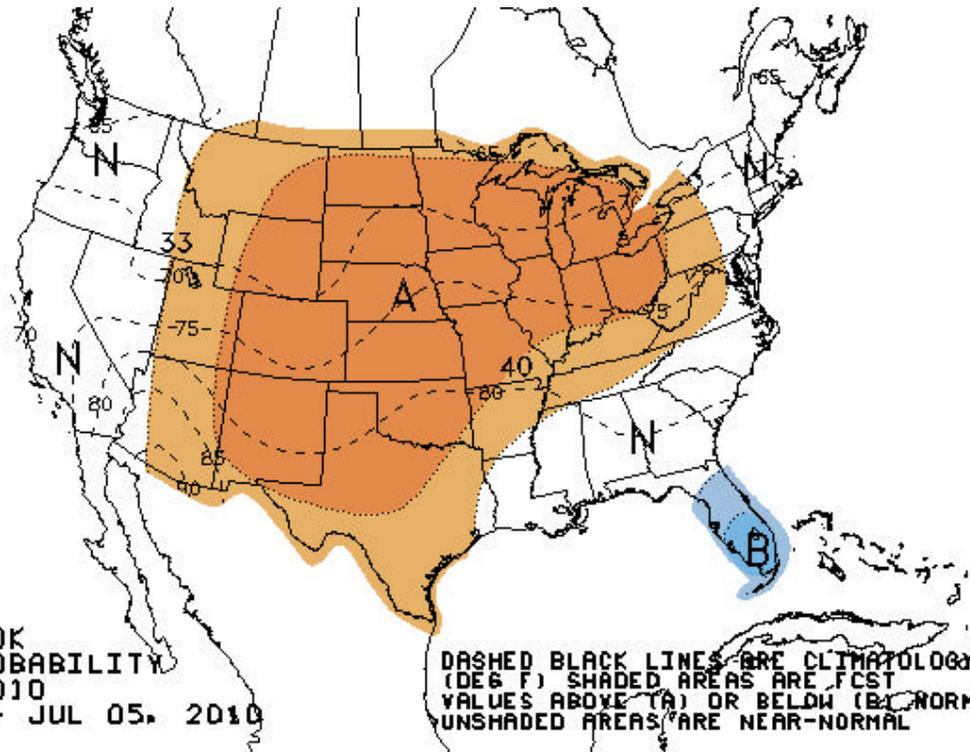
Genscape reported that US power output in the week ending June 17th increased by 5.3% on the week and by 11% on the year.

MARKET COMMENTARY

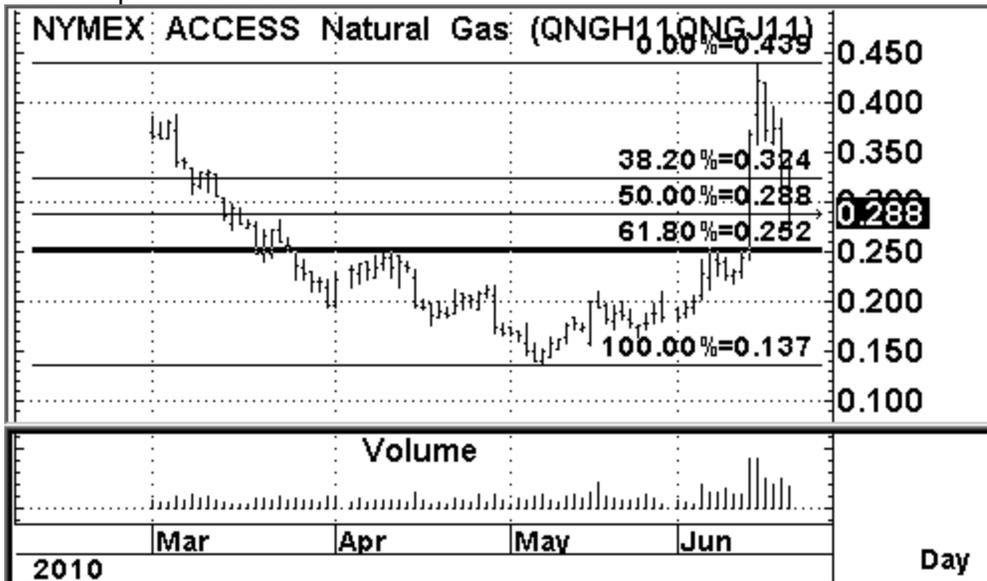
The natural gas market appeared to follow the stock markets higher this morning on positive global economic news coupled with discussions of the potential for a hurricane to develop in the Gulf of Mexico at the end of this week or early next week. But this market appeared to technically fail as it failed to once again break through major resistance at the \$5.20 level. Fundamentally this market also saw some midday temperature forecasts, which moderated from earlier model runs. This coupled with nuclear generation levels continuing to rebound and for the first time in 24 trading sessions was actually higher than year ago levels, seemed to help prompt some long liquidation in the afternoon.

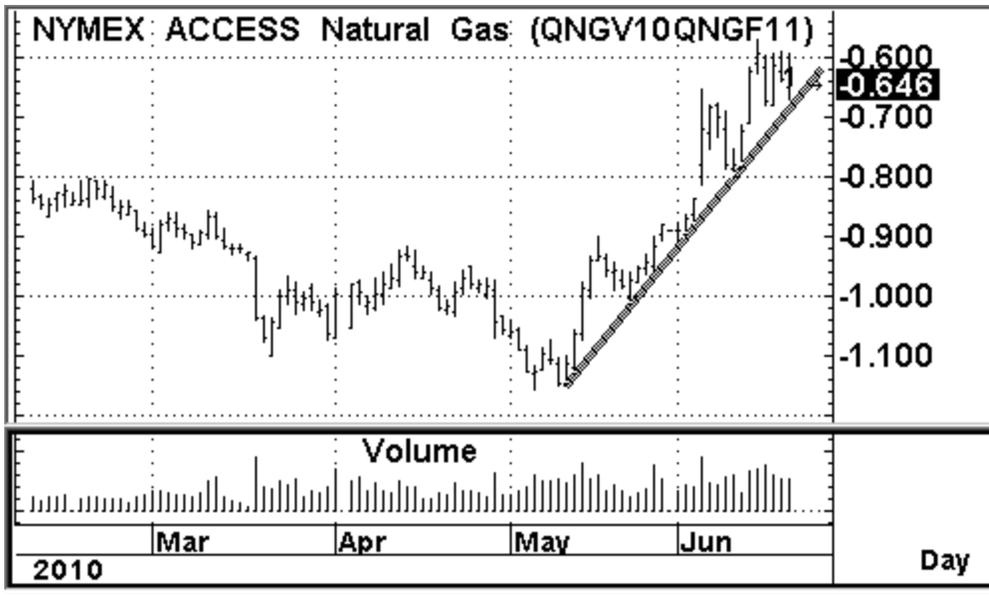


We see an initial downside objective for this market at \$4.815, which would be the completion of a backfilling of the gap in the daily charts from June 11th. We see additional support at \$4.753, \$4.639-\$4.616 and \$4.479. Resistance we see at \$5.20-\$5.23 followed by \$5.27, \$5.45-\$5.50 and \$5.60.



The two main natural gas spreads that were the focus of discussions last week saw continued retracement today, especially in the March-April spread which has nearly retraced 62% of the rally over the past 6 weeks.





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