



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 22, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning was watching a rather robust tropical wave, Invest 93 located in the central Caribbean. The NHC was assigning a 40% probability that this tropical system could strengthen into a tropical depression within the next 48 hours. By midday though forecasters had lowered this probability to only 20% as the storm appeared to be less organized. Still this storm appears it has the chance to become the first tropical storm of the season by or before this weekend, as the system moves into an area that is expected to be quite favorable for development over the next 57 days. The various models are across the spectrum for next week, with the GDFL model calling for this system becoming a Category 3 hurricane in the central Gulf of Mexico to the HWRF model looking for it to become a tropical storm only for it to weaken as it moves into the southeastern Gulf of Mexico. It appears it could eventually make landfall next week anywhere from the Texas coast to the northern Gulf of Mexico. The weaker the storm the further west it will track it seems with the stronger the storm the more of a northerly threat it is to the central Gulf Coast.

Generator Problems

NPCC – OPG's 494 Mw Lambton #1 coal fired power plant was shut early Tuesday.

Entergy's 1025 Mw Indian Point #2 nuclear unit was at 80% power early Tuesday as operators reduced capacity to facilitate minor repairs. The unit had been at full power on Monday.

MISO – NPPD said it was taking steps to address rising river water levels near its 770 Mw Cooper nuclear plant. The unit continues to operate at full power after emergency procedures were implemented and operators declared an "unusual event" overnight when the Missouri River reached 899 feet above sea level. If water levels reach 902 feet, operators will take the station off line as a precautionary measure.

SERC – TVA's 1065 Mw Browns Ferry #1 nuclear unit dropped to 70% by early Tuesday from full power yesterday

ERCOT - The coal fired Unit #1 at the Martin Lake Steam Electric Station

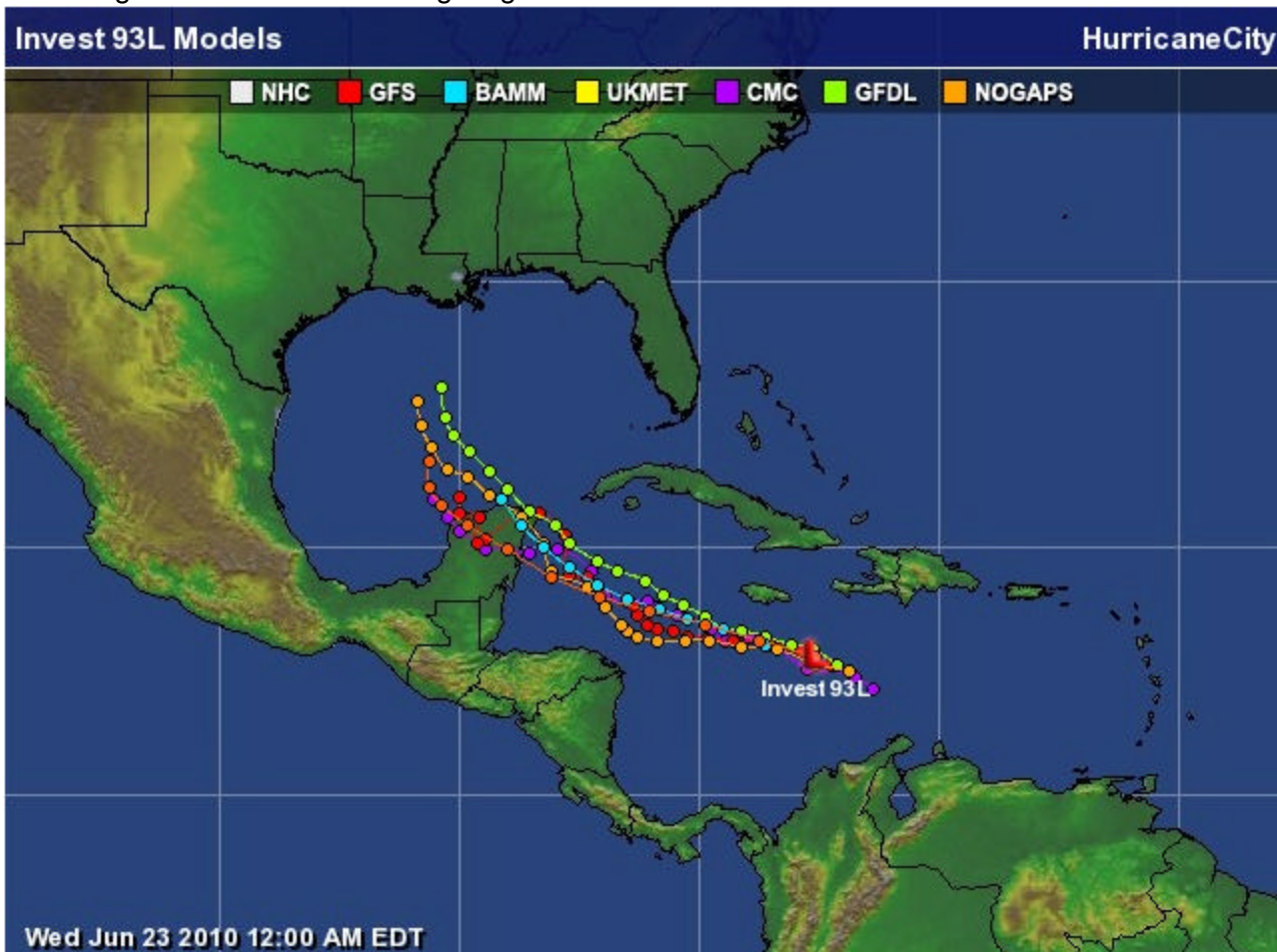
Private forecaster Planalytics said today that it sees the tropical wave; Invest-93 could form into the season's first named storm later this week and possibly threaten the Gulf of Mexico production regions.

Meanwhile weather forecasters

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	599,500	\$4.869	(\$0.281)	\$0.143	(\$0.091)	(\$0.054)
Chicago City Gate	361,100	\$4.910	(\$0.246)	\$0.184	(\$0.116)	\$0.166
NGPL- TXOK	7,422,500	\$4.728	(\$0.260)	\$0.002	(\$0.130)	\$0.008
SoCal	822,100	\$4.267	(\$0.186)	(\$0.459)	(\$0.056)	(\$0.511)
PG&E Citygate	684,600	\$4.433	(\$0.154)	(\$0.293)	(\$0.024)	(\$0.375)
Dominion-South	374,400	\$5.055	(\$0.261)	\$0.329	(\$0.131)	\$0.310
USTrade Weighted	21,607,900	\$4.701	(\$0.221)	(\$0.025)	(\$0.09)	(\$0.054)

continue to look for the hot temperatures to remain in the central and eastern U.S. for the next couple of days but they continued to moderate their intermediate term temperature outlooks for the 6-10 day and 11-15 day periods. This moderating trend continued again today as the new GFS run especially at midday is showing an upper level trough over eastern Canada will bring a few days with below normal

temperatures to most of the Great Lakes and East. The new model run is pointing to this system becoming more entrenched lasting longer over the Northeast.



Private weather forecaster WSI said today that it was raising the number of named storms that it expects for the 2010 Atlantic hurricane season. It is now calling for 20 named storms, 11 hurricanes and five intense hurricanes of a category 3 or higher. This new forecast is showing an increase of two named storms and one more hurricane than its prior forecast released in May.

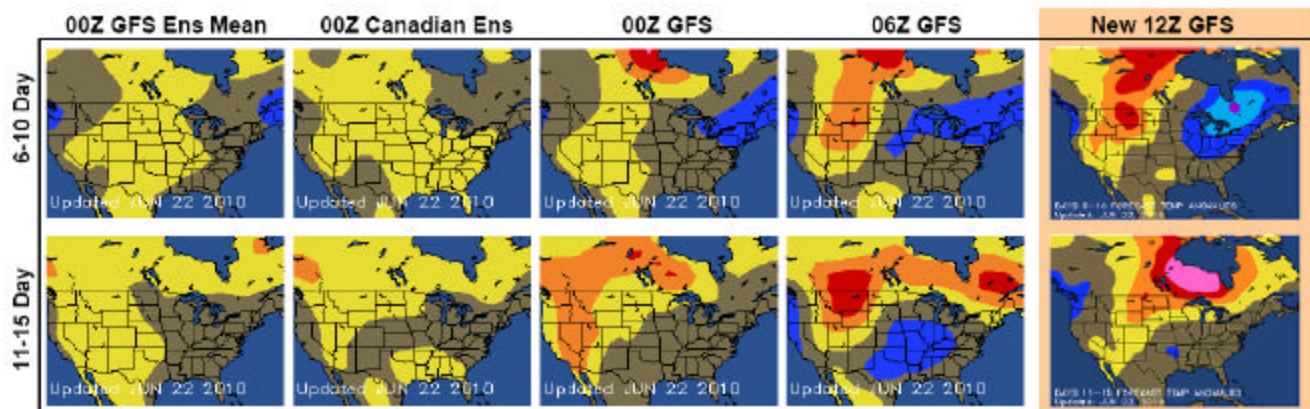
Gassco reported that the maintenance work on parts of the Germany-Norway Norpipe pipeline has been completed earlier than planned. The two week long maintenance project was not expected to be completed until Wednesday. The company though said it may take a bit of time for the line to return to full capacity.

The Russian news agency Interfax said today that Gazprom has lowered its targets for European exports this year by 9% to 145 bcm. The company had originally planned to export 160 bcm, but has been forced to lower its expectations by lower demand recorded so far this year against a backdrop of an economic slowdown and higher use of alternative fuels.

The European Commission today called on Belarus and Russia to respect their "contractual obligations" as a payment dispute between those two countries once again threatens Russian gas supplies to Europe. Gazprom reported that it had extended its gas supply cuts to Belarus to 30% on Tuesday from 15% on Monday. As a result Gazprom said it was preparing to export more gas to Europe through the Ukraine, as shipments could come to a halt through Belarus. The company also said it was preparing to draw natural gas from underground storage facilities in Europe to secure sufficient supplies to tis European customers. Gazrom also did not rule out the purchase of spot gas

on the European market to fulfill its contracts. Late in the day despite the Belarussian president reportedly ordering a halt to the transit of Russian gas, the EU reported that the gas was still flowing regularly to the EU.

Forecast Model Comparison



Port authorities at Milford Haven reported that the LNG Rivers tanker is scheduled to arrive at the Dragon LNG terminal on June 29th.

The South African ambassador to Qatar said today that his country has been in negotiations over the past 12 months with Qatar to buy LNG, but any agreement still remains far from conclusion.

PIPELINE RESTRICTIONS

NGPL said effective for gas day June 12th and continuing until further notice Bridgeline Holdings Vermillion has capacity available for deliveries. Interruptible transportation service/authorized overrun and secondary firm transports are available. The company also reported that until further notice it has limited capacity available for gas going southbound through Segment 26 at Compressor Station 302 for deliveries eastbound into Segment 25 or southbound into Segment 22.

KMIGT reported it is at capacity for deliveries through the Weld Lateral, at Segment 120 and 630.

NGPL said that Florida Vermillion is at capacity for deliveries and ITS/AOR and secondary Firm transports are not available to be scheduled.

PIPELINE MAINTENANCE

Dominion Transmission said yesterday that it has completed regulator maintenance and repair at the Armstrong Energy delivery station.

ELECTRICITY NEWS

The U.S. Northwest River Forecast Center estimated today that water runoff at the Dalles Dam on the Columbia River was forecast to be 84% of normal for the April-September period. This outlook was some 2% higher than their estimates a week ago. The forecast center also raised its outlook for water flows at the Grand Coulee dam by 2% to 80% of normal.

Genscape reported that coal stockpiles at U.S. power plants fell 1.4% this week and were 7.7% smaller than a year ago.

ECONOMIC NEWS

The National Association of Realtors said sales of previously owned homes fell by 2.2% in May compared with market expectations of a 5% increase.

MARKET COMMENTARY

The bearish temperature forecasts this morning and again at midday continued to keep bulls in the natural gas market on the defensive today. Not only did the flat price drop back into trading levels that were recorded prior to last week's rally, but the spreads have also returned to these levels as the both the Oct-Jan and the March April have continued to post dramatic contractions again today, as it appears the bullish liquidation of last week is now a distant memory. But while we are bearish overall on the intermediate term, we would recommend that shorts be covered, even the short \$5.00 calls (which expire Friday) and await a clearer forecast on the future of Invest 93. This storm has the potential to score a direct hit to the Gulf of Mexico's oil and gas offshore production areas as judging by the latest model runs tonight.

We see support tomorrow at \$4.67 followed by \$4.616 and \$4.479. Resistance we see at \$4.884, \$4.944, \$5.003 and \$5.20.

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