



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 23, 2010

NATURAL GAS MARKET NEWS

Weather forecasters continued to keep a close eye on Invest 93 throughout the day today. While the system remained basically an elongated area of disturbed weather stretching from central Cuba and Jamaica eastward across Hispaniola and Puerto Rico. While the system remained relatively disorganized, upper level winds appear conducive for slow development in the coming days as the system moves westward at approximately 10 MPH. Forecasters were assigning a 30% chance that the system could finally become a tropical depression by tomorrow. But the long range forecast models by this evening were taking a much less bullish view of the potential path of this storm by early next week showing a much smaller risk to the oil and gas producing areas in the Gulf of Mexico.

Generator Problems

ERCOT- LCRA's 598 Mw Unit #2 at the Fayette coal fired power plant was shut yesterday for operators to repair a generator vibration problem. No restart date has been announced.

The NRC reported this morning that some 94,777 Mw of nuclear generation was operating today, up 0.3% from yesterday and some 1.2% higher than the same day a year ago

The European Commission reported today that there is no sign of any reduction in supply of natural gas to Europe from Russia through Belarus, following Gazprom's announcement that it has cut gas supplies to Belarus by 60% due to unpaid gas bills. German importers of Russian gas said on Wednesday they continue to receive the usual amounts of gas via Belarus despite escalating the tension between Russia and Belarus. Gas supplies to Lithuania and the Russian Baltic territory of Kaliningard via Belarus though were reportedly have fallen 30% Wednesday. Meanwhile Belarus said today that they have made \$187 million of gas payments to Russia but warned that shipments of Russian oil and gas would be cut if Moscow does not pay \$260 million in transit fees by Thursday it claims is due to Belarus.

East Timor's president said Wednesday that he was confident that key stakeholders in the disputed Sunrise LNG project could reach an agreement on how to develop the massive gas field.

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	538,000	\$4.896	\$0.027	\$0.101	(\$0.016)	(\$0.046)
Chicago City Gate	352,600	\$4.901	(\$0.009)	\$0.106	(\$0.078)	\$0.162
NGPL- TX/OK	637,100	\$4.743	\$0.015	(\$0.052)	(\$0.054)	\$0.003
SoCal	711,800	\$4.374	\$0.108	(\$0.421)	\$0.039	(\$0.494)
PG&E Citygate	845,600	\$4.458	\$0.025	(\$0.337)	(\$0.044)	(\$0.362)
Dominion-South	372,600	\$5.131	\$0.076	\$0.335	\$0.007	\$0.327
UTrade Weighted	22,017,200	\$4.755	\$0.053	(\$0.040)	(\$0.02)	(\$0.046)

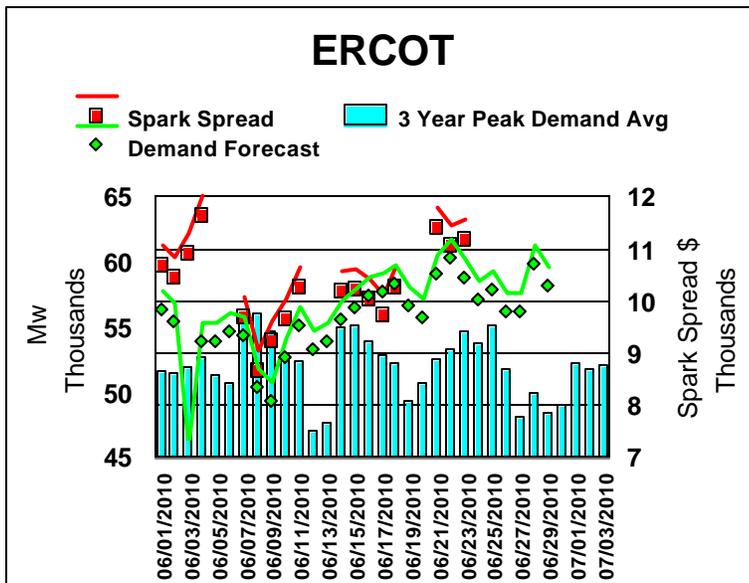
The IEA said today that recovery for global gas demand will hinge on the pace at which the global economy emerges from recession. But the IEA said it expected global

demand to reach 1578 bcm by 2013, which would also signal industrial demand for gas returning to 2008 levels. But the IEA noted that gas demand in Europe however is expected to lag behind North America and the Pacific regions. The organization looks for LNG capacity to grow by 50% between 2009 and 2013. The IEA estimated that in 2009 LNG trade worldwide grew by 5.3% to 245 bcm.



The UAE said today it would like to see Royal Dutch Shell

to step in as its partner at the \$10 billion Shah gas project after ConocoPhillips withdrew. Shell had bid on the project back in 2007-2008 but had lost out to ConocoPhillips.

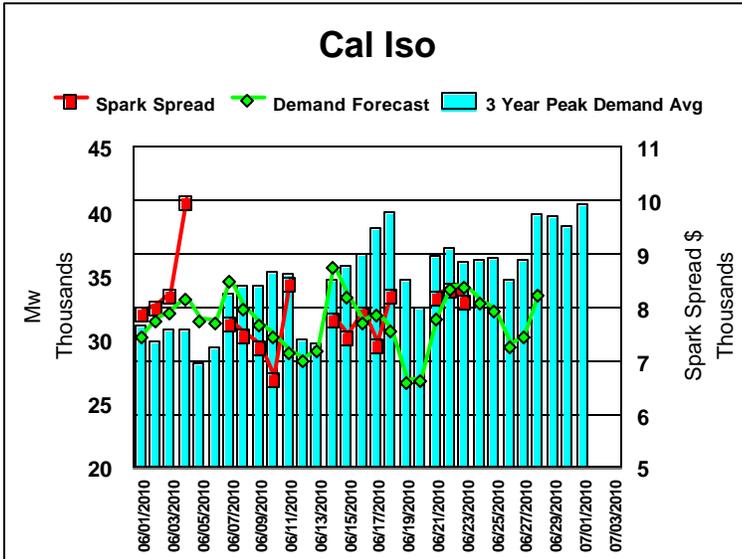


Japanese gas distributor Shizuoka Gas said today that it has signed a basic agreement to buy 300,000 tonnes per year of LNG from Osaka Gas Company for twenty years beginning in 2014.

A Hoegh LNG executive today noted that offshore floating LNG production would allow energy companies to exploit gas reserves from smaller or difficult to access fields and turn current gas flaring and re-injection costs into revenue.

PIPELINE RESTRICTIONS

Texas Gas Transmission said yesterday the Eunice East segment capacity will be reduced to 563,000 Dth/d. However based on current nominations and historical data it does not anticipate any reductions to primary service due to this decrease in capacity.



PIPELINE MAINTENANCE

Algonquin Gas Transmission said that the previously scheduled Chaplin pipeline investigation work on Line 30B has been completed and the line has returned to normal operations.

Gulf South reported yesterday that it was performing unplanned maintenance at Unit #1 at the Harrisville Compressor Station and it was expected to last for 30 days. Capacity through the station could be reduced by as much as 150,000 Dth during this time

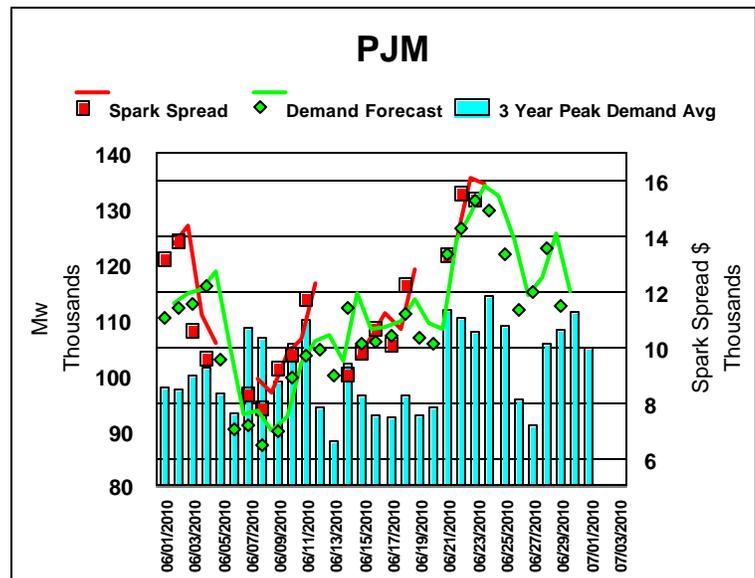
ELECTRICITY NEWS

Canada’s Environmental Minister said today that Canada will reduce greenhouse gas emissions by introducing new regulations for coal fired electricity generation. These proposed regulations would apply a stringent performance standard to new coal fired electricity generation units as well as to aging coal fired units. The standard would be based on parity with the emissions performance of high-efficiency natural gas generation. The minister though declined to outline when the regulations would be introduced.

The Edison Electric Institute reported today that it estimated power production in the U.S. for the week ending June 19th stood at 84,553 Gwh some 4.9% higher than a week ago and 5.9% higher than the same week a year ago.

MARKET COMMENTARY

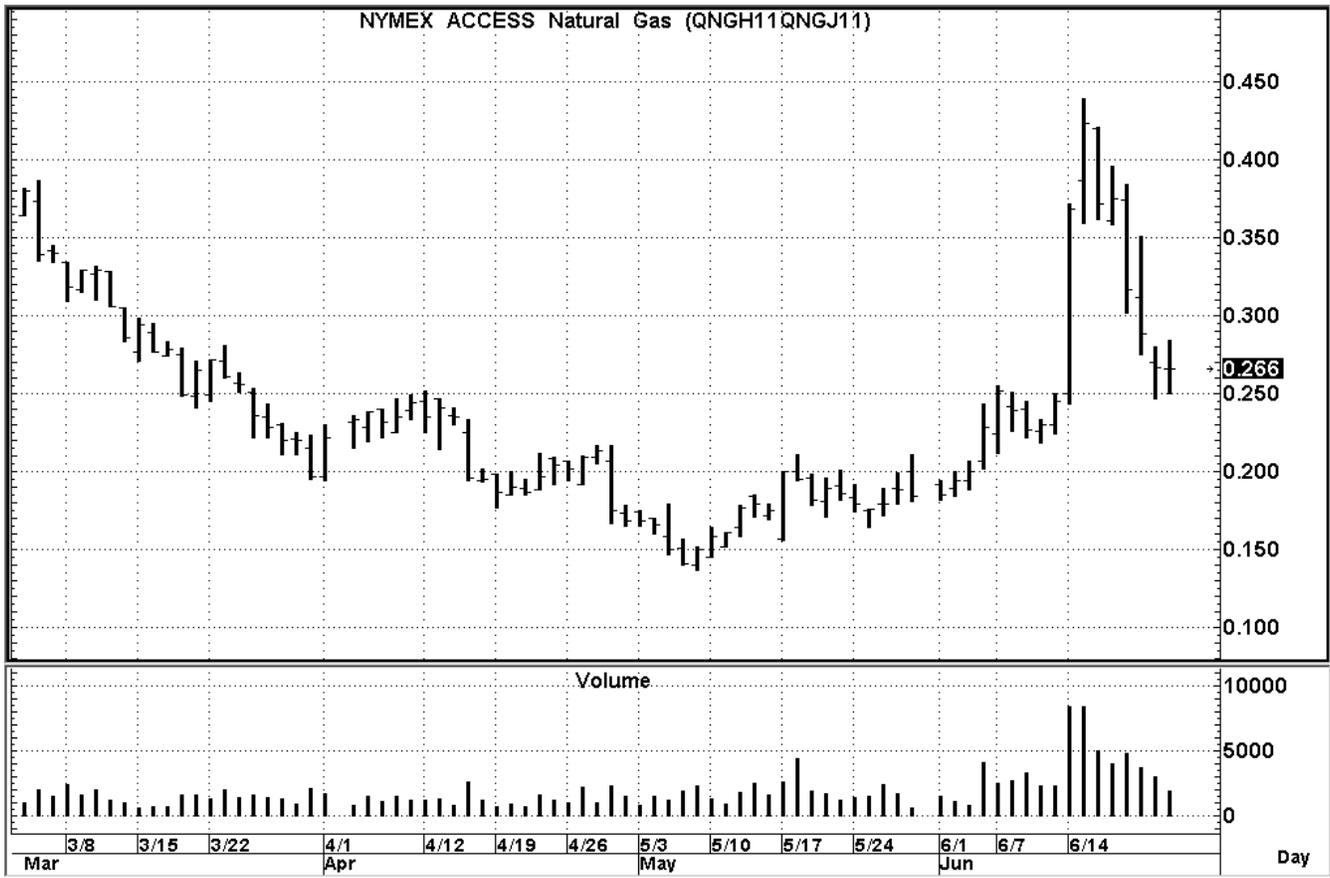
The natural gas market today finished basically a nickel higher helped in part by talk of Invest 93 becoming a hurricane by the end of the week and then moving into the central Gulf of Mexico. While the market posted its first higher settlement in four trading days, it still was not an overly bullish settlement given that today was an inside trading day, as it appeared that many traders were content to await tomorrow’s storage report as well as seeing an updated tropical weather forecast as well.



The back month spreads also continued to settle back into their earlier trading ranges and volumes before last week flurry of activity surrounding reported hedge fund liquidation.

Market expectations for tomorrow's storage report appear to be running between a 70-90 bcf build with most centered on an 80 bcf build. Stocks a year ago rose an adjusted 97 bcf for the same week while the five year average seasonal build is 85 bcf.

We see support tomorrow in the July contract at \$4.70-\$4.69 followed by \$4.628-\$4.609, and \$4.479. Resistance we see at \$4.884, \$4.944 and \$5.003. Major resistance though remains at the \$5.20 level, a chart point that this market for five consecutive trading sessions could not breach.



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