



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 24, 2010

NATURAL GAS MARKET NEWS

The tropical wave, Invest 93 continued to produce showers and a few thunderstorms over the western Caribbean today. The system demonstrated little organization overnight. While forecasters continue to look for further development as the system moves slowly west or west-northwestward over the next couple of days. All the guidance models this afternoon were calling for this system to cross Mexico's Yucatan Peninsula over the next several days. While the majority of the forecasting models have the system once emerging in the Gulf of Mexico will turn to the northwest and head toward the Texas/Mexican border. But some models now expect the system to turn to the northeast toward Florida and the eastern Gulf of Mexico. But as of this afternoon the model intensity forecasts are showing a much weaker storm if one develops.

Generator Problems

PJM – Exelon's 1130 Mw Limerick #1 nuclear power plant late on Wednesday was shut down due to the loss of both reactor recirculation pumps. The unit had been at full power.

The NRC reported this morning that some 93,223 Mw of nuclear generation was operating today, down 1.5% from yesterday and some 1% lower than the same day a year ago.

EIA Weekly Report

	06/18/2010	06/11/2010	Change	06/18/2009
Producing Region	935	919	16	995
Consuming East	1251	1200	51	1224
Consuming West	438	424	14	418
Total US	2624	2543	81	2638

*storage figures in Bcf

The EIA reported that total residential natural gas consumption across the United States remains in a long-term downtrend as a result of improving appliance efficiency gains, improved housing construction, population shift toward warmer regions, higher commodity prices and an increase in

the share of natural gas customers who do not use natural gas as their primary space heating fuel. Residential end users, who primarily use natural gas for space heating accounted for about 21% of the total U.S. gas consumption in 2009. Average deliveries to residential consumers have exhibited a general downward trend since peaking in 1996.

Canadian Gas Association

Weekly Storage Report

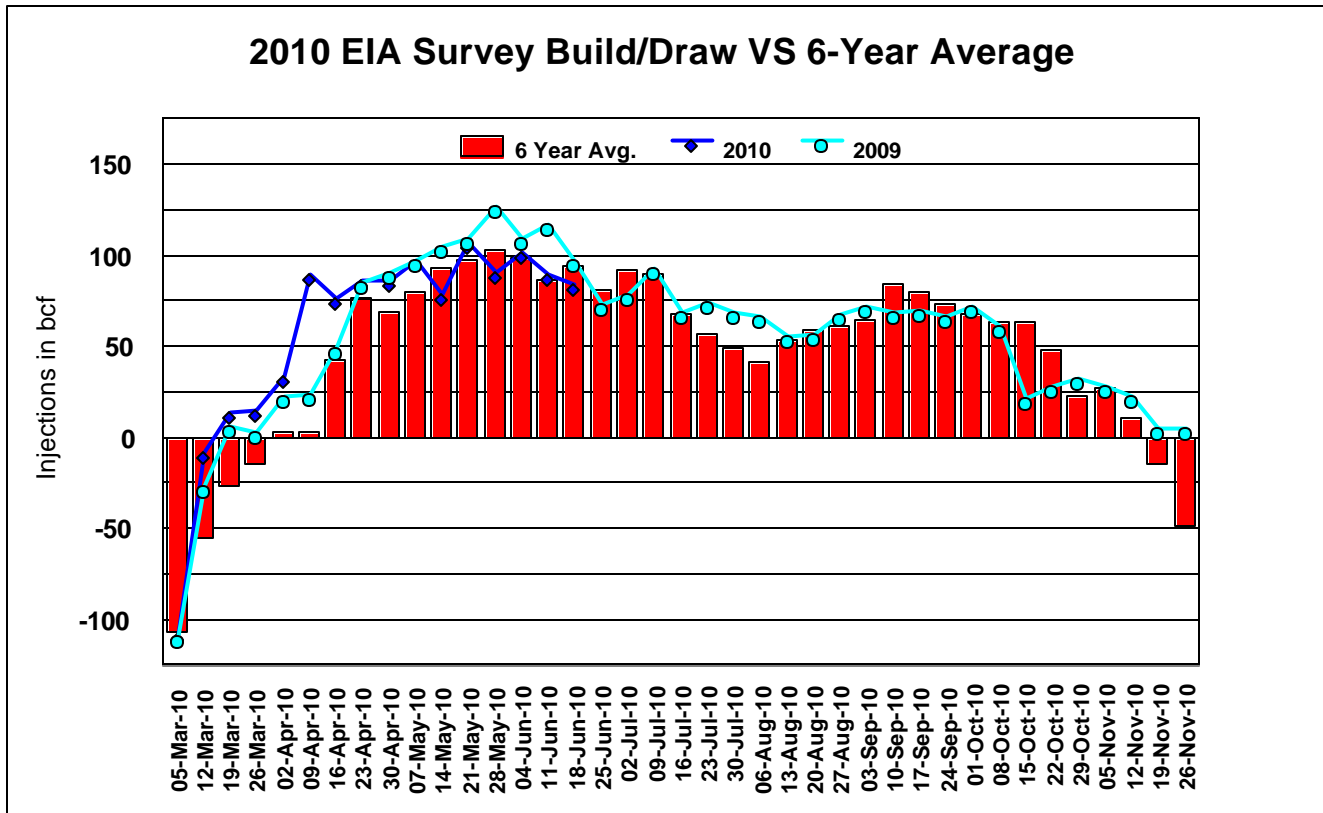
	18-Jun-10	11-Jul-10	19-Jun-09
East	139.3	131.3	164
West	291.1	280.7	267.8
Total	430.4	412	431.8

storage figures are in Bcf

The European Commission reported that the flow of Russian natural gas to Lithuania through Belarus is returning to normal, after to falling to 50% of normal on Wednesday. Meanwhile Gazprom said Thursday that it has paid Belarus' national pipeline operator Beltransgaz \$228 million for gas transit according to the existing contract. Belarus said at midday it would resume gas transit to Europe in 8-10 hours if Gazprom fully pays its gas transit fees, which it had pegged at \$260 million before the recent crisis began.

According to port officials, the Ejan LNG tanker was expected to arrive at the Belgian port of Zeebrugge on July 8th. The ship is coming from Qatar.

Indian officials noted that although Indian gas production is expected to grow substantially over the next few years, the demand for natural gas will grow even faster going from current demand of 62 bcm to 120 bcm by 2015. While some supply could eventually come from a proposed Iranian pipeline, the only viable option to meet near term demand will come via LNG imports. Meanwhile the CEO of India's biggest gas importer, Petronet said his company may not resume spot purchases of LNG until December, due to the lack of pipeline infrastructure in the country. The company had halted its prior purchases of spot LNG back in December 2009 as the availability of local gas had jumped from Reliance's deep-water block on India's east coast.

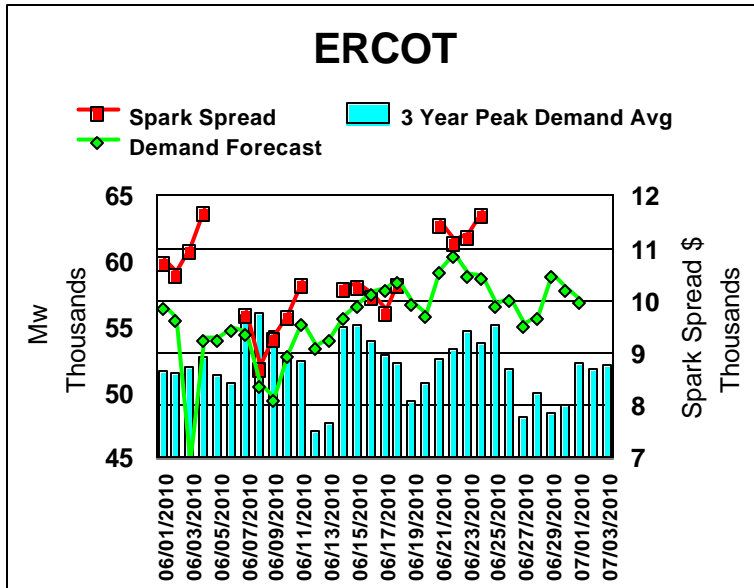


The head of the Nabucco project consortium said today that he expected his consortium would most likely start negotiations with Azerbaijan over this summer for 8-10 bcm of supply for proposed Nabucco

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	455,800	\$4.880	(\$0.016)	\$0.163	\$0.061	(\$0.015)
Chicago City Gate	300,500	\$4.893	(\$0.008)	\$0.176	\$0.070	\$0.177
NGPL- TX/OK	535,500	\$4.726	(\$0.016)	\$0.009	\$0.062	\$0.017
SoCal	513,900	\$4.457	\$0.083	(\$0.260)	\$0.161	(\$0.426)
PG&E Citygate	567,700	\$4.568	\$0.110	(\$0.149)	\$0.188	(\$0.296)
Dominion-South	318,800	\$5.043	(\$0.087)	\$0.326	(\$0.009)	\$0.346
USTRade Weighted	19,359,200	\$4.737	(\$0.017)	\$0.020	\$0.06	(\$0.015)

Pipeline, which will have a design capacity of 31 bcm. The project to this date still has not secured any firm commitments of supply, but the pipeline has been involved with ongoing negotiations with Turkmenistan for 10 bcm of supply as well. The pipeline has a projected in service date of late 2014.

The head of Shell's LNG division said that that global gas demand is still set to increase by 25% by 2020, and reaching 4.5 tcm by 2030. Demand for LNG is expected to double by 2020 when compared to 2009 levels.



Japan reported that its imports of LNG totaled 4.791 million tones in May, up 13.2% from a year earlier. The Japan Crude Cocktail (JCC) price, or the average customs cleared crude oil price, which is used as the benchmark for LNG prices for Japanese buyers, rose to \$85.08 a barrels, up from \$79.79 recorded in April.

The International Organization of Securities Commissions (IOSCO) said today that major participants in over the counter oil derivatives were working to help bring transparency to this market. In a report to G20 leaders on the progress in improving transparency and oversight in the energy market the group noted that

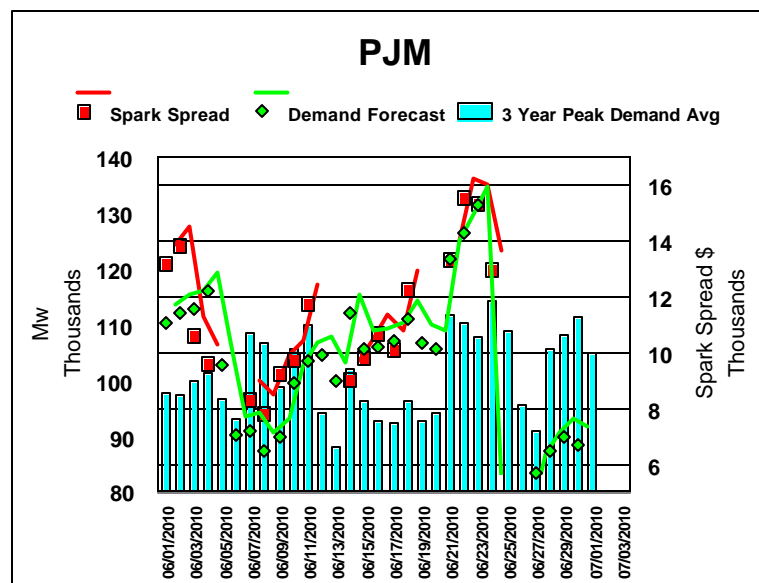
participants that included Bank of America-Merrill Lynch, Barclays Capital, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC Bank, JP Morgan Chase, Morgan Stanley, RBS Sempra, Societe Generale, UBS and Wachovia Bank were working toward that goal.

The OECD said today that commodity index funds were not the cause of a price spike in agricultural commodities in 2007-08 and should not be restricted in their access to futures markets. The study was conducted by two professors from the University of Illinois for the OECD, said there was actually evidence of a negative relationship between volatility and commodity positions held by index and swap funds. Their report noted that while more research was needed, including the much debated problem of convergence between cash and futures prices in grain markets, the report said there was no clear evidence for significantly tightening rules on index fund positions. They found "Limiting the participation of index fund investors could unintentionally deprive commodity futures markets of an important source of liquidity and risk-absorption capacity at times when both are in high demand." In a paper released on Wednesday by the United Nations Food and Agricultural Organization also warned that limiting positions in futures markets could cut liquidity in the markets. But it advocated some regulatory measures, notably to improve transparency and information.

PIPELINE RESTRICTIONS

FGT has issued an overage alert day at 20% tolerance in its market area for June 24th, due to high temperatures in the area.

NGPL said that effective for today and until further notice it has limited capacity for gas going northbound through Segment 14 at Compressor Station #199. Limited interruptible transportation service/authorized overrun and secondary out of path firm transports are available.



The company also reported that it has limited capacity available for northbound flow through Segment 13 at Compressor Station #107. Limited ITS/AOR and secondary out of path firm transports are available.

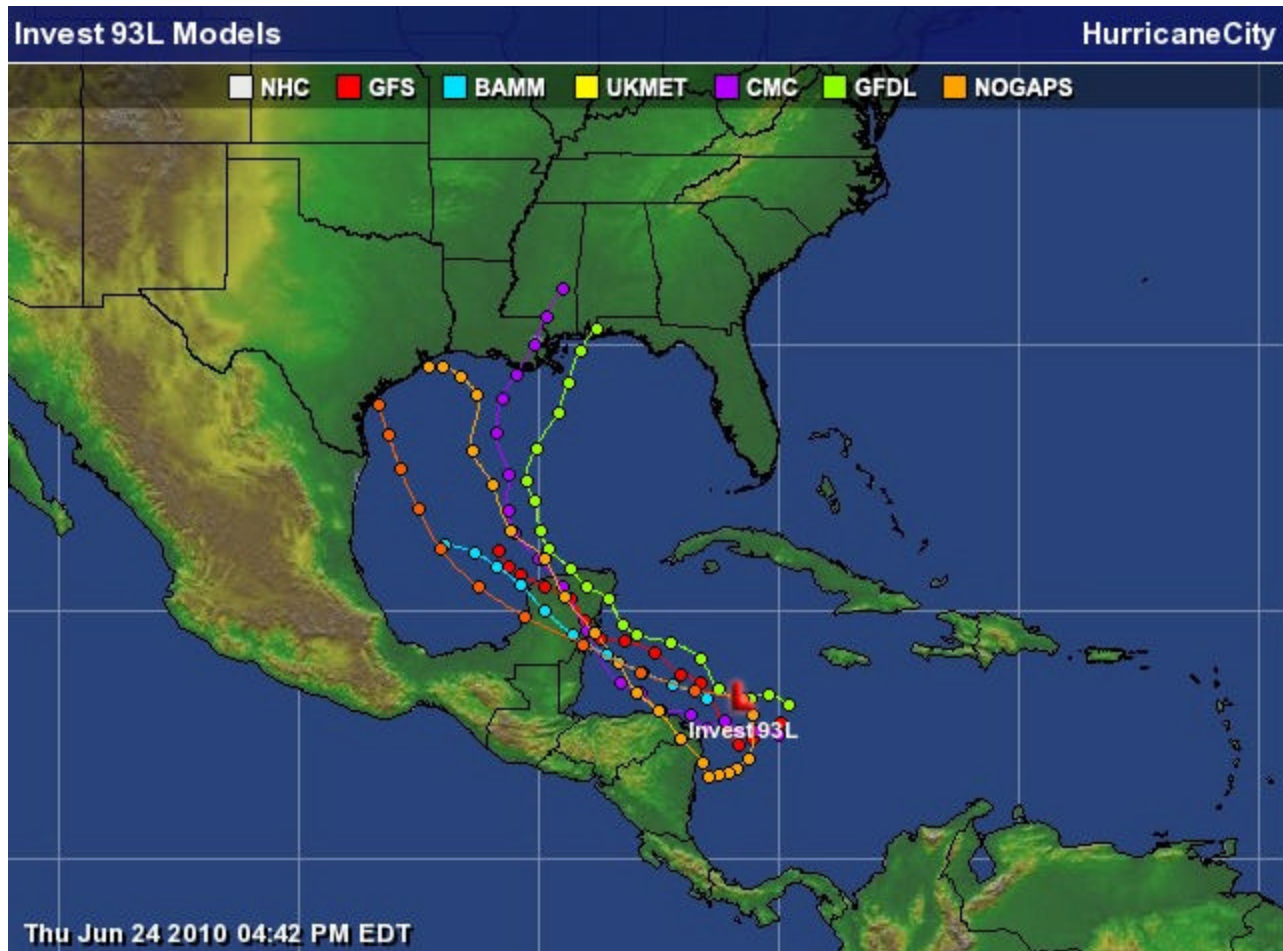
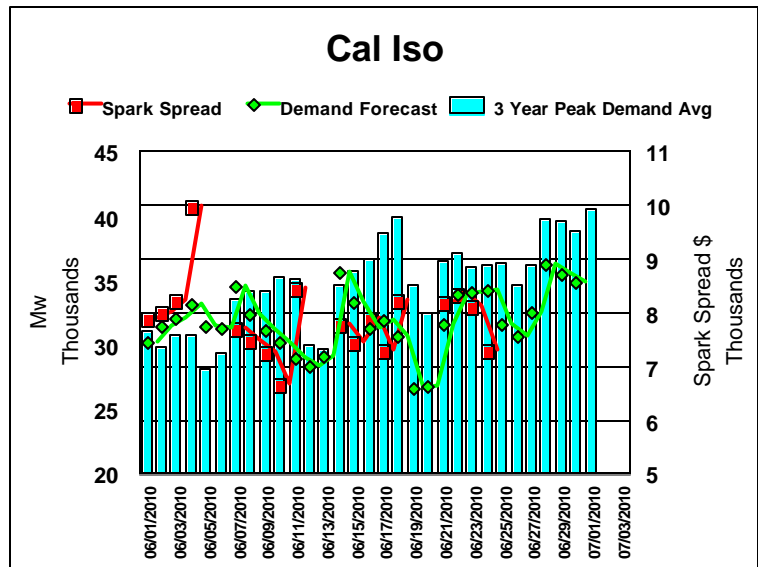
PG&E has issued a systemwide OFO for June 24th due to high inventory. The company set a 5% tolerance/

PIPELINE MAINTENANCE

FGT said it will start performing scheduled maintenance on one of the two compressor units at the FGT/Tennessee Carnes Interconnect starting July 7th. The outage is expected to last ten days.

During the work the company will schedule up to 30,000 Mmbtu/d at the interconnect, some 50% less than normal volumes.

Alliance Pipeline said a routine inspection will require Unit #2 at AB47 Carson Creek Meter/Compressor Station to be unavailable for 10 hours on June 24th. Station capacity will be reduced to 380,000 cm/d.



ECONOMIC NEWS

The US Labor Department said the number of initial claims for unemployment benefits fell by 19,000 to 457,000 in the week ending June 19th. Economists had expected claims to fall by only 7,000. The previous week's level was revised slightly upward from 472,000 to 476,000. The four week moving average fell by 1,500 to 462,750 in the week ending June 19th. The report showed that the number of continuing claims fell by 45,000 to 4,548,000 from the preceding week's revised level of 4,593,000. The unemployment rate for workers with unemployment insurance for the week ending June 12th was 3.5%, down 0.1% from the prior week's 3.6% rate.

The Commerce Department reported that demand for US durable goods fell by 1.1% to a seasonally adjusted \$192.01 billion. Orders for durable goods, excluding transportation equipment increased 0.9% last month, reversing April's 0.8% decline.

MARKET COMMENTARY

Natural gas early this morning found a relative boost from mildly supportive economic reports; a better than expected new claims for state jobless benefits, and a supportive durable goods report which appeared to support the belief that the economy was not, at least today, slipping back into a recession. While this allowed prices to firm slightly through mid morning the release of the storage report while basically coming in around most expectations, midday weather forecasts continued to show that Invest 93's lacked further development and was reducing the potential risk to the Gulf of Mexico. Traded volume was also surprisingly light for a storage report session, as the July contract posted its smallest traded volume on Globex since May 25th.

This market appears to be comfortable to returning to a trading range of \$4.60-\$5.00 at least over the near term. Without a complete breakup of Invest 93, we doubt that that traders will sell off this market going into the weekend for fears of this storm system still being a threat to the Gulf of Mexico by the middle of next week.

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