



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 27, 2011

NATURAL GAS MARKET NEWS

North America

The National Hurricane Center was watching a broad area of low pressure over the Bay of Campeche associated with a tropical wave. While upper level winds are currently not conducive for development, these conditions are expected to change over the next couple of days and allow for possible further development. Forecasters see the system becoming a tropical depression or storm by the middle of this week before it moves ashore just north of Tampico, Mexico either Wednesday.

Enterprise Product Partners announced it plans to build its sixth NGL fractionator at Mt. Belvieu, increasing its capacity there by 75,000 b/d to a combined capacity of more than 450,000 b/d by 2013. The expansion is being planned to meet increasing demand for these services from the expanding production from the Eagle Ford Shale region.

Generation Outages

NPCC – OPG's Lambton coal fired unit #4 exited its recent outage on Sunday and returned to service.

PJM – PSEG's 1158 Mw Salem #2 nuclear unit was shut early Monday, after being at full power on Sunday.

Dominion's 799 Mw Surry #2 nuclear unit has exited its recent outage and was at 70% power this morning. The unit had been shut on June 21st following the diction of a problem in the ductwork that cools the main condenser.

PPL's 1140 Mw Susquehanna #2 nuclear unit was restarted and today was at 1% power. The unit had been closed since April 4th. Operators though reduced operations for unnamed reasons at the sister unit, Unit #1 this morning. The unit had been at full power on Sunday was reduced back to just 30% power.

SERC – TVA's 1148 Mw Sequoyah #1 nuclear unit was shut early this morning. The unit had been at full power on Friday.

MRO – NextEra Energy's 516 Mw Unit #2 at the Point Beach #2 nuclear unit ramped up to 75% power this morning, up from 30% power recorded on Friday morning.

SPP – The 1166 Mw Wolf Creek nuclear unit this morning was shut. The unit, which had been ramping back up since June 23rd, had been at 60% power on Sunday morning.

Entergy's 1268 Mw Grand Gulf nuclear power plant dropped to only 60% power this morning. The unit had been at 96% power on Friday.

The NRC reported this morning that some 89,562 Mw of nuclear generation was online, down 3.1% from yesterday and -4.8% below levels recorded a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	791,700	\$4.250	\$0.055	\$0.004	\$0.080	\$0.083
Chicago City Gate	555,100	\$4.344	\$0.074	\$0.098	\$0.058	\$0.124
NGPL- TXOK	850,300	\$4.208	\$0.067	(\$0.038)	\$0.051	(\$0.015)
SoCal	680,500	\$4.418	\$0.164	\$0.172	\$0.148	\$0.173
PG&E Citygate	1,310,500	\$4.542	\$0.055	\$0.296	\$0.039	\$0.325
Dominion-South	693,000	\$4.334	\$0.052	\$0.088	\$0.036	\$0.143
UTrade Weighted	19,647,600	\$4.304	\$0.096	\$0.058	\$0.08	\$0.083

The New York Times on Sunday reported that its investigation of emails and documents showed that industry insiders have doubts as to whether the companies active in shale gas

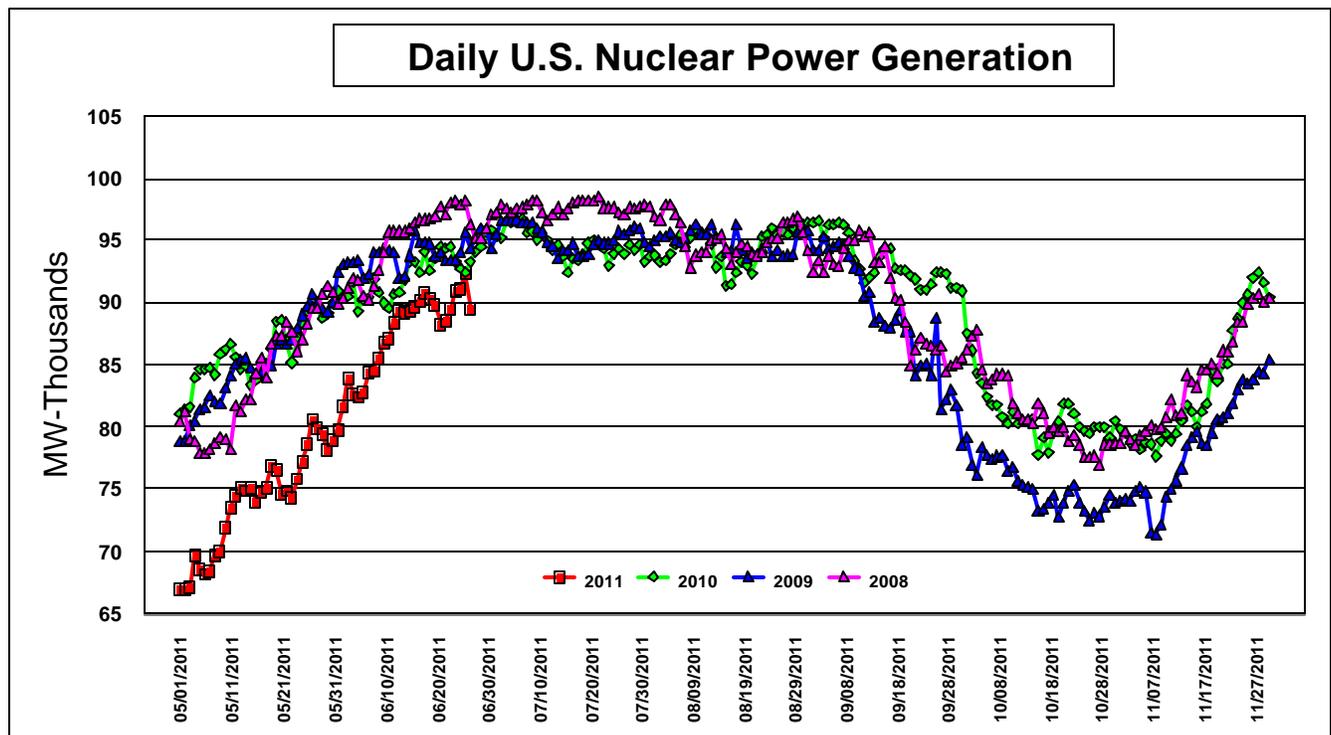
exploration and production, such as Chesapeake will be able to deliver on their promises about the viability and future of shale gas well production. Many in the industry though disputed this article today. Analysts at energy investment bank Tudor Pickering Holt & Company called the story “drivel” this morning. The bank’s analysts noted that “production doesn’t lie...natural gas production from the Barnett (Shale) is now higher at about 5.6 cf/d than it was in 2008” despite a much lower rig count. The CEO of Chesapeake Energy said that the results from the company’s shale wells have steadily improved, both in initial production rates and the expected ultimate recoveries of natural gas.

International

Thailand’s PTT plans to import more LNG to offset the loss of supply hit by an offshore natural gas pipeline leak last weekend. Thailand’s energy ministry has also asked oil refineries in the country to temporarily stop exports of fuel oil in a bid to help ease the loss of supply of natural gas, effective July 11th. Just last Friday Qatargas announced it was sending a second LNG cargo to help commission Thailand’s first LNG terminal. Meanwhile the company reported today that it has reached agreement with three suppliers to import 1 million tones of LNG for a commercial run of its LNG terminal. The first cargo is slated to arrive in July. These shipments are outside of the four shipments scheduled already for commissioning of the facility.

The Al Sahla LNG tanker is expected to arrive at the Isle of Grain terminal on July 3rd.

Gazprom said it is in talks with Rosneft to create a joint venture for gas sales. Rosneft said in December that it plans to start producing gas from its Arctic Kharampurskoye deposit in 2012, when it expects to receive access to Gazprom’s pipeline network.

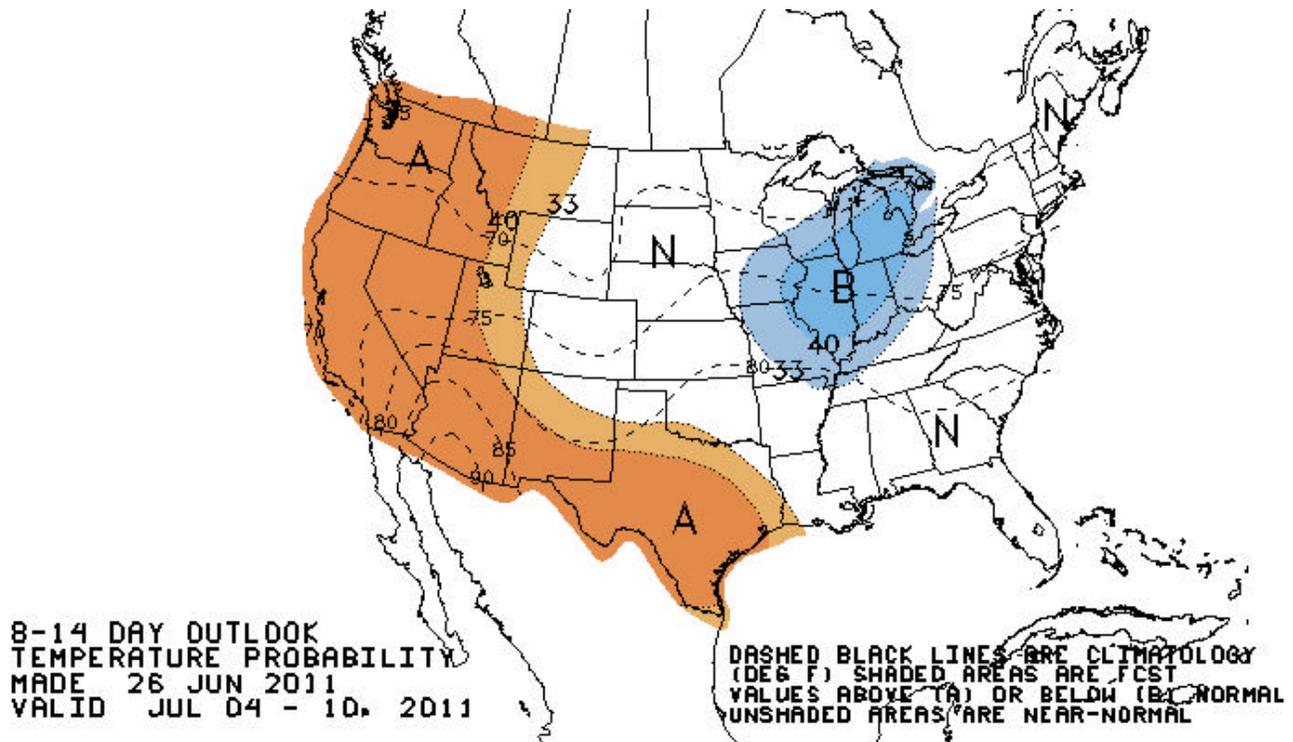


Scottish and Southern Company and Statoil said they expect to complete the Aldbrough underground storage site in Yorkshire, England by the summer of 2012. Six of the nine storage caverns at the site are already storing gas, while the remaining three are expected to become operational by next summer. Once fully operational the site is slated to have a capacity to store around 330 mcm of gas and have a daily rate of 40 mcm or 25% equivalent of gas deliverability for the country.

ELECTRIC MARKET NEWS

ERCOT today called for residents and businesses to limit power use amid record-breaking temperatures in the region as well as the loss of about 2,000 Mw of generation. ERCOT was estimating that power demand could reach 65,109 Mw this afternoon, much higher than its original forecasts late last week.

Genscape reported that power output in the U.S. for the week ending June 23rd fell 10.7% from the prior week and dropped 17% below the same week a year ago.



The CEO of Germany's E.ON said his company is committed to building the Livorno LNG terminal in Italy. The offshore facility will have a capacity of 3.75 bcm and is expected to be operational by next year. The facility will be jointly owned by E.ON and the Italian utility, Iren.

Floodwaters in Nebraska breached a protective levy and as a result the Fort Calhoun nuclear plant, which has been offline for several months for maintenance, was surrounded by floodwaters. Backup generators were providing emergency power to the facility.

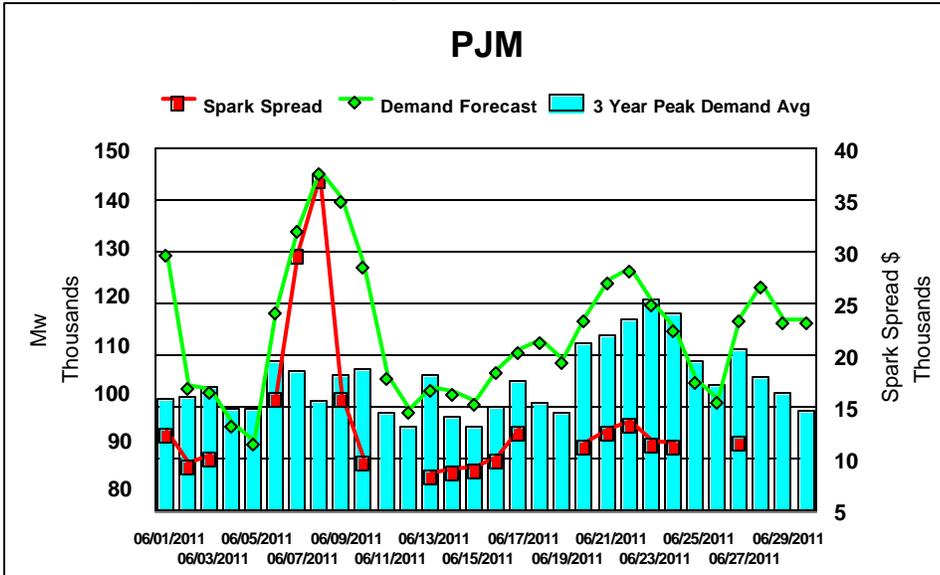
Progress Energy said Monday that it will cost as much as \$1.3 billion to repair damage to the containment building wall at its Crystal River nuclear plant in Florida. The plant, which has been shut since 2009, is expected to remain closed until 2014.

ECONOMIC NEWS

The US Commerce Department said US consumers put spending plans on hold in May amid concerns about a weak jobs market and rising prices. Consumer spending was flat in May. Incomes increased 0.3%. For April, spending was revised down to 0.3% from an initial estimate of 0.4%, with incomes also revised to 0.3% from 0.4%. The price index for personal consumption expenditures increased 2.5% on the year in May. It was the largest gain since January 2010.

The Chicago Federal Reserve Bank's Midwest Factory activity index increased 0.6% to 84 in May.

Moody's ratings agency said Japan could face a third lost decade of sluggish economic growth that would leave it struggling to lower heaviest debt burden among developed nations. It chided the government's failure to meet a self imposed June 20th deadline for announcing a long term plan to deal with the country's debts as negative.



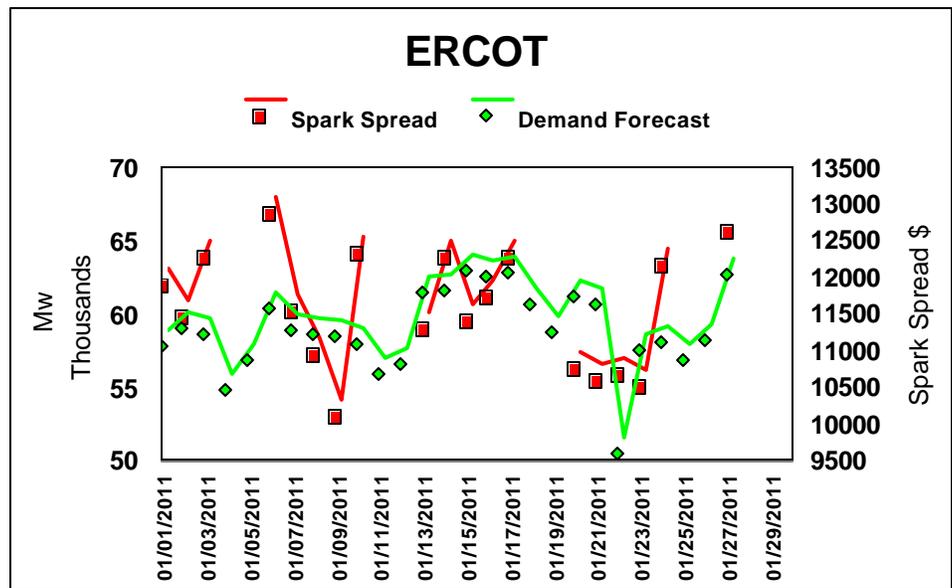
South Korea's industrial production growth is expected to fall in the second half of the year due to weak domestic demand and slowing export growth. A report from Korea Development Bank's economic research institute forecast that most of the country's major export items would post a slower growth in the second half compared with the first half.

The American Trucking Association's advance seasonally adjusted For-Hire Truck Tonnage Index fell by 2.3% in May after falling a revised 0.6% in April. On a year on year basis, tonnage increased 2.7% in May.

MARKET COMMENTARY

Despite some early selling pressure on natural gas prices starting Sunday evening and into early Monday morning, possibly in sympathy with the continued poor economic news and weaker oil prices, natural gas values made a run at retesting Friday's lows. But as new temperature forecasts were released coupled with a supportive NRC report this morning that showed that U.S. nuclear generation

levels had once again back slid, buyers appeared to return to the market and prices basically trended upward and by the end back in positive territory for the second trading session in a row. The July contract also appears to have gravitated back toward the \$4.25 strike where a sizable option open interest level was present for the expiring July natural gas options today. This higher settlement also allowed the daily stochastics to finally cross back to the upside for the first time since June 8th when prices were some 50-60 cents higher. This indicator continues to work well in identifying intermediate to longer-term trends of two to four weeks in duration.



levels had once again back slid, buyers appeared to return to the market and prices basically trended upward and by the end back in positive territory for the second trading session in a row. The July contract also appears to have gravitated back toward the \$4.25 strike where a sizable option open interest level was present for the expiring July natural gas options today. This higher settlement also allowed the daily stochastics to finally cross back to the upside for the first time since June 8th when prices were some 50-60 cents higher. This indicator continues to work well in identifying intermediate to longer-term trends of two to four weeks in duration.

We as a result would recommend that anyone holding any remaining short positions to at least move to the sidelines if not begin to build a small long position looking for prices to bounce given struggling nuclear generation levels as power demand for this week appears stronger than normal. With the July contract set to expire tomorrow, our focus on support and resistance levels turns to the August contract. We would look for initial resistance in the August contract tomorrow at \$4.243. If this trend line resistance is broken we would look for additional resistance at \$4.285, \$4.37, \$4.485-\$4.497, \$4.593 and \$4.689. Support we see at \$4.25, \$4.194-\$4.186 followed by \$4.154, \$4,077 and \$3.994.

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.