



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 28, 2010

NATURAL GAS MARKET NEWS

Tropical Storm Alex as it moved across the southern Bay of Campeche today began to show some signs of gradually intensifying. The track of the storm appears to be moving slightly to the right or north of earlier computer tracks and is now seen coming ashore somewhere near the Mexico/Texas border. The storm potentially could strengthen to Category 2 level hurricane over the next 36 hours, before weakening slightly before landfall. While it appears the storm will miss most offshore production areas some companies announced the evacuation of non-essential personnel. These companies included Exxon, Apache, Anadarko, and Shell. Shell Oil also this afternoon reported that it was shutting production from its western and central Gulf of Mexico assets ahead of tropical Storm Alex. The company said that its assets were being shut in today to prepare for the potential full evacuation of personnel tomorrow morning.

Gas exports from Norway's Kaarstoe processing plant were briefly reduced on Monday due to a power disruption caused by lightning, but total deliveries for the day were reportedly unaffected. National Grid data showed that Norwegian gas supply via the Langeled pipeline was around 61 mcm/day, basically similar levels to winter flows and coupled with strong flows from the Dragon LNG terminal made for an ample supply picture.

Generator Problems

NPCC – Operators at OPG's 2140 Mw Lennox oil and gas fired power plant reportedly have shut down all four generating units early Monday. The facility had been operating on Friday.

OPG reported that its Unit #1 at the coal fired Nanticoke power plant returned to service today, but Unit #5 was taken off line for short-term maintenance work.

ERCOT – Luminant's 765 Mw Unit #3 at the Monticello coal fired power plant was shut to repair a tube leak. Repairs are expected to last at least through June 29th.

FRCC – NextEra Energy's 839 Mw St. Lucie #1 nuclear unit has exited its recent outage and was at 45% power this morning. The unit had been shut since June 16th after two control rods dropped.

MISO – NextEra Energy's 516 Mw Point Beach #2 nuclear unit ramped up to 98% power this morning, up from 50% power on Friday. The unit had been shut back on June 19th due to a generator lockout.

The NRC reported this morning that some 94,118 Mw of nuclear generation was operating today, up 0.9% from yesterday and some 1.9% lower than the same day a year ago.

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	424,300	\$4.850	\$0.011	\$0.085	\$0.058	(\$0.048)
Chicago City Gate	363,700	\$4.836	(\$0.007)	\$0.071	\$0.048	\$0.112
NGPL- TX/OK	478,800	\$4.652	(\$0.022)	(\$0.113)	\$0.033	(\$0.060)
SoCal	577,100	\$4.459	\$0.029	(\$0.306)	\$0.084	(\$0.367)
PG&E Citygate	982,600	\$4.633	\$0.068	(\$0.132)	\$0.123	(\$0.233)
Dominion-South	337,200	\$5.009	\$0.017	\$0.244	\$0.072	\$0.281
USTrade Weighted	20,667,200	\$4.696	\$0.003	(\$0.069)	\$0.06	(\$0.048)

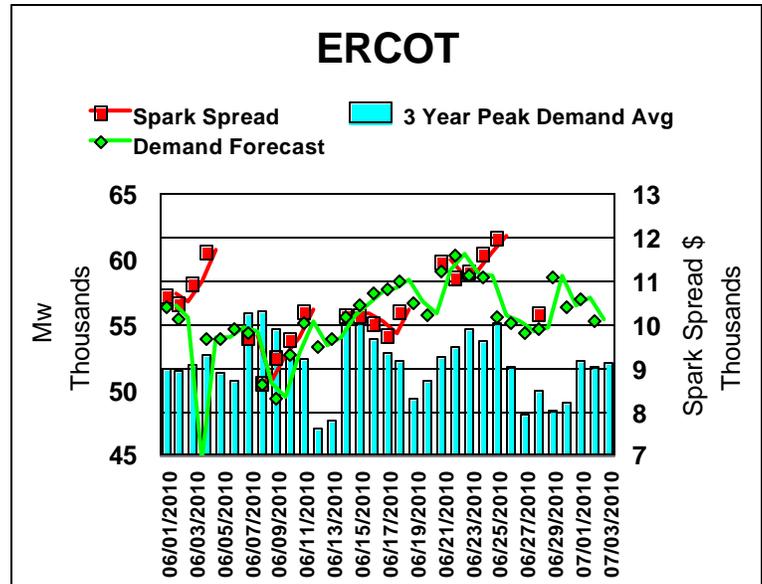
The LNG Finima tanker is scheduled to arrive at Britain's Dragon LNG import terminal on July 3rd from Nigeria, according to port officials. The tanker has a capacity of

135,000 cubic meters.

Shell said the port authority of Tampico, Mexico, has issued an alert over Tropical Storm Alex. The LNG terminal at Altamira has emergency plans that will be activated if needed the company said this afternoon.

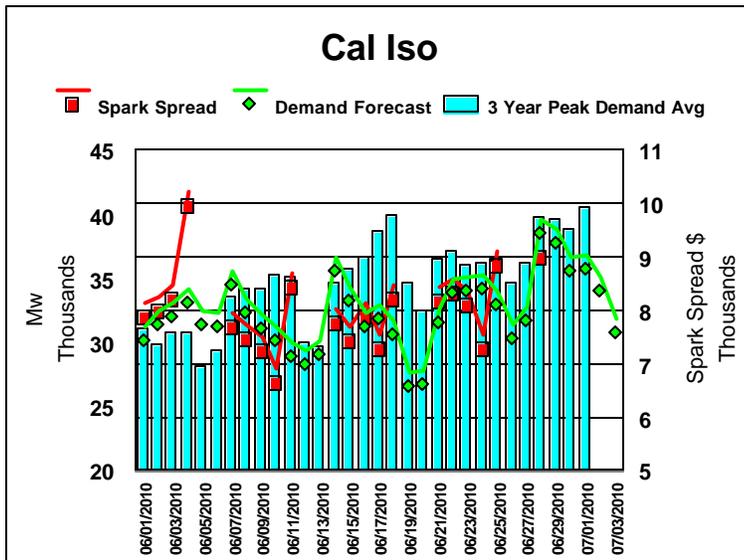
Lithuania's prime minister said today that his country and Belarus were looking to work together on a planned LNG terminal that Lithuania is looking to build at the Baltic port of Klaipeda by 2012. Belarus is also considering build a pipeline to the port if the project goes forward.

Ukraine's Deputy Prime Minister Tigipko said today that a bilateral energy venture between the Ukraine and Russia "is not in Ukraine's best interest." He said the Ukraine though would consider a venture though that also included European interests.



PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said today that it has lifted restrictions at both its Leidy and Rivervale delivery meters. It will now accept nomination increases of 15,000 Dth at Leidy and 30,000 Dth at Rivervale.



ECONOMIC NEWS

The US Commerce Department said consumer spending increased by 0.2% in May following a flat reading in April. Incomes increased by 0.4% in May following a 0.5% increase in April. US GDP increased by an annualized 2.7% in the first quarter. The core price index for personal consumption expenditures, excluding food and energy prices, increased 0.2% in May from April. On a year over year basis, the increase was 1.3%. The overall PCE price index was unchanged last month and up 1.9% on a year over year basis.

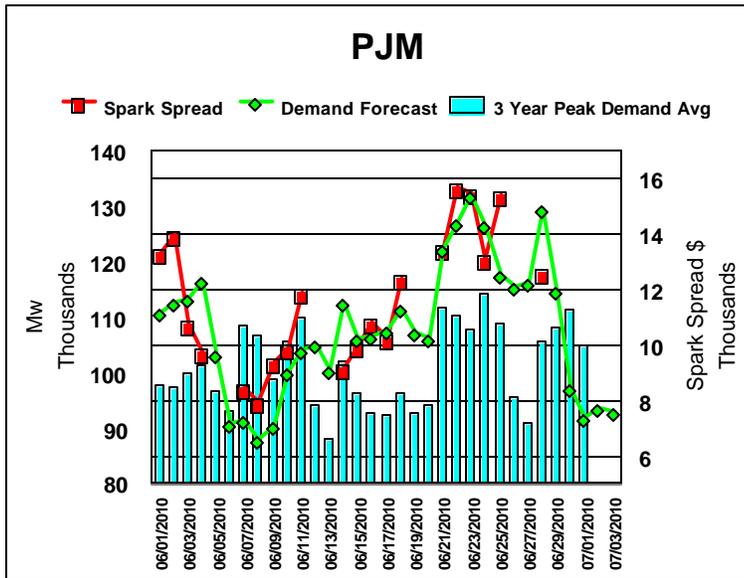
Bank of America Merrill Lynch said oil could reach \$100/barrel in 2011 if the dollar does not rally against the euro as it did this year and the economies of China and India expand enough to consume at least a third of production. It forecast WTI crude and Brent crude at \$78/barrel in the second half of this year and \$85/barrel through 2011.

ELECTRIC MARKET NEWS

Genscape reported that U.S. power output for the week ending June 24th rose 5.2% from the prior week and was 10.6% above the same week a year ago.

MARKET COMMENTARY

The natural gas market saw a rather quiet and modest contract expiration both in price and trading activity. Prices in general went on the defensive immediately as the morning session got underway, as traders started out the new week selling the market as Tropical Storm Alex appeared to be a diminishing risk toward U.S. off shore production in the Gulf of Mexico. As the hurricane risk appeared to run out of the market, the market also received selling pressure from moderating temperature forecasts which appeared would reduce the high demand for natural gas as a generating fuel at least for the near term.



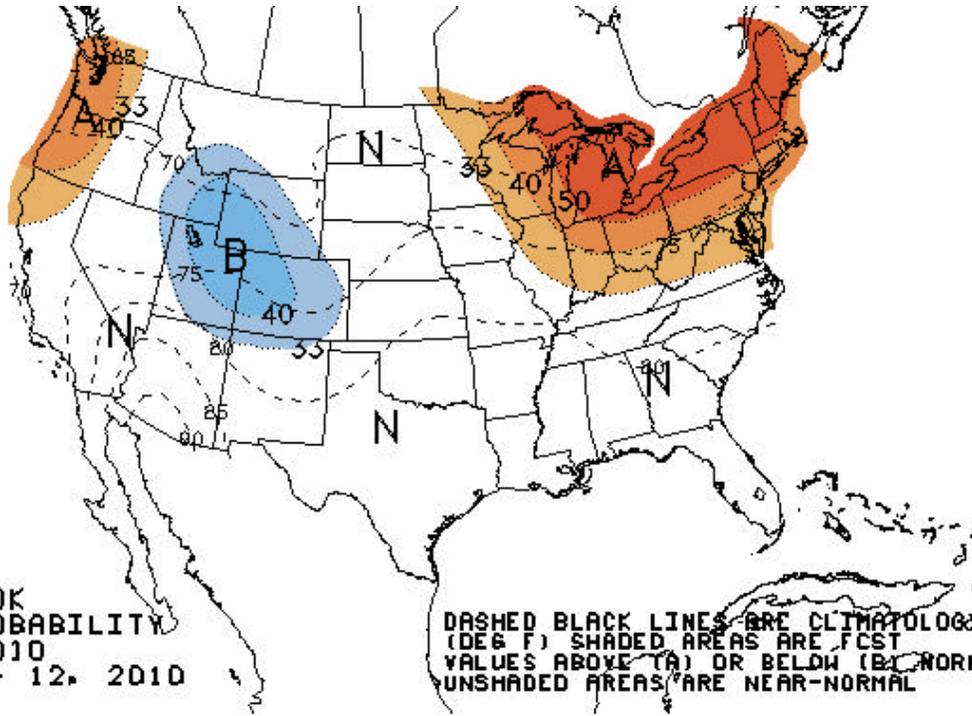
We would look for this market to see further price erosion over the next couple days as the threat from Tropical Storm Alex diminishes further and temperatures generally cool east of the Rockies. While we feel that this market has the potential to fall back another 20-25 cents we feel that it should then stabilize as traders await the next threat from the tropics. As a result we would probably look to be a

seller of \$4.00 and \$4.25 puts on such a pull back. These options settled at 3.7 cents and 8.4 cents tonight.

We look for the August contract which has become the spot month late this afternoon to find initial support at \$4.727, \$4.687-\$4.679, \$4.649 and \$4.544. We see distant support at \$4.238. Resistance we see at starting at \$4.893 followed by \$4.934, \$4.988 and \$5.05. More distant resistance we see at \$5.20 and \$5.249.

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-14 DAY OUTLOOK
 TEMPERATURE PROBABILITY
 DATE 28 JUN 2010
 VALID JUL 06 - 12, 2010

DASHED BLACK LINES ARE CLIMATOLOGY
 (DEG F) SHADED AREAS ARE FCST
 VALUES ABOVE (A) OR BELOW (B) NORMAL
 UNSHADED AREAS ARE NEAR-NORMAL