



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 30, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Arlene moved ashore along the Mexican coast early this morning. The storm is expected to move slowly westward and dissipate over the mountains of central Mexico over the next 24-36 hours. No other tropical system is expected to become a threat for the next several days.

Generation Outages

SPP – The Wolf Creek 1166 mw nuclear plant was restarted after tripping off line on June 27th.

The NRC reported this morning that some 92,989 Mw of nuclear generation was online, up 0.57% from yesterday and 3.02% below levels recorded a year ago.

The New York State Department of Environmental Conservation today recommended to the governor that the state should lift the effective moratorium on hydraulic fracturing for natural gas exploration and production in the state on private lands outside of watershed areas of New York City and Syracuse. The DEC also recommended that drilling be banned in primary aquifers and surface drilling prohibited on state owned land, including parks, forest area and wildlife management areas. The New York Times was reporting Thursday that NY State Governor Cuomo was supporting the lifting of the drilling ban as an economic boost to many areas of the state.

Mitsubishi announced Thursday that it has agreed to sell a 5% stake in its Canadian shale gas project to Korea Gas. The Cordova Embayment project in British Columbia is looking to export LNG to Asia. Other stakeholders in the project are Japan Oil, Chubu Electric, Tokyo Gas and Osaka Gas.

International

Thee Al Kharaitiyat LNG tanker is expected to arrive at the South Hook LNG terminal on July 1st from Qatar.

Pertamina is in talks with Shell, Petronas and Qatar about securing supplies for a future terminal in Central java.

China's Dapeng LNG Company, the country's largest importer of LNG said it looks to lift sales of LNG by 14% this year. The company is looking to import 96 cargoes of LNG or 6.64 million tones, of which 55% would come from Australia.

British imports of LNG in the first quarter of this year rose more than 60% from a year ago. At the same time British domestic natural gas production declined 18% during the period from a year earlier.

Russia's Gazprom will return to talks in July to work on a price deal on gas deliveries to China. Gazprom was expected to finalize a deal before the middle of June. Separately, Gazprom's chief executive Alexei Miller said higher gas extraction taxes will force the company to optimize costs and

toughen policy towards suppliers. The government has proposed significant increases in gas extraction taxes for Gazprom.

ELECTRIC MARKET NEWS

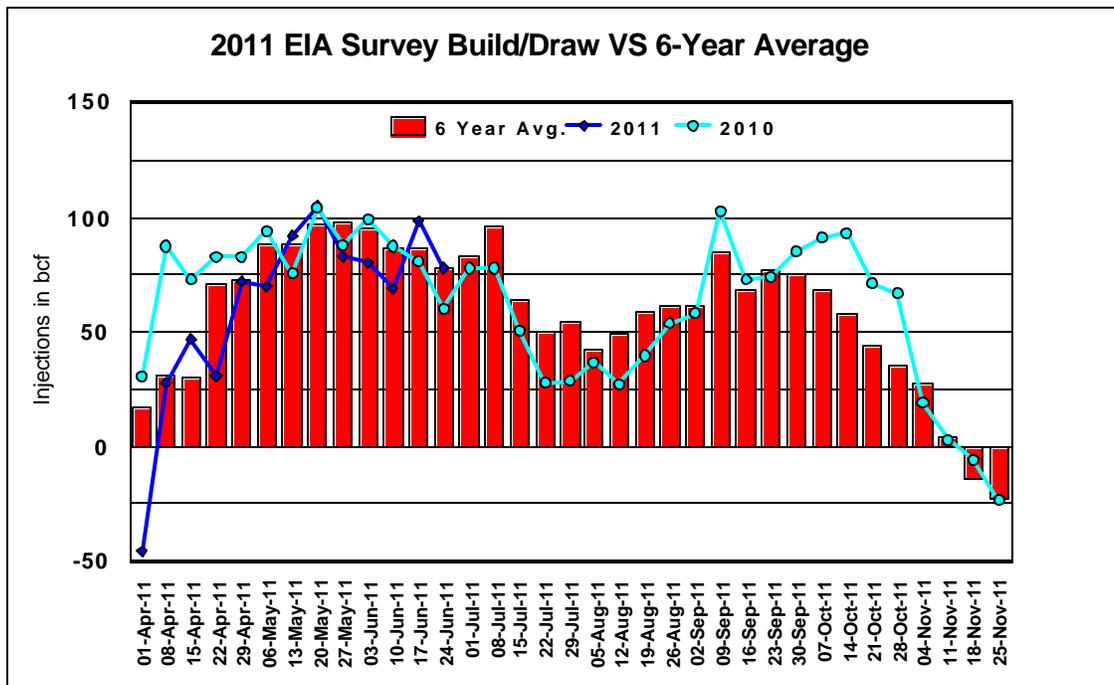
EIA Weekly Report

	06/24/2011	06/17/2011	Change	06/24/2011
Producing Region	970	960	10	942
Consuming East	1127	1072	55	1287
Consuming West	335	322	13	447
Total US	2432	2354	78	2675

TEPCO said on Thursday that it plans to reduce output from its 1356 Mw #7 nuclear reactor at its Kashiwazaki-Kariwa nuclear plant by up to 9% in July and August.

The Department of Energy on Thursday awarded nearly \$4.5 billion in conditional loan guarantees for three solar power plants in California that will be operated by First Solar.

The US EPA said it will finalize a rule next week that would force power plants in the eastern half of the country to cut pollutants. The EPA is set to finalize the rule which would cut sulfur dioxide emissions



that drift across state lines by 71% from 2005 levels and nitrogen oxide emissions by 52% by 2014.

ECONOMIC NEWS

The US Labor Department reported that initial unemployment benefit claims fell by 1,000 to a seasonally adjusted 428,000 in the week ending June 25th. The prior week's figure was unrevised at 429,000. The four week moving average of new claims increased by 500 to 426,750. The Labor Department said the number of continuing unemployment claims fell by 12,000 to 3,702,000 in the week ending June 18th. The unemployment rate for workers with unemployment insurance fell to 2.9% in the week ending June 18th compared to the previous week's revised rate of 3%.

Canadian Gas Association

Weekly Storage Report

	24-Jun-11	17-Jun-11	25-Jun-10
East	131.8	122.1	144.5
West	254.5	243.9	299.1
Total	386.3	366	443.5

The Institute for Supply Management-Chicago's business barometer increased to 61.1 in June, up from May's 56.6. Economists were expecting a decline to 54.

The Federal Reserve Bank of Kansas City's monthly manufacturing index in June stood at 22, down from 25.

MARKET COMMENTARY

The natural gas market today posted an outside trading session as prices reversed from an early morning selling off on a relatively modest bullish storage report that was released mid morning. Prices quickly bounced 20 cents and held onto those gains for the remainder of the trading session. The upward jump in prices though ran out of steam as values approached the August contract's 200 day moving average which today was at \$4.427. Prices though were able to finish the day up just under 6 cents and the August contract posted its highest settlement since June 21st.

With the upcoming holiday this weekend we would expect the market to be rather quiet tomorrow and possibly revert back to an inside trading session. We continue to recommend staying on the sidelines and waiting to see if this market has some further potential for additional price gains, before establishing a short position. The daily stochastics continue to point higher and this in our mind remains an excellent trend indicator. We would look for resistance tomorrow at \$4.426 followed by \$4.471-\$4.497, \$4.57-\$4.593 and \$4.666- \$4.689. Support we see at \$4.186, \$4.167, \$4.077 and \$3.99

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.