



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 2, 2010

NATURAL GAS MARKET NEWS

The Bureau of Ocean Energy management reported this afternoon that the amount of crude oil production still shut in from Hurricane Alex stood at 205,077 b/d with natural gas production off only 694 MMcf/d.

Shell reported at midday it was beginning to redeploy personnel to its operations in the central Gulf of Mexico and expects production and drilling activities to ramp up to previous levels in three to five days.

Chevron said it has returned its personnel to evacuated fields in the western Gulf of Mexico on Thursday and has restored production in central and western Gulf of Mexico operations that were shut ahead of Hurricane Alex.

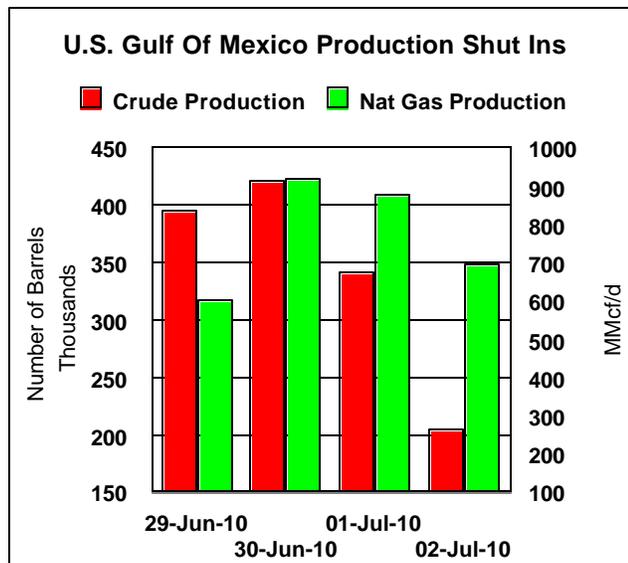
Hess Corp said today that it has resumed production at its Gulf of Mexico Baldplate facility following its closure as a precaution to Hurricane Alex. The facility has a gross production of 56 MMcf/d of gas and 18,326 b/d.

Generator Problems

PJM – Exelon’s Limerick #1 nuclear unit had reduced its operating level for a rod exchange after exiting an outage earlier in the week.

SERC- Entergy’s Grand Gulf reactor dropped to 72% power early Friday, down 28% from Thursday.

The NRC reported this morning that some 95,349 Mw of nuclear generation was operating today, down 0.6% from yesterday and off some 1.3% from than the same day a year ago.



ApachE Corp said this morning that most of its Gulf of Mexico oil and gas production that was shut in as a precaution to the approach of Hurricane Alex remained shut in today due to bad weather on Thursday, which impeded the company from redeploying workers on Thursday.

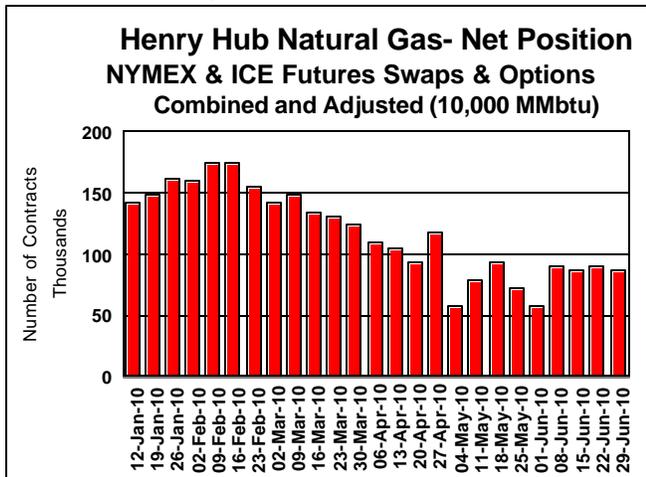
Baker Hughes reported that the number of drilling rigs search for natural gas this week in the United States increased by 2 from last week and stood at 960, and is currently only 13 rigs off the high recorded over the last 14 months.

Analysts at Bentek wrote this week that U.S. electric utilities seeing higher natural gas prices and bulging coal stockpiles are on pace to burn less than half the volume they used in 2009. The

company estimated that roughly 1 tcf of incremental gas demand was created by U.S. utilities switching from coal to gas.

The Mejillones LNG terminal in northern Chile is expected to receive its fifth cargo on August 17th from Egypt. The terminal has been receiving one cargo per month since it began operations in February of this year.

Ukrainian President Yanukovich proposed today that a new pipeline from Russia to Western Europe be built across its territory in addition to the existing link. The Ukraine is looking for a joint venture that includes Russia, the Ukraine and the EU.



Despite the July 4th holiday, the weekly EIA storage report will be released as usual next Thursday at 10:30 am.

PIPELINE RESTRICTIONS

Transco issued a system wide imbalance OFO for July 3rd and continue until further notice. The company set a 10% tolerance.

PG&E issued a system wide operational flow order for July 3rd due to high inventory levels. The company set an 8% tolerance level.

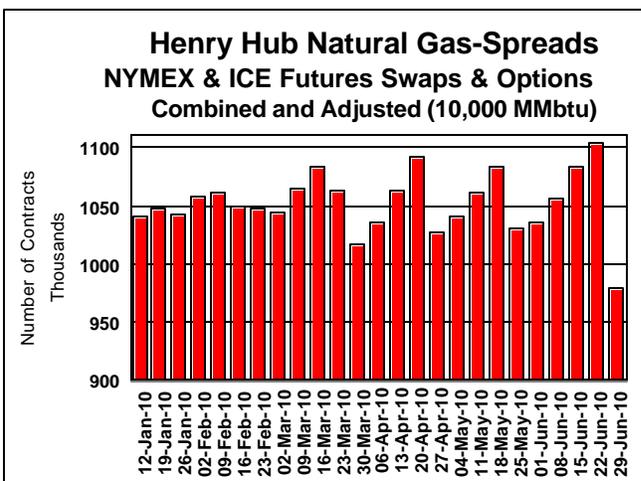
Tennessee Gas Pipeline lifted its restrictions on Niagara Spur Backhaul point and said it will accept nomination increases of 17,000 Dth of capacity.

Rockies Express Pipeline said that effective for July 2nd and until further notice, it is at capacity for quantities delivered to Tenn/Guernsey. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

ELECTRIC MARKET NEWS

Genscape reported that coal use in the United States fell 1% from the prior week, but was 7% higher than the same week a year ago.

Senators Dodd and Lincoln this week in a letter to House counterparts outlined that they expect derivatives reform to be applied by regulators must not be prohibitively expensive for end users to manage their risks. The senators said that regulators should not impose margin and capital requirements on end users and they should not be required to face mandatory clearing of transactions.



ECONOMIC NEWS

The Commerce Department reported at mid morning that U.S. May factory orders fell by 1.4%, some 0.9% worse than the market had been expecting. The government also revised lower its April estimate by 0.2% now looking for orders in April to have increased by just 1%.

The CFTC said today that it would increase oversight of two electricity contracts owned by ICE that it determined perform significant price discovery functions. The two contracts are the Mid-C Financial Peak Contract and the Mid-C Financial Off Peak Contract. However the CFTC said at this time two other electricity contracts on ICE the Mid-C Financial Daily Peak and Off Peak contracts did not meet

the requirements as a significant price discovery contracts and as a result will not be subject to CFTC oversight at this time.

MARKET COMMENTARY

As expected the natural gas posted an inside trading session in front of the long holiday weekend. While power prices began to spike today given the expectation for hotter than normal temperatures moving into the midsection of the country and into the east coast next week, natural gas futures appeared not to gain any traction given the poor economic news that again weighed on oil and equity values. We would look for this market to remain in the same trading range that we have been outlining for this week of \$4.40-\$5.25. We would look for traders to look to the longer term tropical weather forecasts next week to set the tone of trading for the new week.

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