



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 6, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center noted this morning that while there was a small area of low pressure off of southern Louisiana coast there was zero chance that this system could become a tropical cyclone before it moved totally ashore in southern Louisiana today. But the center was watching a broad area of low pressure near the northern Yucatan Peninsula, Invest 96-L. Forecasters feel there is a 30% chance that this system could become a tropical cyclone over the next 48 hours, but chances of it become a hurricane appear very low. The storm though could have tropical force winds of 45-60 mph when it makes landfall somewhere between Corpus Christi and Freeport around midday Thursday. Elsewhere in the Tropical Atlantic dry air near Africa and unfavorable wind shear conditions near the Lesser Antilles are keeping other tropical disturbances from developing for the near term.

The World Meteorological Organization said today that La Nina is likely to cool the tropical Pacific in coming months. The WMO said while the condition is expected to further develop over the next several months, the timing and magnitude are still uncertain. This condition would help to promote the development of storms including hurricanes in the tropical Atlantic.

Meanwhile while the western U.S. remained cooler than normal, the Northeast and Mid-Atlantic states this week are experiencing their hottest heat wave in possibly 20 years. AccuWeather this morning warned that this heat wave may be just beginning and could last for seven or more days and "would be one of the worst, early summer heat waves on record."

Qatargas said it has completed summer maintenance work on two LNG trains, #3 and #4 and production has resumed. Train #3 has a 3.2 million tones per year capacity, while Train #4, which typically supplies Britain's South Hook terminal and has a capacity of 7 million tones per year had been shut since May. Maintenance work on Train #5 though continues. Work on this unit began in June.

Generator Problems

NPCC – OPG's 490 Mw Units #3 and Unit #4 at the Nanticoke coal fired plant returned to service. The units had been off line for 1-2 weeks.

OPG's 535 Mw Unit #3 at the oil and gas fired Lennox power plant was shut early Tuesday.

PJM – Exelon's 1130 Mw Limerick #1 nuclear unit returned to full power early Tuesday. Operators had reduced power at the unit late last week to adjust the control rods.

ERCOT - The coal fired Unit #1 at the Big Brown steam electric power plant underwent maintenance yesterday evening and was expected to be completed by early Tuesday morning.

The coal fired Unit #2 at the Harrington Station power plant is scheduled to be taken down for a short period of work this week on ductwork and coal delivery system.

NRG's 858 Mw coal fired Unit #2 at the Limestone coal fired power plant was restarted over the weekend after being shut on July 2nd to fix a tube leak.

MISO – Entergy's 778 Mw Palisades nuclear power plant has exited its outage that began on June 25th and was back at full power.

SPP – Entergy's 1268 Mw Grand Gulf nuclear power plant returned to full power from operating at 72% on Friday.

SERC- Southern's 876 Mw Hatch #1 nuclear unit dropped to 59% power this morning. The unit had been at full power last week.

The NRC reported this morning that some 96,405 Mw of nuclear generation was operating today, down 0.1% from yesterday and off some 0.1% from 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	770,300	\$4.848	\$0.228	\$0.075	\$0.122	(\$0.163)
Chicago City Gate	435,200	\$4.818	\$0.203	\$0.045	\$0.079	(\$0.078)
NGPL- TX/OK	572,700	\$4.658	\$0.163	(\$0.115)	\$0.039	(\$0.212)
SoCal	328,100	\$4.322	\$0.142	(\$0.451)	\$0.018	(\$0.424)
PG&E Citygate	778,800	\$4.376	\$0.136	(\$0.397)	\$0.012	(\$0.322)
Dominion-South	594,800	\$5.312	\$0.474	\$0.539	\$0.350	\$0.155
USTrade Weighted	20,627,000	\$4.768	\$0.246	(\$0.005)	\$0.12	(\$0.163)

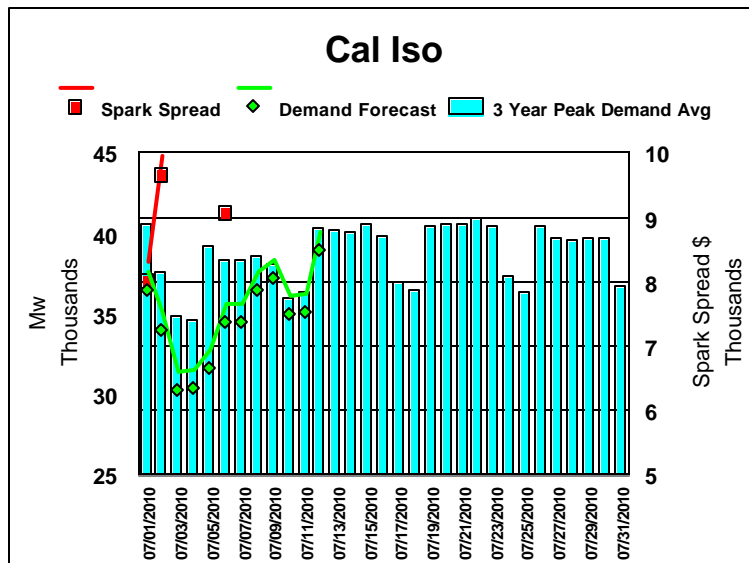
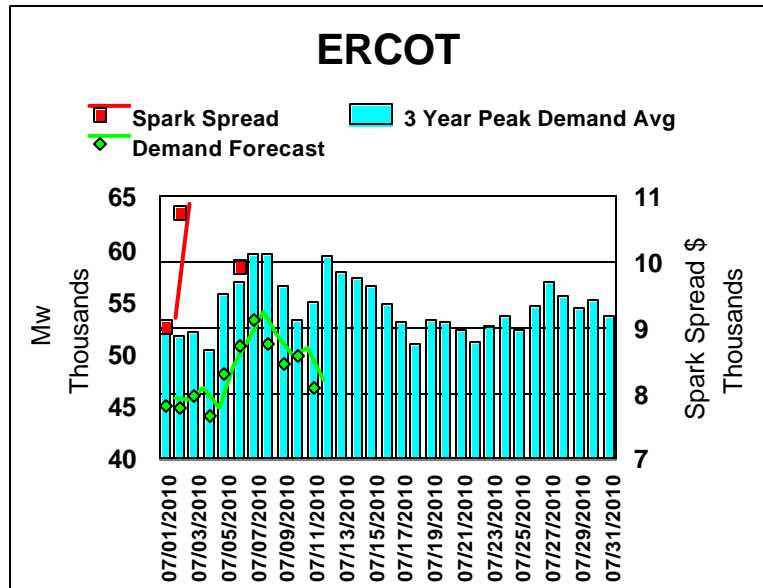
Gassco reported that there were no limitations on its gas network for transporting gas from Norway on Tuesday. This announcement came as gas flows to Britain from the Langeded gas

pipeline fell to just 17 mcm this morning after running at 58 mcm overnight. Flows did rebound to 32 mcm by midday before faltering slightly once again.

According to port officials, the Methane Princess, from Trinidad was scheduled to arrive at Milford Haven on July 23rd.

Bulgaria's Prime Minister said today that Bulgaria would push ahead with Russia's planned South Stream gas pipeline, as the two countries will sign a road map and launch a feasibility study.

Kinder Morgan Energy Partners and Copano Energy's joint venture, Eagle Ford Gathering LLC, signed a long-term gas services agreement with SM Energy Company. Under the deal, SM Energy will commit up to 200,000 Mmbtu/d of Eagle Ford Shale natural gas production over a 10 year term from LaSalle, Dimmit and Webb counties in Texas. Eagle Ford gathering will construct an 85 mile pipeline from SM Energy's acreage in the western Eagle Ford Shale play to Kinder Morgan's Freer compressor station in Texas. The pipeline is expected to begin service during the summer of 2011.



Chevron announced it has made a new deepwater natural gas discovery off the Western Australia coast. The new find was in the Carnarvon Basin about 90 miles northwest of Onslow.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will perform planned maintenance on Unit #1 at the Carthage Compressor Station #2 beginning July 6th and continuing for two days. Non-beneficial receipt capacity through the Carthage-Longview 20-inch scheduling group could be reduced by as much as 30,000 Dth during this maintenance.

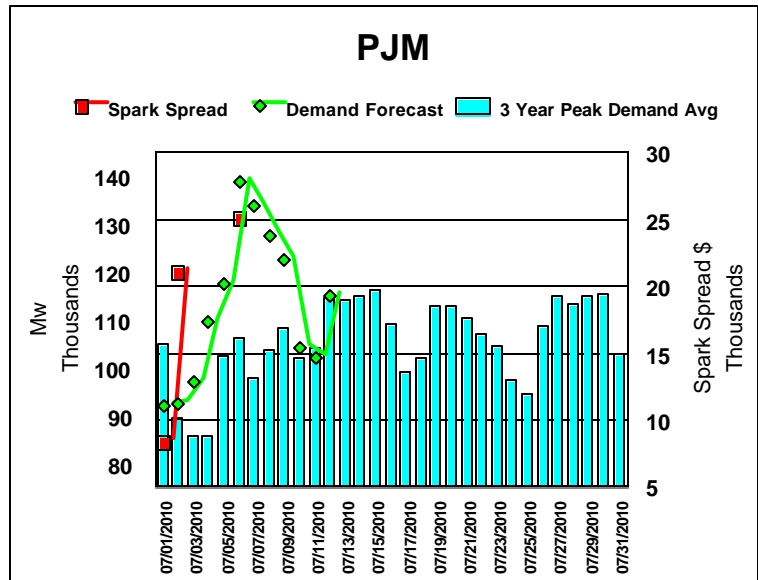
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said it will accept nomination increases to 10,000 Dth on the Carthage Line lateral and 62,000 Dth at Station 245.

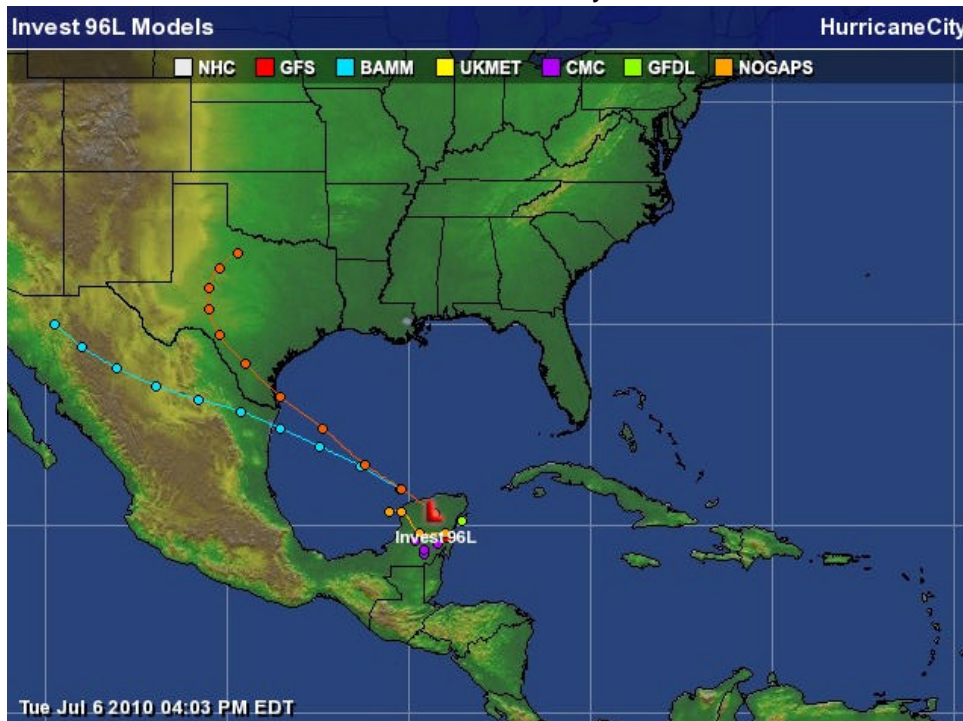
PG&E has issued a systemwide OFO from July 6th and 7th due to high inventory levels. Tolerance was set at at 17% tolerance.

ELECTRIC MARKET NEWS

In New England power demand is expected to reach 26,800 Mw today and 25,560 Mw on Wednesday, falling short of the region's all time high load level of 28,000 Mw recorded in August 2006. In New York demand is expected to reach 31,917 Mw Tuesday and 31,996 Mw on Wednesday just short of its all time peak of 34,000 recorded in August 2006 as well. PJM forecast peak demand in its region would reach about 139,000 Mw on Tuesday, the highest level since 2007 but short of its all time record of 144,644 set in August 2006.



Genscape reported today that U.S. power output for the week ending July 1st fell 2.2% from the prior week but was 4.6% over the same week last year.



Genscape reported that coal stockpiles at U.S. power plant fell 1.7% this week from the prior week and stood some 9.2% less than the same time a year ago.

The U.S. EPA reportedly will propose rules on Tuesday to force power plants in the eastern half of the country to cut emissions that cause smog. The rules would cut sulfur dioxide emissions by 71% from 2005 levels in 31 states and nitrogen oxide emissions by 52%.

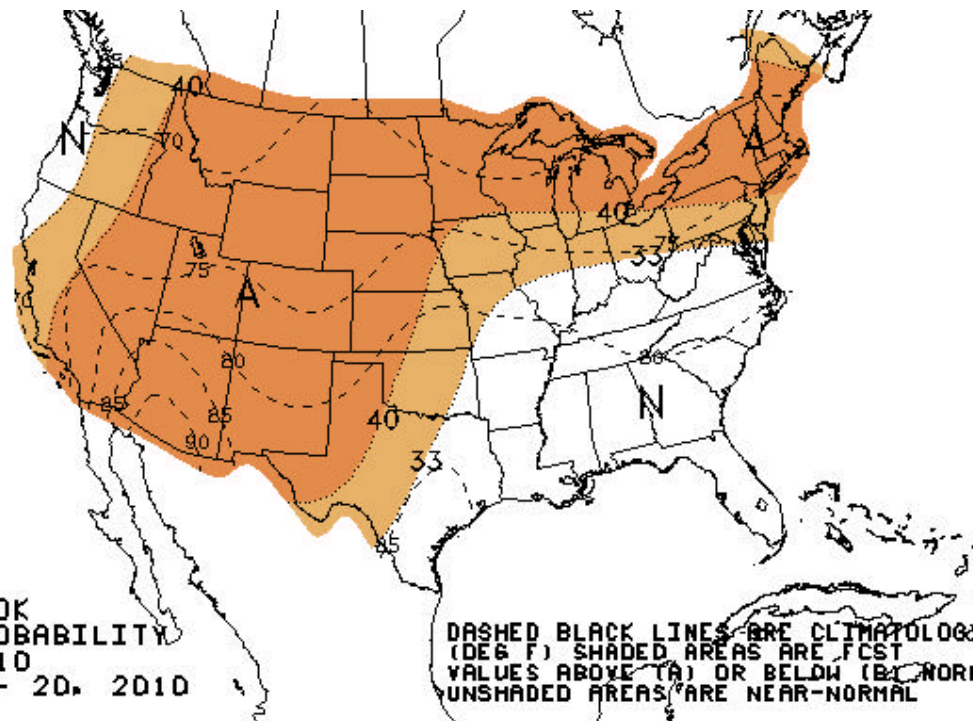
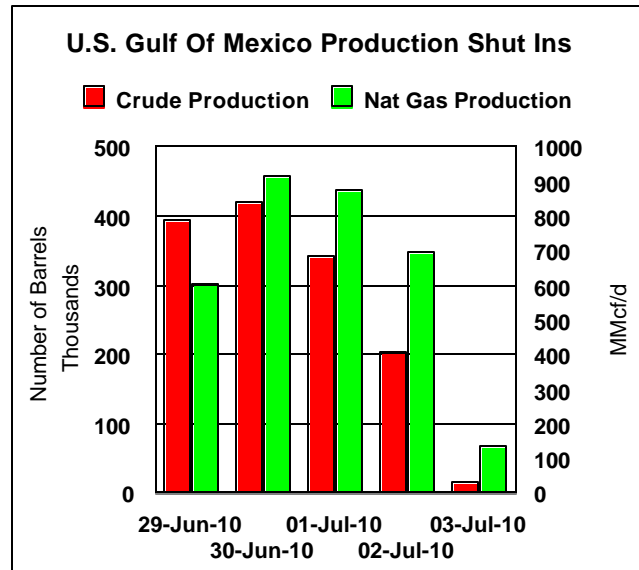
ECONOMIC NEWS

The Institute for Supply Management said its index of national factory activity fell to 53.8 from 55.4 in May. It grew for the sixth consecutive month but the rate slowed more than expected and hit its lowest level since February. The report's employment component fell to 49.7 from 50.4.

An index of the US job market increased in June for the eleventh consecutive month but at a moderate pace amid weak private sector job creation. The Conference Board said its Employment Trends Index increased to 96.7 in June, up from a revised 96.1 in May. The index is up about 9.8% from a year ago.

MARKET COMMENTARY

Despite the near record setting heat settling in across the U.S. Northeast, natural gas prices overall finished flat to slightly lower today as much of the air conditioning load was centered just in this region while other key generating areas such as Cal Iso and ERCOT saw power demand that was expected to remain lower than normal for the next week. In addition the bullish impact of the surprise development of Invest 96-L around the Yucatan Peninsula appeared to fade a bit as the day wore on as little additional was recorded as the day progressed as well as a clearer picture where this storm may be headed. Finally the afternoon sell off in the equity and oil markets did not embolden the natural gas bulls to step forward to buy this market, but the natural gas market did hold the support from late last week at \$4.61-\$4.65.



With the prospects of continued warmer than normal temperatures, especially basis the 8-14 day forecast we do not look for this market to fall out of bed, especially if the oil market does not breach the \$70.00 price level and the S&P market does not break below 1000. As a result we would look to see support to be found at \$4.65 followed by \$4.61, \$4.571, \$4.548 and \$4,477. Resistance we see at \$4.912-\$4.934 followed by \$4.954, \$5.200 and \$5.249.

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