



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 8, 2010

NATURAL GAS MARKET NEWS

Despite Invest 96-L being upgraded to tropical depression #2 yesterday evening, the system has shown little further development since. Forecasters noted that there was little convection present near its center of circulation and as a result expected little or no further development before it moves ashore near Brownsville, Texas later this afternoon. The remainder of the Atlantic basin remains relatively quiet. While there are several tropical waves scattered across the Caribbean and Atlantic, none are currently showing any indication of developing over the next several days. But long range model guidance from the GFS and European models continues to strongly suggest that some tropical cyclone development is possible in the eastern Atlantic late next week.

Generator Problems

PJM – PSEG's 1174 Mw Salem #1 nuclear unit remained down today following a transformer fire that led to the unit's shutdown yesterday.

NPCC

The NRC reported this morning that some **95,636 Mw of nuclear generation was operating today, down 1.1% from yesterday and off some 1.3% from than the same day a year ago.**

The U.S. Climate Prediction Center said Thursday that the La Nina weather anomaly is expected to ramp up in the equatorial Pacific in July and August and continue into early 2011

BP said Thursday that none of its major production platforms in the Gulf of Mexico were shut as a precaution of the advance of Invest 96-L. While some non-essential staff had been evacuated from these platforms, they have begun returning to the platforms.

EIA Weekly Report

	07/02/2010	06/25/2010	Change	07/02/2009	Norwegian gas exports to Britain continued to be erratic today. National Grid reported the Langeled gas pipeline reduced its flows into Britain by just over 25 million cubic meters this morning before dropping to 15 mcm this afternoon.
Producing Region	962	943	19	1011	
Consuming East	1341	1293	48	1340	
Consuming West	459	448	11	434	
Total US	2762	2684	78	2785	

*storage figures in Bcf

PIPELINE MAINTENANCE

NGPL said it has changed the timing and anticipated shipper impact of a station 302/343 hydro tests from July 12 through August 13th to August 3rd through September 8th. As a result the company will be scheduling primary firm and secondary in path firm transports during this period at a reduced level in Segment 25 in the Texok Zone to a the minimum percentage of 71% for each contract with primary and secondary in path rights.

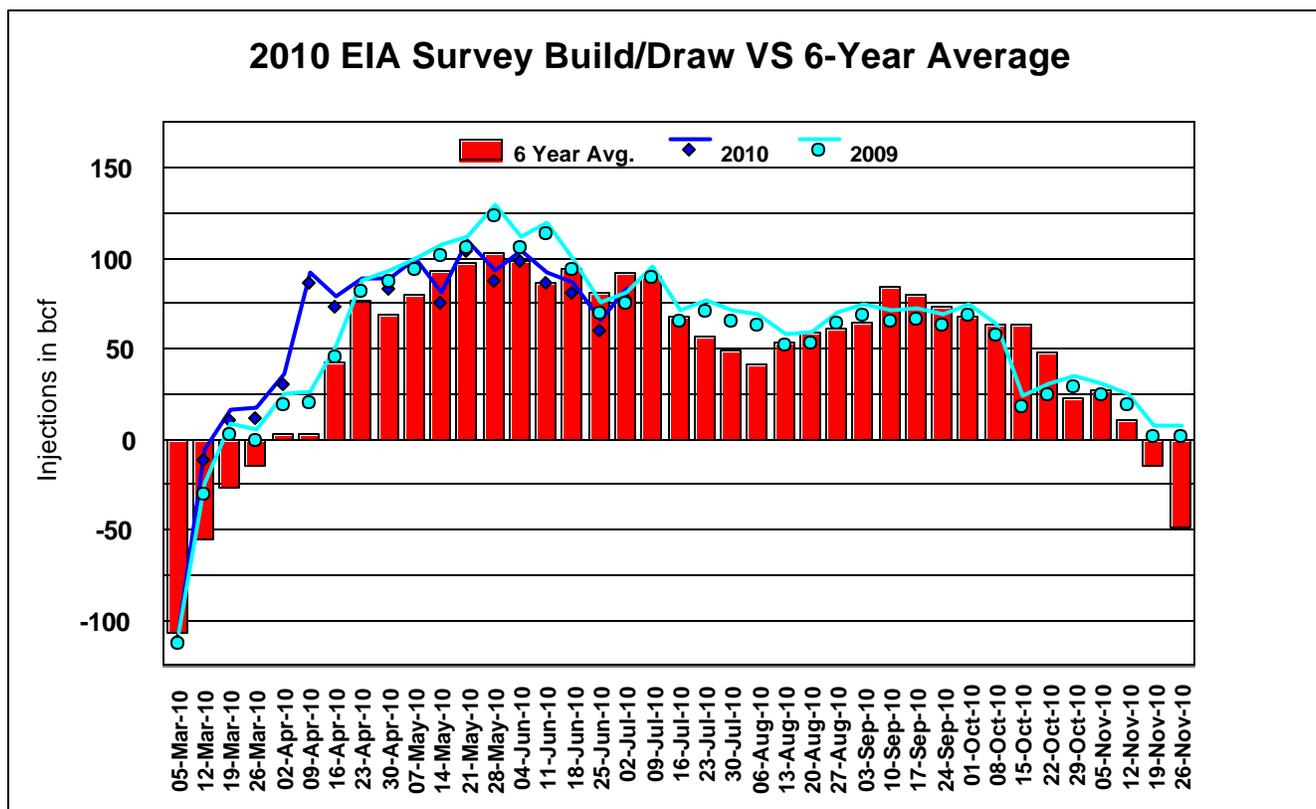
Gulf South said it has extended the maintenance work on all four units at the Jackson Compressor Station by an additional 24 days. The work which began on June 22nd had been planned to be

completed in just 21 days. Capacity through the Jackson Compressor Station could be reduced by as much as 100,000 Dth.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,214,800	\$4.613	(\$0.151)	\$0.239	\$0.040	(\$0.079)
Chicago City Gate	730,300	\$4.563	(\$0.163)	\$0.189	\$0.045	(\$0.000)
NGPL- TX/OK	560,700	\$4.407	(\$0.150)	\$0.033	\$0.058	(\$0.148)
SoCal	551,100	\$4.173	(\$0.089)	(\$0.201)	\$0.119	(\$0.417)
PG&E Citygate	605,700	\$4.275	(\$0.096)	(\$0.099)	\$0.112	(\$0.334)
Dominion-South	699,400	\$4.840	(\$0.192)	\$0.466	\$0.016	\$0.290
USTRade Weighted	21,120,800	\$4.481	(\$0.168)	\$0.107	\$0.04	(\$0.079)

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said it has issued a balancing alert OFO effective for July 8^h for Meter #021022, which is required to maintain actual daily flow rate not exceeding 2% or 500 Dth, which ever is greater of scheduled quantities. The company though did lift restrictions at Rivervale effective today. Due to reduced nominations, the company said it will accept increased nominations to 11,000 Dth of capacity pathed for delivery through Rivervale delivery meter.



ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that U.S. electrical production for the week ending July 3rd stood at 83,978 Gwh, some 6.2% less than the prior week but 4.3% higher than the same week a year ago. For the first 27 weeks of this year power production in the U.S. is running 3.2% higher than the same time a year ago.

Northland Power Fund said Thursday that it has broken ground for its \$169 million wind farm it is developing in Gaspesie region of Quebec. The 100.5 Mw facility is expected to begin supply power for 20 years to Hydro Quebec.

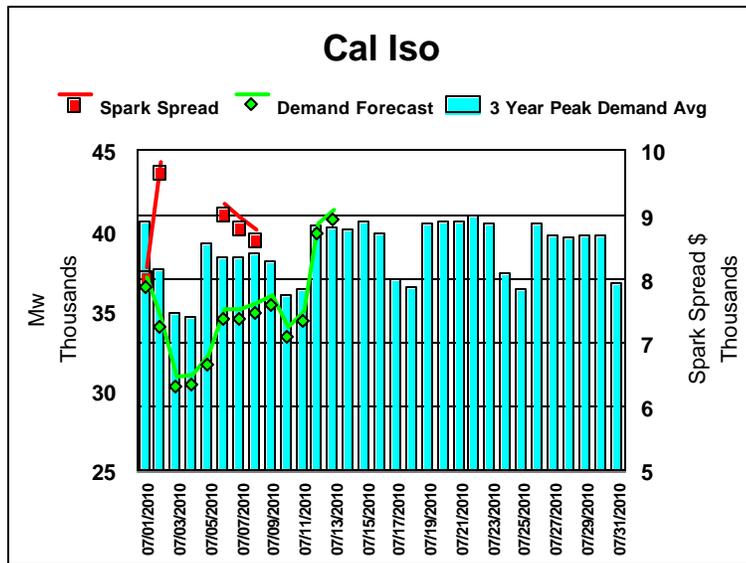
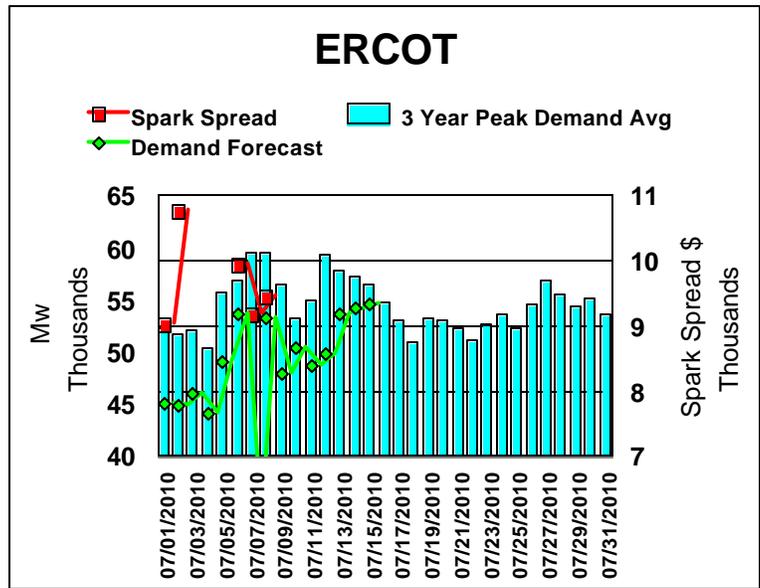
ECONOMIC NEWS

The U.S. Labor Department reported this morning that the number of people applying for jobless benefits slipped a greater than expected 21,000 on the week ending July 3rd to 454,000.

The International Monetary Fund raised its forecast for global growth this year, reflecting a stronger than expected first six months. The IMF is looking for the world economy to expand by 4.6%, the biggest gain since 2007, versus its April projection of a 4.2% gain.

MARKET COMMENTARY

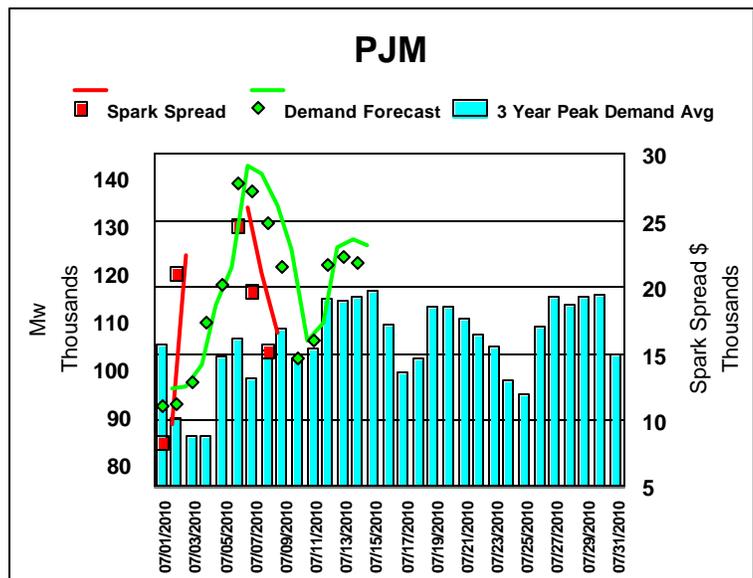
Natural gas futures market was hit by a

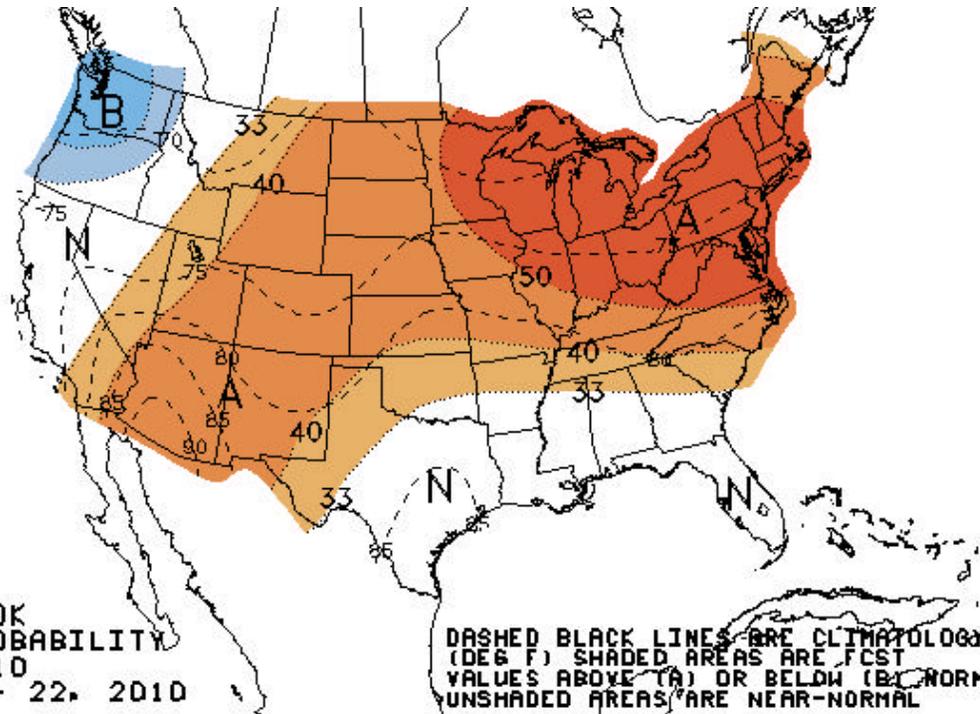


one two punch today. First the threat from Tropical Depression #2 to U.S. Gulf production was clearly diminished this morning as it became clear that not only was this storm not going to reach hurricane strength but was also clearly headed ashore today on the Mexico/Texas border area. But more importantly the market broke through technical support following the release of a bearish storage report from the EIA today at mid morning. Prices fell all the way back to \$4.355, a penny more than the 62% retracement of the rally from mid May through mid June on the spot continuation chart. Prices though after this hard sell off stabilized and basically traded in a tight sideways

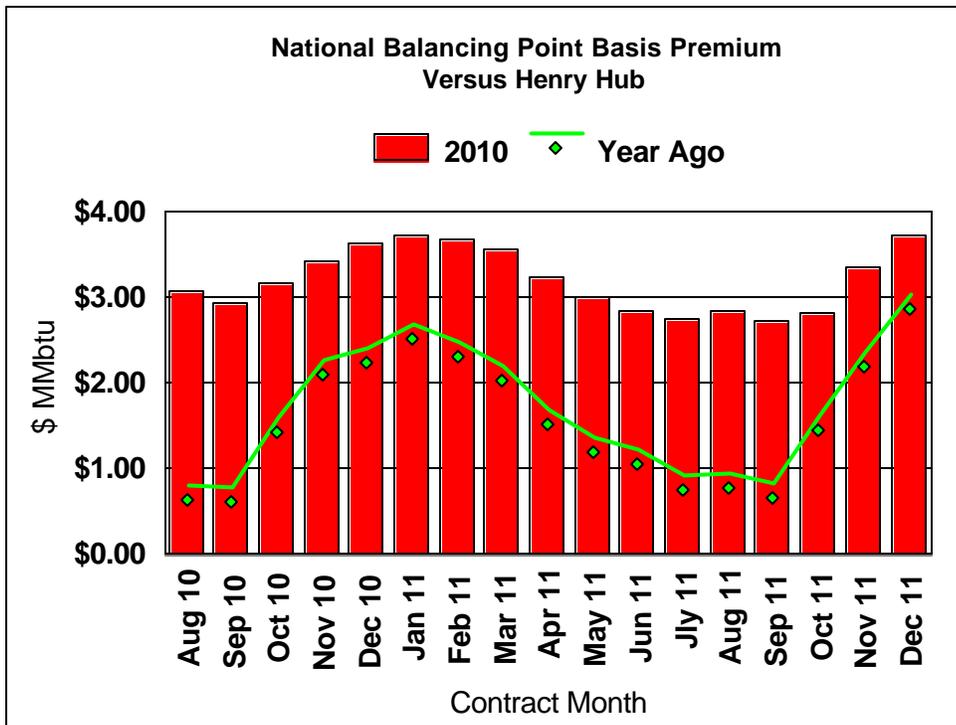
pattern for the remainder of the day on either side of the \$4.40 level.

While we have been a long term bear we do not feel that this sell off is the start of a new bear move to challenge the \$4.00 price level and as a result we feel comfortable in selling out of the money puts in the August contract, such as the \$4.25 and \$4.00 puts. These two options settled tonight at 11.1 and 4 cents respectively. We continue to feel the return of above normal temperatures to much of the nation, not just the Northeast coupled with the prospects for an active hurricane season will keep the bears from establish a sizeable short position at this time. In addition while today's storage





report came in larger than most market expectations, it may possibly be an unofficial revision of last week's report, which had come in smaller than most had expected. In addition the prospects for LNG imports remains extremely diminished for the near term, as the premium for natural gas in Britain should continue to attract cargoes away from the U.S. market.



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