

W The Windham Group



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NATURAL GAS & POWER MARKET REPORT FOR JULY 12, 2010

NATURAL GAS MARKET NEWS

The tropical Atlantic was quiet to start the week with no tropical systems that forecasters were showing any immediate concern over. But the GFS, the NOGAPS and Canadian models all forecasted a tropical system developing in the southwest Caribbean towards the end of this week. The Canadian model is the most bullish as

Generator Problems

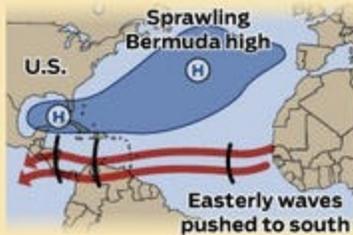
ERCOT – Unit #4 at the coal fired Sandow Steam Electric Station was expected to be restarted this morning following air pre-heater cleaning.

The NRC reported this morning that some 95,033 Mw of nuclear generation was operating today, down 0.7% from yesterday and off some 1.8% from than the same day a year ago.

No named storms in Atlantic Basin

ALL QUIET AS BERMUDA HIGH DOMINATES

A huge Bermuda high pressure dome is forcing weak easterly waves—known as low pressure “triggers” for tropical storm formation—far to the south.



it shows it becoming a significant storm in the central and northwestern Gulf of Mexico in 8-9 days. The eastern Atlantic though appears will remain quiet over the next couple of weeks due to abundant dry air in the region.

Senior energy meteorologist Jim Rouiller, of the private forecasting group, Planalytics said temperatures through July and August will be “abnormally hot” punctuated by three to four day period of “intense heat”. He warned that a large swath of the country, including the Midwest, the

mid-Atlantic and parts of the Northeast, will experience “a possible life threatening heat wave” next week.

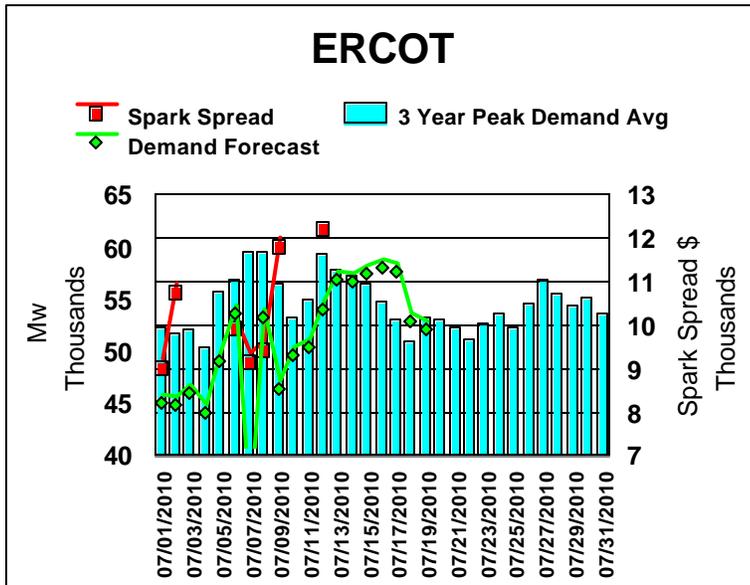
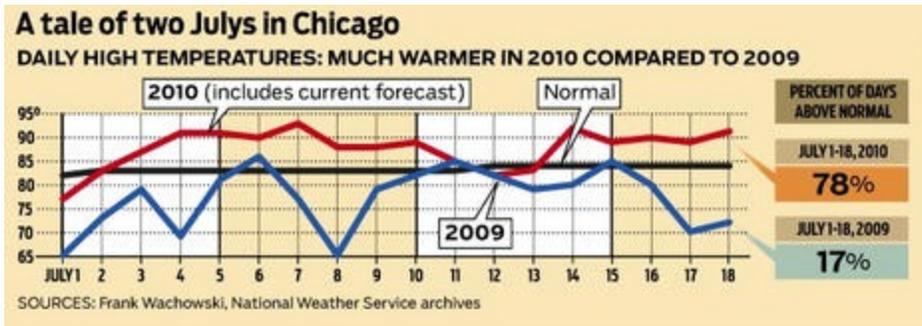
The Climate Prediction Center today reported that for the week ending July 10th, the U.S. on a population weighted basis saw some 88 cooling degree-days, more than 25% higher than a year ago and 49% higher than the same week a year ago. Year to date this cooling season is running 19% hotter than normal and 17% hotter than the same time a year ago. For the current week government forecasters are looking for 97 CDD some 32% more than normal and the same week a year ago.

Raymond James Associates in a research note to

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	909,400	\$4.424	\$0.069	(\$0.001)	\$0.076	(\$0.019)
Chicago City Gate	598,400	\$4.381	\$0.076	(\$0.044)	\$0.046	\$0.049
NGPL- TX/OK	1,048,800	\$4.239	\$0.051	(\$0.186)	\$0.021	(\$0.100)
SoCal	403,000	\$4.118	\$0.192	(\$0.307)	\$0.162	(\$0.350)
PG&E Citygate	502,700	\$4.172	\$0.144	(\$0.253)	\$0.114	(\$0.266)
Dominion-South	681,300	\$4.711	\$0.126	\$0.286	\$0.096	\$0.386
UStTrade Weighted	21,264,800	\$4.331	\$0.106	(\$0.094)	\$0.08	(\$0.019)

customers this week noted that they continue to look for the natural gas market to receive some fundamental support by gas shut ins that they expect will finally show up later this summer.

The CEO of the economic development group Greater New Orleans told a presidential commission today that the economic damage from the BP oil spill will be dwarfed by the Obama administration's moratorium on deep water drilling. The Interior Department late this afternoon reissued its temporary drilling ban due to new evidence about safety concerns. The moratorium could last through November 30th. The government said that while the new moratorium is similar to the initial deepwater drilling ban, struck down by federal courts, the new ban does not apply to drilling in waters of 500 feet or more, but applies to all offshore a drilling basis a common configuration and technologies



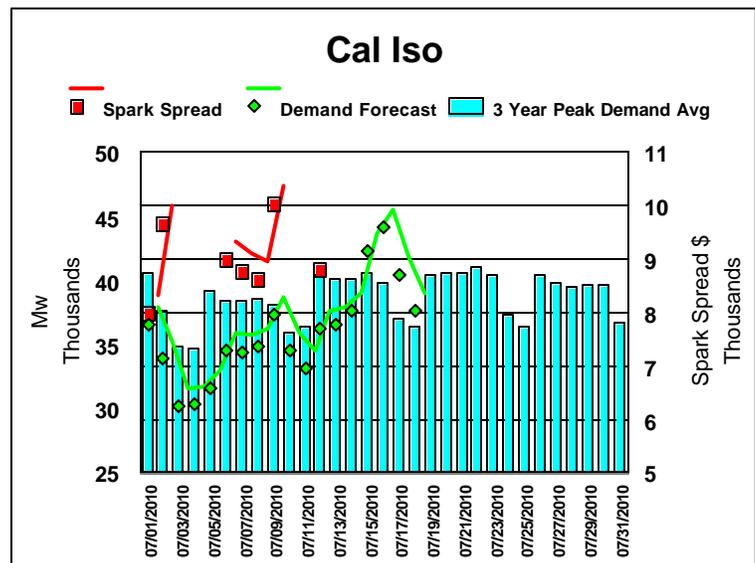
Williams Partners announced today it has placed the first phase of its Transco Pipeline's 85 North expansion project into service, providing 90,000 Dth of natural gas per day to fuel Constellation Energy's new 740 Mw electric power plant in Tallapoosa County, Alabama. Phase II of the project will increase the pipeline's capacity by an additional 218,500 Dth per day by the end of the summer of 2011, serving new and exiting electric power generating facilities in North Carolina.

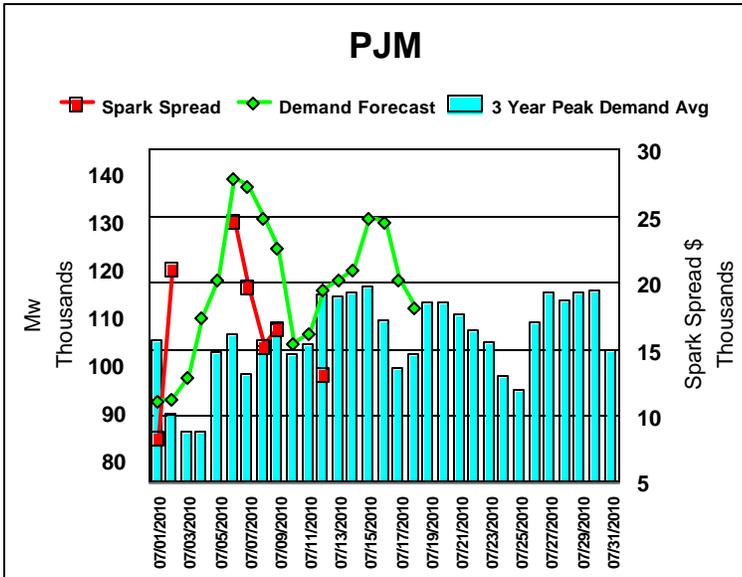
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said it will accept nomination increases to 50,000 Dth at Station 245, 40,000 Dth at Station 321 and 44,000 Dth at Rivervale delivery meter.

PG&E has issued a system wide OFO for July 13th due to high inventory levels. Tolerance was set at 8%.

Midcontinent Express Pipeline said its ENOGEX leased capacity has been reduced since July 9th and will remain reduced through July 15th, prompting a force majeure event on MEP. MEP shippers who have contracted for leased capacity on MEP will be directly impacted by this force majeure, while other MEP shippers (without leased capacity) are not expected to be directly impacted by MEP's force majeure

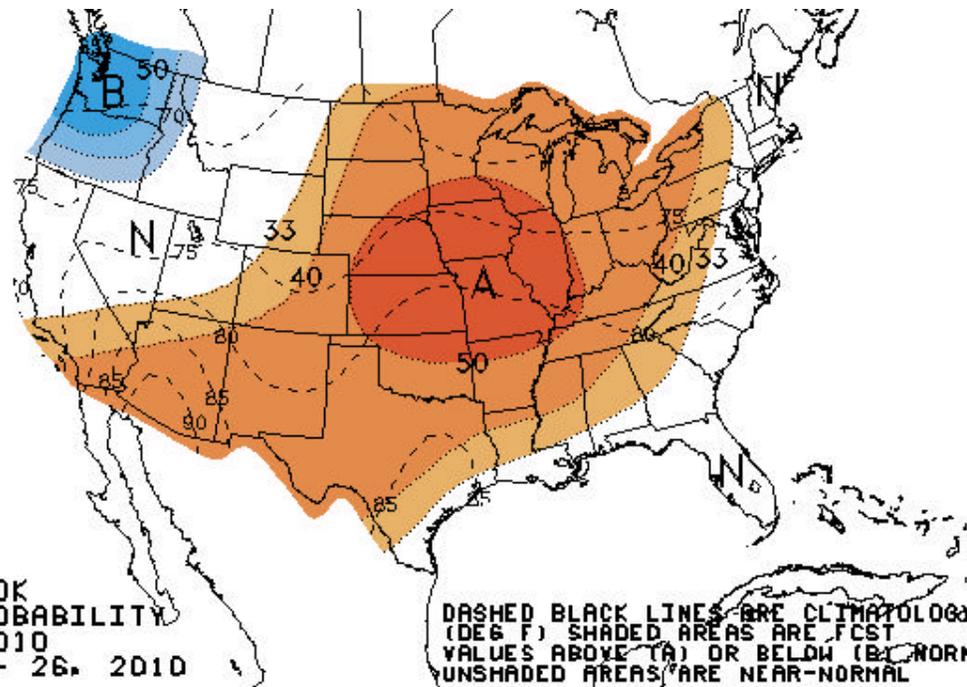




MARKET COMMENTARY

The natural gas futures market continued to spin its wheels today as prices continued to trade on either side of the \$4.40 price level since the release of the EIA storage report back on Thursday. While forecasters were not only looking for warmer than normal temperatures this week but substantially warmer temperatures next week, the bulls appear at this stage to be reluctant to step into the market without a more bullish spark from tropical activity. As a result this market may remain mired in a sideways trading pattern until at least Thursday's next storage report.

We see initial key support at \$4.35-\$4.339 followed by \$4.285 and \$4.21. Resistance we see at \$4.455 followed by \$4.619, \$4.687, \$4.753, \$4.794 and \$4.901.



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