



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 21, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning saw little development overnight in Invest 97-L, a tropical wave that was moving across Hispaniola. While forecasters were not at all expecting the system to form into a tropical depression today, they still felt there was a 60% chance it could strengthen into one within 24-48 hours. But by the afternoon the NHC forecasters noted that unfavorable upper level winds and the high terrain of Hispaniola had disrupted the structure on Invest 97-L. As a result forecasters no longer expected this system becoming a tropical cyclone today and lowered their probability of this system reaching this development level with 48 hours to only 50%. Forecasters are also watching two tropical waves in the West African region. Several models have these two waves becoming a tropical system, one within 5-6 days and the other 9-10 days from now.

Generator Problems

The NRC reported this morning that some 95,119 Mw of nuclear generation was operating today, up 0.4% from yesterday and basically unchanged from the same day a year ago.

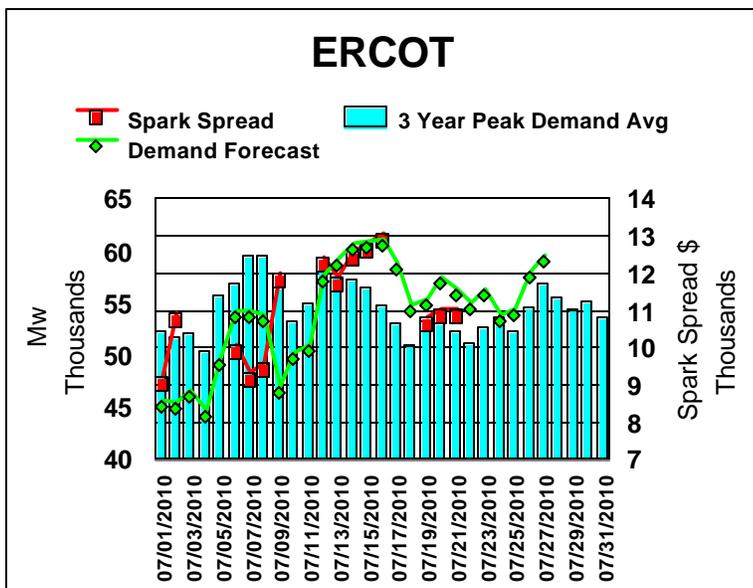
A blast occurred overnight on a section of the pipeline that carries natural gas from Iran to Turkey. The blast occurred several kilometers from the Iranian border, forcing the closure of the pipeline. While no cause of the blast was given, militants of the separatist Kurdistan Workers Party, or PKK were blamed for a blast that hit a pipeline carrying crude oil from Iran into southwestern Turkey earlier this month. Gazprom said Wednesday that it has increased gas deliveries through the Blue Stream pipeline to Turkey, to make up for the shortfall of supplies to Turkey following the disruption of Iranian supplies.

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	673,000	\$4.699	\$0.109	\$0.198	\$0.118	(\$0.032)
Chicago City Gate	470,200	\$4.703	\$0.125	\$0.202	\$0.115	\$0.034
NGPL- TX/OK	754,100	\$4.494	\$0.104	(\$0.007)	\$0.094	(\$0.141)
SoCal	349,100	\$4.412	\$0.135	(\$0.089)	\$0.125	(\$0.246)
PG&E Citygate	801,000	\$4.450	\$0.140	(\$0.052)	\$0.130	(\$0.222)
Dominion-South	729,600	\$5.030	\$0.198	\$0.529	\$0.188	\$0.295
USTrade Weighted	21,354,800	\$4.636	\$0.128	\$0.135	\$0.12	(\$0.032)

FGT and Williams Partners announced today that the FERC has approved a proposal to connect the existing FGT and Transco natural gas pipeline systems with the

new Gulf LNG Clean Energy import terminal being developed near Pascagoula, Mississippi. The Pascagoula Expansion Project will be 15 miles long and a 26-inch diameter pipe located in Mobile County. The line will have a 810,000 Dth per day capacity and an in service date of the fall of 2011, the same time that the LNG terminal is schedule to come on line. Gulf LNG terminal will have a send out capacity of 1.3 bcf/d of gas and is scheduled to cost \$1.1 billion to construct.

The Pennsylvania Department of Environmental Protection on Wednesday told Cabot Oil & Gas it had 60 days to “permanently fix water supplies” that were affected by the company’s natural gas drilling operations in Susquehanna County. The DEP said the directive was part of a modified consent order and agreement between the agency and the company requiring Cabot to continue providing temporary water services to local residents in the affected area until a permanent solution can be implemented. The company has already plugged three wells in the area and made repairs to another. The state had suspended the review of the company’s pending permit applications back in April over these problems, but given the company’s progress in dealing with these problems the state said it would resume reviewing Cabot applications but only for those permits to drill gas wells outside of the affected area in Dimock Township.



EnCana reported this morning it would have a net loss in the second quarter on unrealized write-downs from hedging and foreign exchange moves. The company reported that it produced 3.3 bcf/d in the latest period, up about 10% from a year earlier. The company’s increased production came from growth in the Haynesville Shale and Piceance basins. The company noted its overall U.S. production was 17% higher from last quarter. The company said its plan is to double production over the next five years focusing on low cost unconventional shale gas production. The company said it is ahead of its production targets and its operating costs were tracking 17% below expectations. As a result the company

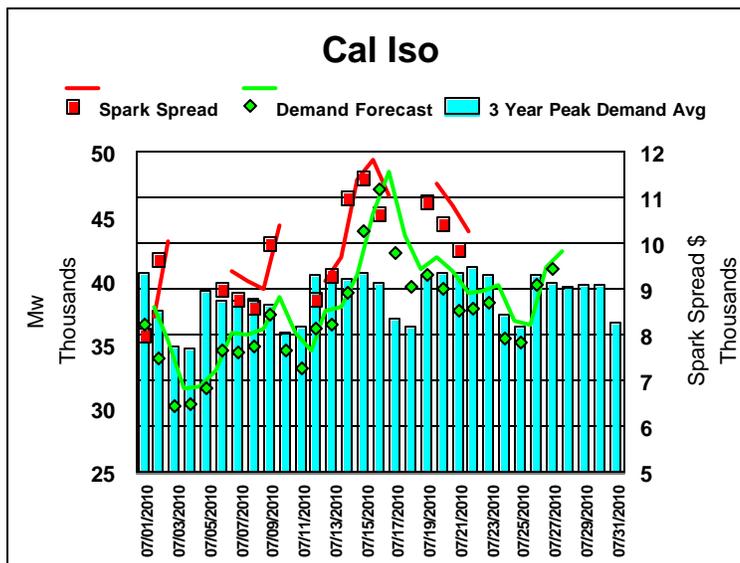
has increased its 2010 production guidance by 65 million cubic feet per day to 3.365 bcf/d and also raised its capital-spending outlook by \$500 million to \$5 billion. The company noted that strong hedges against low natural gas prices, established back in 2008 when prices were much higher, have provided the company some protection in the second quarter, the pace at which these hedges wear off could be a concern. The company has 55% of its production hedged from the remainder of this year.

The Russian Finance Ministry announced today it would boost taxes on natural gas extraction by 61% as it works toward balancing the budget. The increase would go in effect for 2011 and another hike of 6% and 5.4% are planned for the following two years. The tax has not been changed since 2005.

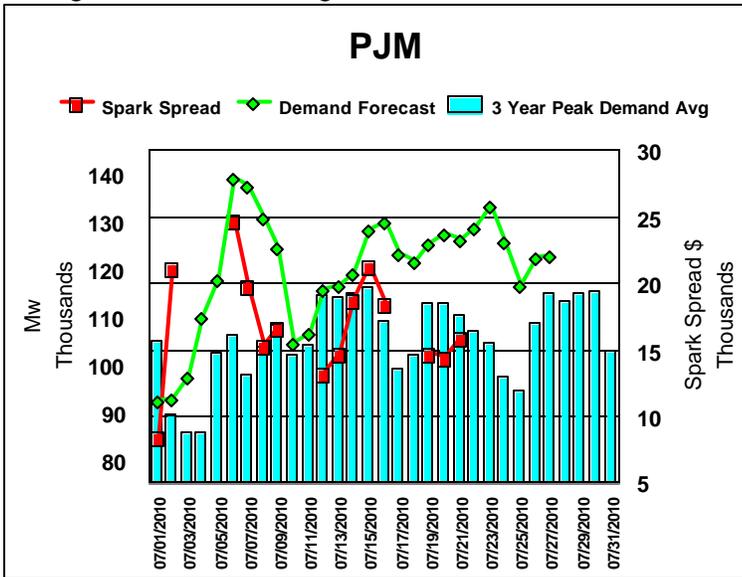
The Lithuanian government approved Wednesday a LNG terminal on the Baltic Sea as part of its efforts to cut its dependence on energy supplies from Russia.

PIPELINE MAINTENANCE

Gulf South said late yesterday it began



unscheduled maintenance at the Airport Compressor Station for approximately 24 hours. Capacity through the station during the work will be zero.



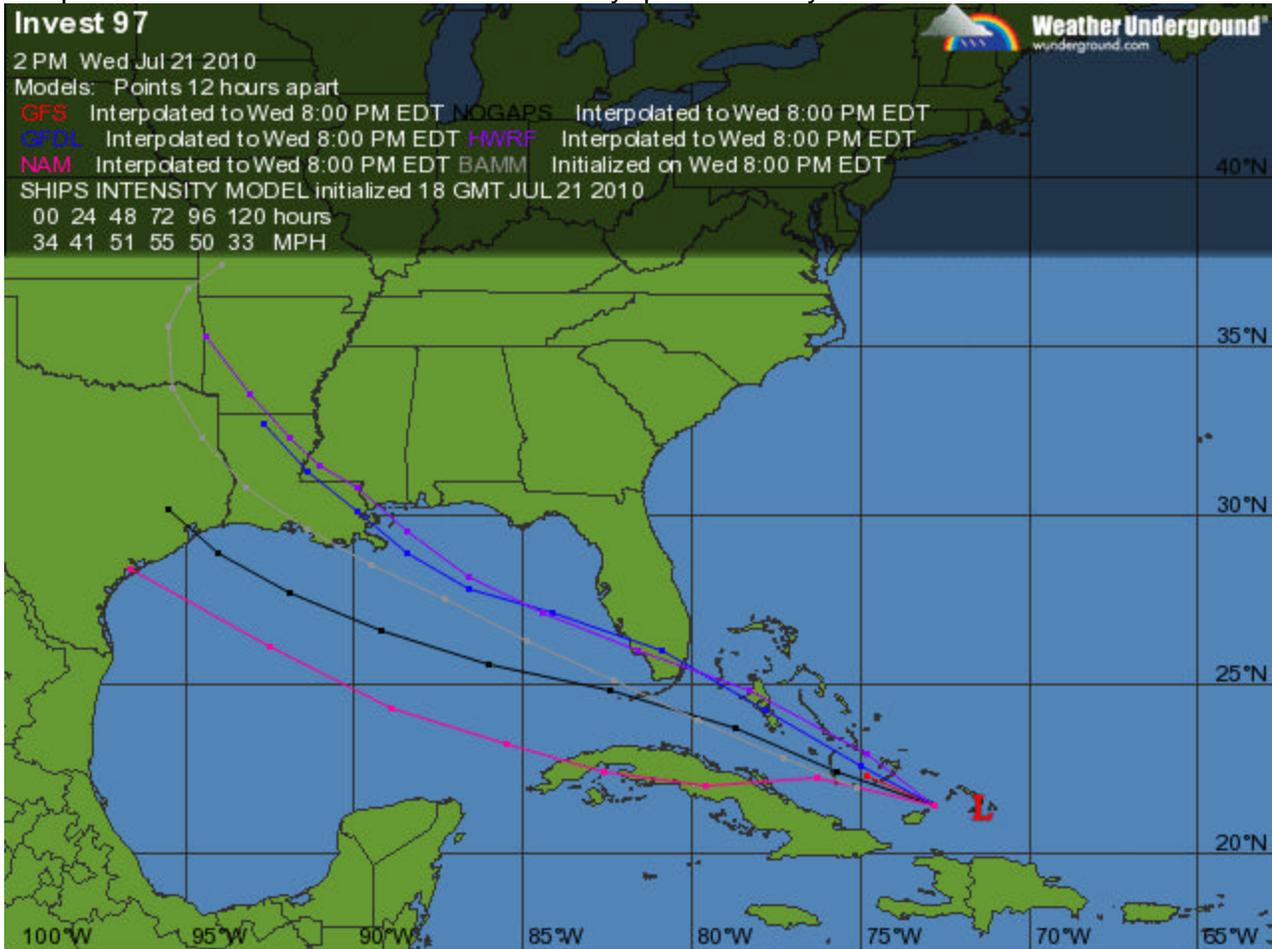
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective for today it would accept nomination increases to 600 Dth of estimated available capacity at the Leidy delivery meter and to 40,000 Dth of capacity at Station 245.

Midcontinent Express Pipeline said that effective for today and until further notice Columbia Gulf Perryville in Madison Parish, Louisiana on Segment 150 in Zone 1, is at capacity for deliveries. Interruptible transportation service/authorized overrun and secondary firm transports are at risk of not being fully scheduled. The company also reported that due to current

operational conditions, it may cut to match physical flows at Destin-Clarke and or Sonat-Smith.

Rockies Express Pipeline said that effective today and until further notice it has capacity available for delivered quantities to Columbia Gas Fairfield. Based on the current level of nominations, interruptible transportation/authorized overrun and secondary quantities may be scheduled.



ELECTRIC MARKET NEWS

Terra-Gen Power announced today that it has closed a \$1.2 billion financing for four wind power projects with a total of 570 Mw of capacity at its Alta Wind Energy Center in Kern County, California.

ECONOMIC NEWS

Federal Reserve Chairman Bernanke speaking before the Senate Banking Committee said today the economic outlook remains "unusually uncertain".

MARKET COMMENTARY

It appears the National Hurricane Center can give and it can take away. This market has been on a seesaw over the past 48 hours as natural gas futures prices were directly impacted by the NHC latest tropical weather update. The NHC which had released a relatively supportive or bullish weather forecasts last night and into early this morning appeared to hedge themselves by midday as they lowered the probability that Invest 97-L would have the capability of strengthening into a tropical cyclone over the next 48 hours and if its futures storm track would be a direct and real threat to oil and gas production in the Gulf of Mexico.

The market this morning stalled at the upper end of its recent downward trend channel and then saw some 10-15 cents in value lost as the National Hurricane Center released its less than bullish tropical update at midday. But prices eventually found support at the \$4.50-\$4.45 area as it has the for the past week and as a result prices stabilized in the latter part afternoon, as traders appeared to move to the sidelines awaiting tomorrow's EIA Storage report as well as a new tropical outlook.

Market expectations for tomorrow's storage report appear to be running between 45-55 bcf build, with the average of most projections coming in around a 52 bcf build. A year ago stocks rose an adjusted 70 bcf and the five year seasonal average has been for a 64 bcf build.

We expect in all likelihood to see that this market will remain mired within its 20 plus cent trading range of the past week, as it appears that tomorrow's storage report nor the next tropical outlook will surprise this market sufficiently to breach these chart points.

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