



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 4, 2009

NATURAL GAS MARKET NEWS

Goldman Sachs overnight raised their end of 2009 oil price forecast to \$85 per barrel from \$65 per barrel and introduced a price forecast of \$95 per barrel for 2010 as they see the economic recovery taking root and working off oil inventories.

Maritimes Canada and Maritimes U.S. said via their website postings that the Sable Island Offshore Energy Project in Nova Scotia has encountered a decrease in production and that this condition is expected to last through Thursday. The project normally produces between 400-500 MMcf/d of natural gas,

This morning the U.S. Department of Labor reported that fewer workers filed for new claims for jobless benefits for the third straight week. Some 621,000 workers filed on the week, 4,000 less workers that filed the previous week, but since the period covered the Memorial Day holiday, this may have had an impact on the numbers. A segment of the report that most market participants noted was that the number of people staying on the benefit rolls fell 15,000 to 6.74 million for the week ending May 23rd. This was the first time that so-called continued claims have declined since the beginning of January and also the first time in 17 weeks it did not set a new record.

Generator Problems

NPCC – Entergy's 1025 Mw Indian Point #3 nuclear unit has been restarted and was at 1% power this morning.

Operators at OPG's Nanticoke coal fired power plant was shut three 490 Mw units while restarting one Thursday morning.

OPG's 535 Mw Unit #3 at the Lennox oil and natural gas fired power station returned to service today.

PJM – PPL's 1150 Mw Susquehanna #2 nuclear unit was at 94% of capacity up 3% from yesterday.

The NRC reported this morning that 93,288 nuclear generation capacity was on line, basically unchanged from yesterday and up 1.65% from the same time a year ago.

EIA Weekly Report

	05/29/2009	05/22/2009	Chg	Year Ag
Producing Region	934	900	34	646
Consuming East	1024	953	71	896
Consuming West	379	360	19	249
Total US	2337	2213	124	1791

*storage figures in Bcf

northern Iraq gas suppliers in the pipeline.

The U.S. State Department officials said today that Iran would be able to participate in the European-Union backed Nabucco pipeline if relations between the U.S. and Iran are normalized. Officials also reaffirmed that the U.S. strongly supports the participation of

Santos Ltd said it is in advanced talks with an unidentified Asian customer to sell LNG from its Gladstone LNG project and it expects a final agreement in the near future.

Reuters reported that gas storage levels across Europe in the week ending June 1st rose, with British stocks of gas up 4.1% from the prior week to 69.4%.

Gazprom's CEO said today that his company is considering inviting Shell Oil to participate in LNG projects on the Arctic Yamal Peninsula.

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	620,300	\$3.584	(\$0.230)	(\$0.153)	(\$0.119)	(\$0.367)
Chicago City Gate	649,700	\$3.421	(\$0.311)	(\$0.316)	(\$0.266)	(\$0.242)
NGPL- TX/OK	774,900	\$3.346	(\$0.251)	(\$0.391)	(\$0.207)	(\$0.327)
SoCal	424,100	\$2.927	(\$0.060)	(\$0.810)	(\$0.016)	(\$0.805)
PG&E Citygate	735,200	\$3.078	(\$0.144)	(\$0.659)	(\$0.100)	(\$0.514)
Dominion-South	373,600	\$3.807	(\$0.192)	\$0.070	(\$0.148)	\$0.107
USTRade Weighted	17,575,600	\$3.329	(\$0.163)	(\$0.408)	(\$0.12)	(\$0.367)

Banking and finance industry officials warned a U.S. Senate committee today that while reform of the OTC regulation is necessary, some proposals under consideration by

Congress would ultimately harm end users that Congress is trying to protect. The industry appeared to support centralized clearing of standardized derivatives, enhanced reporting requirements for dealers and increased authority for the CFTC to police fraud and manipulation. The group though felt that mandatory clearing for all products and hefty margin requirements would reduce end user hedging activity by reducing available capital at a time when credit is restricted.

Canadian Gas Association

Weekly Storage Report

	29-May-09	22-May-09	30-May-08
East	129.4	115.2	87.9
West	232.9	218.8	185.8
Total	362.3	334	273.7

storage figures are in Bcf

that this potential bubble has already begun to appear. He warned that another oil price spike would possibly send the economy back down.

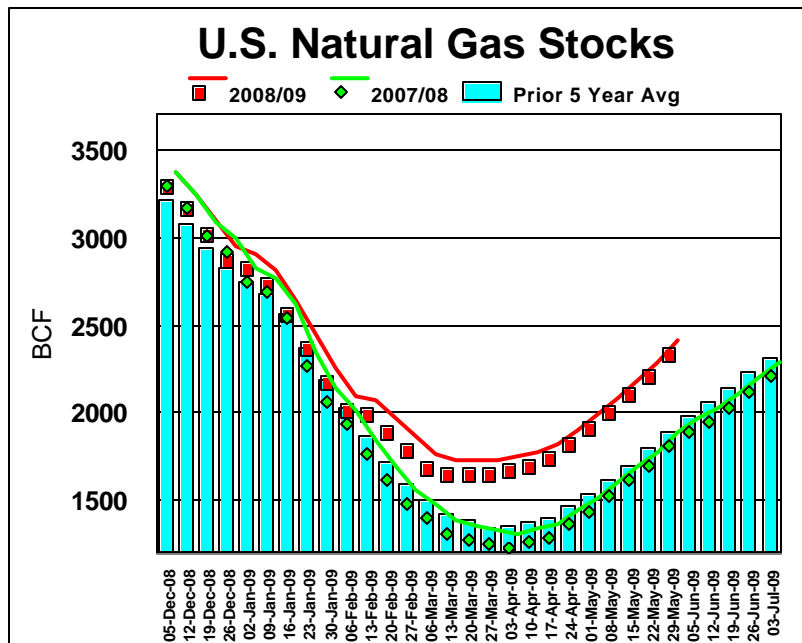
Meanwhile hedge fund manager Michael Masters told Congress that oil prices are largely not determined by supply and demand but by the trading desks of large Wall Street firms. He noted that nothing has actually been done by Congress to put an end to the problem of excessive speculation. Thus he noted there is nothing to prevent another bubble in oil prices in 2009 and fears

A Qatari LNG tanker, the Al Daayen is expected to arrive at the South Hook import terminal on June 11th.

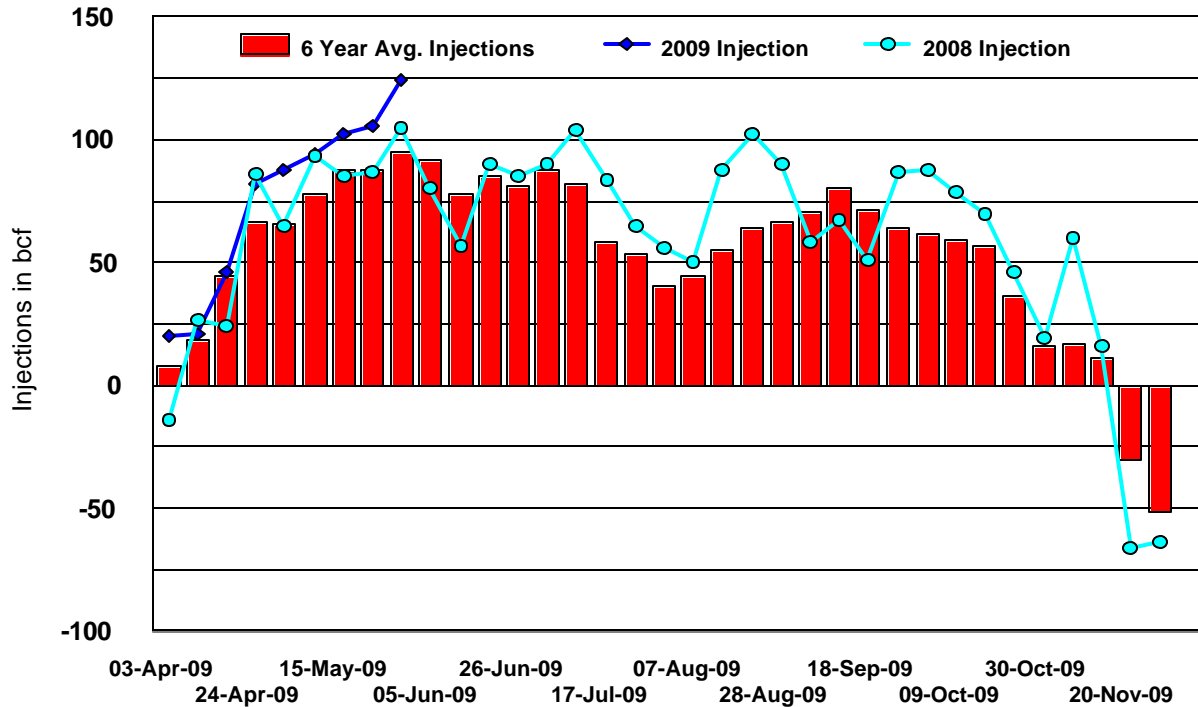
BP today called on Russia to remove investment barriers to increase energy production and voiced support for the Russian proposed Nord Stream pipeline.

PIPELINE MAINTENACE

Alliance Pipeline said a routine inspection will require the Gold Creek compressor station to be offline for six hours today Station capacity will be lowered to 900 e3m3 during that time. If line conditions allow, the Gold Creek plant may be allowed to free flow during the outage.



2009 EIA Survey Build/Draw VS 6-Year Average



PIPELINE RESTRICTIONS

PG&E said it has issued a system wide OFO for today's gas day due to high inventory.

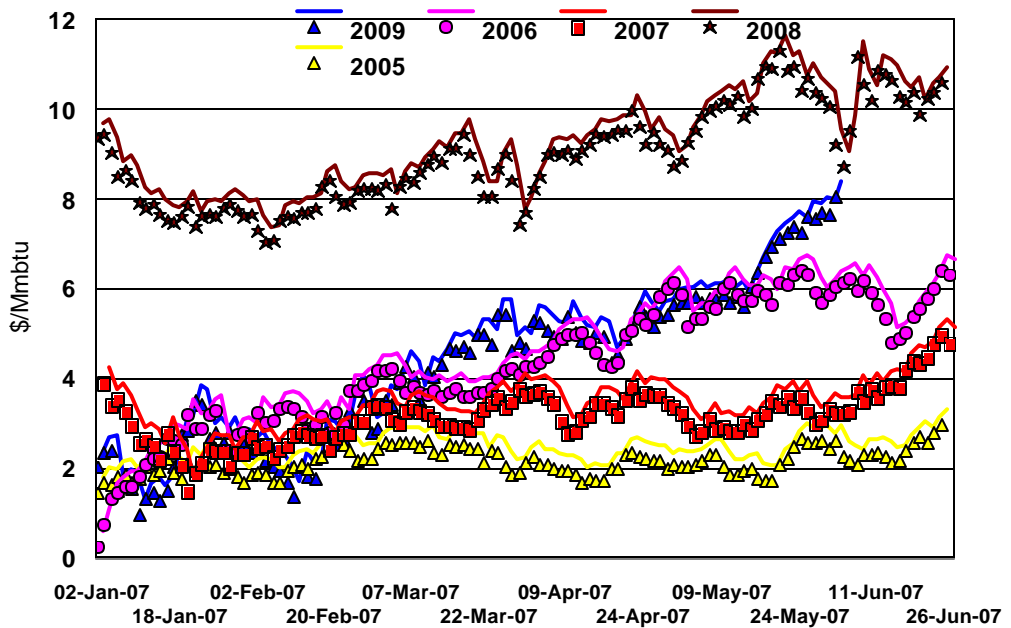
NGPL said effective for today and until further notice it has limited capacity for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22.

Limited ITS/AOR and Secondary out of path Firm transports are available.

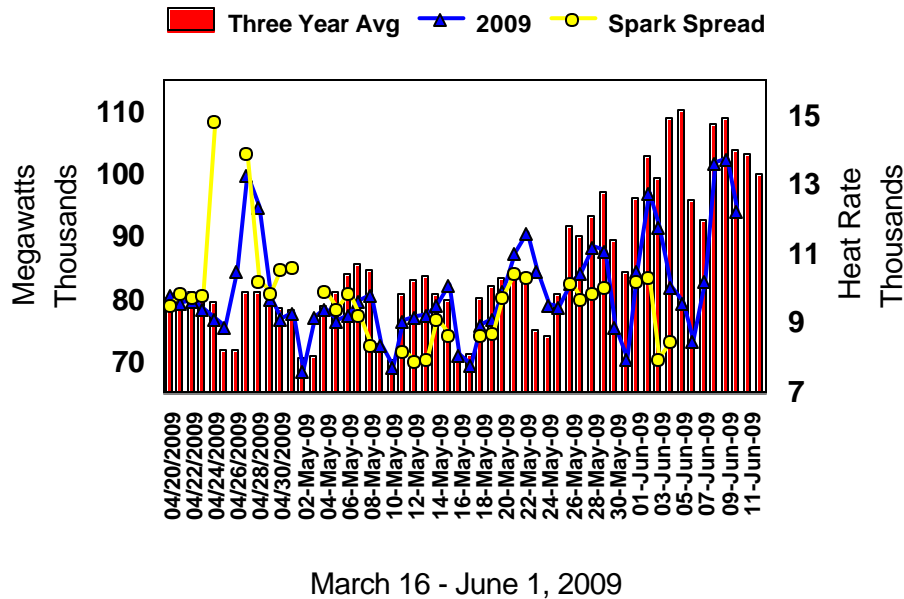
ELECTRIC MARKET NEWS

San Diego Gas & Electric yesterday said it has lined up adequate electricity supplies and required reserves to meet customers' expected energy needs this summer barring extreme weather conditions. Current weather forecasts predict

Crude Oil Minus Natural Gas: NYMEX Spot Futures Settle



PJM Peak Load Estimates Vs Spark Spread



another mild summer this year for Southern California. Both CAL ISO and the California Energy Commission have projected that there should be ample power supply to meet peak demand across the state even if with hotter than average temperatures. Statewide, nearly 1500 Mw of new generation resources have been added and more than 10,000 Mw of imported power should be available this summer according to Cal Iso.

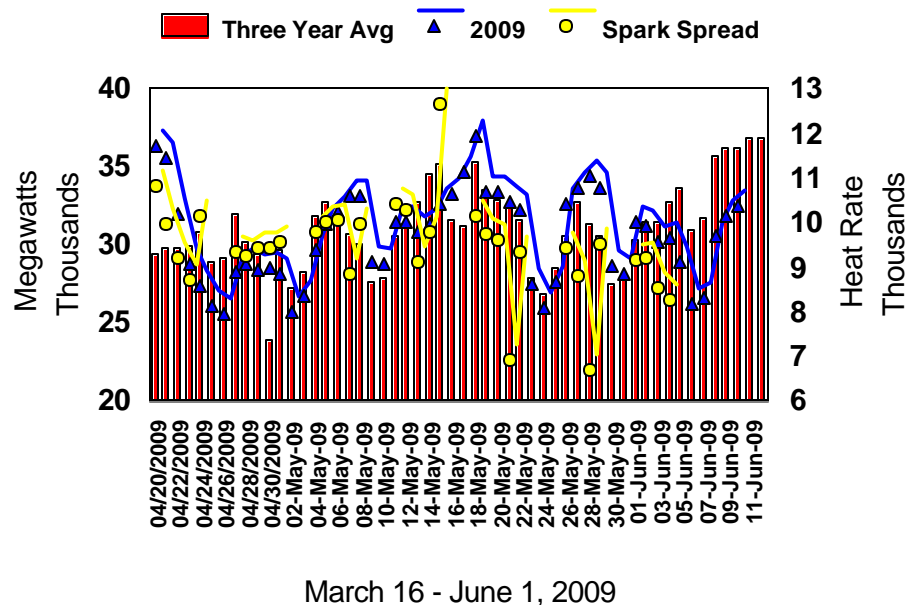
MARKET COMMENTARY

The natural gas market today reacted to a bearish EIA Storage report by falling 20 cents following

the release of the report and not finding support until it approached the trend line support drawn off of the lows of April 30th and May 26th, which today came in at \$3.541. But prices bounced off this low and rallied higher supported by return of the bulls to the oil markets. Prices basically retraced 38% of the past three-day sell off by the end of the day, which allowed natural gas prices to finish higher for the first time in three trading sessions. Trading activity continues to amaze us. The natural gas ETF, UNG once again set yet another record volume day with a mind numbing 72, 241,831 shares traded. This is nearly 39% more than the record volume that was just established yesterday and is five times the average daily volume of the past three months. This clearly underlines the speculative interest in this market.

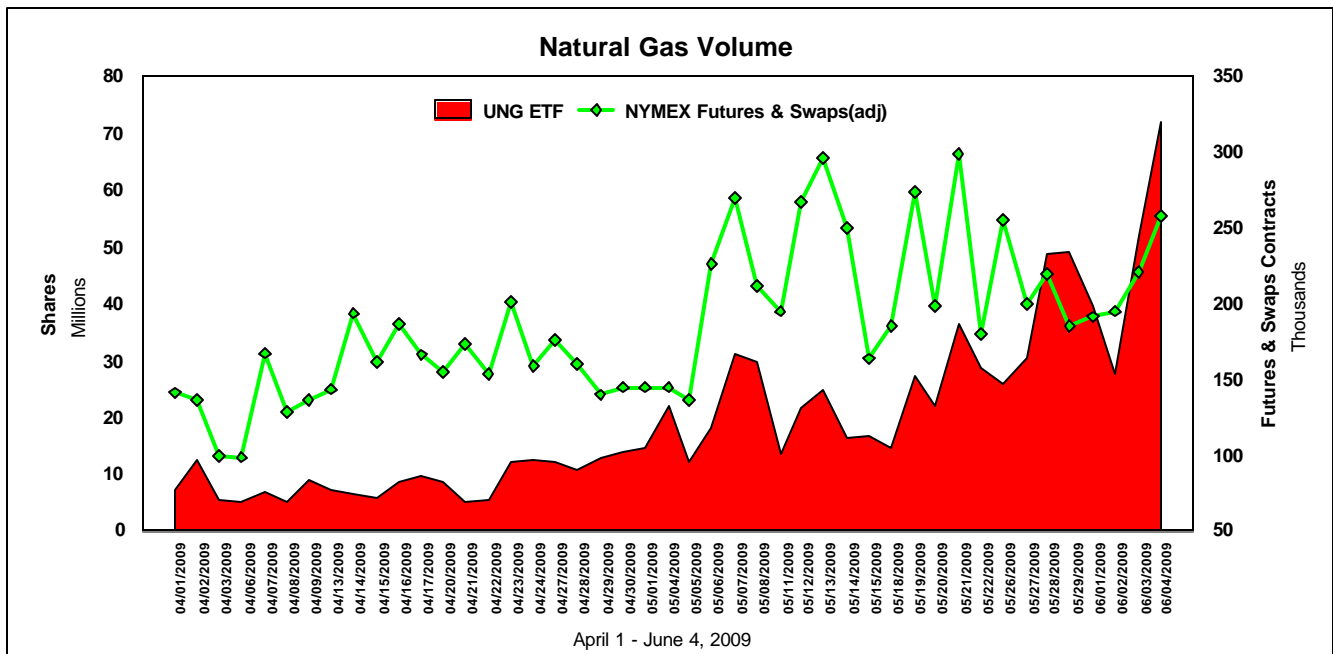
The NYMEX reported at midday that open interest for Wednesday's trading activity in natural gas futures and swaps actually posted an increase despite the dramatic sell off in price for the second day in a row. On a combined and adjusted basis open interest grew by nearly 8400 lots with half of these gains coming in the July contracts alone.

Cal ISO Load Estimates Vs Spark Spread



Despite the tremendous interest in this market by the small speculator and hedge funds, we continue to feel the serious

oversupply of this market and the poor prospects for significant industrial demand between now and this upcoming winter will keep this market from maintaining inflated values and could very well see



natural gas return to last year's steep discount to crude oil of \$9-\$11 per Mmbtu. It would not be until we see these levels would we feel natural gas is undervalued to crude oil. Otherwise we continue to be in a sell mode of natural gas on rallies back over \$4.00 and profit taking on those shorts when prices fall back below \$3.60. Tomorrow we look for resistance starting at \$3.92-\$3.93 followed by \$4.00, \$4.06, \$4.197, \$4.238 and \$4.284. More distant resistance we see at \$4.69. Support we see at \$3.62 followed by \$3.547, \$3.50, \$3.395 and \$3.25.

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