



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 9, 2009

NATURAL GAS MARKET NEWS

The deep blowup of convection over the southwest Caribbean that was of some minor concern to forecasters yesterday morning is just a fading memory this morning. Strong wind shear in the region is expected through the end of the week and as a result all the computer models agree that no development is expected out of this area for the remainder of the week.. The rest of the tropical Atlantic also remains quiet.

The EIA released their latest Short Term Energy Outlook at midday today. The agency noted that it was basing its projects on an expectation for the U.S. real gross domestic product to begin increasing three months sooner than previously expected. However, the U.S. economy is expected to lose another 1.2 million nonfarm jobs until monthly employment starts to increase again in April 2010. As for natural gas the agency lowered both its production and demand forecasts for 2009 from last month. The EIA now estimates that domestic production will average 57.93 bcf/d down 0.1% from last month's forecast. Imports though will basically make up for this short fall as net imports from Canada are seen improving by 1.1%. Surprisingly the EIA did not change its estimate for LNG imports this year, which they continue to estimate will average 1.36 bcf/d. Total supply in 2010 is seen increasing by 160

Generator Problems

NPCC – OPG's 494 Mw Lambton #2 coal fired power plant was expected to return to service Tuesday after dropping off line earlier in the day.

Energy's 1025 Mw Indian Point #3 nuclear unit was at 57% capacity this morning, up marginally on the day.

SERC – TVA's 1118 Mw Browns Ferry #2 nuclear unit has started to exit its refueling outage and was at 1% power this morning. The unit has been off line since April 25th.

ERCOT – AEP's 528 Mw Unit #1 at the Welsh coal fired power plant is expected to be restarted this week according to filings with state regulators. The unit was shut yesterday for unplanned maintenance.

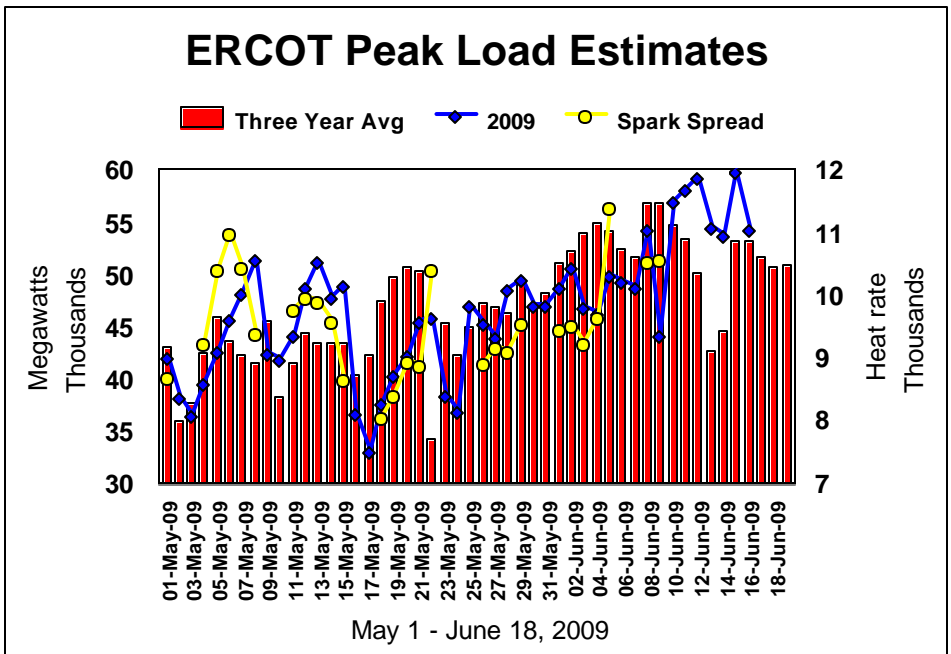
The NRC reported this morning that 93,390 nuclear generation capacity was on line, down 0.8% from yesterday and off 0.8% from the same time a year ago.

MMcf/d over 2009, basically unchanged from last month's supply rebound. Natural gas consumption in this report is estimated at 62.15 bcf/d for 2009 a 0.3% decline from last

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	722,500	\$3.533	\$0.007	(\$0.199)	\$0.032	(\$0.505)
Chicago City Gate	600,300	\$3.254	\$0.035	(\$0.478)	\$0.011	(\$0.404)
NGPL- TX/OK	873,200	\$3.208	\$0.009	(\$0.524)	(\$0.015)	(\$0.473)
SoCal	351,900	\$2.565	(\$0.020)	(\$1.167)	(\$0.044)	(\$1.018)
PG&E Citygate	635,600	\$2.703	\$0.032	(\$1.029)	\$0.008	(\$0.878)
Dominion-South	409,100	\$3.780	\$0.015	\$0.048	(\$0.009)	\$0.039
USTrade Weighted	17,430,900	\$3.193	\$0.056	(\$0.539)	\$0.03	(\$0.505)

month's estimate. For 2010 the agency sees demand rebounding 2.6% to 62.31 bcf/d. This is some 0.3% less than estimated last month. The EIA estimated that natural gas prices would remain below

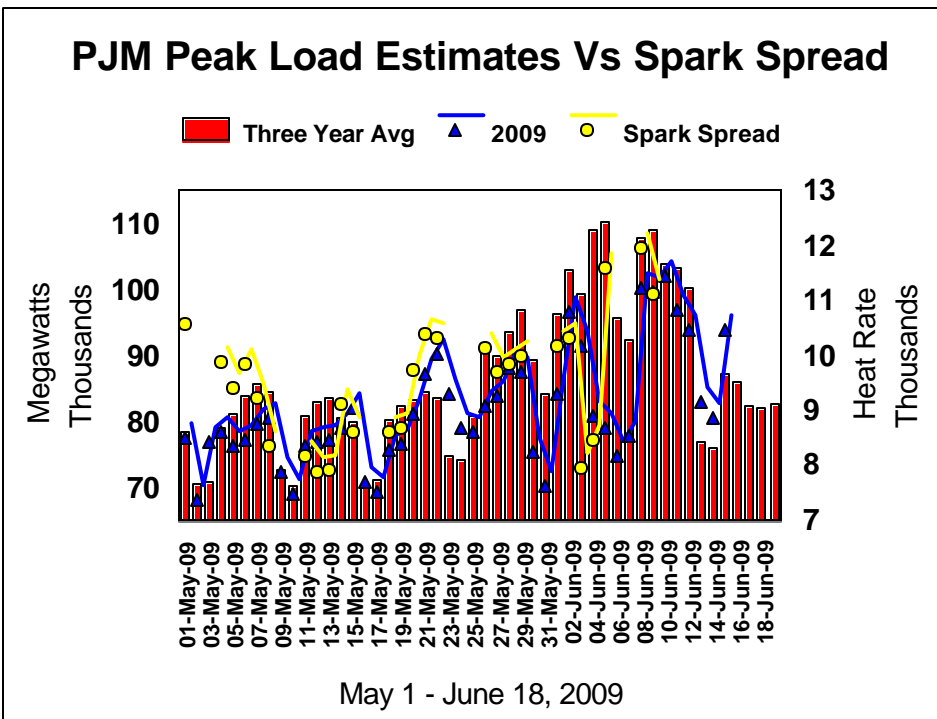
\$4.00 per Mcf until late this year. The agency estimated 3Q2009 prices at Henry Hub will average \$3.75 before moving up to \$4.27 in the fourth quarter. Prices in 2010 are expected to average \$5.49 per Mcf, some 5.4% higher than last month's forecast.



The Cove Point and Lake Charles LNG terminals were expected each to receive LNG cargoes Tuesday. BP's British merchant tanker from Trinidad was expected to arrive at the Cove Point terminal, while BG Group's Methane Kari Elin arrived in Lake Charles from Egypt. Waterborne Energy reportedly is estimating that U.S. LNG imports in June will total 57 Bcf up 8 bcf from May levels, but down from April's 63.8 bcf import level.

BG Group's LNG tanker Methane Jane Elizabeth set sail from Trinidad yesterday and was expected to arrive in Chile at the end of June with the Quintero terminal's first commissioning cargo.

NGI reported that according to its First Quarter Top North American Gas Marketing Ranking survey it found that the top 22 reporting marketers transacted 123.5 bcf/d of natural gas versus 123.93 bcf/d in the first quarter of last year. This was the first quarter that has not shown increased volumes over the previous year since 2005. It could be ascribed to general economic conditions, reduced drilling and reduced trading due to tighter credit limits. It noted that BP increased its 1Q09 sales by 17% to 31.8 bcf/d over a year ago. Conoco Phillips posted its seventh consecutive quarterly increase, 14.40 bcf/d, up 7% from a year ago.

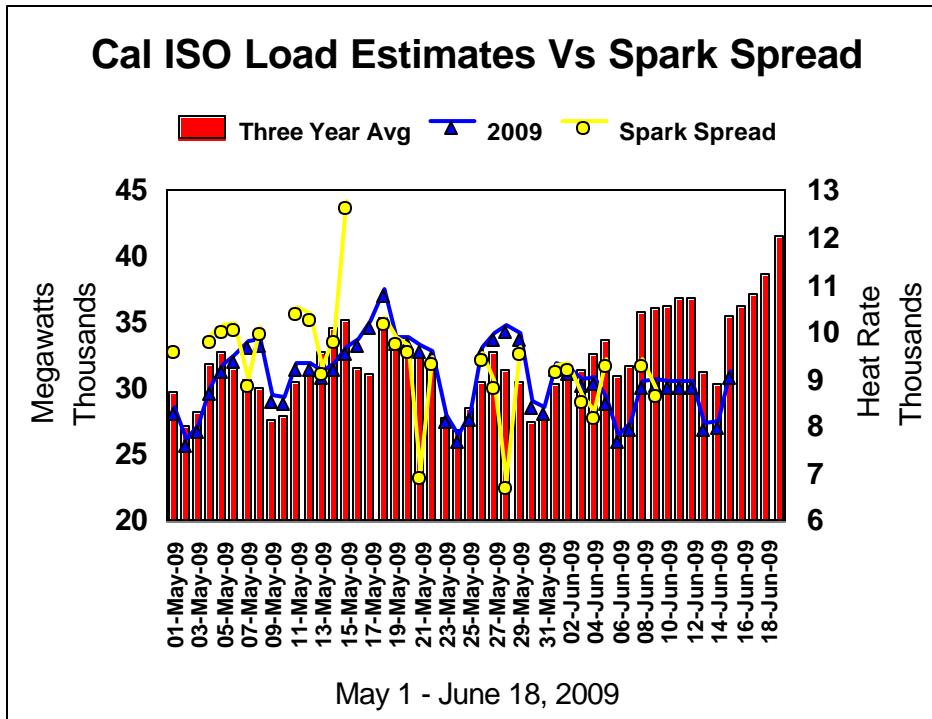


The API today warned that U.S. oil and gas production would drop significantly if Congress passes legislation to place additional federal regulations on the use of hydraulic fracturing. The trade group estimated that the

number of new wells drilled would drop by over 20% in a five year period, with natural gas production falling by 10% from 2008 level by 2014.

A senior Gazprom official said today that Gazprom plans to raise deliveries to the U.S. and eventually supply up to 5-10% of the U.S. natural gas market as it brings on gas production from Shtokman and Yamal. The Shtokman field, in the Barents Sea is one of the largest gas fields in the world and is scheduled to start producing gas for export via pipeline by 2013 and LNG the year after.

The U.S. Senate Energy and Natural Resource Committee today reportedly has adopted language in its comprehensive energy bill that would allow drilling within 45 miles of Florida's Gulf Coast. Florida currently has a 125 mile oil and natural gas leasing buffer zone in the Gulf of Mexico.



Blue Sky Gas Storage has requested from the FERC authorization to build a natural gas storage facility in Logan County, Colorado, that would connect with long haul pipelines out of the Rocky Mountains. The facility would have a 4.4 bcf working gas storage capacity. The facility would connect to the Rockies Express Pipeline and Trailblazer's pipeline system along with the KMIGT system to the south.

Novatek, Russia's largest independent gas producer, said it will suffer further from plunging gas demand for at least the next several

months and it will try to keep production flat this year. The company reported that demand within Russia dropped significantly in May, much more so than in the first four months of the year. He noted that with underground gas storage facilities full, volumes delivered into them will be minimal, but with seasonal demand increases in September and October, production should begin to rebound.

The European Energy Commissioner said today he expected a key governmental agreement on the EU's Nabucco gas pipeline will be signed in early July at the latest, between the EU and Turkey. The proposed 3300 km pipeline would bring gas from the Caspian region to Austria via Turkey, Bulgaria Romania and Hungary, while by-passing Russia.

Australian oil and gas producer Santos said on Tuesday that it expects to secure a deal to sell LNG from its Gladstone LNG project before the end of this year.

Qatar's RasGas said today that it expects its LNG Train #6 to go online later this month after several weeks of delays. The company last year had planned originally to have the train on line between March and May of this year. Meanwhile Qatargas said it expects its Train #5 production facility to come on-stream possibly by the fourth quarter of this year

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/09/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	10	9	P	2	0.0357	0.0386	15350	0.0425	0.0375
LN	10	9	P	2.5	0.0913	0.0948	7600	0	0
LN	9	9	P	3	0.1473	0.149	7350	0	0
LN	9	9	P	2.5	0.0542	0.055	6100	0	0
LN	7	9	P	2.75	0.0082	0.0107	3950	0	0
LN	8	9	P	3	0.0997	0.1035	3850	0	0
LN	10	9	C	5.5	0.3711	0.3636	3325	0.36	0.36
LN	7	9	P	3	0.0225	0.0274	2760	0	0
LN	7	9	P	2.5	0.0025	0.0036	2250	0	0
LN	8	9	C	4.5	0.2445	0.2487	2100	0.225	0.225
LN	7	9	C	4	0.1366	0.1487	1835	0.13	0.13
LN	8	9	P	3.5	0.2455	0.2512	1800	0	0
LN	7	9	P	3.25	0.0616	0.0701	1550	0	0
LN	1	10	P	6	0.8163	0.8154	1300	0	0
LN	7	9	P	3.5	0.1349	0.1464	1250	0	0
LN	4	10	P	3.5	0.0814	0.0833	1100	0	0
LN	3	10	P	3.5	0.0705	0.0714	1100	0	0
LN	1	10	C	10	0.1496	0.1492	1000	0	0
LN	1	10	C	7	0.592	0.591	1000	0	0
LN	7	9	C	4.5	0.0406	0.0481	850	0	0
LN	4	10	P	4	0.1609	0.1636	800	0	0
LN	8	9	C	5	0.1396	0.1433	800	0	0
LN	11	9	P	4	0.3142	0.3213	725	0	0
LN	1	10	C	6	0.9404	0.9384	703	0	0
LN	10	9	P	3	0.1887	0.1905	700	0	0
LN	7	9	C	3.75	0.2303	0.2431	600	0.22	0.22
LN	9	9	P	2	0.0127	0.013	600	0	0
LN	8	9	C	4	0.4137	0.4176	600	0	0
LN	5	10	P	4	0.1618	0.1637	600	0	0

Norwegian gas exports to Britain through the Vesterled gas pipeline into Scotland are scheduled to be disrupted from June 9-13 and will run at only 50% of capacity next week due to planned maintenance at the St. Fergus terminal. Total SA though noted that the terminal would remain operating for handling UK North Sea gas flows.

BP's LNG tanker British Emerald arrived at the Isle of Grain terminal on Saturday, National Grid reported today.

Iran said that Royal Dutch Shell and Repsol have offered a new proposal for initial production of Phase 13 and 14 of Iran's South Pars gas field.

Congressman Lynch, the ranking Republican on the House Capital Markets subcommittee said that taking a "soft approach" to regulating OTC markets

would be a mistake but he noted that is the apparent direction that Congress seems to be moving in.

U.S. private equity firm Kohlberg Kravis Roberts announced today that it had made a significant investment in East Resources, a privately held natural gas company, East Resources. The investment was rumored to be \$350 million. The natural gas company holds more than 650,000 acres in the Marcellus shale.

PIPELINE RESTRICTIONS

NGPL said effective for today and until further notice Gulf South Goodrich is at capacity for deliveries. As a result ITS/AOR and Secondary Firm transports are at risk on not being fully scheduled.

Tennessee Gas Pipeline said it expected restrictions at its Leidy meters. The company restricted through approximately 61% of Supply to market Secondary Out of Path nominations pathed for deliveries through the meters. The company also reported that it would restrict 100% of IS-PA storage injections at Bear Creek Storage.

Southern LNG said a force majeure is in effect due to Elba III expansion work, and full send out capacity is not expected until late Tuesday evening or on June 10th.

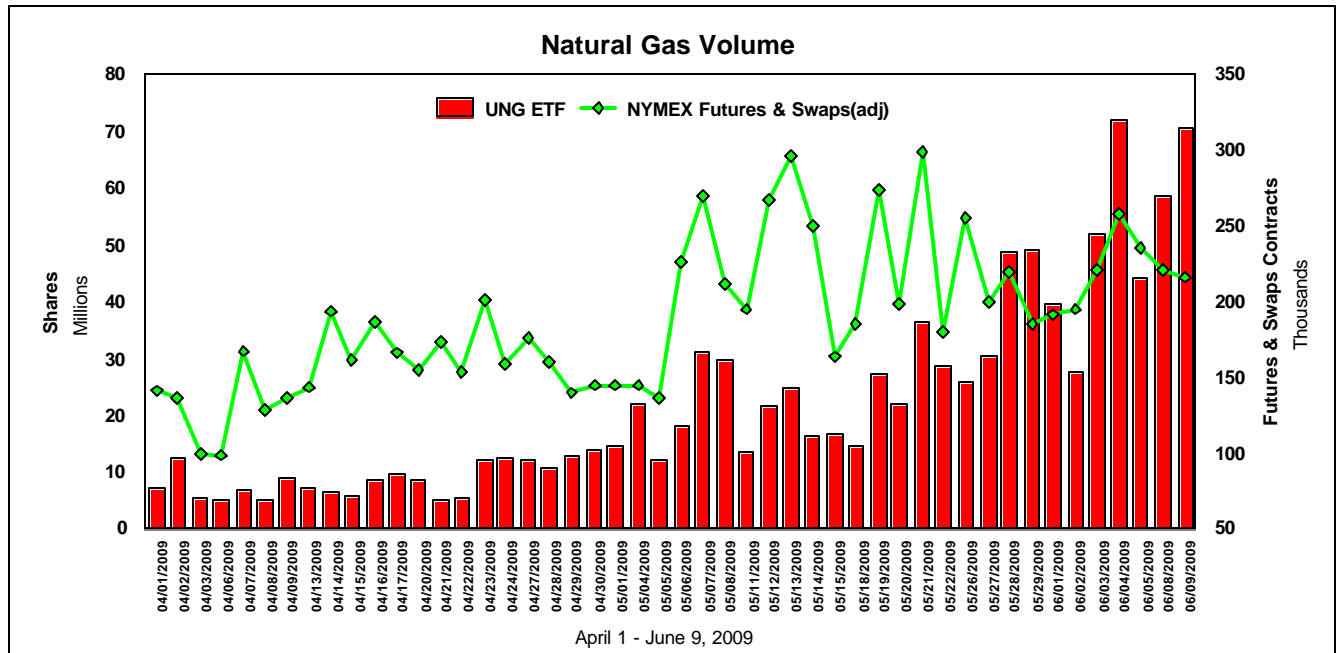
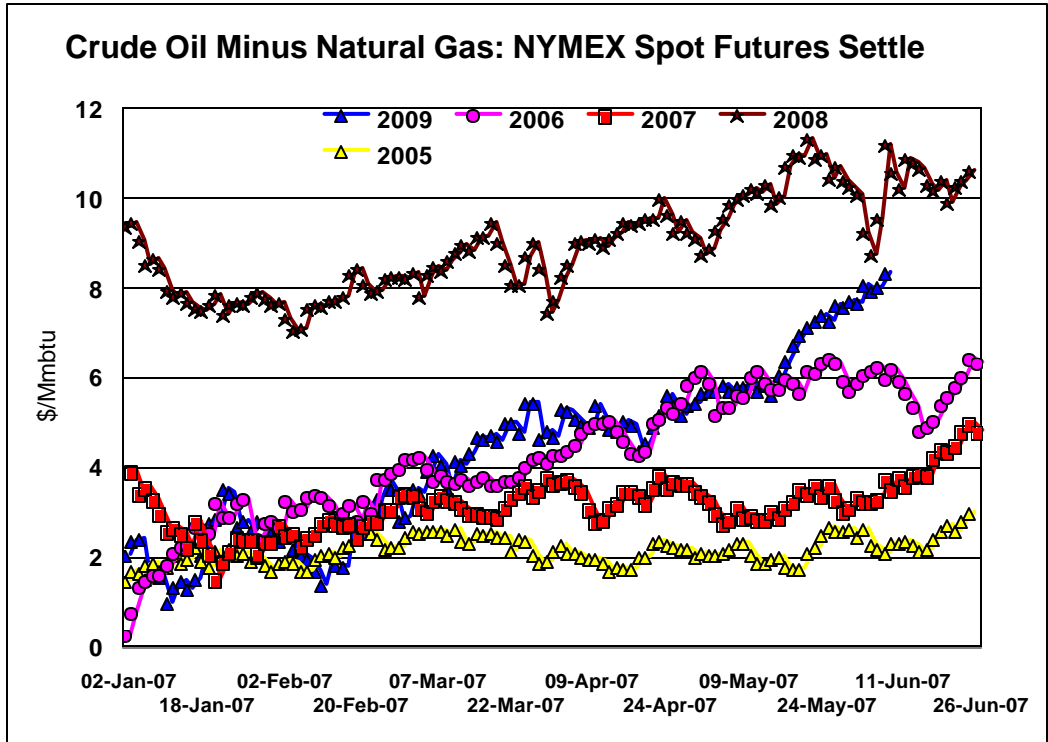
PIPELINE MAINTENANCE

Gulf South reported that it has completed system maintenance on Unit #4 at the Bistineau Compressor Station. The work started back on June 2nd. Bistineau storage injection capacity had been reduced by as much as 100,000 Dth per day during the work.

CIG said one unit at the Laramie compressor station would be out of

service June 16th through June 19th for mechanical inspections. Capacity through the station will be reduced by 56 Mmcf/d to 714 Mmcf/d.

Transco reported that it would be replacing a single line portion of the mainline downstream of Station 35 near Houston starting June 10th. The work is expected to isolate all points upstream of the station through Saturday.



ELECTRIC MARKET NEWS

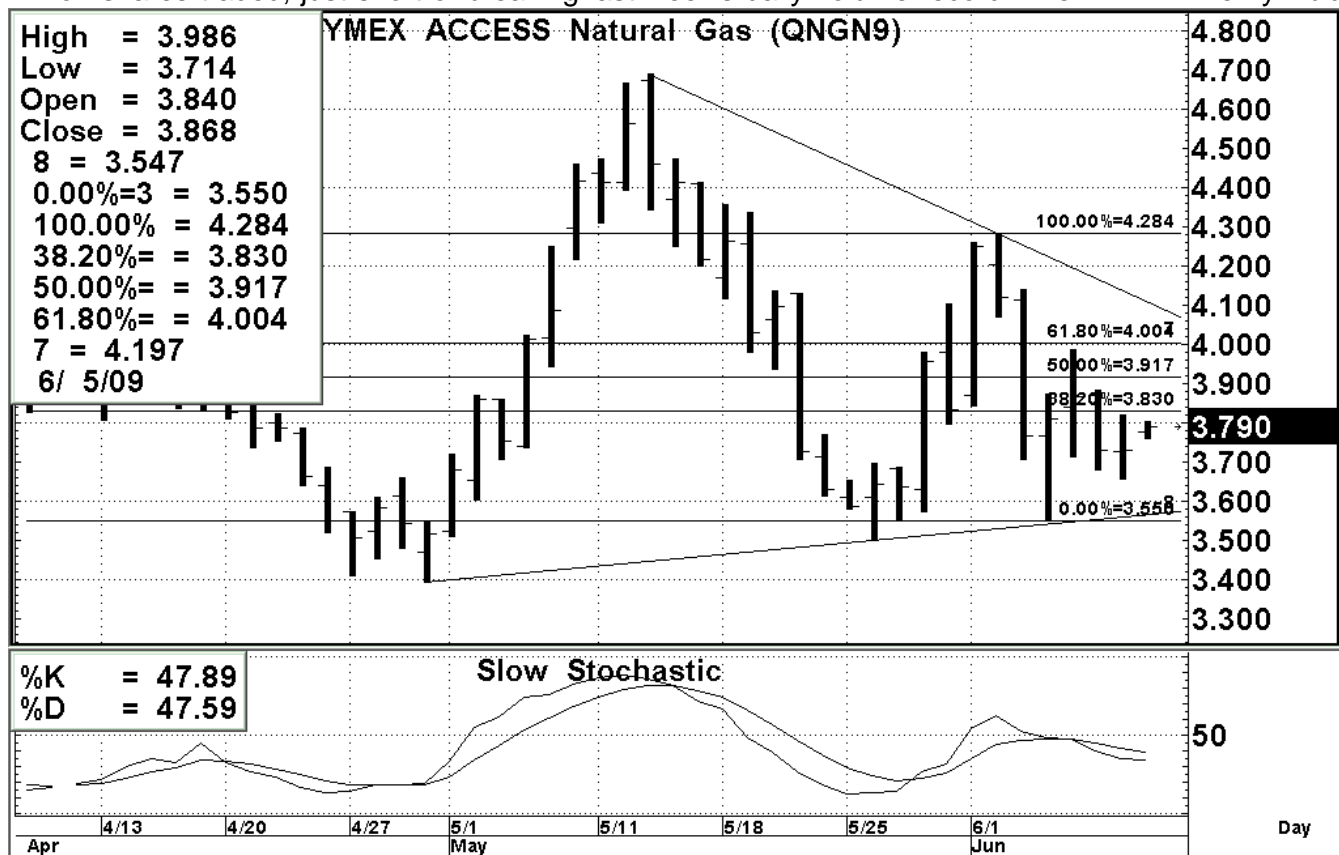
The EIA in their latest Short Term Energy Outlook released today said that they are looking for U.S. electricity demand to drop this year by 1.8%. Meanwhile the EIA sharply changed their forecast for U.S. coal exports in 2009 and 2010. The agency increased its prediction of the decline in exports to a 20% decline from 2008 levels, some 6% more than last month's estimate. But the agency looks for 2010 to see a sharp jump in exports of 24%, some 9% more than last month's estimate. The EIA also estimates that U.S. power plants will burn less than a billion tons of coal this year for the first time since 2002 as the recession and lower natural gas prices cut demand. This would be a 4.6% decline on the year nearly double the rate of decline forecasted just last month.

Genscape reported that coal supplies at U.S. power plants rose 1% this week from last and are at 16.3% greater than the same week a year ago.

Energy officials testifying on Capital Hill today warned that energy prices across the board would rise significantly under climate change legislation pending in Congress. The chairman of MidAmerican Energy Holdings estimated that the pending legislation will essentially create a tax of 12-28% for customers power bills in its service territory. The Edison Electric Institute called for changes to the legislation, including extending the phase-out period for free pollution permits to companies. Currently those permits would begin being sold to companies in 2025.

MARKET COMMENTARY

Speculative traders remain extremely active in this market. The natural gas ETF today saw strong buying interest yet again especially in the afternoon as the market finished the day with just over 70 million shares traded, just short of breaking last week's daily volume record. The NYMEX Henry Hub



futures and swaps on a combined and adjusted basis posted its fifth consecutive trading session with over 200,000 contracts traded. The natural gas market fundamentally received some minor boosts from the news of some restriction of capacity along Transco as well as a dip in nuclear generation which had been for the most part steadily improving over the past several weeks. But poor demand for gas as a generating fuel outside of Texas continues to keep commercials selling this market it appears.

Open interest reported by the exchange at midday showed a strong gain in total open contracts in the Henry Hub futures and swaps. On a combined and adjusted basis, the exchange estimates that some 19,420 new positions were added yesterday, the largest single day gain since February 19th.

Natural gas is fast approaching last summer' extreme price discount to crude oil on a Mmbtu basis and thus it appears that this should help prevent this market from making new contract lows without a substantial price correction coming in the oil markets. As a result we would look to liquidate shorts in this market on any price dips below \$3.60 basis the July contract. We feel we should get this opportunity following the storage report on Thursday.

We would look for support in this market tomorrow starting at \$3.645 followed by \$3.56-\$3.55, \$3.50, \$3.44 and \$3.25. Resistance we see at \$3.85 followed by \$3.97-\$4.00, \$4.05 and \$4.284.

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