



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 12, 2009

NATURAL GAS MARKET NEWS

The Economic Cycle Research Institute, an independent forecasting group said this morning that its Weekly Leading Index rose to a 34 week high for the week ending June 5th. In recent weeks the group has been calling for the U.S. recession will end sometime during this summer, as its yearly economic growth reading rebounds from late 2008 lows. The index's annualized growth rate spiked to a one and a half year high of minus 4.7% from the prior week's rate of minus 7.1%. The weekly index rose in the latest week due to higher commodity prices and stronger housing activity. Elsewhere the Reuters/University of Michigan Surveys of Consumers said its preliminary index of confidence for June rose to 69 from May's 68.7, slightly below market expectations of 69.5.

Generator Problems

NPCC – Entergy's 1025 Mw Indian Point #3 nuclear unit remained at 57% capacity, unchanged from the prior couple of days.

SERC – TVA's 1100 Mw Browns ferry #2 nuclear unit remained off line and saw power taken back down to 0% of capacity this morning as operators cut oper from 14% due to drywell leakage.

The NRC reported this morning that 94,128 nuclear generation capacity was on line, down 0.2% from yesterday and off 1.68% from the same time a year ago.

The tropical Atlantic basin remains very quiet and is expected to remain that way for the near future as wind shear values across the entire area are unfavorable for tropical development.

Baker Hughes reported today that the number of rigs drilling for natural gas in the United States fell by 15 this week to 685, the lowest level since November of 2002.

The AGA late Thursday welcomed the announcement that ExxonMobil and TransCanada would jointly develop the long awaited Alaskan natural gas pipeline and noted that the news could not come at a

better time as the U.S. tries to move towards a lower carbon footprint.

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	549,500	\$3.543	\$0.037	(\$0.326)	\$0.108	(\$0.607)
Chicago City Gate	565,200	\$3.287	(\$0.013)	(\$0.583)	\$0.048	(\$0.516)
NGPL- TX/OK	594,900	\$3.252	\$0.014	(\$0.618)	\$0.075	(\$0.556)
SoCal	252,500	\$2.639	\$0.031	(\$1.230)	\$0.092	(\$1.191)
PG&E Citygate	703,100	\$2.803	\$0.082	(\$1.066)	\$0.143	(\$1.069)
Dominion-South	279,500	\$3.815	\$0.050	(\$0.054)	\$0.111	(\$0.009)
USTrade Weighted	15,234,000	\$3.222	\$0.047	(\$0.647)	\$0.11	(\$0.607)

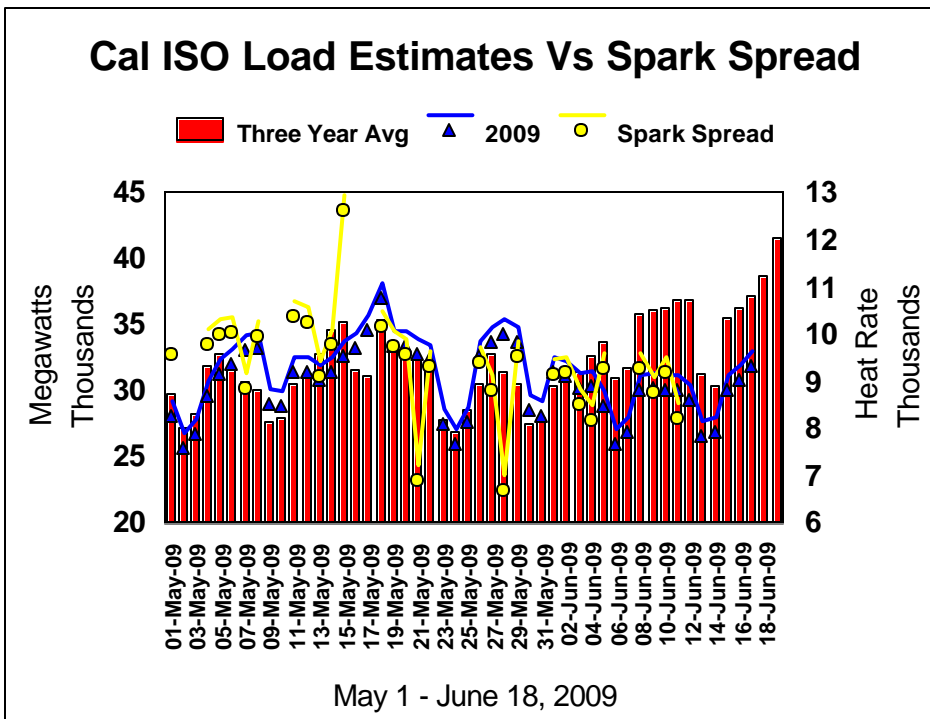
The Senate Energy and Natural resource Committee on Thursday adopted

language that would broaden the authority of the FERC to intervene when it suspects that power and natural gas companies are engaged in market manipulation and allow the agency to freeze company assets to ensure payments of penalties. The amendment to a comprehensive energy bill would give

the FERC cease and desist authority similar to that held by the SEC and the CFTC and would give FERC the power to order a company to halt actions it believes could cause significant harm to consumers. It would also equip the FERC with tools to stop insolvent companies accused of manipulating gas or power markets from selling their assets before the government can impose financial penalties. The legislation would also grant the FERC authority to temporarily suspend or modify wholesale electricity rates, terms or conditions in the case of an emergency that substantially disrupts electricity reliability or results in excessive price fluctuations.



Meryl Burpoe, a senior international affairs official at the U.S. Department of Energy said today that U.S. energy companies are eager to assist Turkmenistan in helping that country not only explore for more gas, but also helping it build pipelines so it can diversify its export sales by selling into the European market rather than relying heavily on the Russians.



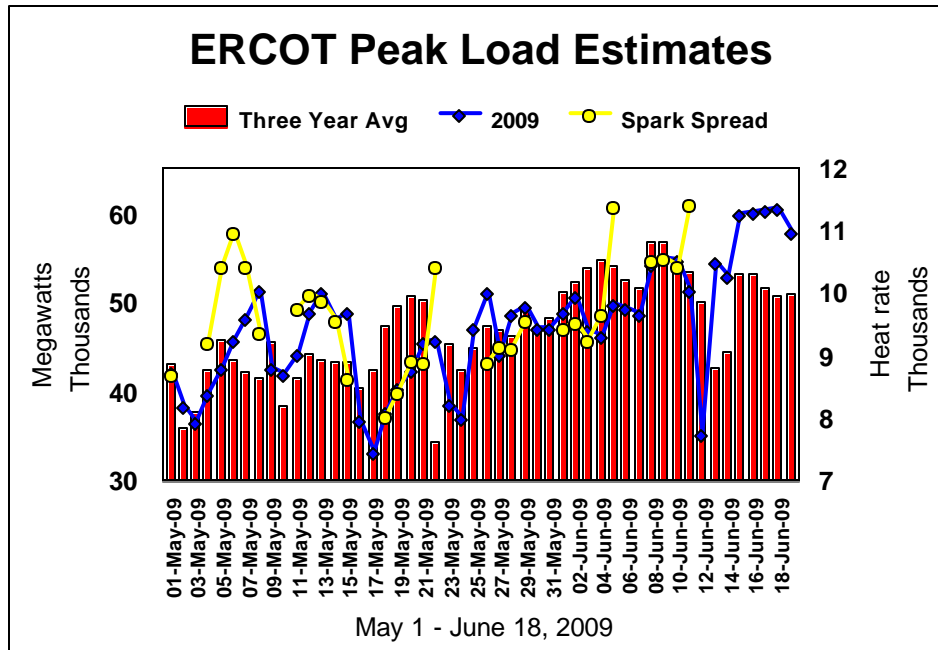
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective June 12th, the company restricted the Leidy Meters. The company said it has restricted through approximately 38% of Supply to Market Secondary Out of the Path nominations pathed for delivery to the Leidy meters. The company also restricted 100% of IS-PA storage injections at Bear Creek Storage and IS-MaA storage injections at Northern Storage.

El Paso Natural Gas said that due to high line pack condition, the probability of

declaring a Strained Operating Condition or Critical Operating Condition has been set to moderate for today.

SONAT said that based on weather and historical data for the upcoming weekend, it anticipates lower demand. Storage requirements are expected to be at maximum storage injection capability beginning June 13th



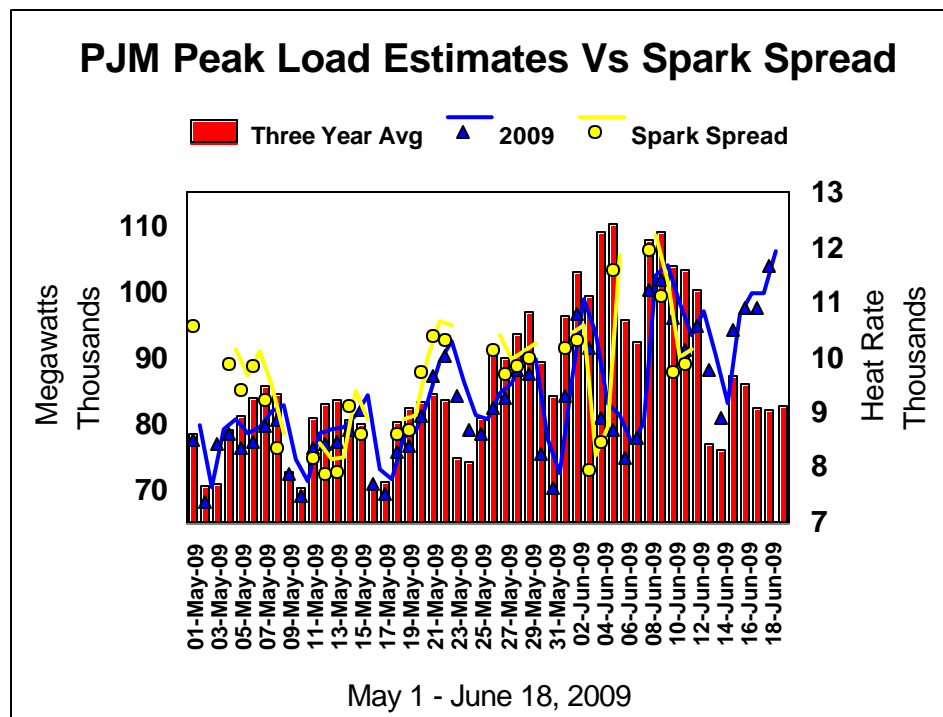
PIPELINE MAINTENANCE

Due to unanticipated problems at its Whitewater Compressor Station, the company has declared a force majeure event. Effective for Friday and continuing until further notice it will continue to schedule down quantities through Segment 220 to 340,000 and Segment 240 to 390,000 Dth/d. AT this level of scheduled quantities, AOR/IT secondary & primary FT quantities are at risk of not being fully scheduled.

ELECTRIC MARKET NEWS

The EIA reported that U.S. coal production for the week ending June 6th totaled 20.359 million short tons, up 7.8% from the prior week but nearly 6% less than the same week a year ago. Year to date production of coal is some 5.7% less than a year ago.

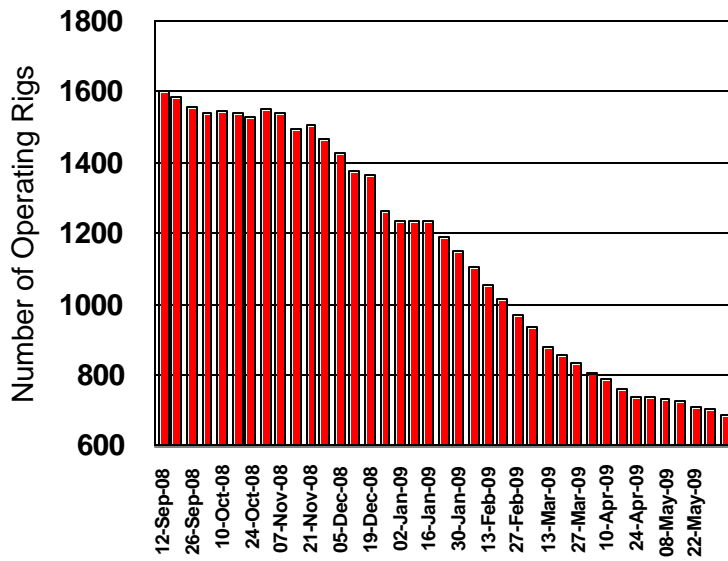
U.S. Energy Secretary Steven Chu announced on Friday plans to restart the FutureGen clean coal power project, which had been suspended during the Bush administration as too expensive. The plant would be the first U.S. commercial scale carbon capture and storage project. The new agreement calls for a restart of preliminary design activities and an updated cost estimate, with a final decision on the project made in 2010 whether to go ahead with the project.



Genscape reported today that U.S. consumption of coal rose 2% from the previous week but was still 18% below the same week a year ago.

U.S. Natural Gas Drilling Rig Activity

Source: Baker Hughes



September 12, 2008 - June 5, 2009

Oncor, Texas' biggest power distributor and transmission company reported this afternoon that it expects to restore service this weekend to its 85,000 remaining customers in the Dallas/Fort Worth area that are without power. Some 500,000 customers lost power over a two-day period earlier this week.

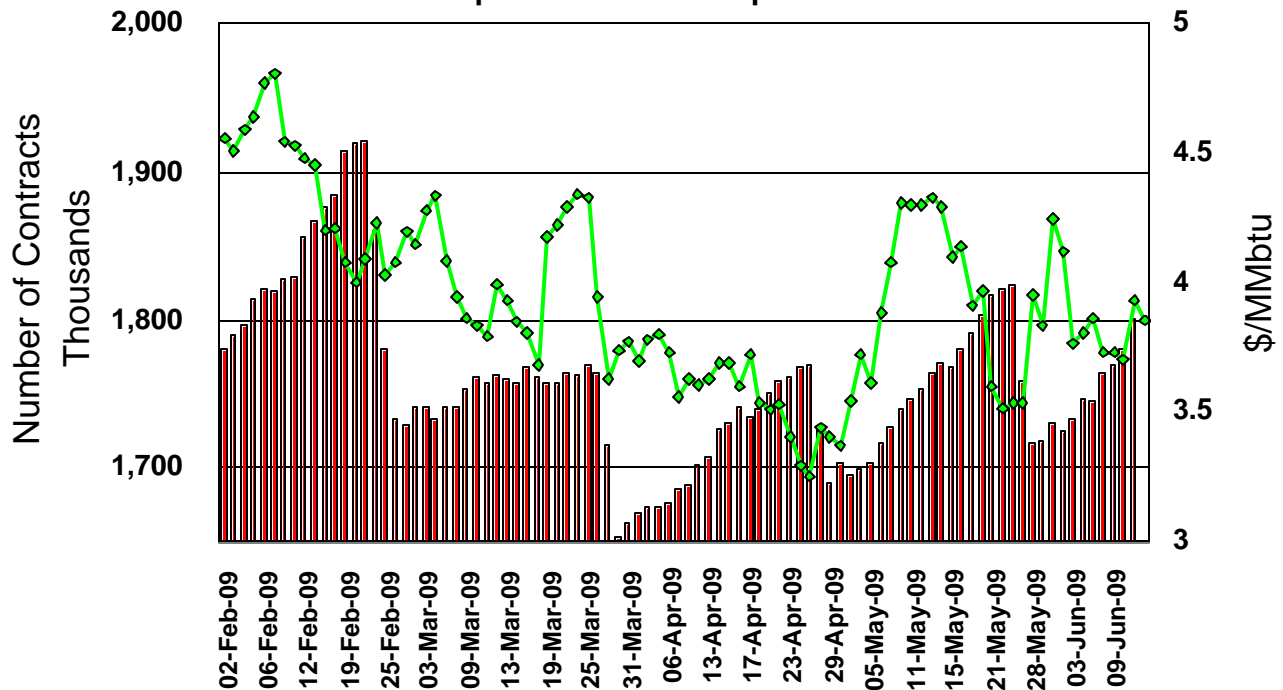
MARKET COMMENTARY

The natural gas market appeared to take a breather today, as it posted a typical inside trading session for a Friday. Volume today was basically the lightest for the week, but still strong basis historical levels. Speculative interest in the market remains brisk judging by the continued growth in the open interest in this market, which basis futures and swaps increased by over 20,232 lots on Thursday, the largest gain in open interest since February 19th. Just this month open

interest in the Henry Hub futures and swaps contracts has grown by nearly 82,000 contracts on a combined and adjusted basis.

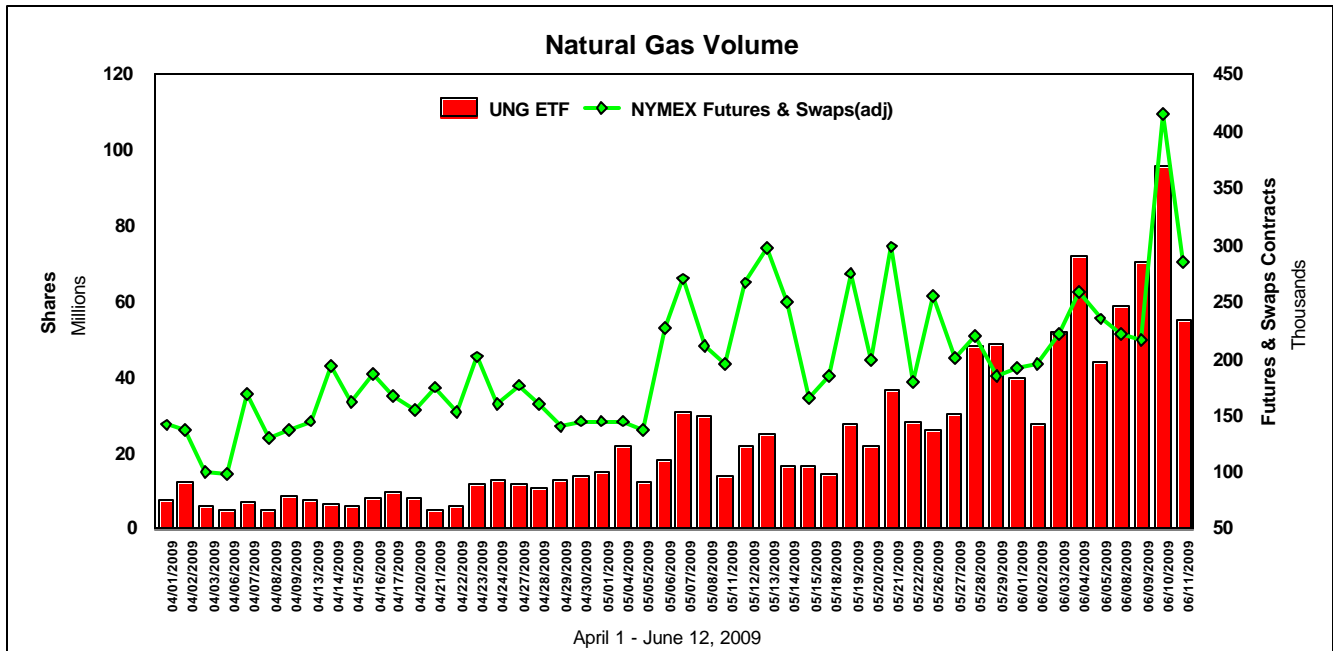
NYMEX Natural Gas Open Interest Henry Hub Futures and Swaps (Adjusted)

Open Interest Spot Futures Settle



It appears that this afternoon's Commitment of Traders Report underlines that the recent speculative buying has been driven by small specs (non-reportable) while being offset by commercial selling for the week ending June 9th.

We continue to remain bearish on this market given the underlying supply/demand balance. One should note that despite all the notoriety by the media over the potential for a rally in natural gas prices given its undervalue to oil prices, this market has failed to settle above \$4.00 since June 2nd. But it appears that this market cannot gain traction to the downside without a short-term downward correction in oil prices. We continue to look for the \$3.60 level as an exit point for our short position. We will look for support on Monday at \$3.741 followed by \$3.66-\$3.65, \$3.582, \$3.50 and \$3.39. Resistance we see at \$3.973, \$4.023, \$4.067-\$4.084, \$4.20 and \$4.284.



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