



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 16, 2009

NATURAL GAS MARKET NEWS

The CFTC has issued a notice of intent and called for comments on a proposed determination that ICE's Henry Hub lookalike contract, the Henry Financial LD1 Fixed Price contract, qualifies as a significant price discovery contract in the natural gas market and therefore should be subject to reporting rules and position limits applicable to designated contract markets such as Henry Hub futures contracts offered by the NYMEX.

The tropical Atlantic basin remains very quiet currently. Shear values remain very high and a ridge of high pressure over the northern Gulf of Mexico as well as in the Caribbean should keep chances for any tropical development near nil this week. Forecasters though said the western Caribbean and southern and western Gulf of Mexico will need to be watched next week and until the end of June for signs of tropical development as heat and moisture are expected to build and push northward. Historical trends appear to point to a relative good probability of a named storm can come out of this area at this time of year.

StatoilHydro said today that it has signed a short term deal with Qatar's RasGas on LNG deliveries to its U.S. Cove Point LNG terminal. The number of RasGas LNG cargoes delivered to Cove Point will depend on the underlying U.S. natural gas price.

The investors in the proposed Tricor Ten Section Hub LLC underground natural gas storage project in California filed an application with the FERC today, seeking a certificate for their

Generator Problems

NPCC – OPG's 535 Mw Lennox oil and gas fired Unit #4 returned to service early Tuesday. The unit had been off line since June 15th.

FRCC – FPL's 839 Mw St Lucie #2 nuclear unit has returned to full power this morning, up 26% from yesterday.

ECAR – The Fermi #2 nuclear unit has returned to full power. The unit, which had been at full power last week, dropped to 10% capacity over the weekend, finished ramping up this morning.

SERC – TVA's 1100 Mw Browns Ferry #2 nuclear unit has been restarted and was preparing to reconnect to the grid. The unit was at 10% power on Tuesday. The unit was forced to shut down on June 11th due to drywell leakage.

The NRC reported this morning that 95,936 nuclear generation capacity was on line, up 2.2% from yesterday and but off 0.78% from the same time a year ago.

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	671,800	\$4.157	\$0.360	\$0.020	\$0.353	(\$0.579)
Chicago City Gate	477,700	\$4.011	\$0.349	(\$0.126)	\$0.359	(\$0.445)
NGPL- TX/OK	576,300	\$3.899	\$0.331	(\$0.238)	\$0.341	(\$0.513)
SoCal	417,400	\$3.346	\$0.338	(\$0.792)	\$0.348	(\$1.120)
PG&E Citygate	791,300	\$3.501	\$0.331	(\$0.636)	\$0.341	(\$0.978)
Dominion-South	236,100	\$4.335	\$0.288	\$0.198	\$0.298	(\$0.011)
UTrade Weighted	17,143,900	\$3.829	\$0.343	(\$0.308)	\$0.35	(\$0.579)

project by February.

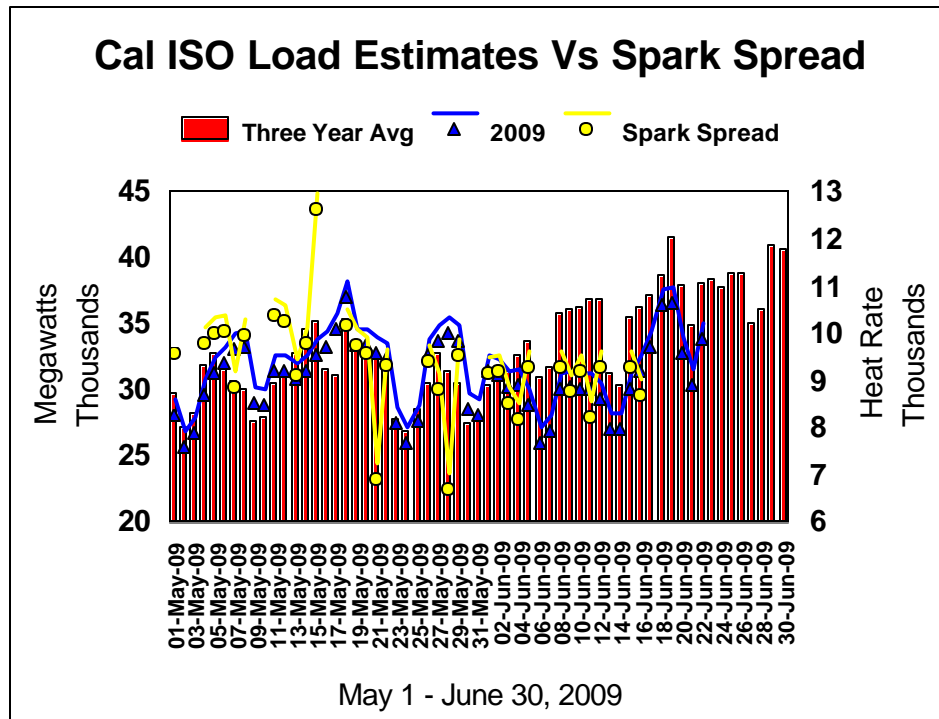
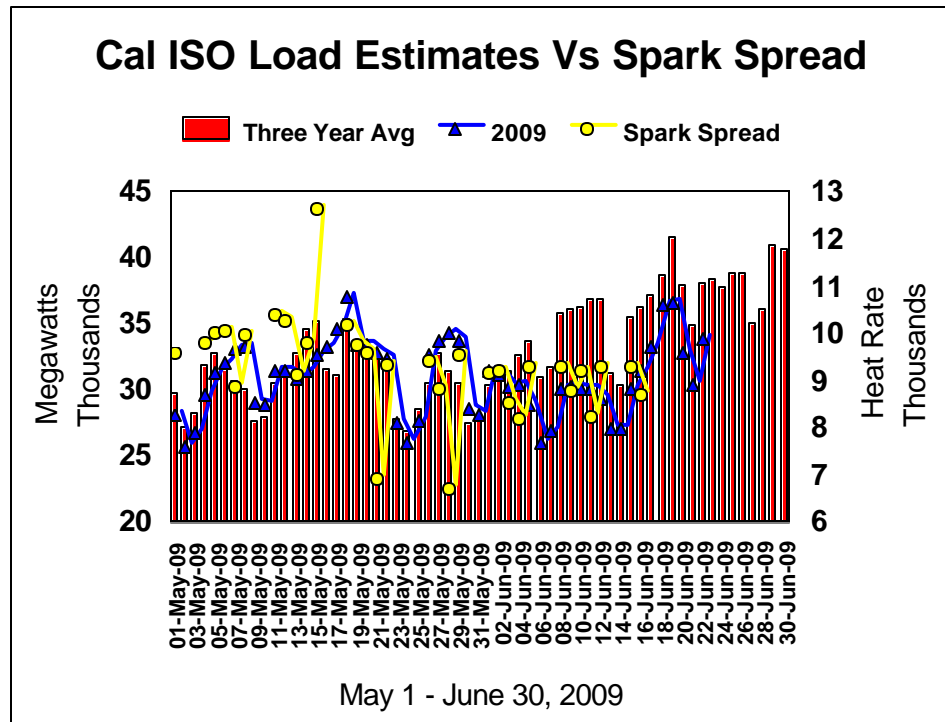
The first cargo of LNG has yet to offload at Sempra's Cameron LNG terminal in Louisiana as final preparations are made for the delivery. The cargo had been scheduled to arrive on June 11th from Trinidad. But according to shipping sources the tanker has been anchored off the coast of Louisiana for a week.

The Grassy Point LNG transshipment and storage LNG facility planned for Grassy Point on Placentia Bay on the southeast coast of Newfoundland, Canada has been placed on hold due to the economic recession.

Continental Resources, a natural gas and oil producer based in Oklahoma said today that it has entered into natural gas fixed price and basis swaps for 600,000 Mmbtus at an average price of \$5.27 for December 2009 and for 600,000 Mmbtu per month at an average price of \$5.68 for Calendar 2010.

The company said that these hedges were put in place to underpin the Company's current and expected level of operation in the Arkoma Woodford play in southeastern Oklahoma. The company reported that its crude oil production remained unhedged.

The Ukrainian Prime Minister said Monday that she will not let Naftogaz default on its natural gas payments. The company must pay for its monthly gas supplies within seven days of the end of each month to avoid crippling sanctions from Gazprom, including a possible shutdown of supply. The Prime Minister also noted that the country needs \$4 billion in credits to buy Russian gas for its underground storage areas and hopes to raise these funds from European banks. Meanwhile the European Union's gas coordination group will meet

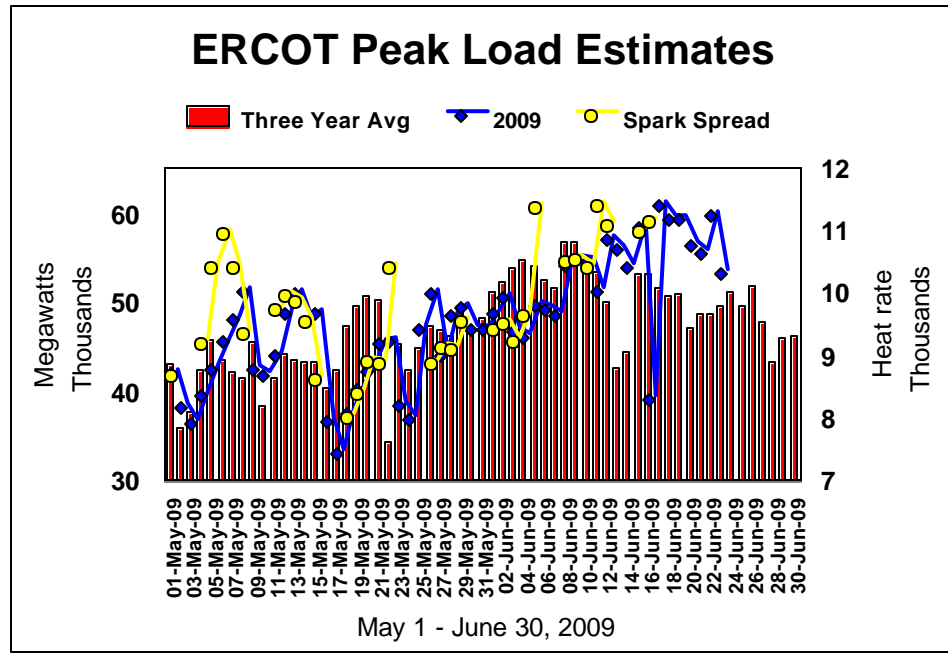


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Thursday to access the predicament facing Europe if the Ukraine defaults on its Russian gas bills prompting a new switch off of the pipelines that supply Europe via the Ukraine. Officials from the Ukraine and Russia are also scheduled to attend the meeting.

Gazprom said it sees gas demand picking up in Western Europe from April after very low sales volume in the first quarter. The company said it expects its output to remain depressed until 2012. He expected the firm to produce 507 billion cubic meters in 2010, 510 bcm in 2011 and 523 bcm in 2012 compared to the 550 bcm produced in 2008. The company said it might postpone the launch of the giant Bovanenkovo field on the Yamal peninsula by one year to 2012 due to low gas demand in Europe.

Kuwait said it plans to import its first LNG cargo by the end of June. The LNG will be used for power generation at a rate of 500MMcf/d. A month ago Kuwaiti officials had said they expected their first LNG terminal would not begin commercial operations until August. The LNG will be coming from Qatar.



Reuters reported today that according to trade sources, China's LNG spot purchases in July, appear will be at least four spot cargoes, double the purchases from June. The last time China bought 4 spot cargoes of LNG was in May 2008.

A LNG tanker from Oman docked as expected today at the Bilbao LNG terminal in Spain, with a cargo from Norway expected to arrive at the Barcelona regasification terminal later this week.

The House Democratic leader Steny Hoyer said today that the House of Representatives would deal with proposals to tighten financial regulation in late July or soon after Congress's August recess. President Obama is expected to unveil his proposals tomorrow.

A construction accident in eastern China killed eight workers as a LNG storage tank under construction collapsed. The tank was at PetroChina's first LNG terminal that is planned to begin operations on April 2011. The terminal has a planned capacity of 6.5 million tones of LNG a year.

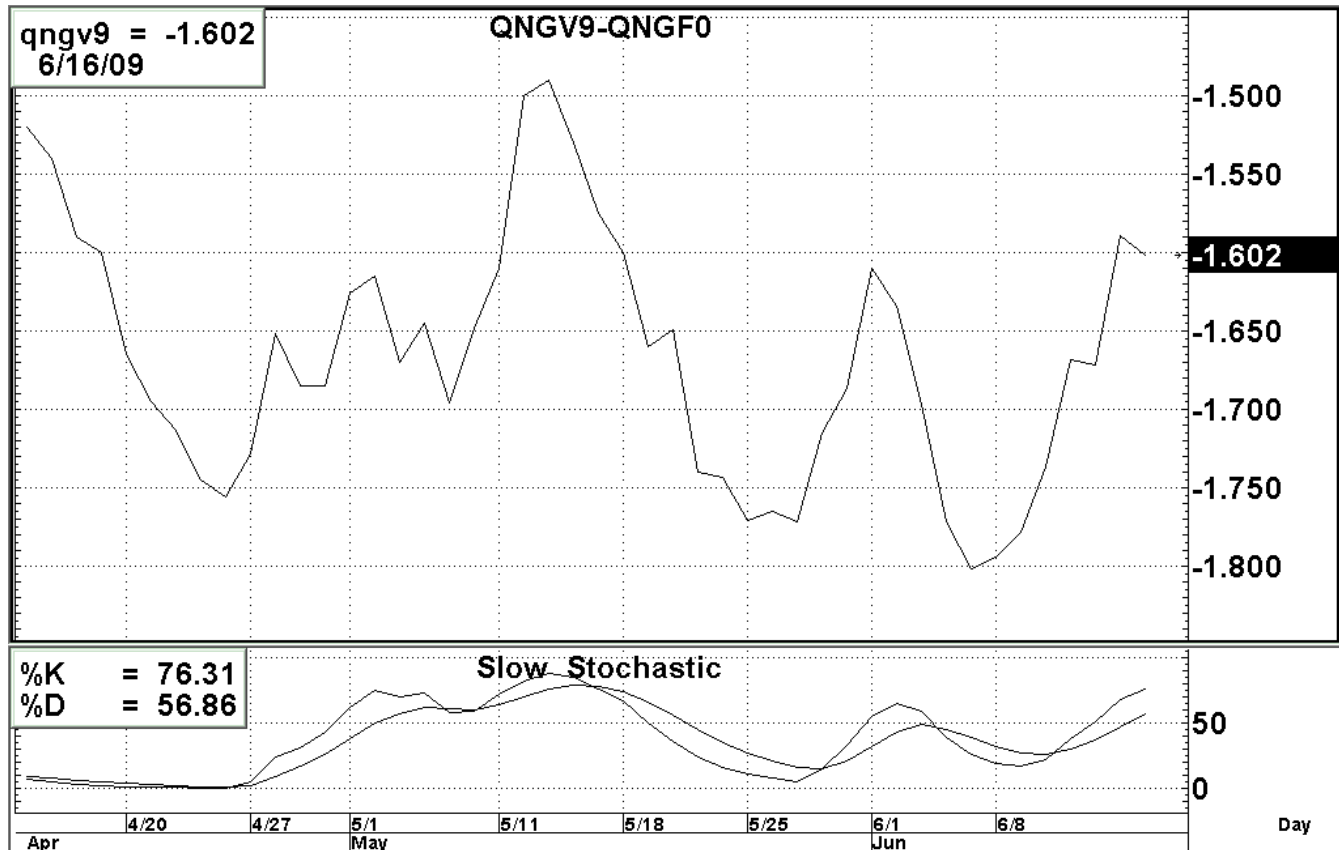
Qatar said it would host a ministerial meeting for gas exporting nations on June 30th. Representatives from Russia, Bolivia, Algeria, Libya, Iran and Venezuela were among the nations expected to attend.

The US Commerce Department said housing starts increased by 17.2% to a seasonally adjusted annual rate of 532,000 units in May from April's revised level of 454,000 units. It said ground breaking for multifamily units increased by 61.7%.

US producer prices increased by less than expected in May despite an increase in gasoline costs. The Labor Department said the seasonally adjusted producer price index increased by 0.2% compared

with a 0.3% rise in April. The PPI is down 5% from one year ago, the largest decline since August 1949. The core PPI, which excludes food and energy, fell 0.1% from April, the first decline since October 2006. Wholesale energy prices increased 2.9% last month while gasoline prices increased by 13.9% from April, the largest monthly increase since January.

A Federal Reserve report showed that US industrial production fell more than expected by 1.1% in May as output fell sharply at factories, utilities and mines. The capacity utilization rate for total industry, a measure of slack in the economy, fell to 68.3%, the lowest level on records dating back to 1967.



PIPELINE RESTRICTIONS

Questar Pipeline said effective for June 16th and until further notice, it will not allow imbalance payback to the pipeline and is requiring shippers and point operators to have production volumes aligned with scheduled nominations. In addition, shippers are urged to nominate imbalance payback from the pipeline to avoid the issuance of a future OFO for payback to maintain pipeline balancing flexibility.

Tennessee Gas Pipeline said effective for today it has restricted Leidy meters through approximately 55% of Supply to market Secondary Out of Path nominations.

PIPELINE MAINTENANCE

Texas Eastern Transmission said today it returned to service several meters after retrieving a pipeline cleaning tool that became stuck over the weekend. The company been forced to shut in several receipt meters early Monday for 24 hours when a tool became stuck between Lufkin and Joaquin.

ANR Pipeline said late Monday that it had begun unplanned maintenance at its Hamilton compressor station along the Michigan Leg North located in Michigan in the Northern Fuel Segment. The maintenance will reduce the total MLN capacity by 325 MMcf/d leaving 1,053 MMcf/d available for the period of June 15th-22nd. The company said that based on current nominations, it is anticipated that the reductions will result in the curtailment of IT and Firm Secondary nominations.

Gulf South said it will be performing system pipeline maintenance on Index 301 on June 20th for eight hours.

Cheyenne Plains Gas Pipeline said one unit at Mocane Compressor Station which has been out of service since May 12th and was due back in service on July 10th, will now not be back in service until July 17th.

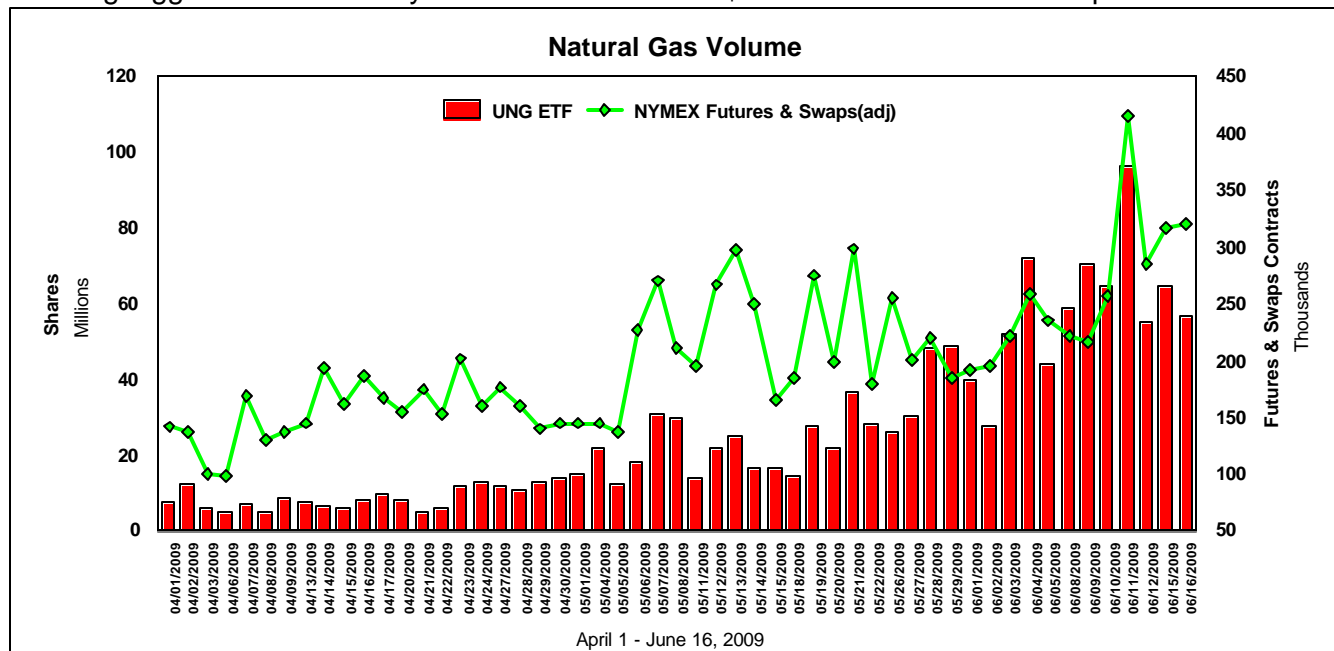
ELECTRIC MARKET NEWS

The National Research Council said in a report released yesterday that the percentage of non-hydro renewable energy capacity in the U.S. could rise from the current 2.5% to 10% by 2020 and 20% or more by 2035, assuming an accelerated deployment schedule, increased transmission capacity and other improvements to the grid. The group calculated that in order to achieve the 20% renewable target by 2035, the U.S. would need to add 9500 Mw of wind capacity annually, up from the 84,000 Mw installed in 2008, and the market would need the addition of 70,000 Mw of solar power and 13,000 Mw of geothermal capacity between now and 2035.

The CEO of PPL Corp said today that the U.S. would not be able to meet national renewable power mandates currently being considered in Congress. He saw a more realistic goal would be the U.S. meeting 20% of renewable power in 20-25 years, a much slower pace than lawmakers have proposed.

MARKET COMMENTARY

Despite the July natural gas contract rising to its highest level since May 15th, on the coat tails of a stronger energy market this morning and follow through buying from yesterday's technical break out of a month long downward channel, the sobering news this morning from the Federal Reserve of yet another contraction in industrial production in the United States appeared to prompt some long liquidation. Prices by the close had retraced over 38% of the gains of the past several days, but still finished the day trading above the \$4.00 level for the second straight session, something we have not seen since the first two days of this month. Volume today while not at record pace was still brisk in both the ETF as well as the Henry Hub futures and swaps. Open interest reported at midday showed a decline for the second straight trading session, with the futures off 8490 lots with the combined and adjusted futures and swaps off 4785 lots. Yesterday's trading activity has to be seen as some short covering triggered once the July contract breached the \$4.023 trend line resistance point.



We continue to look for this market to rediscover its bearish fundamentals and would still look for values as the week progresses to slip back below the \$4.00 and head towards the support from last week at \$3.655-\$3.665. Initial support we see at \$4.021 followed by \$3.975, \$3.935 and \$3.755. We see additional support at \$3.594, \$3.55, \$3.50 and \$3.395. Resistance we see at today's high at \$4.387 followed by \$4.575 and \$4.69.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/16/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	8	9	P	3	0.0547	0.0484	9600	0	0
LN	7	9	P	3.75	0.0823	0.0765	8000	0	0
LN	7	9	P	4	0.1682	0.1558	7901	0.155	0.1075
LN	7	9	P	3.5	0.0336	0.0316	6928	0.035	0.0275
LN	9	9	P	3	0.1115	0.0943	6550	0.1025	0.1025
LN	9	9	P	2.5	0.0427	0.0312	4100	0.035	0.035
LN	10	9	P	3	0.1532	0.1475	3026	0.15	0.15
LN	8	9	P	4	0.3237	0.2996	2861	0.285	0.2825
LN	9	9	P	3.5	0.2314	0.2101	2550	0.24	0.24
LN	8	9	P	3.5	0.1515	0.1381	2250	0	0
LN	9	9	P	4	0.4137	0.3839	2052	0	0
LN	7	9	P	3.95	0.1477	0.1369	2000	0	0
LN	7	9	C	5	0.0251	0.0342	1801	0.0375	0.0325
LN	10	9	P	3.5	0.2786	0.2608	1800	0	0
LN	7	9	C	4.5	0.0985	0.1211	1725	0	0
LN	10	9	P	2.5	0.0812	0.0774	1400	0	0
LN	7	9	P	3	0.0056	0.0041	1325	0.006	0.006
ON	10	9	C	5	0.661	0.705	1216	0.731	0.731
LN	8	9	C	4.4	0.436	0.4699	1210	0	0
ON	10	9	P	5	0.99	0.937	1159	0	0
LN	7	9	P	3.9	0.1289	0.1195	1110	0	0
LN	5	10	P	6	0.8601	0.8307	1075	0	0
LN	11	9	C	7	0.3329	0.3586	1025	0	0
LN	11	9	P	3	0.0737	0.0666	1000	0	0
LN	10	9	C	6	0.3754	0.406	1000	0	0
LN	4	10	C	6	0.9303	0.9883	1000	0	0
LN	4	10	P	5.75	0.7246	0.6982	1000	0	0

This summer season, the June-August period is off to one of its coldest starts in the past 15 years for the area from Chicago to New York. This coupled with industrial demand that appears will remain extremely depressed led by a dormant car industry this summer, should result in inventories continuing to build at a faster than normal rate. This we feel will result in the October - January natural gas spread widening back out again possibly to seeing October back to a discount of \$1.75.

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