

The Windham Group

ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 18, 2009

NATURAL GAS MARKET NEWS

While the tropical Atlantic basin remains relatively quiet this week, computer models are beginning to point to an upswing in activity possibly next week. The GFS model is looking for an area of low pressure to form east of the New Jersey coastline and southeast Cape Cod that could transition into a subtropical or possibly a tropical system by the middle of next week. But in more interest to the energy markets is that the GFS and European models are pointing to an area of low pressure could form in the northeast Gulf of Mexico later next week and could become stationary. In addition long range forecast models are calling for the Bermuda high-pressure system to begin to finally strengthen around the first of July, which should weaken the wind shear in the basin and allow for more favorable development. This would come at a time when there is expected to be an upper level of weakness over the western Gulf of Mexico and into the western Caribbean that will have to be watched closely for tropical development.

Generator Problems
WSCC – PG&E Corp's 404 Mw Helms hydropower station unit 2 returned to service by Wednesday afternoon. The unit was shut on June 16th for unplanned reasons.

The NRC reported this morning that 94,948 nuclear generation capacity was on line, up 0.05% from yesterday and off 1.9% from the same time a year ago.

EIA Weekly Report

	06/12/2009	06/05/2009	Chg	Year Ag *	21
Producing Region	985	957	28	666	
Consuming East	1164	1091	73	992	
Consuming West	408	395	13	277	
Total US	2557	2443	114	1935	

*storage figures in Bcf

in 2008 to 15 billion barrels from 16.1 billion barrels in 2007. The change reflects revisions cutting 1.2 billion barrels of oil reserves off the books because they were uneconomical to produce at \$40/barrel. The companies' natural gas reserves grew but at a slower pace than in 2007, when they increased 12%. In 2008, gas reserves increased by 4% to 145.2 trillion cubic feet from 139.9 tcf in 2007. End of 2008 revisions cut 6.7 tcf of gas reserves off the books after prices fell to less than \$6/mmbtu from more than \$13/mmbtu.

Reuters reported today that gas storage levels for the week ending June 15th showed that stocks in Britain and Germany were up 3.4% on the week to 75.9 47.9% full respectively.

Australian oil and gas firm Santos Ltd said it is in talks with other parties on selling further LNG from its planned Gladstone project in Australia. The company said it might also sell a stake in the project. The company announced it has reached agreement with Malaysia's Petronas to sell 2 million tones of LNG a year for

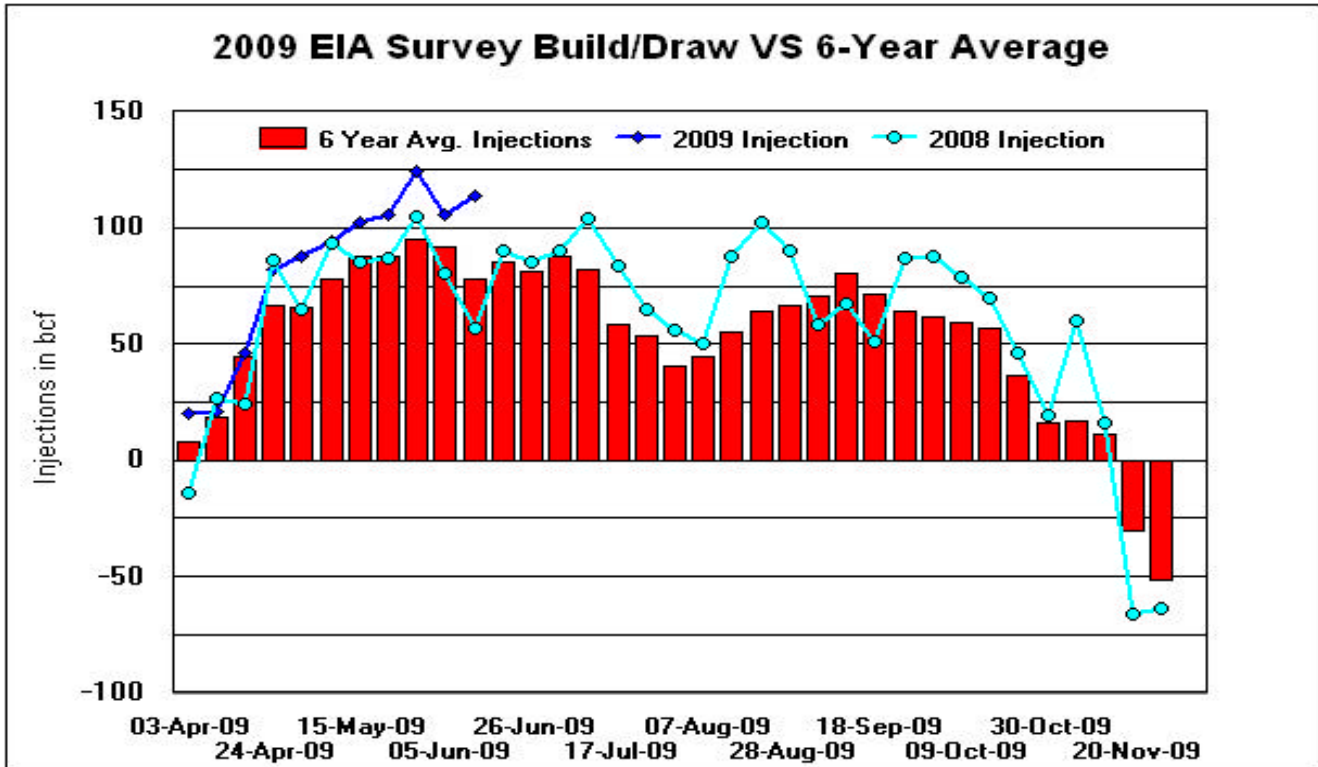
Canadian Gas Association

Weekly Storage Report

	12-Jun-09	05-Jun-09	06-Jun-08
East	151.8	140.4	102.5
West	258.1	246.2	205.3
Total	409.9	386.6	307.8

storage figures are in Bcf

twenty years.



Naftogaz, Ukraine's state energy firm has suggested that European gas companies buy gas from Russia and store it in the Ukraine. The company's acting head said a second option being examined is the Ukraine securing credits to purchase gas to be placed in its storage areas. This could be decided upon within a week or two. The estimated amount of credits needed to make the necessary purchases is about \$4 billion. In a statement, Naftogaz put the required sum at \$4.2 billion but said large-scale borrowing could be avoided if European companies agreed to buy more gas than currently needed and store it in Ukraine. Separately, the European Commission said that Naftogaz should seal an agreement with Russia that would ensure uninterrupted gas flows to Europe. The Ukraine carries about 80 percent of exports to Europe by Russian gas monopoly, Gazprom. According to Ukraine's energy ministry, Russian gas exports to Europe via the territory of Ukraine fell by 45.5 percent in January-May 2009, year on year.

According to a report issued by the Potential Gas Committee, US natural gas available for production increased 58% in the past four years, driven by improved drilling techniques and the discovery of huge shale fields in Texas, Louisiana, Arkansas and Pennsylvania.

The FERC issued a certificate to Atmos Pipeline and Storage LLC to build a 25 bcf storage project near Fort Necessity in Franklin Parish in Louisiana.

The FERC approved UGI LNG's application to build and operate an additional liquefied natural gas storage tank at its Temple LNG facility in Berks County in Pennsylvania.

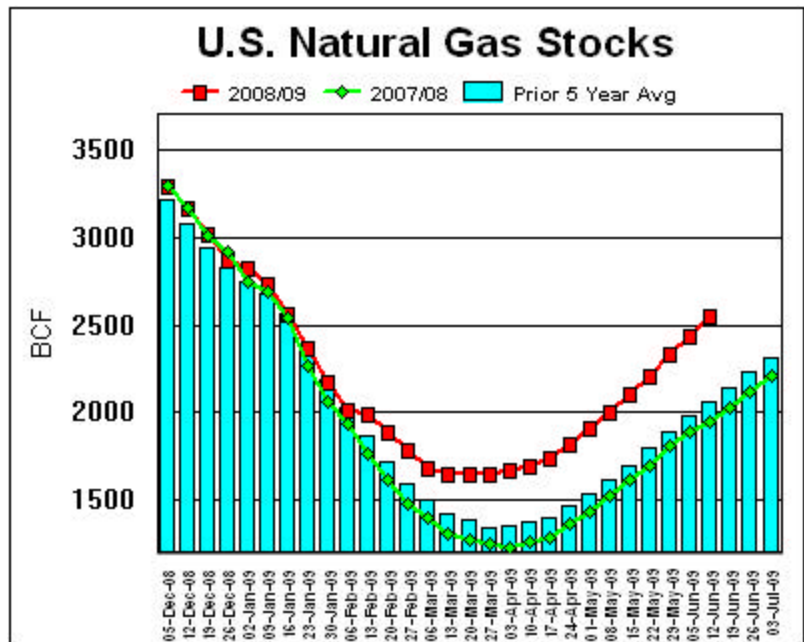
The FERC approved the Oasis natural gas pipeline extension into Mexico. The Client Export Project design includes a pipeline capable of sending up to 600,000 mmbtu/d from the Waha Hub in Pecos County through border facilities located in El Paso County, Texas. Oasis will deliver gas to Tarahumara Pipeline in Mexico.

Germany's VNG said LNG does not present a viable solution to Europe's falling domestic gas production while pipeline gas is a more attractive option in northwest Europe. It said falling domestic gas production and rising gas consumption in Europe should continue to be met with Russian gas imports.

PIPELINE RESTRICTIONS

Questar said that due to the current distribution of receipt and delivery nominations on its Southern System and ML 104 being out of service, it will reduce the ML 80 scheduling point capacity to 210 mdth/d effective for June 18th in order to maintain safe operational parameters.

Cheyenne Plains Gas Pipeline said it would be placing an underperformance cap warning at both Ford and Forgan for June 18th. The company also said it was extending the underperformance cap warning to Dullknife, saddle Draw and East Reock Springs.



FGT said that due to high temperatures in its service territory it was again issuing an Overage Alert at 25% tolerance for June 18th. FGT will not interrupt previously scheduled market Area ITS-1 service below the elapsed prorated scheduled quantity.

PIPELINE MAINTENANCE

Alliance Pipeline said the Nicor metering facility would be off line for three hours on June 18th to perform maintenance checks. System throughput will not be impacted and commercial deliveries should not be impacted.

ELECTRIC MARKET NEWS

Duke Energy Corp and France's Areva SA announced plans for a new nuclear power plant in Ohio. Duke will join Unistar Nuclear Energy on the project. The 1,650 Mw plant will use Areva's US EPR reactor design, which is awaiting certification from the US NRC. The companies are evaluating a former government uranium enrichment site in Piketon, Ohio for the plant, preparing a site study and federal licensing documents.

According to the Annual Markets Report by the internal market monitoring unit of ISO New England, higher electricity prices in New England in 2008 were the result of volatile fuel prices that increased to the highest level since wholesale power markets were launched in 1999. The report said energy consumption fell 2% in 2008 as a result of declining economic activity, more efficient use of electricity and higher prices. Gas-fired and gas-and oil-fired plants generated 41% of the region's electricity compared with 20% nationally. The average wholesale electricity price in 2008 was about \$41/Mwh, down 8% on the year.

MARKET COMMENTARY

The natural gas market traded higher early in the session in follow through strength from yesterday's bounce and firmer cash prices. The market posted a high of \$4.328 ahead of the release of the EIA natural gas inventory report. The market sold off sharply to below the \$4.10 level in light of the bearish EIA inventory report, which showed a build of 114 bcf on the week, compared with market expectations of a 106 bcf build. The market posted a low of \$4.065 in afternoon trading and remained

rangebound during the remainder of the session before it settled down 16 cents at \$4.093. The market posted a low of \$4.061 in late afternoon trading on Globex.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/18/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	8	9	P	3	0.0484	0.0436	6550	0	0
LN	8	9	P	3.5	0.1419	0.1276	5700	0	0
LN	7	9	P	4	0.1468	0.1146	2880	0	0
LN	7	9	P	3.5	0.0208	0.0178	2635	0	0
LN	7	9	C	5	0.0098	0.0324	2615	0.03	0.0125
LN	7	9	C	4.5	0.0597	0.1266	2501	0.115	0.0625
LN	7	9	P	3.75	0.0627	0.0502	1975	0	0
LN	9	9	C	5	0.3867	0.4655	1630	0	0
LN	9	9	P	5	0.9722	0.9151	1400	0	0
LN	9	9	P	15	10.5772		1400	0	0
LN	9	9	C	15	0.0003	0.0006	1400	0	0
LN	12	9	P	4	0.1167	0.1204	1160	0.125	0.125
LN	9	9	P	3.5	0.2183	0.2083	1100	0.225	0.225
LN	7	9	C	4.75	0.0254	0.0663	1025	0.0575	0.0575
LN	8	9	P	4	0.3139	0.2822	925	0.32	0.3
LN	12	9	P	4.5	0.2212	0.2241	900	0	0
LN	2	10	P	6	0.7301	0.7297	850	0	0
LN	9	9	P	3.75	0.3002	0.2843	825	0	0
LN	7	9	C	5.25	0.0035	0.0148	800	0.006	0.006
LN	9	9	P	2.5	0.0371	0.0368	800	0	0
LN	11	9	P	3.5	0.1373	0.1413	750	0	0
LN	9	9	P	3	0.1018	0.0985	750	0	0
ON	8	9	P	3.5	0.142	0.128	739	0.15	0.125
LN	8	9	C	4.3	0.4372	0.5381	725	0	0
LN	8	9	P	4.3	0.4592	0.4141	725	0	0

We are still of the opinion that the market will trend lower given lack of supportive fundamentals. The market is seen finding support at \$3.996, \$3.968, \$3.899, \$3.87, \$3.773 followed by the \$3.665-\$3.656.

Resistance is seen at \$4.14, \$4.164, \$4.259, \$4.328, \$4.387 followed by \$4.425 and \$4.522.

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