



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 22, 2009

NATURAL GAS MARKET NEWS

While the first tropical storm of the season formed today off the western coast of Mexico, the tropical Atlantic basin remains quiet, especially given the high wind shear values of up to 50 knots blowing across the central and eastern Caribbean and this was expected to last through the first half week. But this morning the NOGAPS model is calling for some sort of tropical system to pull northward out of the Caribbean into the Gulf of Mexico in 4-5 days while the GFS model is calling for a low pressure system to move northward from the Caribbean by Saturday. But forecasters seem to be assigning a relatively low probability that a weather threat to the Gulf will become a reality.

Williams today announced it had reached another joint venture deal in the Marcellus Shale region by agreeing to jointly develop a natural gas leasehold with Rex Energy Corp.

Sempra Energy's Cameron LNG import terminal received its inaugural LNG cargo on Sunday, the first of two test cargoes expected this month. The second cargo appears will arrive by June 27th from Trinidad. Sempra officials said that they expect that only two cargoes would be needed for testing before commercial operations can begin. The terminal has a capacity to import 1.5 bcf/d with the potential to be expanded at a later date to 2.65 bcf/d.

The Freeport LNG terminal is expected to receive its first cargo in over a year on June 24th, according to shipping data, Reuters reported today. It appears the 138,000 cubic meter British Trader carrying a cargo from Trinidad is expected to dock at the facility on Wednesday.

ExxonMobil announced that it has installed new field processing capacity at its Piceance natural gas project on the western slope of the Rocky Mountains in Rio Blanco County, Colorado. The company said the new facilities have a capacity to handle up to 200 Mmcf/d of natural gas.

Generator Problems

NPCC – OPG reported that two units, Unit 1 and 5 at the Nanticoke coal fired power plant were taken off line while Unit #7 returned to service.

Bruce Power's 795 Mw Unit #8 at the Bruce nuclear power station returned to service June 20th following completion of planned maintenance that began back on April 19th.

OPG's 494 Mw Lambton #3 coal fired power plant was shut for short-term work today.

MISO – FirstEnergy's 1231 Mw Perry nuclear unit was shut down on Sunday after high reactor pressure prompted an automatic reactor scram .

WSCC – The 1150 Mw Columbia Generating Station has completed its scheduled refueling and maintenance and was beginning to warm up. The unit was at 1% power this morning. The unit had been off line since May 9th.

SERC – TVA's 1100 Browns Ferry #2 nuclear unit has returned to being on line at 22% capacity this morning. The unit had been off line since June 11th due to an investigation into a drywall leakage.

Southern Nuclear's 883 Hatch #2 nuclear unit tripped off line on Sunday after a main turbine trip caused the unit to be taken off line.

The NRC reported this morning that 93,377 nuclear generation capacity was on line, down 0.8% from yesterday and off 4.7% from the same time a year ago.

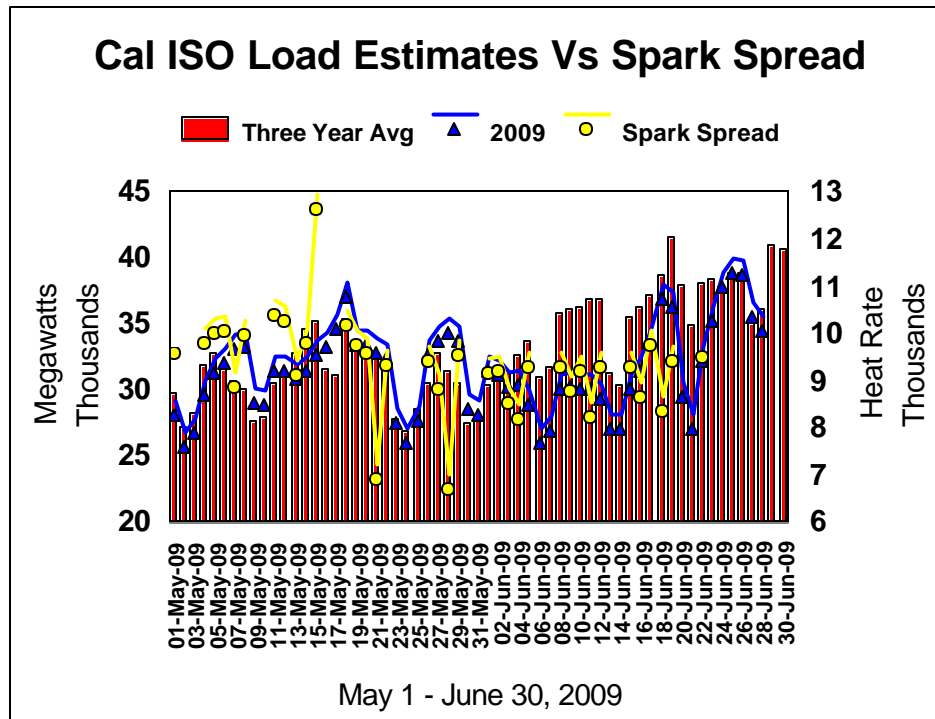
The Minister of Industry, Tourism and Investment for the Canadian Northwest Territories said today that the province is hoping to receive C\$20-C\$24 billion in loan guarantees for the Mackenzie Valley Pipeline to offset a proposed increase in U.S. government support for the rival Alaskan natural gas pipeline. The minister said that without additional Canadian government backing, the possible increase in U.S. loan guarantees would spur the development of the Alaskan line and thus flood the market with Alaskan gas and dramatically discourage the development of the Mackenzie gas for a long time, if at all.

Kinder Morgan Energy Partners reported that the 133-mile Louisiana Pipeline went into service on Sunday; two days after the company received the approval for operation by the FERC.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	537,500	\$4.012	(\$0.027)	\$0.105	\$0.154	(\$0.311)
Chicago City Gate	535,600	\$3.827	\$0.112	(\$0.080)	\$0.262	(\$0.202)
NGPL- TXOK	668,700	\$3.691	(\$0.020)	(\$0.216)	\$0.131	(\$0.297)
SoCal	310,800	\$3.257	\$0.114	(\$0.650)	\$0.264	(\$0.795)
PG&E Citygate	616,100	\$3.354	\$0.040	(\$0.553)	\$0.190	(\$0.624)
Dominion-South	209,600	\$4.247	(\$0.025)	\$0.340	\$0.125	\$0.188
UTrade Weighted	15,527,100	\$3.726	\$0.004	(\$0.181)	\$0.15	(\$0.311)

Gazprom said it is very concerned about the low storage levels in the Ukraine and the country's ability to pay its gas bills, but said it was too early to discuss about cutting supplies this July.

South Korea, the world's second largest net importer of LNG, reported that it imported 1.26 million tonnes of LNG in May, down 40% from a year ago, due to high inventory levels and low demand from local utilities.



China reported that its LNG imports in May totaled 511,017 tonnes up 6.75% from a year ago and year to day imports are 34.73% higher.

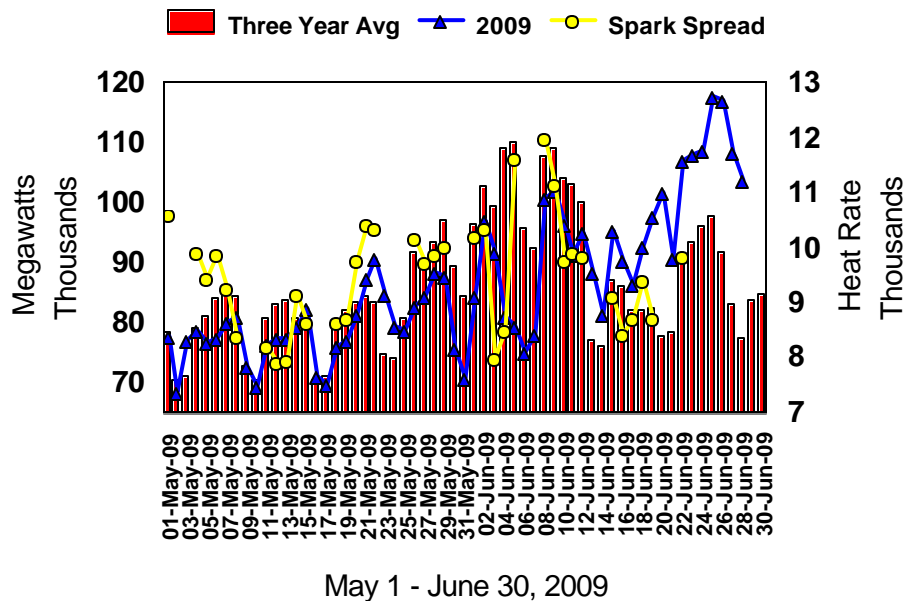
Israel launched a tender on Monday for the construction of an offshore LNG receiving terminal with a daily processing capacity of no less than 16 million cubic meters

Kuwait Petroleum Corp confirmed today it has signed a deal with Royal Dutch Shell to import LNG needed for power generation. Kuwait though did not give details on how

much gas it would import, but confirmed the first cargo was expected by the first of August.

BP's LNG tanker, The British Innovator, arrived as expected at the Isle of Grain terminal on Saturday.

PJM Peak Load Estimates Vs Spark Spread

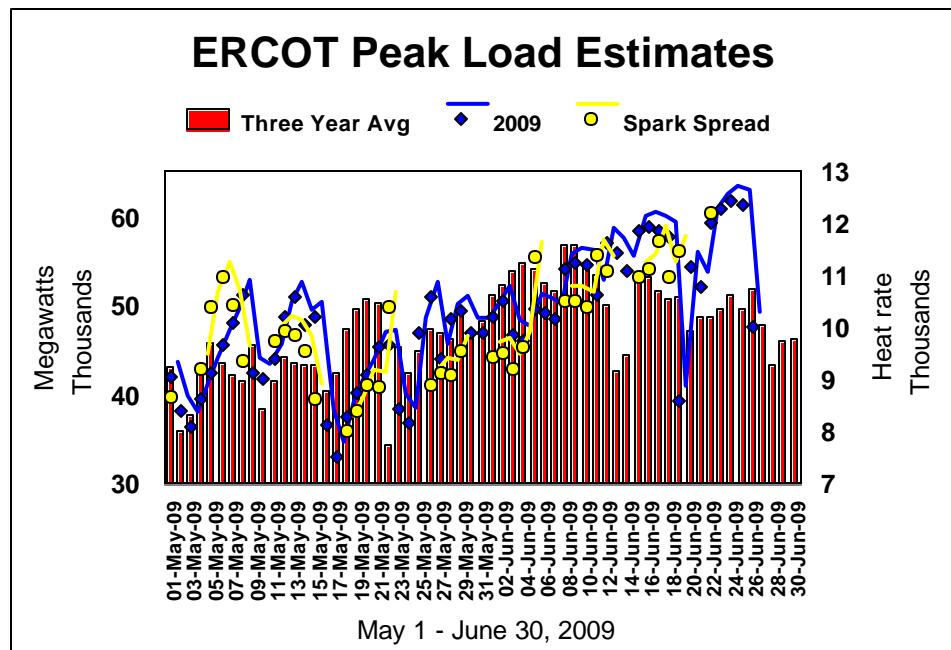


Platts reported that global LNG shipping day rates climbed last week as trading companies lined up ships for floating storage use, resulting in fewer ships being available for longer term charters than earlier in the year. It appears six deals have been reportedly done in the past two weeks. A Japanese trading company has picked up two ships to use for floating storage, planning to load Malaysian cargoes next month. The cargoes do not have a destination yet, but eventually may be delivered to the Atlantic Basin.

The Chairman of the CFTC said before Congress today that a key way to reduce economic risk from OTC derivatives would be to require deals to go through clearinghouses. He also called on Congress for a federal law to require “the registration and regulation of all derivative dealers”. He said that the systemic risk regulator called for by the Obama administration would ensure “consistent and robust standards for all systemically important clearing, settlement and payment systems” but the CFTC would remain the primary futures regulator.

A senior Federal Reserve official said today that centralized clearing of OTC derivatives would help reduce the risk that these instruments pose to the wider financial system. The Associate Director of Research and Statistics said that OTC derivatives had amplified shocks during financial crisis, which resulted in the failure of Lehman Brothers.

The CEO of the Chicago Mercantile Exchange told Reuters that his exchange is in talks with both



domestic and foreign regulators about their concerns about volatility and that speculators drove up energy prices. He noted that evidence that speculation was impacting prices was “very weak”. He noted that the exchange has a concern “that if you start to put more onerous regulation on an already well-regulated market the market will continue to move offshore to less regulated markets beyond the

reach of government.” He noted that while Congress could further regulate this market, money will still find a way to get exposure in commodities.

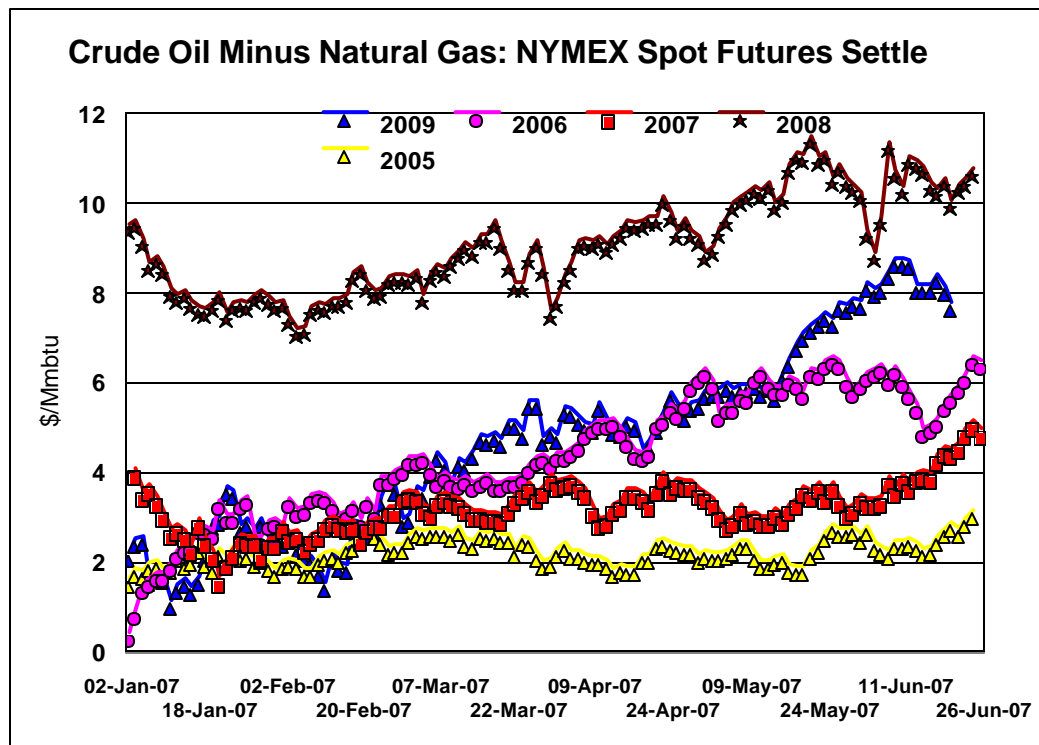
The World Bank said prospects for the world economy remained uncertain as it cut 2009 growth forecasts for most economies, adding to concerns of a slower turnaround.

PIPELINE RESTRICTIONS

PG&E California Gas transmission said it has issued a system-wide OFO for today due to high inventory.

PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing system compressor maintenance on the Destin Compressor Station unit beginning July 6th. The work is expected to last through July 10th. Capacity to Destin Pipeline during the work will be reduced to zero unless operational conditions exist to allow free flow to Destin pipeline.



Trailblazer Pipeline said it will be performing an ESD test on all units at Station 602, located in Lincoln County, Nebraska on July 7th. The company does not expect the work will impact shippers.

Gulf South said it will be performing pigging maintenance on Index 430 (Longview-Waskom) beginning June 25th for 8-10 hours; numerous locations will be

shut in through the section.

NGPL said it will be performing preventive maintenance at Station 156 (located in Kiowa county, Oklahoma) on June 25-26th. Enogex/NGPL Tap Washita will be required to be shut-in for the duration of the maintenance.

ELECTRIC MARKET NEWS

Genscape reported today that it estimates U.S. power output in the week ended June 18th rose 4.14% from the prior week but was 9.3% below the same week a year ago.

The Congressional Budget Office said today that the climate legislation pending in Congress would cost U.S. households only about \$175 annually in higher energy and consumer prices, far less than the \$3100 “burden” opponenets of the legislation have claimed.

Progress Energy's CEO said today that it is unlikely that any southeastern U.S. state will be able to meet a goal of using renewable energy to supply 20% of its power supply by 2020. He noted the region relies heavily on coal-fired power plants, which account for 36% of generation versus 26% nationally, and thus the region is "carbon-intensive."

MARKET COMMENTARY

The natural gas futures market started the day on the defensive. But as oil prices began to plunge this morning driven by a stronger dollar and nervousness over the health of the global economy given the World Bank's forecast. The bearish plunge in crude oil prices, the largest since April 20th did spill over into the natural gas market. Natural gas prices broke below the \$4.00 price level for the first time since June 15th despite spot cash prices holding relatively unchanged especially given expected improvements in power generation needs in the coming days as warmer temperatures spread into the Midwest and eventually into the eastern U.S. Volume today in the natural gas market remained relatively light for the second straight session as speculative buyers appeared to remain absent from the market as judging by the activity in the natural gas ETF, UNG, which today traded below 40 million shares for the second session in a row. Open interest reported at midday by the NYMEX showed that open interest in the Henry Hub futures and swaps on a combined and adjusted basis fell on Friday by nearly 4300 lots, the first decline in four trading sessions.

We continue to look for this market to work lower this week in front of the expectation for yet another large storage report. We continue to target the \$3.60-\$3.65 area as our exit point to take profits on short positions. We see initial support tomorrow at \$3.86 followed by \$3.844, \$3.827, \$3.72, with major support at \$3.665-\$3.655, \$3.55 and \$3.50. More distant support we see at \$3.395. Resistance we see at \$4.061, \$4.124, \$4.186, \$4.211-\$4.237 and \$4.387.

While flat prices were down on the day, the Oct-Jan spread actually settled better by just over a penny. We continue to look for this spread to come under pressure as storage reports in coming weeks should pressure this spread to see October's discount move back towards a \$1.75 Mmbtu.

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