



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 24, 2009

NATURAL GAS MARKET NEWS

The U.S. Commerce Department reported this morning that new orders for durable goods in May rose by a much stronger than expected 1.8%. The Commerce Department also revised April's numbers higher by 0.1% to show a 1.8% increase in that month as well.

The Federal Reserve Bank announced this afternoon that it was holding monetary policy steady and said it sees the U.S economic recession as easing and as a result its concerns of deflation were lessening. The governors said that rates would likely remain unusually low for some time

Barclays Capital in a research note to clients this week warned that if last week's upturn in the Baker Hughes natural gas rig count is the start of a drilling recovery, they would have to revise downward their price outlook for natural gas in 2010, but they are still waiting to see if this in fact is reconfirmed in coming weeks and not just a one week aberration. The bank had been looking for drilling not to begin to rebound until 2010 when prices would have motivated producers to put more rigs back into service.

Pan EurAsian LNG analysts in a research note to clients this week, said "The likelihood of any big surge of LNG into the U.S. this summer seems to diminish by the day." They noted that higher prices in the UK coupled with production problems in Nigeria and Algeria are helping to keep imports down as well as improving demand coming from Asia.

Anadarko Petroleum reported this morning it has expanded its commodity derivative hedging program. The company entered into additional fixed price natural gas swaps for June, July and August 2009 and also increased its 2010 derivative positions for both crude oil and natural gas through costless, three way collars. It noted that for 2009 it has 530,000 (mmbtu/d) of production hedged through three way collars, with a \$5.45 floor sold, \$7.50 floor purchased and a \$11.25 ceiling sold. For 2010 it has

Generator Problems

NPCC – Entergy's 1025 Mw Indian Point #3 nuclear unit returned to full power Wednesday, up 42% from Tuesday. The unit had been running at less than 60% since early June.

Entergy's 620 Mw Vermont Yankee nuclear power station dropped to 41% capacity by early Wednesday down 54% from Tuesday. Operators cut rates in order to locate and fix a leak of river water into the plant's condenser.

OPG's 494 Mw Units #1 and #3 at the Lambton coal fired power station returned to service early Wednesday. The units had gone off line early this week.

WSCC – Intermountain Power Agency shut the 900 Mw coal fired Unit #2 at the Intermountain power station on Tuesday afternoon for unplanned reasons.

The 1150 Mw Columbia Generating nuclear unit was at 14% power this morning, up from 1% level recorded on Tuesday.

SERC – Southern's 883 Mw Hatch #2 nuclear unit ramped up to 1% early Wednesday. The reactor was shut on June 23rd after a turbine tripped.

TVA's 1100 Mw Browns Ferry #2 nuclear unit was at 42% power this morning up 10% from yesterday.

The NRC reported this morning that 93,434 nuclear generation capacity was on line, basically unchanged from yesterday and off 4.7% from the same time a year ago.

1,630,000 (Mmbtu/d) with a \$4.22 floor sold, \$5.59 floor purchased and a \$8.23 ceiling sold. Fixed price hedges for June, July and August 2009 total 1,150,000 (Mmbtu/d) at \$4.18 with 90,000 (Mmbtu/d) hedged each for 2009 and 2010 at \$6.10 and \$6.17 respectively.

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	493,800	\$3.796	(\$0.119)	\$0.061	\$0.046	(\$0.213)
Chicago City Gate	525,100	\$3.621	(\$0.103)	(\$0.114)	\$0.015	(\$0.161)
NGPL- TX/OK	650,300	\$3.550	(\$0.079)	(\$0.185)	\$0.039	(\$0.244)
SoCal	348,600	\$3.176	(\$0.009)	(\$0.560)	\$0.109	(\$0.701)
PG&E Citygate	387,900	\$3.227	(\$0.069)	(\$0.508)	\$0.050	(\$0.575)
Dominion-South	191,100	\$4.049	(\$0.139)	\$0.314	(\$0.021)	\$0.283
USTrade Weighted	16,539,400	\$3.602	(\$0.072)	(\$0.133)	\$0.05	(\$0.213)

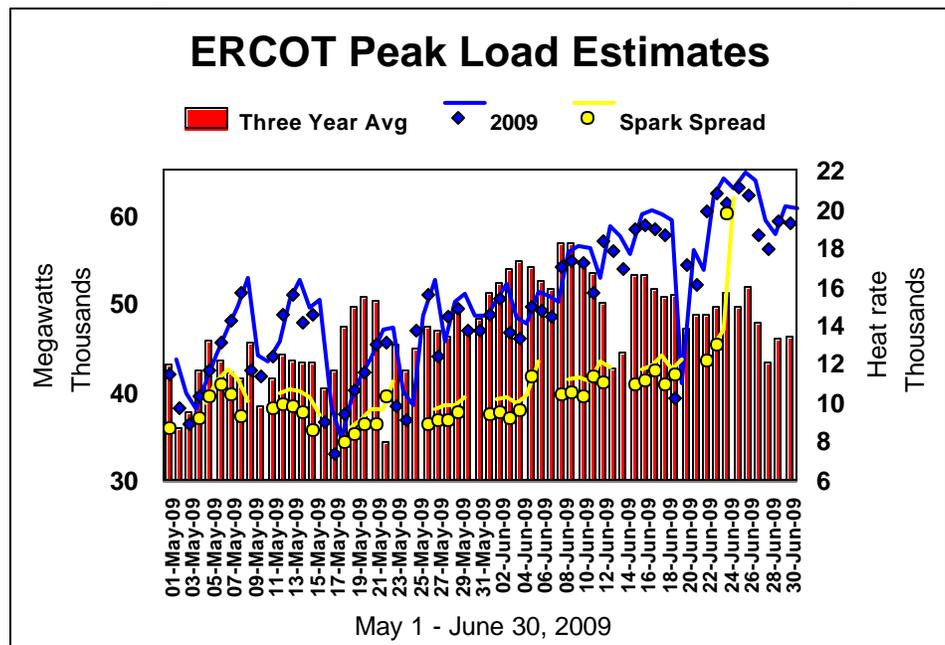
The Prime Minister of the Ukraine said today that the Ukraine would make full payment on time for gas imported from Russia in June. The Prime Minister said the

Ukraine was putting gas into storage according to plan, some 1.1 bcm.

The Canadian Energy Minister said today that the government of Canada has not discussed providing loan guarantees for the Mackenzie Valley gas pipeline project and declined to say if it might be considered. The Canadian government has made a fiscal support offer to Mackenzie's backers, led by Imperial Oil, but the details have not been made public. The pipeline's backers have not accepted the government's current offer. A Northwest Territories official this week said financial aid might be needed to offset U.S. government support for a rival line from Alaska.

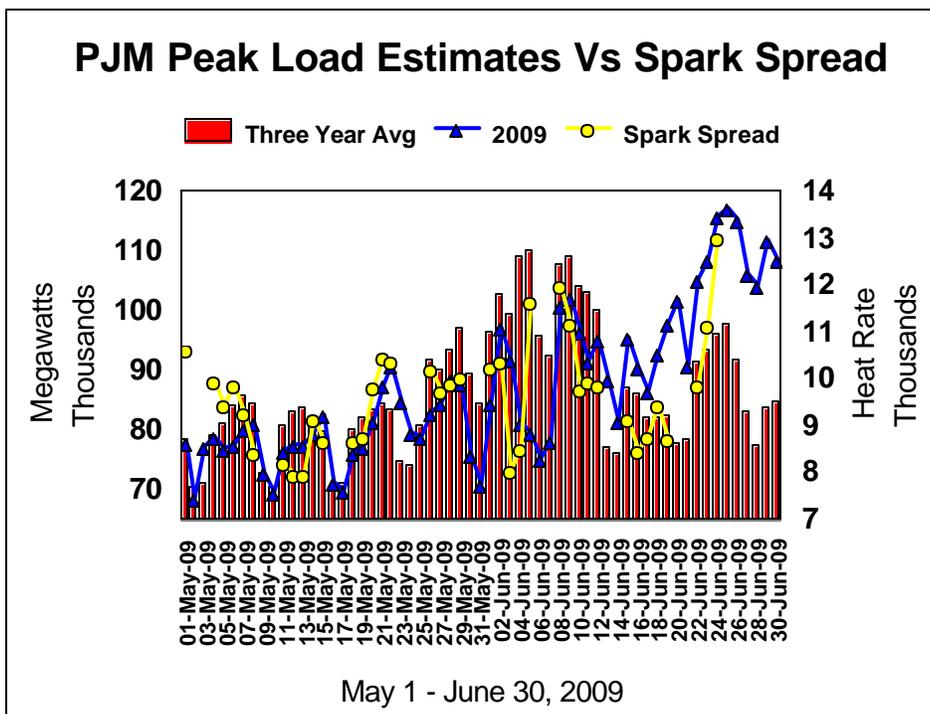
The Prime Minister of Trinidad and Tobago said today that sending LNG to stimulate investments in Jamaica's alumina sector was now a matter of national priority. Trinidad had signed an agreement in 2004 to supply Jamaica with 1.1 million tones of LNG per year for 20 years, beginning in 2009, but had later said it could not supply the LNG because supplies were inadequate. But the prime minister said supplies had become available because global supply and demand situation for LNG had changed.

Gazprom said it expects export prices to exceed \$280 per 1000 cubic meters this year. The company also said that its export volumes since April are down for the most part not from the drop in economic activity but from the fact that spot prices for gas were twice as low as gas under long-term contracts. As a result European customers are buying more alternative fuels and cutting gas imports of gas under long term deals, waiting until gas prices to catch up with lower oil prices.



According to National Grid, Norwegian gas exports to Britain dropped sharply on Wednesday morning after surging to unseasonably high levels overnight. Gassco said only its gas pipeline network was

operating normally and that there was no ongoing maintenance or technical issues in the transport system.

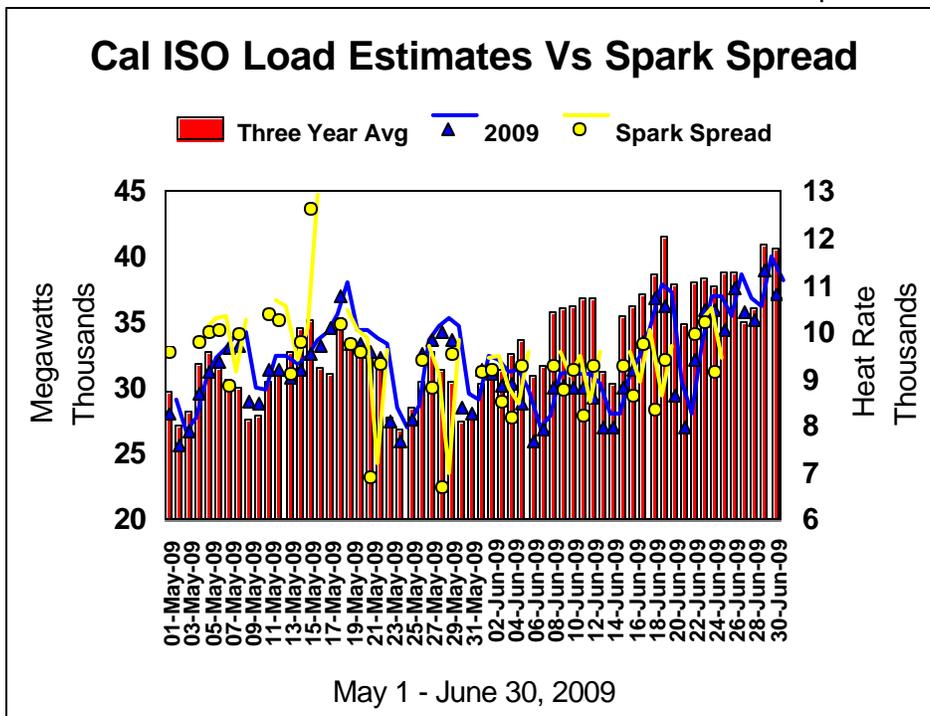


The operator of Chile's first LNG terminal said today that workers are rushing to complete construction and pre-commissioning activities ahead of next week's planned arrival of its first LNG cargo from Trinidad. Commissioning is expected to take 45-60 days, using gas from the first cargo. A second cargo is slated to arrive by the end of August.

Senator Bob Levin announced his subcommittee released a bipartisan report on a year long probe that shows commodity index traders which had held more than

200,000 wheat contracts in 2008, helped to fuel last year's record jump in prices, which ended up raising costs for both industry and consumers. The senator said this was another "case of speculative

money overwhelming a market, and federal regulators failing to take the steps needed to protect the market." He said "it is time for the CFTC to change course, rein in commodity index traders, and clamp down on excessive speculation that is disrupting commodity prices." In an effort to stop excessive speculation, a problem the CFTC helped cause the committee pointed out, it recommended the CFTC phase out existing waivers and enforce the standard limit of 6500 positions for index traders in the wheat market. If prices fail to

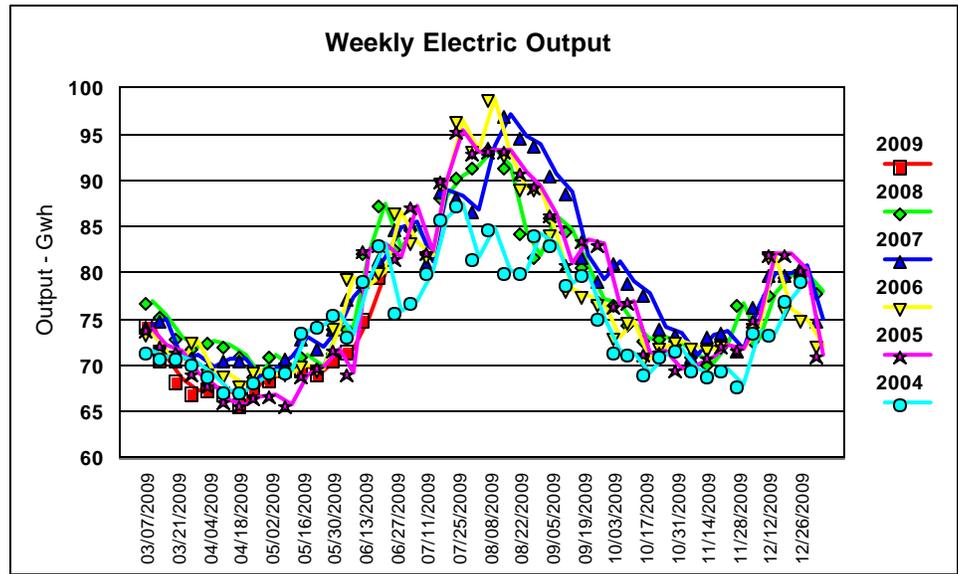


improve following the phase out of waivers, the CFTC should consider rolling back to a 5,000 contract limit. The Senate panel noted that the CFTC was too lax on positions limits, including swap traders which have since 2005 exceed the 6500 lot limit, including allowing one trader to hold up to 53,000 contracts at one time. A study by top agricultural industry consultant Informa Economics issued in

February, commissioned by the CME and others, concluded there was no solid evidence that speculation had caused a lack of convergence between cash markets and the futures market as the future contract entered into expiration. Senator Levin said the CFTC should take a closer look at other commodities, such as oil, to determine whether index traders have played a role in excessive speculation and if position limit waivers also should be removed.

PIPELINE RESTRICTIONS

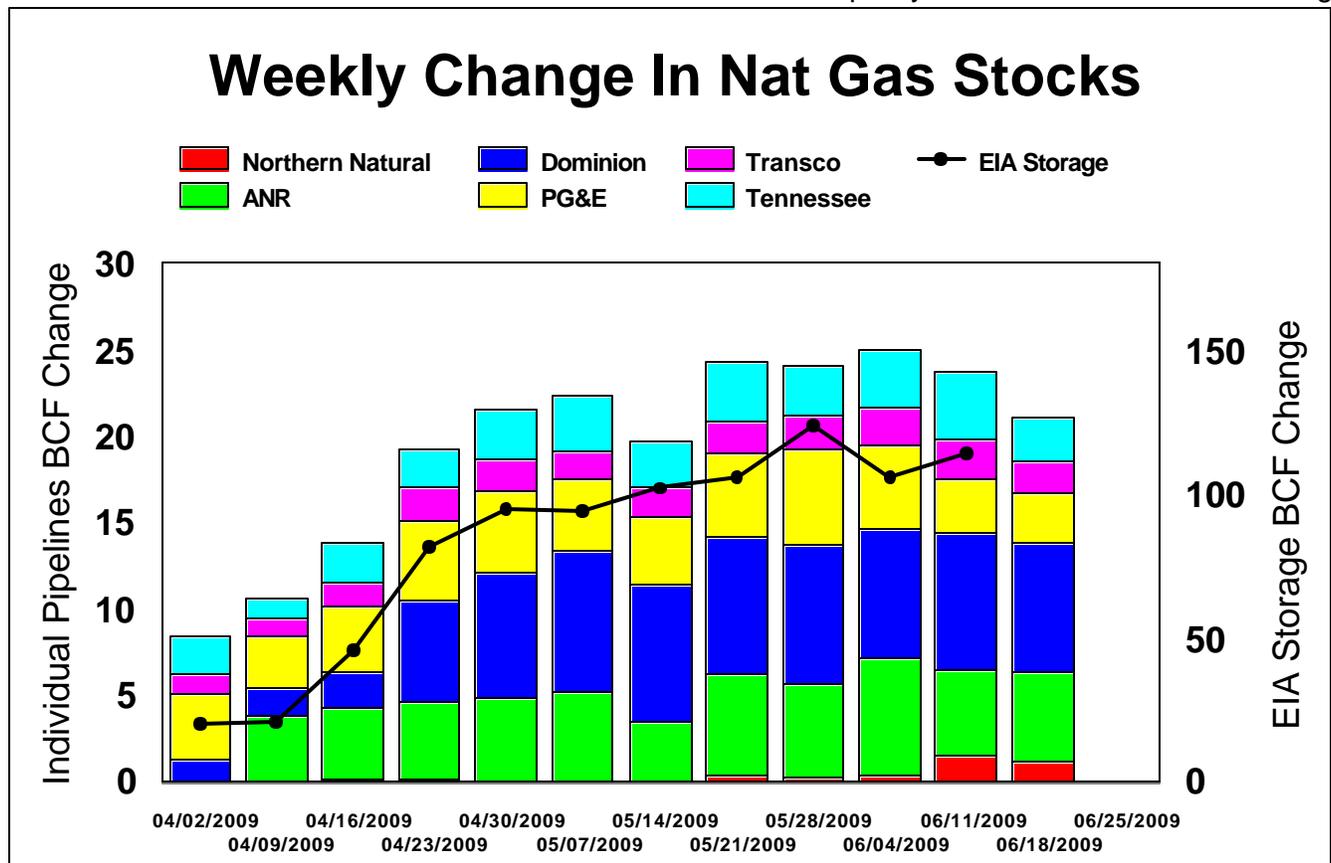
PG&E California Gas Transmission said it has issued a customer specific OFO for June 24th due to high inventory.



FGT has issued an Overage Alert at a 25% tolerance for today due to high pipeline utilization coupled with hot temperatures across its service territory.

PIPELINE MAINTENANCE

Gulf South Pipeline said upon completion of Gulf Crossing's maintenance, The Gulf South Tallulah location will be available for service. However a reduction of capacity downstream of Tallulah during



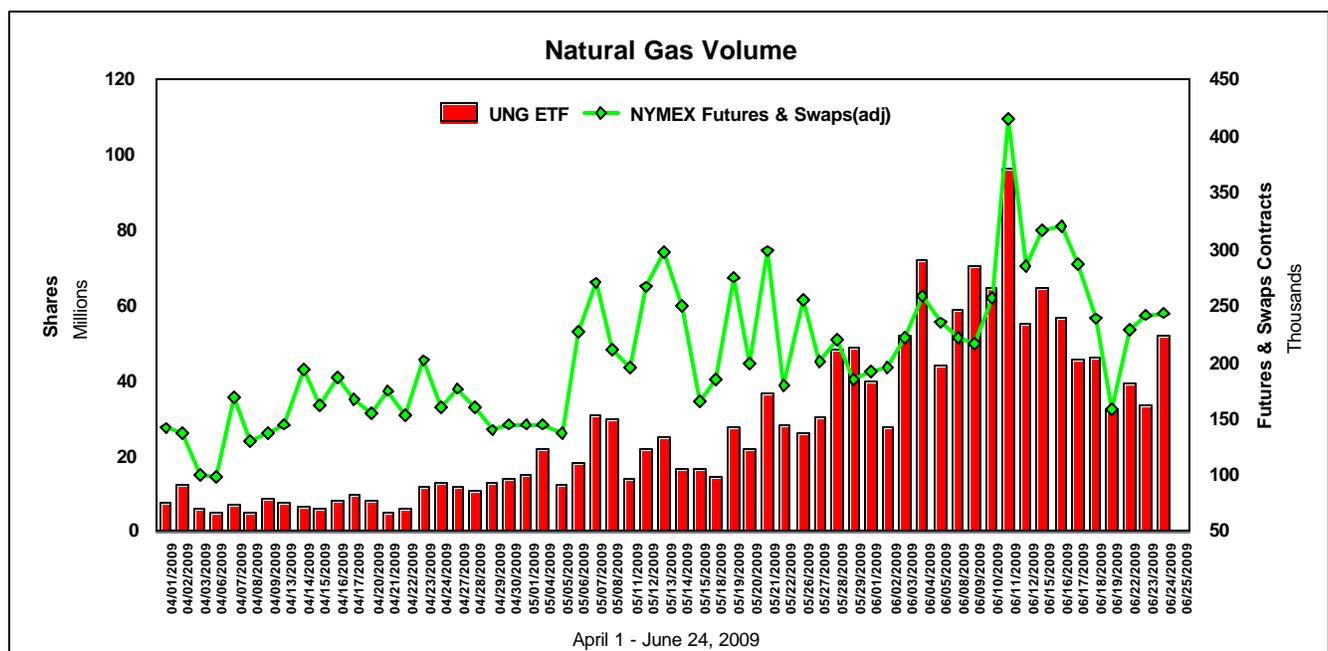
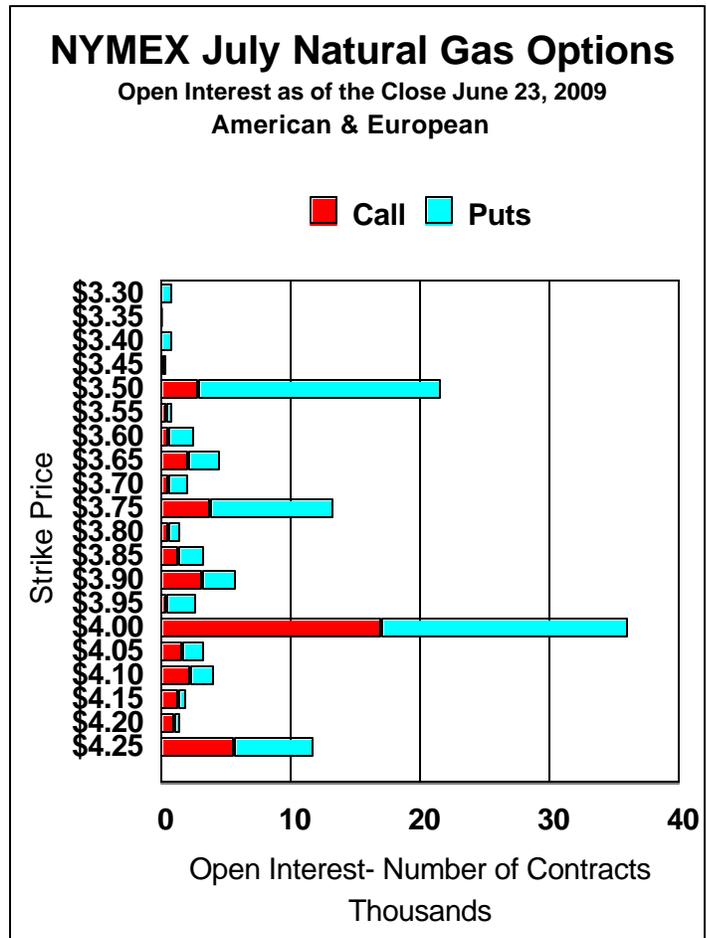
the later part of July is possible.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that electric production in the United States for the week ending June 20th reached 79,591 Gwh, up 6.3% from the prior week, but still some 3.5% less than the same week a year ago. Year to date electric production is some 4.3% less than the same time a year ago.

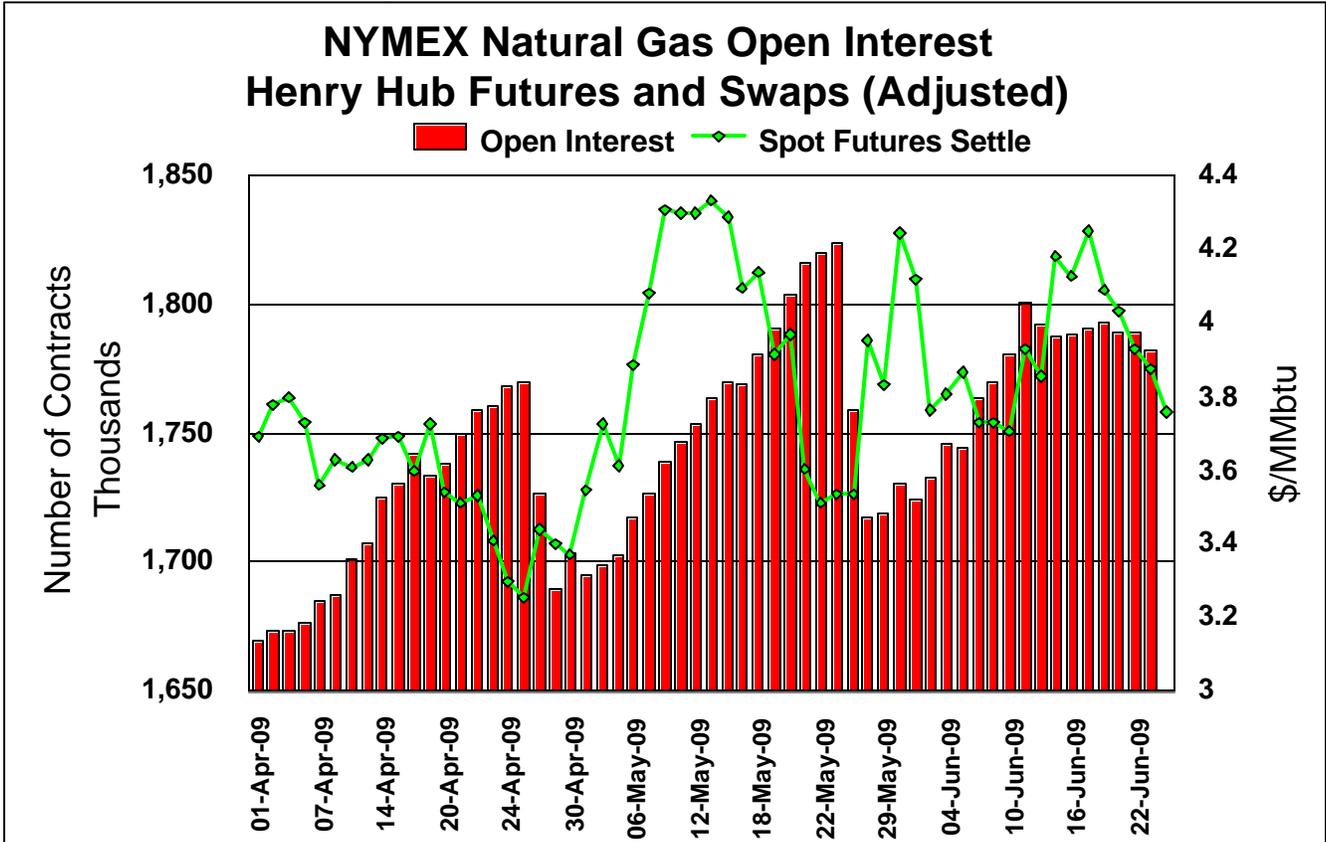
ERCOT reported that demand for power in its service area broke a June record for the second day in a row on Tuesday and forecasted that demand on Wednesday could set yet another new June record.

State and federal utility regulators on Wednesday suggested that the solution to long-standing complaints about Energy Corp's transmission system is for Entergy to put its four state grid system under oversight of an independent regional grid operator, a concept that Entergy has fought for years. But Entergy officials said that they are open to the idea of joining SPP, but must fully evaluate its options for membership or to extend its less-formal arrangement called an Independent Coordinator of Transmission, which is set to end in 2010. Merchant generators have been vocal in their complaints of the lack of access to Entergy's grid and as a result are prevented from selling output from many new power plants due to the lack of transmission capacity and other discriminatory behavior by Entergy. The FERC said the status quo is not acceptable.



MARKET COMMENTARY

The natural gas market this morning found technical selling triggered as the low at \$3.827 from yesterday was breached just as most traders were arriving into their office this morning. The market remained under pressure throughout the morning despite one aborted rally in the oil market. Prices fell all the way down to \$3.71 before finding support at midday. The market once again spent the afternoon in a sideways trading pattern and as a result for the fifth consecutive day settled lower, despite growing power demand in the eastern half of the nation. Traded volume bounced back today as the both the futures and swaps market as well as the ETF market saw higher volumes in what appeared to be continued long liquidation.



Market expectations for tomorrow's EIA Storage Report appear to be ranging between a 95-105 bcf decline with the median build coming in around 99 bcf. Our model is coming in a bit lower than most looking for a 93 bcf build as a result of increasing electrical load generation demand. Stocks a year ago rose an adjusted 85 bcf for the same week with the five year average gain of 84 bcf.

Given today's price action we have taken profits on our short positions and are content to move to the sidelines for an outright position waiting for a price bounce to have the opportunity to sell this market once again. We feel if our injection estimate is realized coupled with the continued warm temperatures expected east of the Rockies this market will be looking for support and the ability to bounce short term higher. We see support initially at \$3.717 followed by \$3.655, \$3.628, \$3.55 and \$3.50. Resistance we see at \$3.973, \$4.052 and \$4.131. Additional resistance we see at \$4.177, \$4.328, \$4.387 and \$4.69.

Tomorrow is expiration day for the July natural gas options with the \$3.75 and the \$4.00 strikes the apparent poles that prices may gravitate towards.

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