



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR JUNE 25, 2009

NATURAL GAS MARKET NEWS

The Commerce Department reported this morning that the U.S. economy shrank slightly less in the first quarter of this year than previously reported, at 5.5% rate versus a 6.3% decline in the 4Q2008 and a 0.5% decline in the 3Q2008. Meanwhile the Department of Labor reported that the number of U.S. workers filing new claims for jobless benefits unexpectedly rose last week and the number staying on the rolls after collecting an initial week of aid also edged higher. The government estimated that initial claims increased by 15,000 on the week to 627,000. Market expectations had been for a drop to 600,000 workers.

Rockies Express Pipeline said today that it expects to have the REX-East segment of the pipeline in service to Lebanon, Ohio for Monday's gas day, as it expects to receive FERC approval shortly.

ONEOK Partners said it was holding a non-binding open season bidding process, beginning Friday and lasting until July 22nd for firm intrastate natural gas storage at its Loop, Texas natural gas storage facility. The open season provides potential customers with the opportunity to bid for up to 5.5 bcf of storage capacity that will be available with the reactivation of the storage field.

The FERC said this week that it has begun receiving a flood of the first annual purchase and sales reports as mandated by the FERC back in December 2007 in order for it to increase market transparency. The Form 522 reports are designed in part to help the commission staff assess the

EIA Weekly Report

	06/19/2009	06/12/2009	Change	06/19/2008
Producing Region	997	957	40	682
Consuming East	1234	1091	143	1050
Consuming West	420	395	25	288
Total US	2651	2443	208	2020

*storage figures in Bcf

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear unit was at 50% power this morning, up 9% from yesterday.

MISO – FirstEnergy's 1231 Mw Perry Nuclear unit was restarted and at 4% power this morning. The unit tripped off line on June 20th.

WSCC – The 1150 Mw Columbia Generating Station is operating at 20% power this morning, up from 14% from yesterday.

SERC – Southern Nuclear's 883 Mw Hatch #2 nuclear unit was at 22% power this morning, up from just 1% power yesterday.

TVA's 1100 Mw Browns Ferry #2 nuclear unit has eased production to 38% power off 4% from yesterday.

The NRC reported this morning that 93,392 nuclear generation capacity was on line, basically unchanged from yesterday and off 5% from the same time a year ago.

physical size of the wholesale gas market, better understand low gas prices are formulated and assess relative sizes of fixed price spot markets and the index markets that rely on published spot gas prices. Any buyer or seller of more than 2.2 million Mmbtu/year of natural gas is required to complete the form. Each market

participant must report, among other things, its total volumes of physical sales and purchases, volumes of transactions contracted at fixed prices in the daily and monthly bid week spot markets,

volumes contracted at prices that refer to published daily or monthly indexes and volumes contracted at prices that refer to NYMEX gas futures prices. Bilateral, arms length, fixed price physical gas transactions between non-affiliated companies are all subject to the requirement. Platts reported that BP Energy has reported that it bought and sold a total 10,261.7 trillion btu in 2008 or roughly 10.3 tcf. BP reported volume information for its eight affiliates, of those only three report transactions to index publishers. BP reported 4,844 Tbtu of purchases and 5,417.7 Tbtu of sales for 2008. Of the purchases, 661.6 Tbtu was contracted at fixed prices for next day delivery, 873.t Tbtu was contracted at prices that refer to daily gas price indexes, 563.5 Tbtu was contracted at fixed-prices in the monthly bid-week market, 2,452.6 Tbtu was contracted at prices that refer to published monthly bidweek indexes, 0.1 Tbtu was contracted under “trigger agreements, such as NYMEX plus contracts” and 303.4 Tbtu was contracted as physical basis transactions.

Canadian Gas Association
Weekly Storage Report

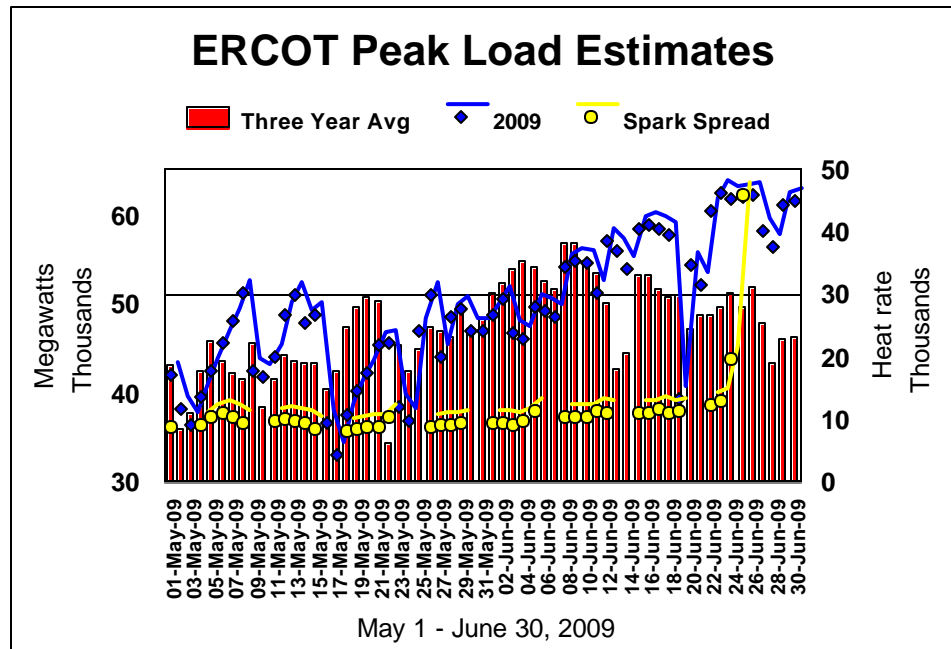
	19-Jun-09	12-Jun-09	13-Jun-08
East	164	151.8	102.5
West	267.8	258.1	205.3
Total	431.8	409.9	307.8

storage figures are in Bcf

Maritimes & Northeast Pipeline has asked the FERC to approve “as soon as possible” its request to reverse flow on its pipeline system so that it can export natural gas from the United States to Canada.

The Russian Energy Ministry said today that it expects 30-32% of Russia's gas exports will be going to the U.S. and Asia-Pacific markets by 2030 as Russia seeks to diversify its gas export markets. The ministry expects Russian domestic demand to be 550-613 billion cubic meters per year by 2030, while production is forecasted to reach 876-981 bcm/year. Production from new areas such as the Barents Sea, Yamal Peninsula, East Siberia and Sakhalin Island is expected to be responsible for much of the new production growth.

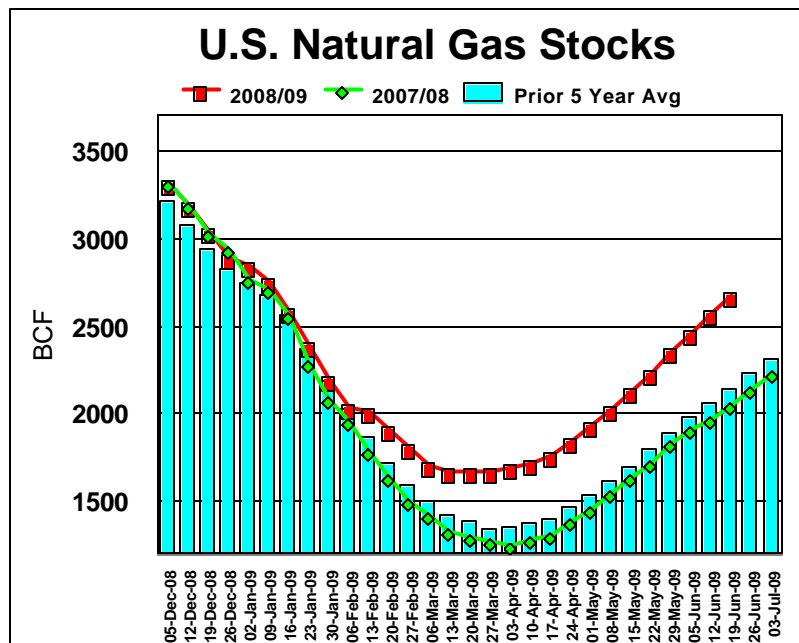
The head of India's biggest importer of LNG, Petronet LNG said today the lack of proper pipeline network and rising local gas supplies could curb India's LNG imports. He noted that many big cities and industrial areas are still not linked to the pipeline network in India. Currently the pipeline system is fully subscribed leaving little room for new imports. Meanwhile Petronet said it will import five spot cargoes of LNG between July and October, as part of the contract it signed back earlier this year.



Waterborne Energy consultants said today that they estimate Asian demand for LNG IN May fell by over 12% year on year, despite higher imports by both Taiwan and China.

Ukrainian President Yushchenko's energy envoy said today that Naftogaz had insufficient funds for now to cover June supplies of Russian gas, but promised payment would be made. The July 7th payment date is when Naftogaz must pay Gazprom for June shipments. The envoy said Naftogaz would have to borrow up to \$120 million to meet its responsibilities. The president's office has been

critical recently of the prime minister's office of pursuing policies that will lead to Naftogaz's destruction by issuing credits through state banks to ensure payment of gas. Currently the EU, Gazprom, Naftogaz and international banks will meet on Monday to discuss a loan to finance gas storage in the Ukraine.



Gazprom accused the European Union of discriminating against Russian backed gas pipelines in favor of the Nabucco pipeline project, as the EU member states continue to raise regulatory barriers to both the South and North Stream projects.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said effective for June 25th, it has restricted the Leidy meters and Station 219. The pipeline said it has restricted through approximately 17% of Supply to market Secondary Out of Path nominations pathed for delivery to the Leidy meters. Additionally, due to scheduled maintenance, Tennessee restricted through 100% of Supply to Market Interruptible Service nominations

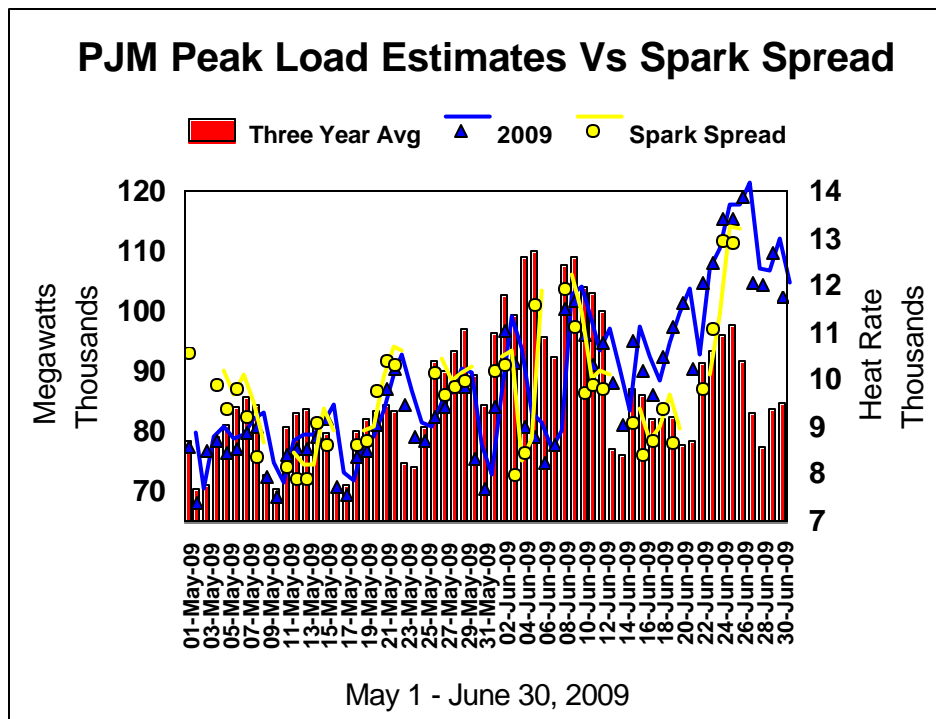
pathed through Station 219.

California Gas Transmission has issued another system wide OFO in effect for June 25th due to high inventory.

PIPELINE MAINTENANCE

Questar Pipeline said repairs to its Oak Spring Compressor Unit #2 is expected to be completed by Thursday afternoon, after which time capacity will be raised by 170,000 Dth/ to 500,000 dth/d.

Northern Natural Gas said it is continuing an investigation into the cause of the June 23rd rupture on its Marquette pipeline in Michigan that forced the company to declare a force majeure. Until the cause of the rupture is determined the company was reducing operating pressure on the pipeline from a maximum of 1080 psig to 739 psig. At the reduced operating pressure, Northern is not able to make deliveries to Great Lakes Gas Transmission at the Wakefield interconnect.

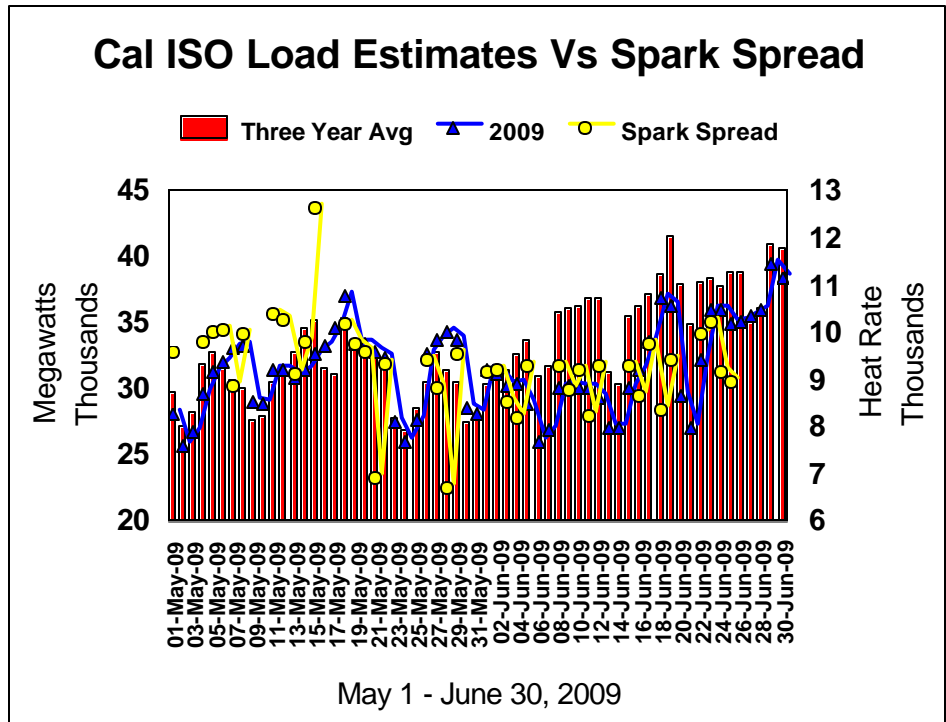


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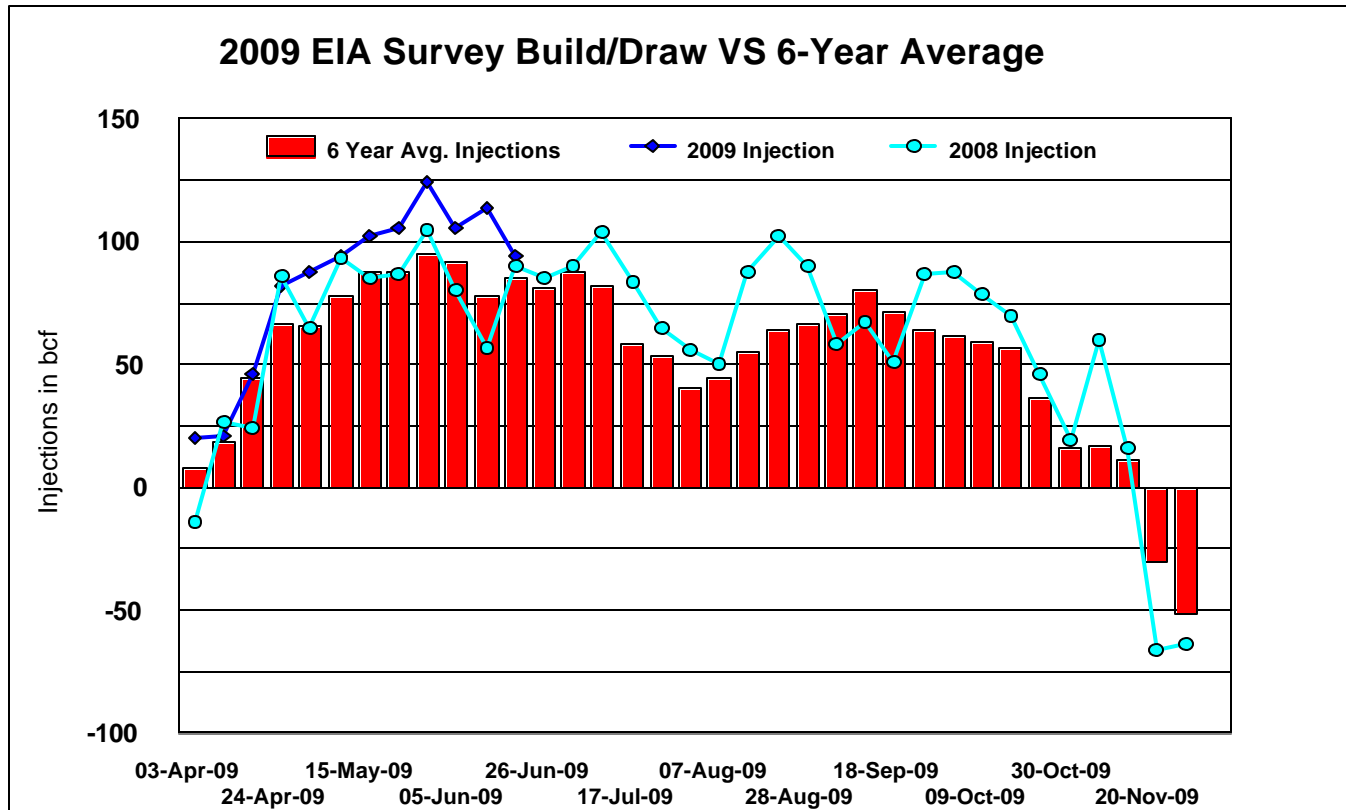
ELECTRIC MARKET NEWS

The Department of Energy announced it is making \$3.9 billion worth of grants available for “smart grid” projects to make the nation’s electrical grid more efficient, while incorporating a growing amount of renewable generation. The grants announced today will be funded through the federal stimulus package.

A study released by the Netherlands Environmental Assessment Agency today estimated that emissions for CO2 from developing countries exceeded those of industrialized countries for the first time in 2008, accounting for 50.3% of total emissions. The agency estimated that global CO2 emissions have increased from 15.3 billion metric tons in 1970 to 22.5 billion in 1990 and 31.5 billion in 2008. The agency noted that emissions in 2008 would have been even higher if not for the global economic troubles in the latter part of the year.



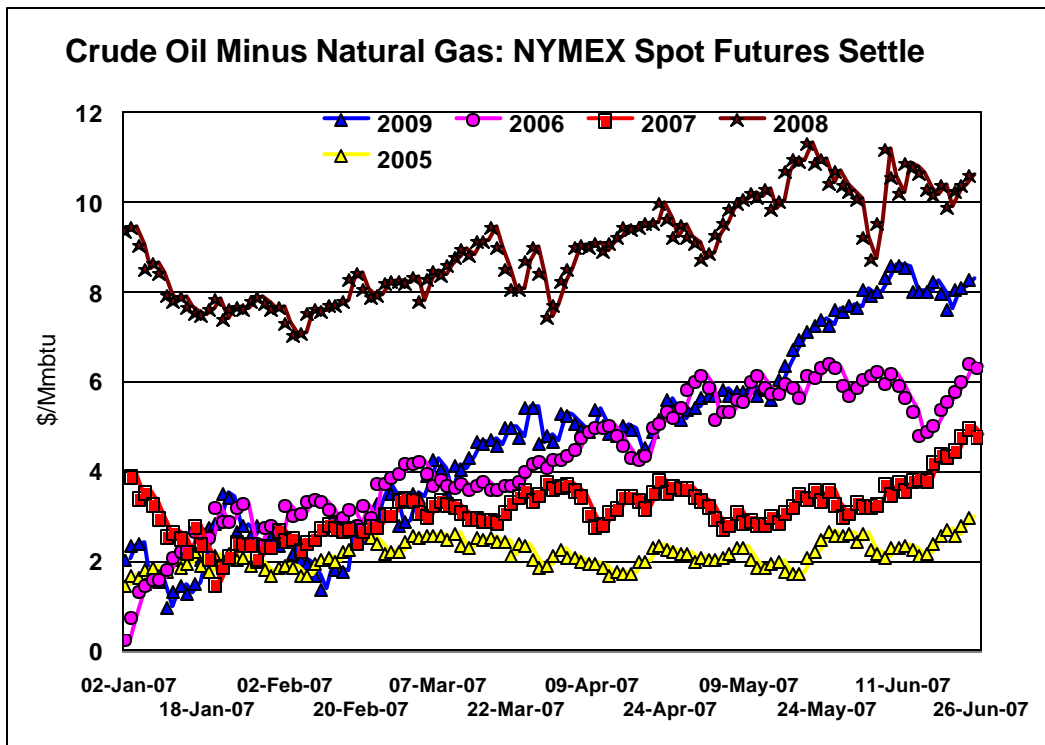
ERCOT saw day ahead power prices surge into the triple digits Thursday as record breaking



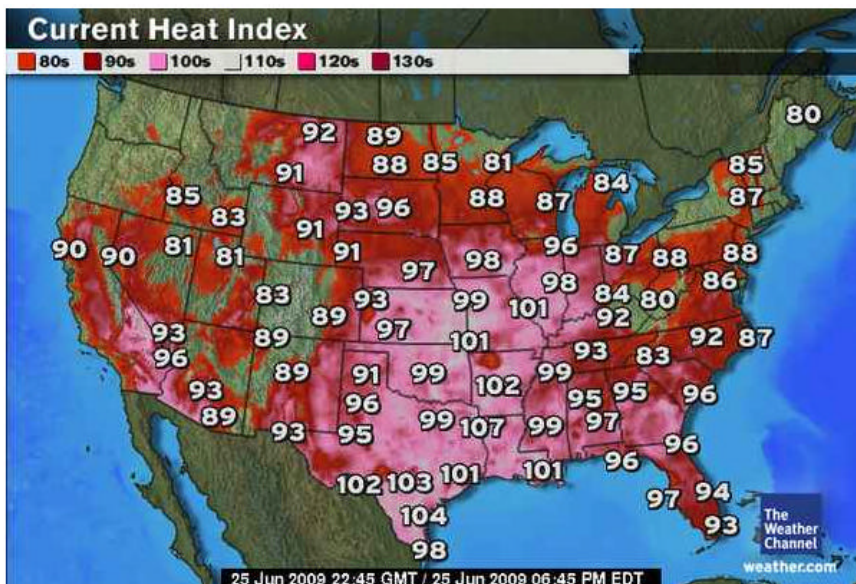
temperatures remained in the region. On peak power prices in ERCOT's South Zone topped \$245 per Mwh on ICE at one point while ERCOT Houston posted a daily high of \$185 per Mwh and ERCOT North reached as high as \$80 per Mwh.

MARKET COMMENTARY

The EIA reported this morning that working gas stocks increased by 94 bcf for the week ending June 19th. This is



the smallest weekly increase in six weeks and slightly less than the market has been expecting. This coupled with record setting power demand in ERCOT and strong power generations needs in the MISO, PJM and SERC helped to boost natural gas values for the first time in six trading sessions. But given that total natural gas stocks have now reached over 2.6 tcf, a level that last year and basis the prior five-year average was not seen until early August continues to temper the strength of any rally and as a result natural gas once again lost ground to crude oil prices.



As a result we remain on the sidelines basis an outright position in natural gas feeling that this market is in no-man's land of a the midpoint of a near term trading range. We would continue to look for a rally that carries natural gas prices back towards the \$4.30 area as a selling opportunity given the overwhelming high level of working gas inventories coupled with the poor price lift that this market received in the past few days despite sparks spreads improving noticeably east of the Rockies. In past years next day power prices in ERCOT moving

into triple digits would have lent significantly more support to natural gas prices than was recorded today. We see initial resistance tomorrow basis the August contract at \$4.14, \$4.223 and \$4.295 - \$4.305. More significant resistance we see at \$4.324, \$4.387, \$4.574 and \$4.788. Support we see at \$3.894, \$3.71, \$3.655-\$3.627 and \$3.50.

We do not expect tomorrow's expiration to be particularly volatile with just over 23,000 lots left open coming into Thursday's trading session.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/25/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	10	9	P	3.5	0.2959	0.3127	8720	0	0
LN	10	9	P	3	0.1533	0.1634	6206	0	0
LN	9	9	P	3.5	0.2361	0.2602	4300	0	0
LN	7	9	P	3.8	0	0.1031	3250	0	0
LN	7	9	P	3.65	0	0.0372	3081	0	0
LN	8	9	P	2.5	0.0072	0.0102	2950	0	0
LN	8	9	C	5.25	0.0545	0.0488	2500	0	0
LN	7	9	P	3.75	0	0.0761	2378	0.005	0.005
LN	10	9	C	6	0.2109	0.1973	2250	0	0
LN	10	9	P	2.5	0.0746	0.0771	2225	0.075	0.075
LN	8	9	P	3.5	0.1505	0.1782	2200	0	0
LN	8	9	C	4.5	0.1753	0.157	2200	0.1675	0.1675
LN	8	9	C	4	0.3487	0.3147	2180	0.35	0.34
LN	8	9	P	2.75	0.0199	0.0262	1862	0.02	0.02
LN	7	9	P	3.7	0	0.0543	1810	0.02	0.02
LN	7	9	C	4	0	0.0137	1808	0.0075	0.0075
LN	10	9	C	5	0.4239	0.3992	1353	0	0
LN	8	9	C	5	0.0817	0.073	1300	0	0
LN	12	9	P	4	0.1492	0.1541	1050	0	0
LN	8	9	C	5.5	0.0359	0.0323	1050	0	0
LN	10	9	P	2	0.0335	0.0338	1007	0.035	0.0325
LN	12	9	P	3	0.0351	0.0312	1006	0	0

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