



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 29, 2009

NATURAL GAS MARKET NEWS

The tropical system, Invest 93L which late last week had raised some interest by weather forecasters turned out to be a bust it seems, as none of the computer models this morning are showing that this system will pose any threat to the U.S., as environmental conditions are expected to be less conducive for development over the next 24-36 hours and thus no tropical development is expected. In addition the forecasting models all appear to point to a relatively quiet period for the tropical Atlantic basin for the next week or so, outside of a potential tropical system forming off the North/South Carolina coast in some 10 days. It appears this will be the first time since 2004 that there have been no named storms in the Atlantic by July 1st.

The Rockies Express Pipeline said it has begun service on the portion of the Rockies Express-East pipeline from Audrain County, Missouri, to the Lebanon Hub in Warren County, Ohio. The line has a capacity of 1.6 bcf/d. The remainder of the 639-mile 42-inch pipeline east of Clarington, Ohio is expected to be in service by November 1st.

Generator Problems

MISO – Exelon's 1138 Mw LaSalle #1 nuclear unit was at 84% power early today, down 16% from this weekend.

FirstEnergy's 1231 Mw Perry Nuclear Plant was back on line and had ramped up to 84% capacity this morning, up 70% from Friday's levels.

ERCOT & SPP – Luminant's 565 Mw Monticello coal fired Unit #1 was shut today due to a cable tray fire that caused loss of controls to the boiler.

WSCC – The 1150 Mw Columbia Generating unit was shut down on Friday due to a turbine fire.

SERC – Southern Nuclear's 883 Mw Hatch #2 nuclear unit was back to full power this morning, up 24% from Friday's levels.

The 1100 Mw Browns Ferry #2 nuclear unit has ramped up to 91% power as of early June, up 31% from Friday's operating levels.

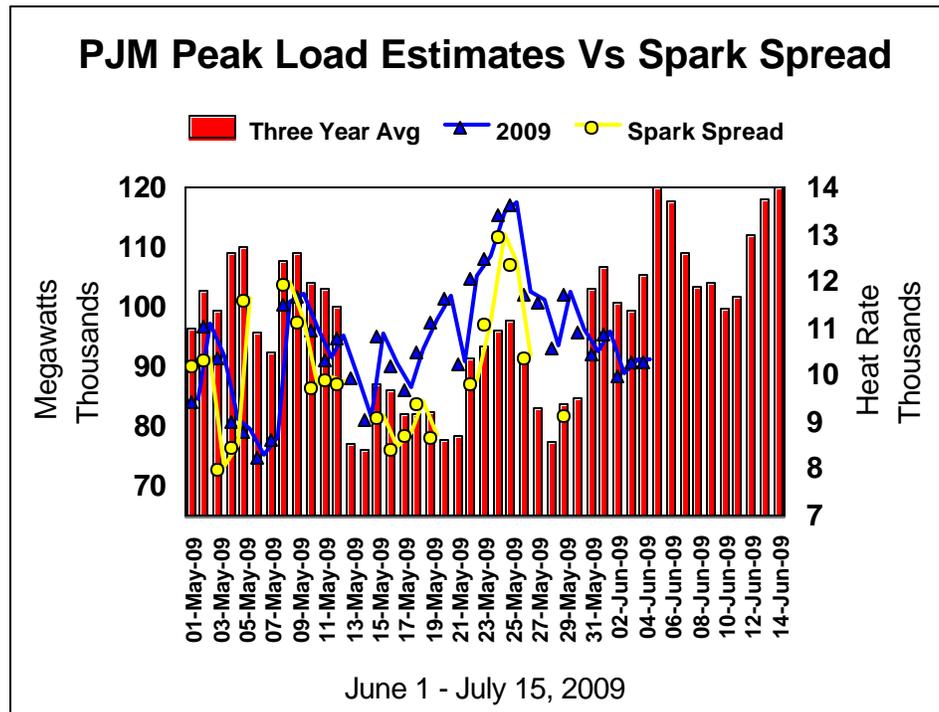
The NRC reported this morning that 95,978 nuclear generation capacity was on line, up 0.7% from yesterday and off 0.1% from the same time a year ago.

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	594,800	\$3.880	\$0.074	(\$0.099)	(\$0.026)	(\$0.217)
Chicago City Gate	602,600	\$3.592	\$0.032	(\$0.387)	(\$0.089)	(\$0.212)
NGPL- TXOK	693,800	\$3.536	\$0.013	(\$0.444)	(\$0.108)	(\$0.281)
SoCal	314,400	\$3.546	\$0.329	(\$0.433)	\$0.208	(\$0.568)
PG&E Citygate	1,286,600	\$3.686	\$0.357	(\$0.293)	\$0.236	(\$0.454)
Dominion-South	203,000	\$4.013	(\$0.019)	\$0.034	(\$0.140)	\$0.235
USTrade Weighted	17,040,600	\$3.659	\$0.095	(\$0.320)	(\$0.03)	(\$0.217)

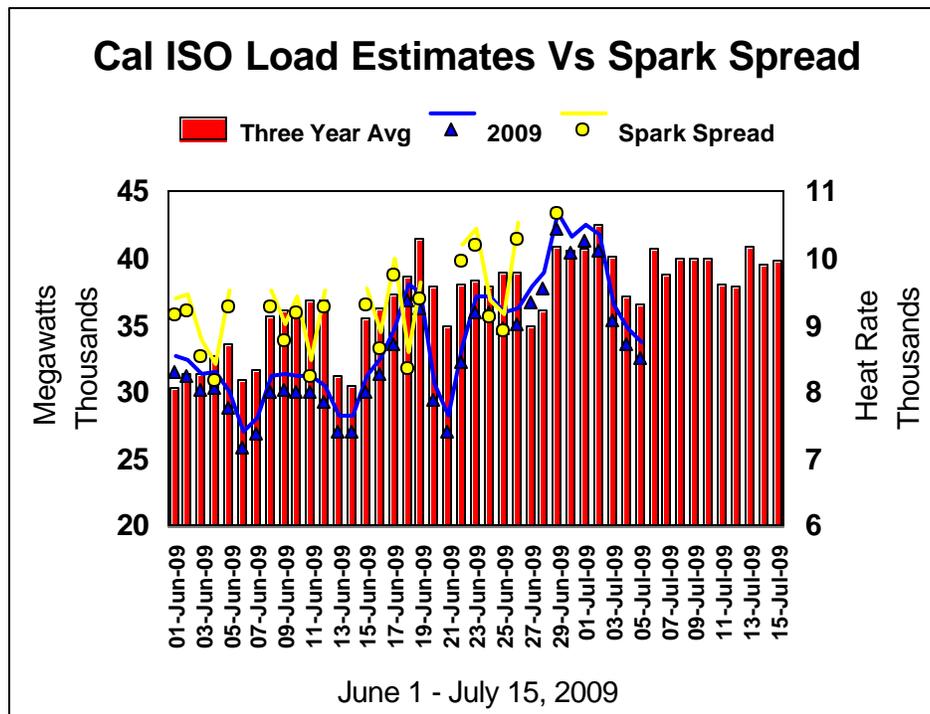
The IEA said that weakening gas demand, low prices and regulatory uncertainty coupled with the global credit crunch are likely to jeopardize new LNG projects. The agency said

that unless there were several new LNG projects approved in 2009 and 2010, there would be a dearth of new capacity from 2012 onwards. The agency also said today that global gas demand is likely to fall this year for the first time in half a century. After growing by 1% in 2008, the IEA sees OECD gas consumption falling by 4% in the first quarter of this year and is expected to further decline through the year. The agency also said that Europe's gas supplies are under near constant threat of disruption despite the new contract between Russia's Gazprom and the Ukraine's Naftogaz. The IEA said the difficult economic situation in the Ukraine makes every monthly payment a challenge and tensions remain high.

The head of the IEA has asked gas companies and governments to step up their efforts to collect and publish gas market data. He noted that the greater transparency in the oil markets has helped that market towards improved pricing efficiencies. He also stressed the need for greater dialog between consumers and producers.



Qatar Gas' train 5 gas unit is due to start producing in the next two to three week's the company's CEO said today. He also told reporters the company's train 4 was producing at near 90% capacity.



The company's CEO also said Qatar had no intention of slowing LNG production despite weak prices and demand. He noted that the company feels demand is bottoming and should begin "to pick up very soon."

Japan's Ministry of Finance reported today that LNG imports for May were some 4.2 million tons, nearly 20% less than last month. Imports of LNG in May averaged \$7.41 per Mmbtu, down 9.1% from April.

Algeria's Energy and Mines Minister said today that the final agreement on the Trans-Saharan gas pipeline

would be signed next week in the Nigerian capital Abuja. He said there were no financial problems with the plan to link gas from Nigeria to the European market.

The Qatari LNG tanker, Onaiza is expected to arrive at Britain's South Hook import terminal on July 6th.

A top Iranian energy official said today that Iran is in discussions with European countries on how much gas it can supply the Nabucco pipeline. Iran noted that in order for the pipeline project to work, Iran must contribute.

Reuters reported that the LNG tanker Suez Boston was off loading a cargo at the Sabine Pass LNG terminal in Louisiana on Monday. This was the second cargo to off load at the new facility this month.

The Canaport LNG terminal received its first LNG cargo on Saturday. The cargo came from Trinidad.

Energy Transfer Partners late last week filed a motion with the FERC charging it has been denied access to potentially critical evidence in its case on charges of market misbehavior, and has asked the FERC's motions commissioner, to step in to ensure that evidence favorable to the ETP side of their argument is not being withheld by FERC enforcement litigation staff. The company currently faces charges that FERC brought back in July 2007, that the company illegally manipulated the physical gas market at the Houston Ship Channel to benefit its position in financially settled basis swaps

MarkWest Pioneer LLC Monday launched a non binding open season/reverse open season to determine whether to expand the Arkoma Connector, a 50 mile interstate natural gas pipeline that would initially deliver 625,000 Dth/d from the Woodshale to pipelines serving eastern markets.

The FERC Friday issued a favorable environmental assessment to Transco for its proposed 308,500 Dth/d system expansion to serve natural gas markets in the Southeast.

PIPELINE RESTRICTIONS

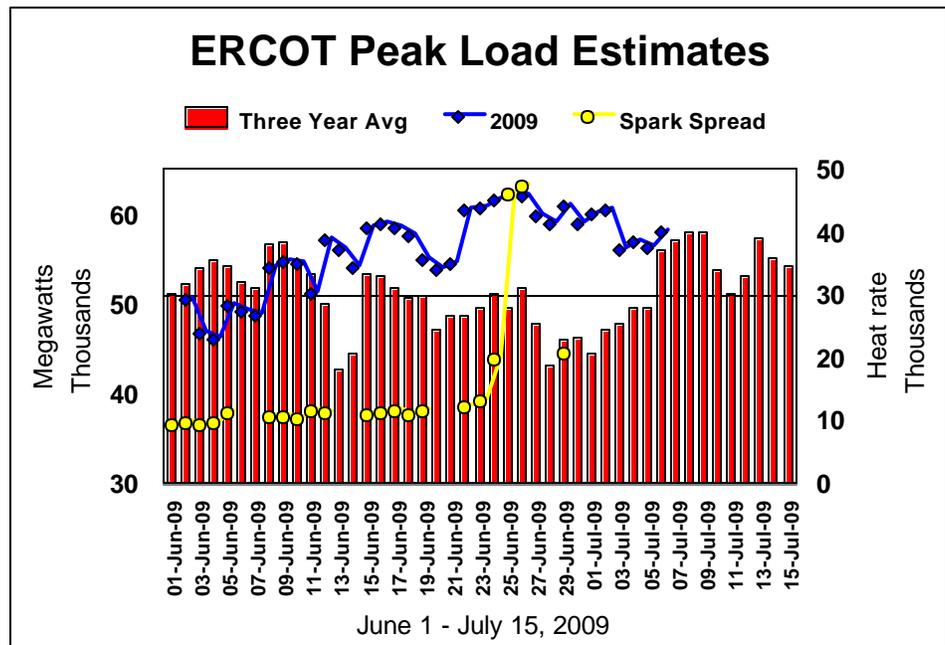
Tennessee Gas Pipeline said that for today's gas day, due to reduced nominations, it will accept increases for nominations sourced from meters located on the Carthage Line lateral.

California Gas Transmission issued an OFO for June 29th due to low inventory.

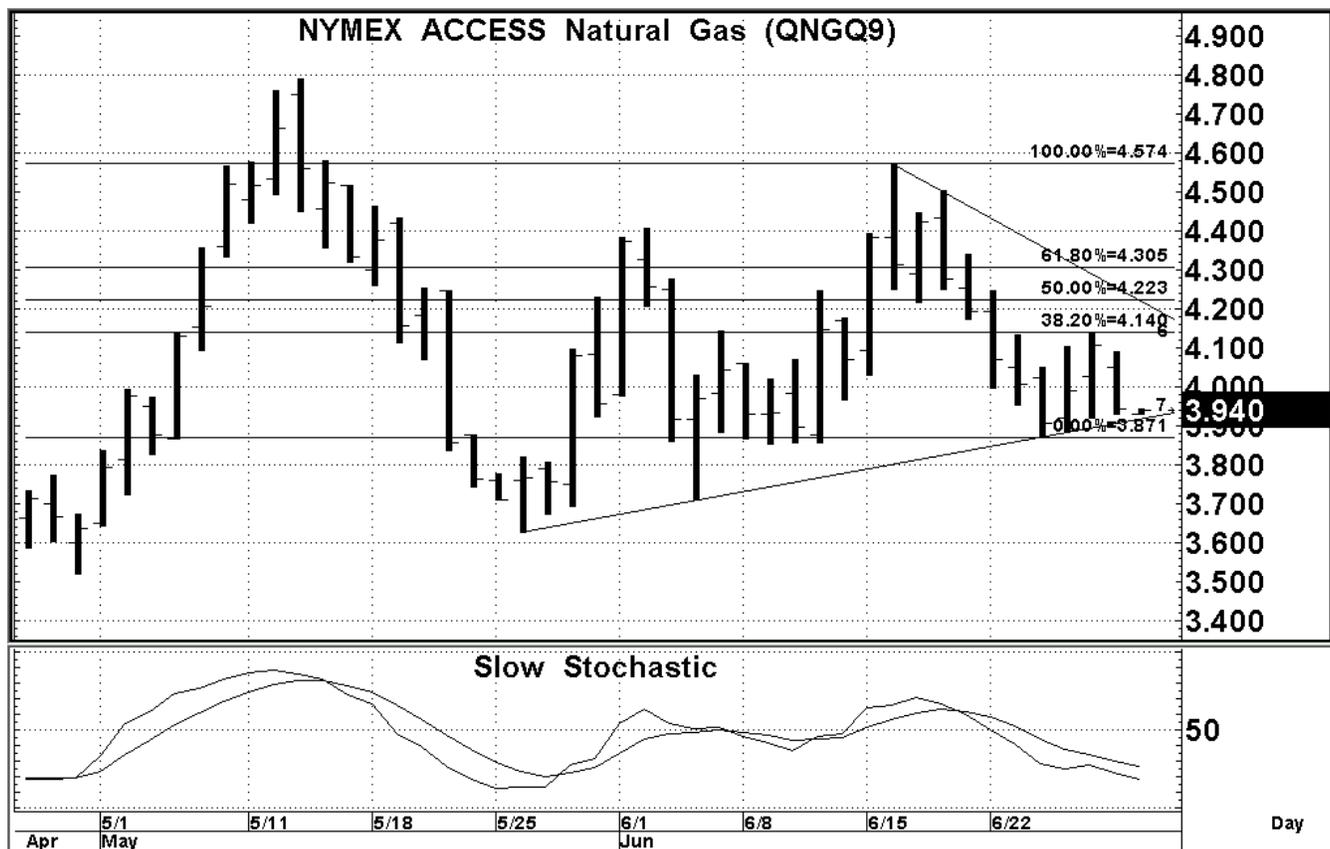
PIPELINE MAINTENANCE

Gulf South reported over the weekend that the system compressor maintenance at the Hall Summit Compressor Station is complete.

ELECTRIC MARKET NEWS



Ontario said while it is still committed to modernization of the province's nuclear facilities, it has suspended the proposal process to buy two replacement reactors for the Darlington nuclear facility, due to the uncertainty about the futures of reactor builder Atomic Energy Corp, even though the Canadian government owns this company.



Genscape reported today that U.S. power output last week rose 5.58% from the prior week but was still 5.55% less than the same week a year ago.

The U.S. Interior Department announced today that it has designated about 670,000 acres of land as potential areas for solar energy production. The land is divided into 24 solar energy zones spread across six western states and could generate nearly 100,000 Mw of solar electricity. The department will evaluate the possible environmental impacts of solar production in these areas as well as their energy resources.

MARKET COMMENTARY

The August contract posted a rather non-descript first day as the new spot contract. It posted an inside trading day on the charts, the first one since June 12th as traders appeared non-committal to this market as industrial demand for natural gas this week was expected to be light due to the upcoming Independence Day long holiday week end. In addition moderating temperatures coupled with higher nuclear generation levels are helping to moderate demand for natural gas from the power sector. Volume today in the futures/swaps and ETF markets also demonstrated a lethargic interest in the markets. Just 36 million shares in the natural gas ETF traded today as the combined and adjusted volume for the Henry Hub natural gas contracts totaled just 113,621 lots, the smallest trading day since April 6th.

We expect that this week in general will be a relatively light volume week as some traders will be on vacation. We thus would expect prices for the most part to remain mired in the ascending triangle

pattern, which tomorrow will find support at \$3.917 with resistance at \$4.224. It will take a major breach of these two points we feel in order to trigger trader interest.

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