



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 30, 2009

NATURAL GAS MARKET NEWS

Economic news continued to be mixed today. The Institute for Supply Management-Chicago business barometer rose to 39.9 from 34.9 in May. A reading below 50 indicates contraction. Meanwhile the Conference Board's consumer confidence report surprised the market by coming in lower than expected. The group's reading for June dropped to 49.3 from a downwardly revised 54.8 in May. This contraction followed two months of gains.

The Department of Energy Reported today that gross natural gas production in the lower 48 states dropped by just 0.2% in April from March. Gross withdrawals, which includes gas that does not make it to market, averaged 63.37 bcf/d in April but still 2.8% above the same month a year ago.

Sempra Energy's Cameron LNG terminal received its second LNG cargo on Tuesday. The terminal operators hope to have the facility in commercial operations next month.

Generator Problems

NPPC – Entergy's 620 Mw Vermont Yankee nuclear unit was at 88% capacity, down from the full power level it was operating at yesterday.

OPG's Nanticoke #1 coal fired unit was taken off line for short-term maintenance work.

MISO – FirstEnergy's 1231 Mw Perry nuclear unit was back to full power this morning, up 16% from yesterday.

Exelon's 1138 Mw LaSalle #1 nuclear unit was back to full power this morning, up 16% from yesterday.

ERCOT & SPP – Luminant's 750 Mw Martin Lake coal fired unit #1 returned to service early Tuesday.

SERC – TVA's 1100 Browns Ferry #3 nuclear unit was at 80% capacity, down 16% from Monday.

The NRC reported this morning that 96,077 nuclear generation capacity was on line, up 0.1% from yesterday and off 1% from the same time a year ago.

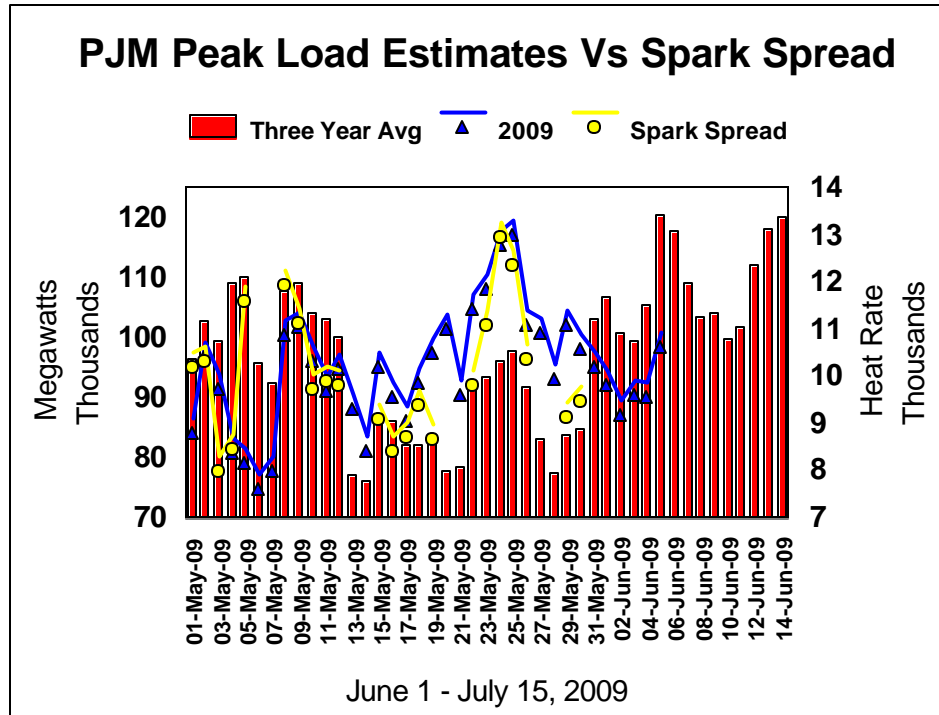
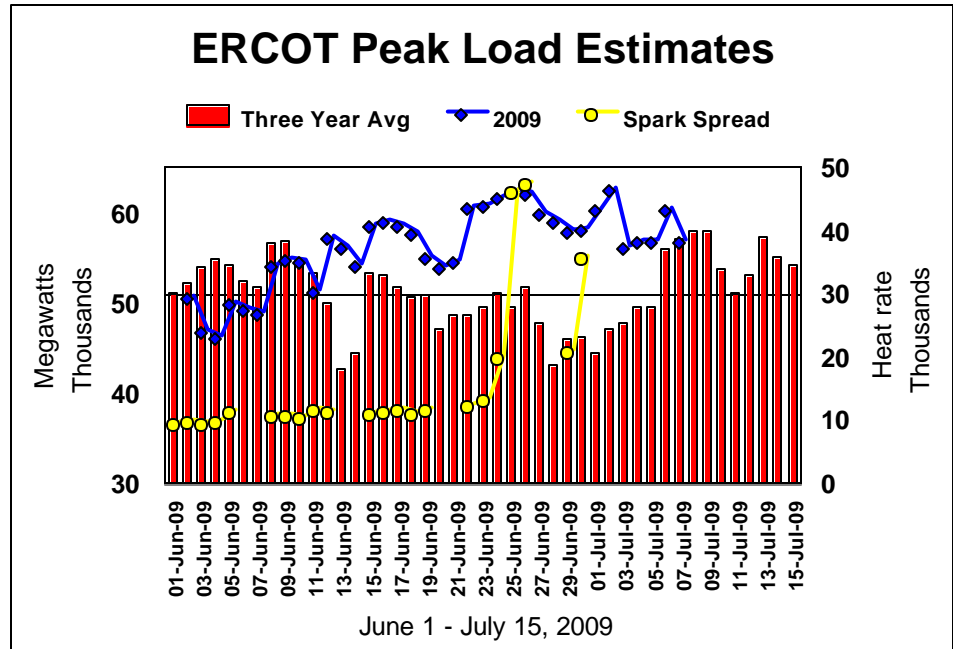
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	927,900	\$3.716	(\$0.164)	(\$0.125)	(\$0.037)	(\$0.253)
Chicago City Gate	713,400	\$3.376	(\$0.215)	(\$0.465)	(\$0.077)	(\$0.279)
NGPL- TX/OK	783,000	\$3.210	(\$0.325)	(\$0.631)	(\$0.187)	(\$0.362)
SoCal	426,500	\$3.365	(\$0.181)	(\$0.476)	(\$0.043)	(\$0.530)
PG&E Citygate	579,800	\$3.492	(\$0.194)	(\$0.349)	(\$0.056)	(\$0.412)
Dominion-South	291,400	\$3.844	(\$0.169)	\$0.003	(\$0.031)	\$0.169
USTrade Weighted	20,101,000	\$3.484	(\$0.175)	(\$0.357)	(\$0.04)	(\$0.253)

BG Group announced that it paid EXCO Resources \$1.06 billion to develop its first U.S. natural gas onshore project in the Haynesville and the Deep Bossier Sands.

The Department of Interior has asked the FERC to closely scrutinize the potential cumulative impacts of Energy Transfer Partners proposed Tiger Pipeline, citing the "intense development" in the Haynesville Shale. The pipeline would have a capacity ranging from 1 Bcf/d to 2 Bcf/d.

El Paso Corp said its Elba 3 Expansion project is underway and moving along in line with projections. Project maintenance issues are not having any impact on construction. The Elba 3 Expansion consists of two projects that will provide new gas supply to markets in the Southeast. First the company plans to expand its Elba Island receiving terminal. Second is the construction of a new 190-mile interstate gas pipeline called the Elba Express. The new pipeline will have a capacity of 1.2 bcf/d. Pipeline construction is scheduled to begin in September. The terminal expansion is expected to be in service by June 2010

Qatar's oil minister said Tuesday at the Gas Exporting Countries Forum that his nation's LNG production capacity will exceed 77 million tons per year before the end of this decade. He noted that global long-term energy trends point to natural gas consumption growing on an average of 1.6% per year for the next 20 years. He also noted that the Gas Exporting Countries Forum would meet again on December 9th in Dohah.



Venezuela's energy minister said today that the Gas Exporting Countries bloc is not yet planning to coordinate supply cuts to support gas prices but sees Europe as the best market for coordinated action.

The Russian energy minister today called on gas exporting countries to work together to develop mutually beneficial policies in order to promote development

The Singapore government announced it was taking over from a consortium the development of the nation's first \$1 billion LNG terminal.

The government was taking the action in order to avoid more delays, which have been caused by the global credit crunch. The project has already been delayed until 2013.

Iran said it is targeting 2014 as when it should be able to export its first LNG cargo.

A Russian official said today that Russia may increase domestic gas tariffs by more than 10% next year and electricity tariffs by 5%.

PIPELINE RESTRICTIONS

NGPL said that effective for today and until further notice Gulf South Goodrich is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled.

Tennessee Gas Pipeline said that for June 30th it has restricted Carthage Line

Lateral due to scheduled maintenance. The company restricted through approximately 50% of Supply to market Secondary Out of the path nominations. The company also reported it restricted 100% of IS-PA storage injections at Bear Creek Storage and IS-MA storage injections at Northern Storage.

Colorado Interstate Gas said the strained operating condition posted on June 25th has been evaluated and based on system performance over the weekend will continue in effect until further notice. Additionally the company was declaring an OFO for the transmission system beginning July 1st and lasting at least until July 6th.

California Gas Transmission once again issued a system wide OFO for today due to low inventory.

PIPELINE MAINTENANCE

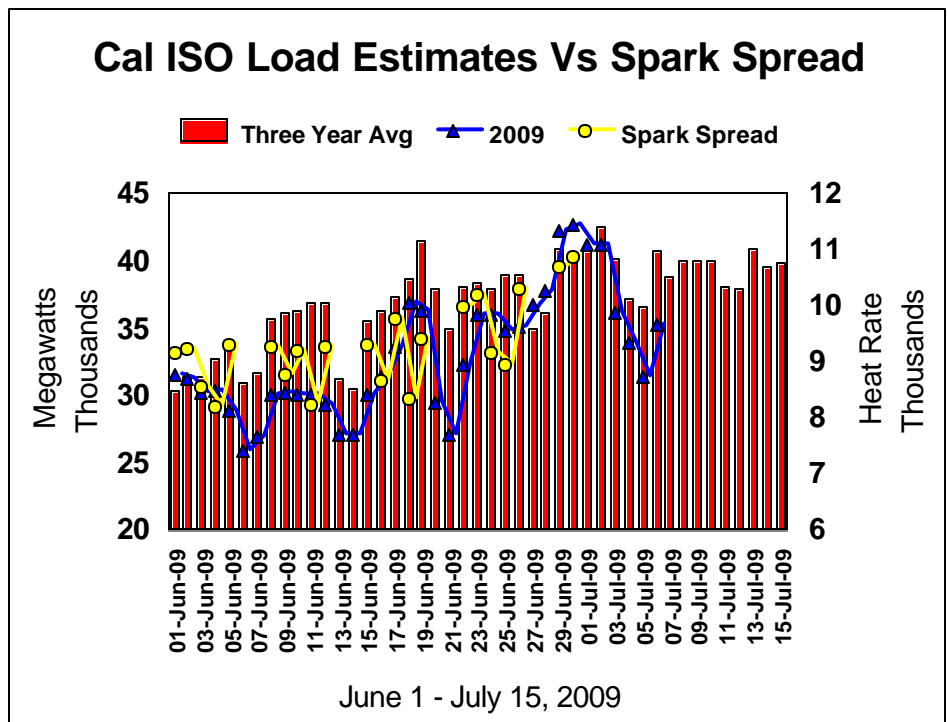
Midcontinent Express Pipeline said Interim Service for Zone 1 is continuing, and In-Service to Transco 85 is anticipated to be August 1st, subject to weather conditions and other factors.

ELECTRIC MARKET NEWS

Genscape reported that coal supplies at U.S. power plants this week fell 1% from last week but are 20.2% greater than the same week a year ago.

The New York ISO is looking at how the adoption of electric vehicles might impact the power grid in New York State.

The CME Group announced that it plans to launch its new SO2 emission 25-allowance futures and options contract for a trade date of July 13th, starting on July 12th. The contracts will be 25 SO2 contracts will allow more flexibility in trading attributable to the vintage mechanism of this product. Compliance emitters under the EPA's Program can now have physically delivered previous vintage SO2 certificates for compliance purposes. The contracts will be 25 SO2 emission allowance units in size with a minimum price fluctuation of 10 cents per SO2 emission allowance. The first listed month will be August 2009 contract. The unit size and termination date differentiate these contracts from the existing SO2 emission allowance futures and options contracts, which will continue to be available for trading.



The Maryland Public Service Commission approved the application for the proposed new nuclear facility at Calvert Cliffs. The 1600 Mw reactor is proposed to be built next to the existing units. Unistar hopes to make a final decision on the project by the end of this year.

PG&E said today that it has started soliciting new contracts for renewable energy. The company is looking for power purchase agreements, agreements with an option to purchase a project after 5-10 years, outright acquisitions of renewable energy facilities, acquisitions of project sites for development of generation facilities and agreements to jointly own or develop a renewable energy project. State regulators have asked utilities to pay special attention to projects in the Imperial Valley, since PG&E is building a high voltage transmission line.

NRG Energy and Optim Energy confirmed today that they started commercial operation of the new 550 Mw Unit #4 at the Cedar Bayou combined cycle natural gas fired power plant in Texas last week.

MARKET COMMENTARY

We were totally off base in our market outlook last night! We did not expect that the natural gas market would have broken out of its congestion pattern this week given our expectation of traders being absent from the market place given the upcoming July 4th holiday. But this morning natural gas began leading the energy market lower, and once the support line of the past month on the daily chart was breached at \$3.917 earlier this morning, technical selling drove this market down to the \$3.80 level before support was found and prices were able to enter into a relatively stable sideways trading pattern. The cash market this morning was also extremely active with ICE recording the largest traded volume in the next day cash market since February 3rd.

It will be interesting to see if any new speculative buying comes into this market as the third quarter gets under way tomorrow. But without a strong rebound in oil prices and the equity markets the natural gas market could attempt to retest major support levels tomorrow at \$3.782-\$3.796. Additional minor support would be pegged at \$3.717 and \$3.627 before major support is found once again at \$3.50 and \$3.39. Resistance we see at \$4.094, \$4.189 and \$4.278. Additional resistance we see at \$4.387, \$4.50, \$4.574 and \$4.789

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