



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 1, 2009

NATURAL GAS MARKET NEWS

The API released a new study Wednesday saying that pending legislation before Congress seeking to regulate hydraulic fracturing could cost the U.S. economy as much as \$374 billion in the year 2014 alone. API noted that "more than 1 million wells have been completed using this technology and unnecessary additional regulation of this practice would only hurt the nation's energy security and threaten our economy." They noted that restrictions on fracking would limit U.S. oil and gas production, resulting in sharply increased imports by 2018. The study finds that imports of oil and gas under a no-fracking scenario would jump by 60%, while imports under a fluid restriction scenario would grow by nearly 30% and increase by 14% under the UIC compliance scenario.

The U.S. Maritime Administration announced yesterday that the Gulf Landing LLC has surrendered its license to build a LNG deepwater port of the coast of Louisiana.

Generator Problems

NPCC – OPG reported that its Portlands natural gas generating unit and its Lambton #3 coal fired unit were taken off line, while the Lambton #1 and #4 coal fired units returned to service.

Entergy's 620 Mw Vermont Yankee plant was at 84% capacity, down 4% from yesterday.

PJM – Exelon's 1112 Mw Peach Bottom #3 nuclear unit dropped to 65% power this morning, down 35% from Tuesday.

The 1120 Mw Hope Creek Nuclear Plant was at 85% power this morning, down 15% from yesterday.

WSCC – PG&E shut its 1118 Mw Diablo Canyon #2 nuclear unit this morning. The unit had been at full power on Tuesday.

The 1150 Mw Columbia Generating Station was warming back up and was at 10% power this morning. The unit has been off line since June 26th.

SERC – TVA's 1104 Mw Browns Ferry #2 nuclear unit operating level was reduced to 65% as operators adjusted the unit's rod pattern. The plant was expected to return to full power shortly.

The NRC reported this morning that 94,437 Mw nuclear generation capacity was on line, down 1.7% from yesterday and off 2.9% from the same time a year ago.

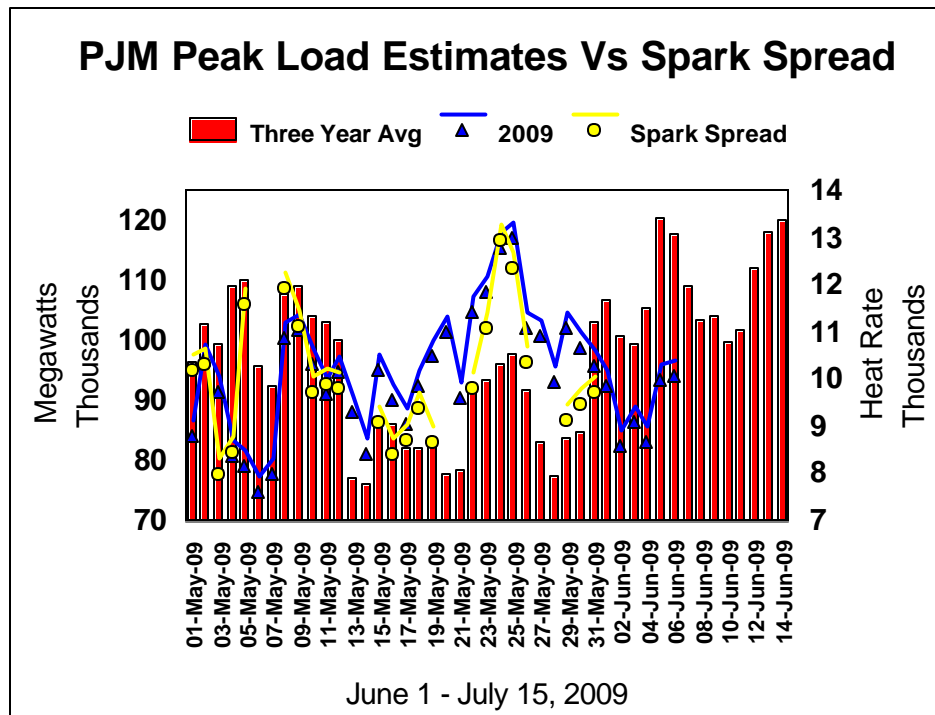
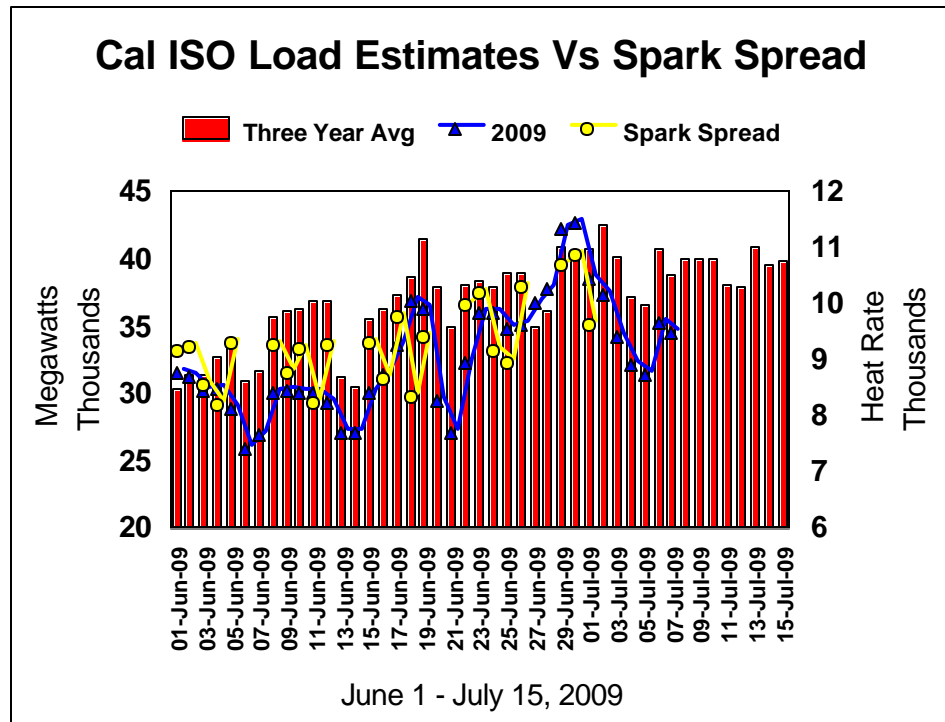
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		<small>(As of 12:30 PM)</small>		<u>Moving Avg</u>
Henry Hub	768,300	\$3.627	(\$0.089)	(\$0.221)	(\$0.075)	(\$0.313)
Chicago City Gate	740,100	\$3.294	(\$0.083)	(\$0.554)	(\$0.089)	(\$0.367)
NGPL- TX/OK	695,800	\$3.148	(\$0.062)	(\$0.700)	(\$0.069)	(\$0.465)
SoCal	414,600	\$3.293	(\$0.072)	(\$0.555)	(\$0.079)	(\$0.529)
PG&E Citygate	726,200	\$3.471	(\$0.021)	(\$0.377)	(\$0.028)	(\$0.386)
Dominion-South	146,100	\$3.796	(\$0.048)	(\$0.052)	(\$0.055)	\$0.095
USTrade Weighted	19,377,500	\$3.416	(\$0.068)	(\$0.432)	(\$0.07)	(\$0.313)

The Institute for Supply Management's manufacturing business survey committee said this morning its index shrank in June but at a slower pace than during the prior

month. The index was placed at 44.8 in June up from 42.8 in May, an improvement but still below the 50 level which separates contract between growth. The chairman of the group said that deflationary pressures in the manufacturing sector appeared to be abating, in part due to the rise in oil prices, which has stabilized such areas as the chemical sector. He noted it will probably take another three months for their index to return to positive growth levels.

Kuwait's oil minister said today that Kuwait remains in talks with Qatar over improving the terms of a potential agreement for importing LNG. Kuwait inferred it was looking for similar terms that it received from Shell in its recent agreement to import LNG this summer.

Centrica said today that only one of its two gas compressors at the Rough gas storage facility in Britain was in operation due to the high level of gas inventory and to fog, which reduces compressor performance. The facility which is at 86% of capacity



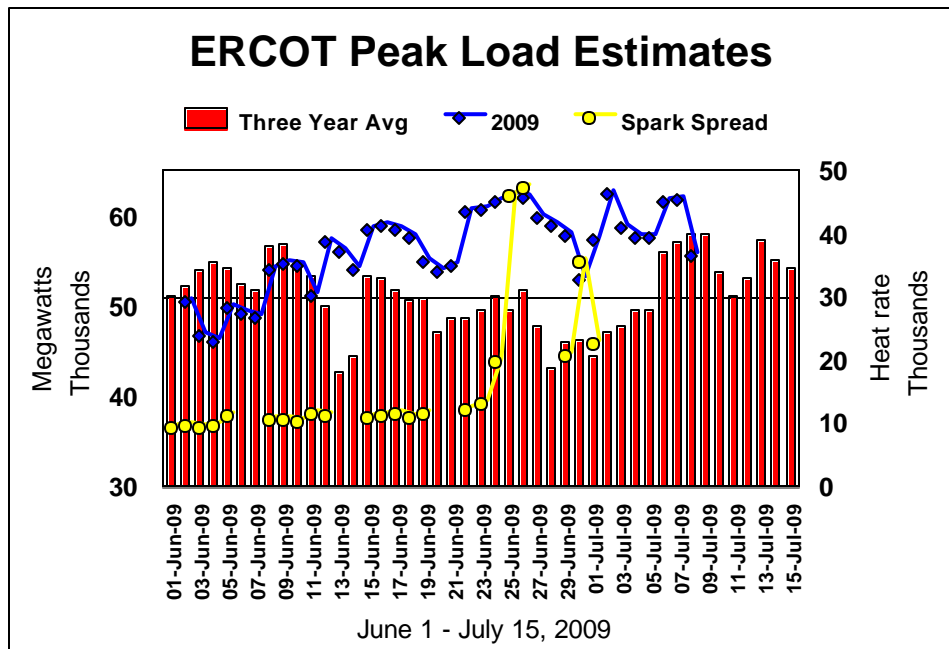
Royal Dutch Shell said today its output at its Ormen Lange gas field was being impacted by maintenance at the onshore processing plant at Nyhama, but they declined to say what percentage of output is affected or how long the curtailment would last. The field has a maximum production capacity is 70 million cubic meters of gas a day. The field is in the More Basin in the southern Norwegian Sea.

Poland said it hopes to sign an agreement with Russia's Gazprom by the end of the summer to increase gas

supplies by 2-3 billion cubic meters from 2010. Under its current contract Poland would receive 8 bcm of gas in 2010.

International Oil Daily reported today that the maiden cargo from Indonesia's long delayed Tangguh LNG plant appears will be shipped to the South Korean steel maker Posco's Gwangyang terminal in early July rather than China as originally planned.

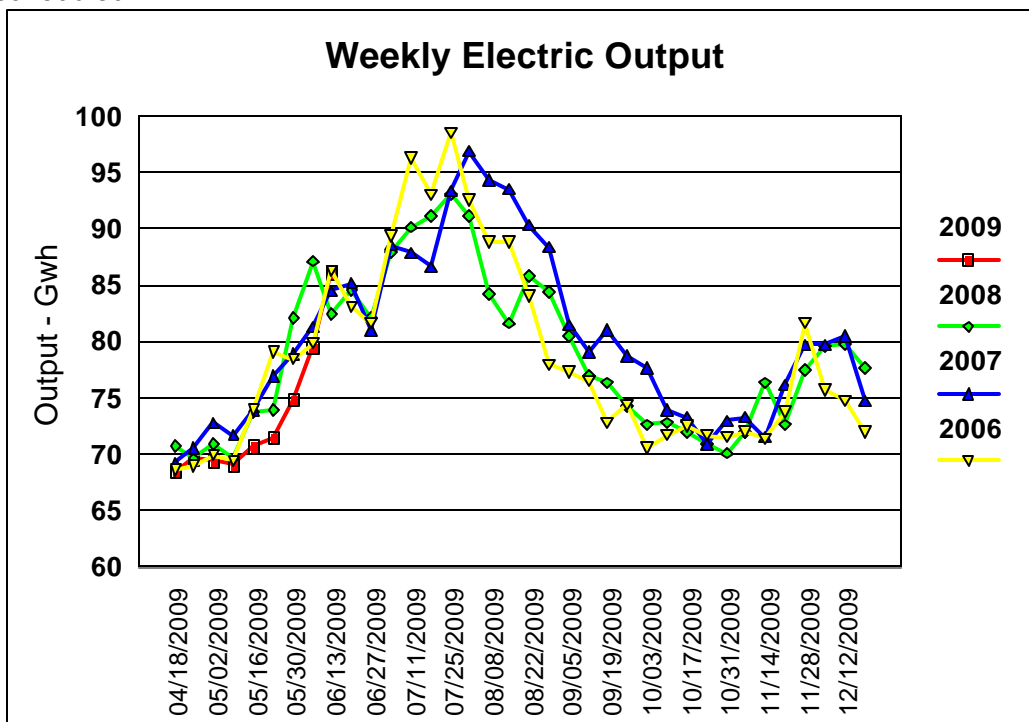
The Commodity Futures Trading Commission's Chairman Gary Gensler said the CFTC will use its regulatory power to ensure fair operations of futures markets for oil, agriculture, currencies and interest rates. He said that speculators contributed to an asset bubble in commodities in 2008 but would not say if he believed the same thing was happening this year. He reiterated the Obama administration's call for more regulation of derivatives markets.



PIPELINE RESTRICTIONS

Trailblazer reported that nominations have been received and scheduled on notice. It is at capacity for gas going eastbound through Compressor Station 602. ITS/AOR and Secondary out of path Firm transports will not be scheduled.

Tennessee Gas Pipeline said effective for today it has restricted Carthage Line Lateral, Leidy Delivery Meters and Interruptible Storage Injections. It said it restricted through approximately 56% of Supply to market Secondary Out of Path nominations. At Leidy Meters it has restricted through approximately 8%. The company also



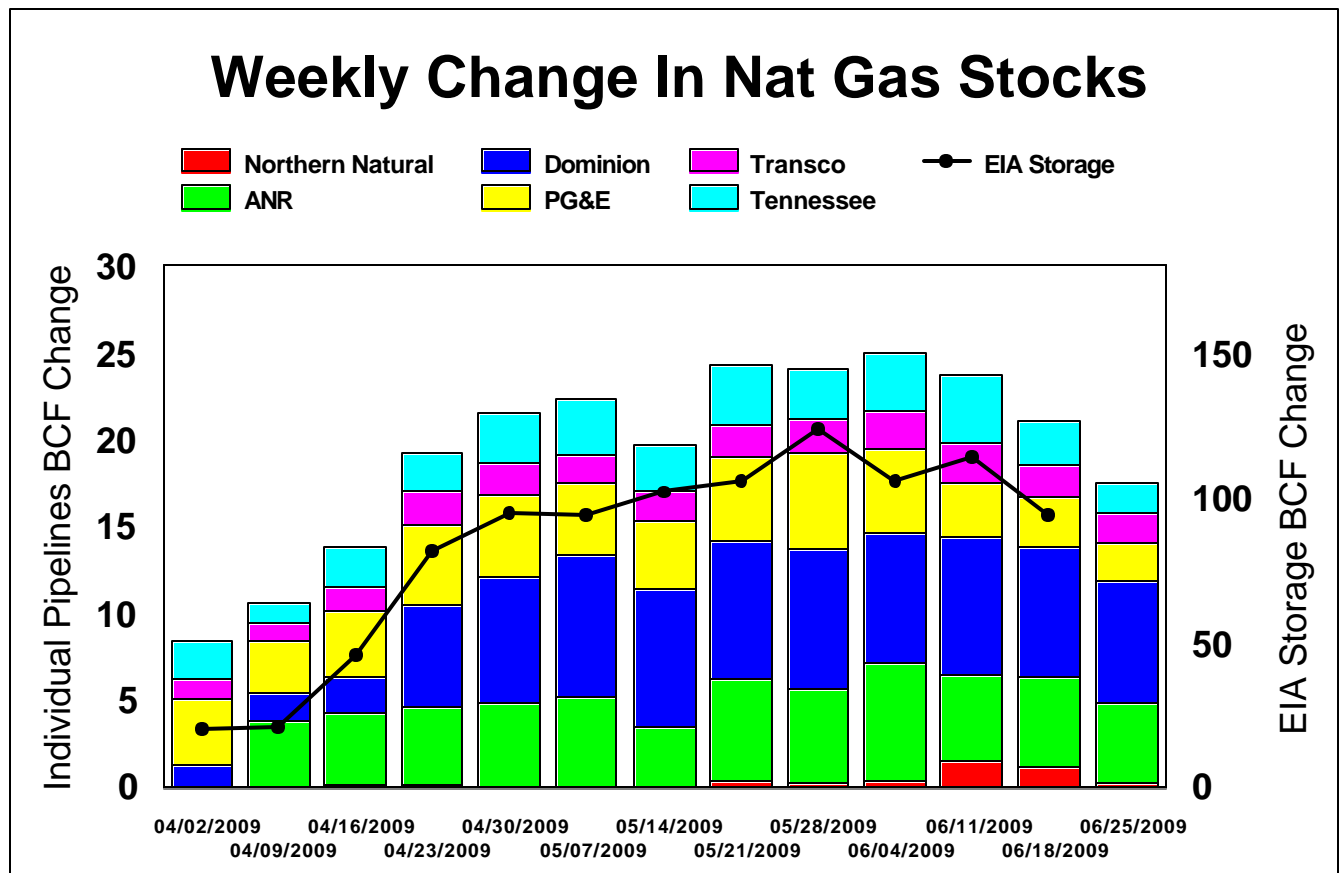
said it has restricted 100% of IS-PA storage injections at bear creek Storage and IS-MA storage injections at Northern Storage.

PIPELINE MAINTENANCE

Boardwalk Pipeline Partners announced that its Gulf Crossing Pipeline has completed remediation of the pipe anomalies on its system and has been authorized by the regulators to operate the pipeline at normal operating pressures of up to 72% of the Specified Minimum Yield Strength, effective immediately. Anticipated peak day delivery capacity for Gulf Crossing in July is estimated at approximately 1.3 bcf/d.

Gulf South will be performing maintenance at the Tallulah Compressor Station on Unit T-3000 beginning on July 7th and lasting for 24 hours. Based on current system operations and nominations, the company said it does not anticipate any impact to shippers utilizing the facility.

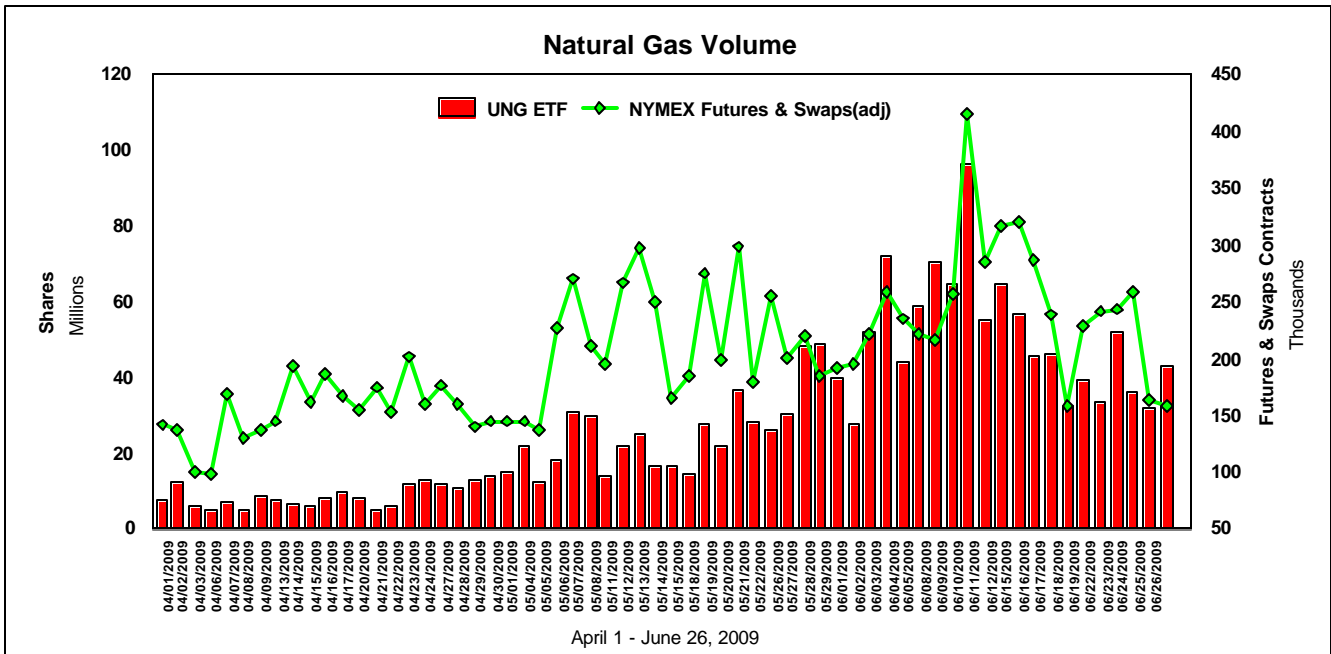
SONAT said it has been notified by Enterprise Operating Partners LLC has experienced an unscheduled outage at its Toca processing plant on June 30th and the duration of the outage is unknown.



ELECTRIC MARKET NEWS

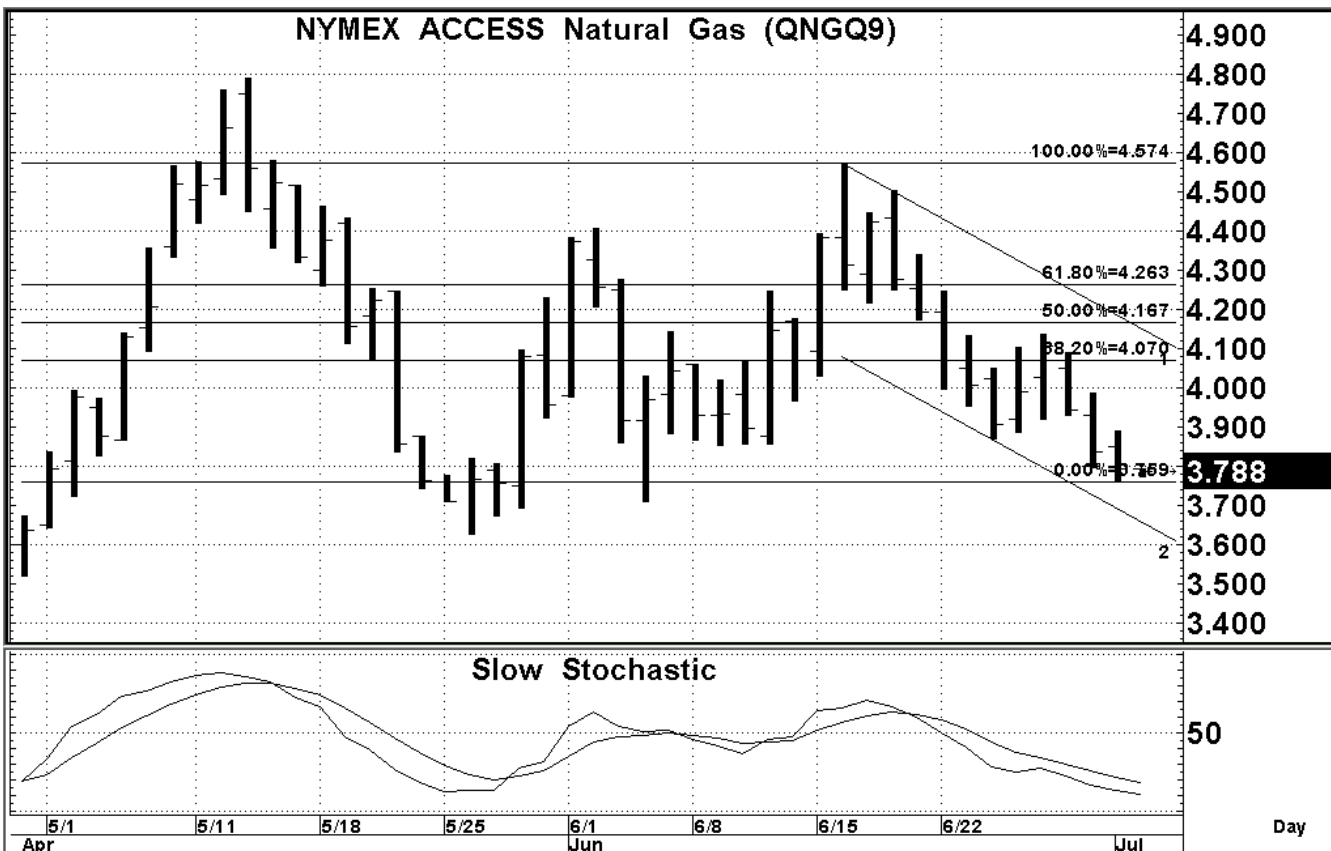
The Edison Electric Institute reported that for the week ending June 27th, U.S. power production in the United States reached 86,151 Gwh. While this was a jump of 6.33% from the previous week due to the hotter temperatures especially in the Midwest and along the Gulf Coast, overall power generation was still 3.2 less than the same time a year ago.

The U.S. Department of Energy said today that it will provide up to \$400 million for two projects to cut greenhouse gas emissions from coal fired power plants by capturing and storing CO2. The DOE will

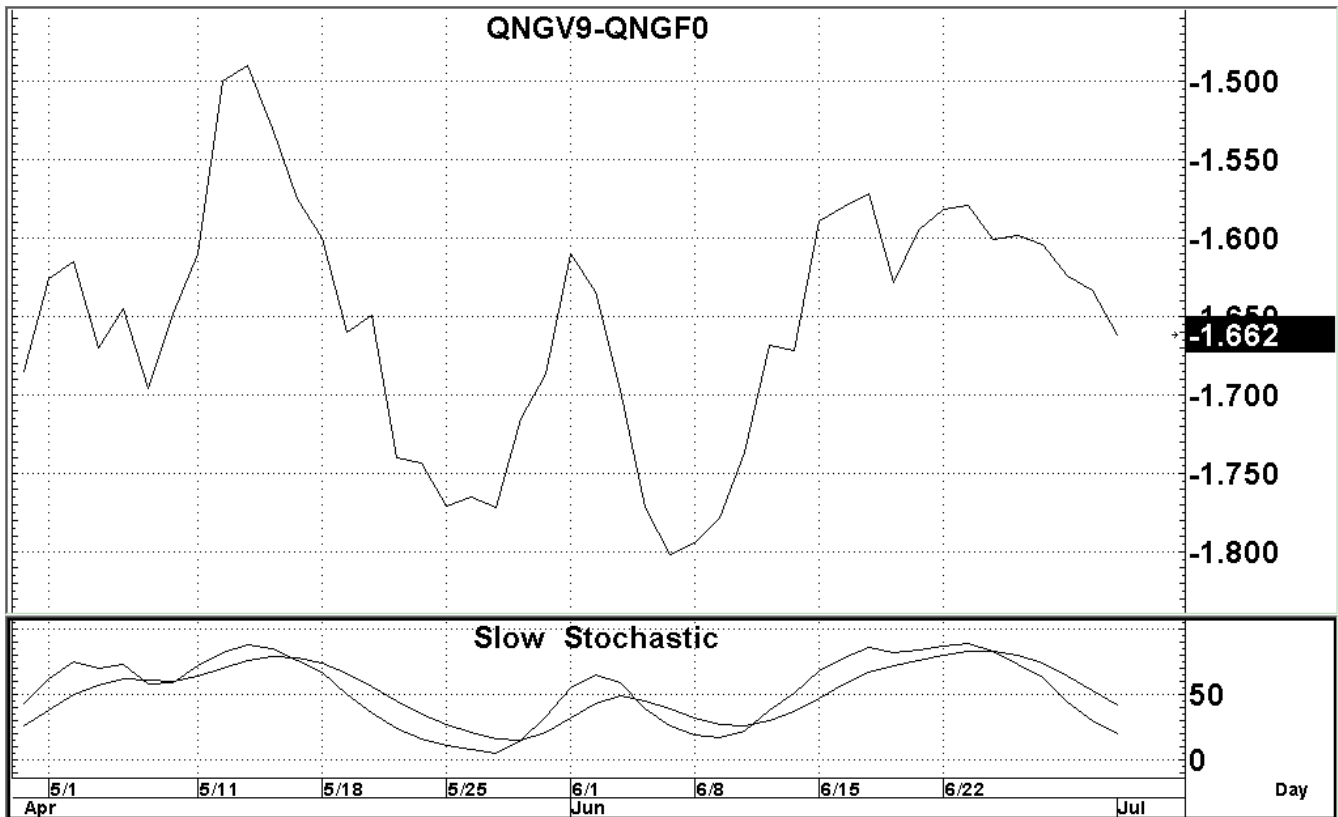


give \$100 million to an existing coal fired plant run by Basin Electric Power Cooperative in North Dakota and \$308 million to a proposed plant in California by BP Alternative Energy and Rio Tinto. The North Dakota plant would add capture and storage technology to a portion of an existing unit at the Antelope Valley Plant. The California project would convert coal and petroleum coke into CO2 and hydrogen.

Exelon said it would seek an Early Site Permit for its proposed Victoria, Texas nuclear plant site rather



than a combined and construction and operating license. The change in licensing strategy allows the company to continue with some aspects of site evaluation and approvals while deferring a decision on



construction and technology choices for up to 20 years.

MARKET COMMENTARY

The natural gas market appeared to remain contained within its downward trading channel today as moderating power demand forecasts, coupled with limited near term industrial demand and lower oil prices all helped to keep bulls at bay. The August contract saw prices fall to their lowest level since June 4th as volume was moderate at best in the market. Option activity continues to be focused around the \$3.50, \$3.00 and \$2.75 puts in the August and September contracts.

Market expectations for tomorrow's EIA Storage Report are centered on a 75 bcf build in working gas levels for the week ending June 25th. Our model again is slightly less than market expectations as we are looking for a 68-72 bcf build. A year ago stocks rose an adjusted 86 bcf for the same week while the five-year seasonal average shows a 85 bcf build.

We see support tomorrow at \$3.76 followed by \$3.71, \$3.627, \$3.52-\$3.50 and \$3.39. Resistance we see at \$4.00 followed by \$4.07, \$4.154-\$4.167 and \$4.263. More distant resistance we see at \$4.574-\$4.60. While we would expect that a bullish storage number might help this market to finish higher for the first time in four trading sessions, we do not expect that we will see prices reaching back above the \$4.25, without a major rally in the oil market. This would be where we would be interested in re-establishing outright shorts at this time. We remain committed to holding the Oct-Jan spread looking for October's discount to move to \$1.70-\$1.75 to January.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 07/01/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	8	9	P	3	0.0452	0.0461	4656	0.045	0.035
LN	8	9	P	3.5	0.1697	0.1672	4166	0.167	0.157
LN	9	9	P	2.75	0.0638	0.0654	2400	0	0
LN	9	9	P	3	0.1088	0.1102	1950	0	0
LN	9	9	C	6	0.045	0.0533	1900	0	0
LN	8	9	C	5	0.0337	0.0428	1900	0	0
LN	9	9	C	5	0.1503	0.1688	1615	0.155	0.155
LN	8	9	C	4	0.2176	0.2454	1233	0.25	0.24
LN	10	9	P	4	0.5226	0.521	1190	0	0
LN	8	9	C	4.5	0.0902	0.1075	1188	0.105	0.09
LN	10	9	P	3	0.1526	0.152	1100	0	0
ON	8	9	C	3.9	0.256	0.285	1051	0.27	0.27
ON	8	9	C	4.4	0.109	0.128	1051	0.125	0.125
LN	9	9	P	3.25	0.1721	0.1725	1000	0	0
LN	10	9	C	4.5	0.4889	0.5111	1000	0.495	0.495
LN	10	9	P	2.75	0.0998	0.0992	1000	0	0
LN	11	9	P	4	0.3101	0.3126	954	0.305	0.305
LN	9	9	P	2.25	0.017	0.0181	900	0	0
LN	10	9	P	2.25	0.0448	0.0429	900	0	0
LN	9	9	P	4	0.4928	0.4861	800	0	0
LN	3	10	C	6.15	0.7137	0.7122	800	0	0
LN	12	9	P	3	0.0319	0.0328	784	0	0
LN	9	9	P	3.5	0.2571	0.2561	762	0.255	0.245
LN	12	9	C	8	0.1441	0.1462	750	0	0
LN	12	9	C	9	0.074	0.0755	750	0	0
LN	12	9	P	5	0.4579	0.462	750	0	0
LN	10	9	P	2.5	0.0677	0.0663	750	0.067	0.067
LN	9	9	C	4	0.4368	0.4681	750	0	0

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