



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 10, 2009

NATURAL GAS MARKET NEWS

Treasury Secretary Geithner said today that the SEC and CFTC have "made a lot of progress, but they are not there yet" on agreeing to a plan to regulate derivatives." The Treasury Department will continue to work with these regulators in crafting a plan to ensure that these markets can not cripple the American economy again.

The CFTC said today that it will move aggressively to rein in excessive speculation in the energy and metals markets by focusing largely on expanding their existing authority and could have new regulations in place as early as late October. The CFTC though said while it would move aggressively, "that does not mean we're going to be draconian or go too far." Commissioner Chilton said he hoped the CFTC would put out proposed rules in September, open them up to public comment and implement them by late October or November."

Generator Problems

NPCC – Entergy's Vermont Yankee nuclear unit was back to full power this morning, up 3% from Thursday.

Sithe's Goreway natural gas generating unit was closed this morning.

OPG's coal fired Nanticoke 4 power plant returned to service this morning.

PJM – The Calvert Cliffs #1 nuclear unit fell 6% over night and was at 94% capacity this morning.

Exelon's 619 MW Oyster Creek nuclear unit was at 84% capacity this morning, down 6% from yesterday, due to maintenance on a circulating water tube.

MISO – Exelon's Byron #1 nuclear unit was back to full power this morning, up 2% from yesterday.

WSCC – The Energy Northwest 1131 Mw Columbia Generating nuclear unit fell 34% to 55% of capacity this morning.

Capital Power's 450 Mw coal fired Unit #3 at the Genesee power station was shut on July 9th

The NRC reported this morning that 96,056 Mw nuclear generation capacity was on line, down 0.5% from yesterday and off 1.2% from the same time a year ago.

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	786,500	\$3.238	(\$0.119)	(\$0.133)	(\$0.113)	(\$0.266)
Chicago City Gate	562,200	\$3.077	(\$0.196)	(\$0.295)	(\$0.152)	(\$0.245)
NGPL- TXOK	584,100	\$2.981	(\$0.153)	(\$0.390)	(\$0.109)	(\$0.379)
SoCal	377,100	\$2.933	(\$0.203)	(\$0.438)	(\$0.159)	(\$0.362)
PG&E Citygate	515,300	\$3.069	(\$0.141)	(\$0.302)	(\$0.097)	(\$0.246)
Dominion-South	163,000	\$3.373	(\$0.173)	\$0.002	(\$0.129)	\$0.016
USTRade Weighted	16,424,000	\$3.072	(\$0.157)	(\$0.299)	(\$0.11)	(\$0.266)

Baker Hughes reported that for the current week the number of drilling rigs in the United States searching for natural gas stood at 672, down 16 on the week. This was the largest weekly drop in

rigs since April 24th.

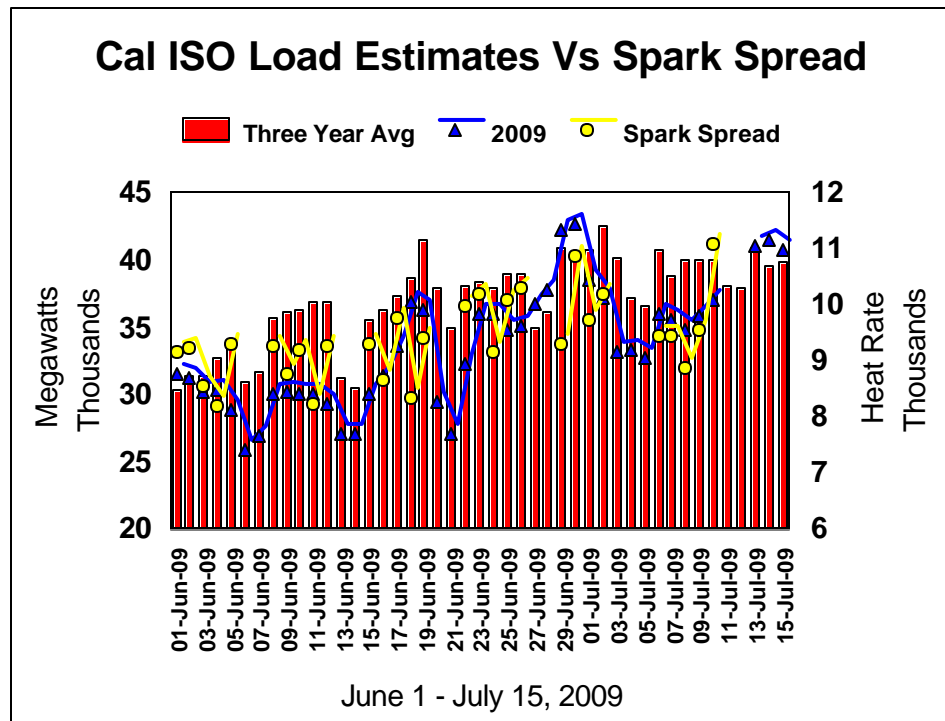
The Chief Administrative Law Judge in the ETP case suspended FERC enforcement proceedings in the case, as a result of the two sides in settlement negotiations to resolve the pending charges against ETP.

British gas prices fell to their lowest level in more two years on Friday as more LNG cargoes were expected to arrive in the country in the near term and as the economic malaise appeared would continue. Milford Haven port authorities reported that the first LNG tanker was scheduled to arrive at the Dragon import terminal on July 14th. Meanwhile Qatar's Bu Samra LNG tanker is expected to arrive at the South Hook import facility on July 13th.

The president of SOCAR said today no country has been given priority for gas from its Shakh-Deniz gas fields and that his government supported the EU-backed Nabucco project. These comments seemed to run counter to recent Russian comments that the Azerbaijan government had promised Russia priority in buying gas from the second phase of the Shakh-Deniz deposit. Meanwhile a Turkish official said today that an agreement between Turkey and Azerbaijan over the price Turkey will pay for Azeri gas from Shakh-Deniz would most likely be reached on Friday.

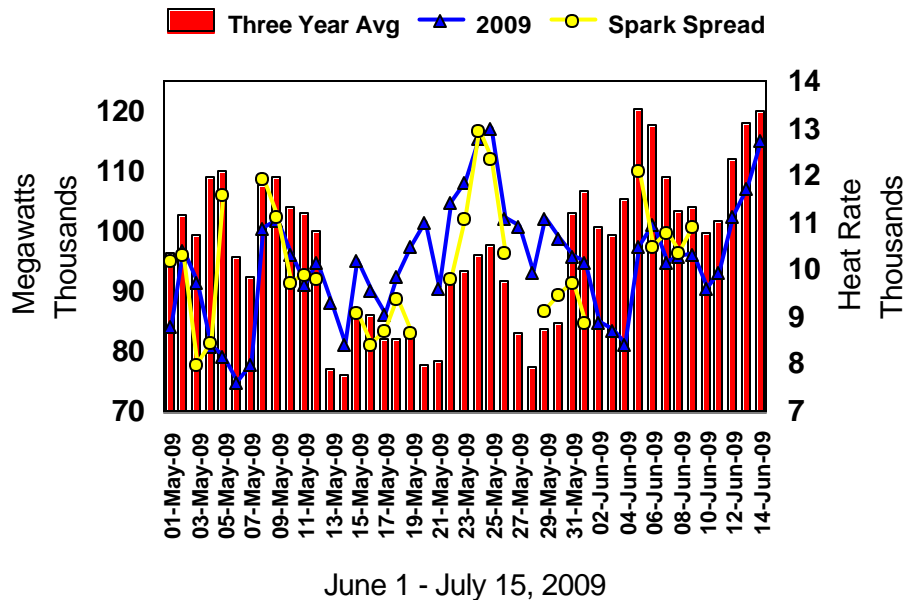
Kazakhstan has completed construction of its 1300 km segment of the 7,000 km long Turkmenistan to China gas pipeline. During the first phase the line will have the capacity to ship 4.5 bcm/year of natural gas, with shipments expected to begin at the end of 2009. Ultimately the line is expected to move 30 bcm/year to the northwestern frontier of China.

The University of Michigan released its latest consumer confidence survey and it showed that consumers concerns in early July appear to be rising about a protracted economic downturn. Its preliminary index of confidence for July fell to a reading of 64.6 from the final reading of 70.8 for June of 70.8. July's preliminary reading was well below market expectations of a 70.5 reading and this was the first fall since February.



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PJM Peak Load Estimates Vs Spark Spread



PIPELINE MAINTENANCE

TransCanada said the NPS 6 Contracosta Lake Lateral leak has been investigated and repaired and was put back into service on Thursday morning.

SONAT said it plans to have its Gwinville Compressor Station down for 8 hours on July 13th to correct an electrical issue. The company does not expect it to have an impact on customers.

PIPELINE RESTRICTIONS

Northern Natural Gas said it is reducing the operating pressure of the Marquette

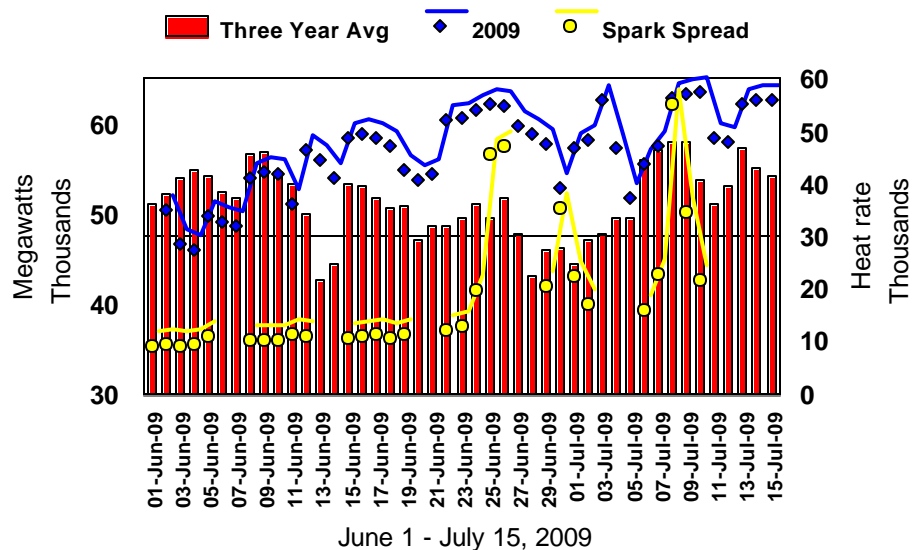
pipeline from a maximum of 1080 psig to 739 psig. As of June 23rd the company declared a force majeure due to a pipeline rupture on the line near Bessemer, Michigan. Until it has resolved these issue the company decided to reduce operating pressures on the line and is not able to make deliveries to Great Lakes Gas Transmission Company at the Wakefield interconnect.

Tennessee Gas Pipeline said effective for today, due to decreased nominations it will be able to accept increases for nominations sourced from meters on its Carthage Line lateral.

SONAT said that based on weather forecasted temperatures for this weekend and supplies and anticipated demand, it is expecting storage requirements to be close to maximum injection capability for the weekend.

California Gas Transmission said a has a system wide OFO in effect for July 10th due to high inventory.

ERCOT Peak Load Estimates



ELECTRIC MARKET NEWS

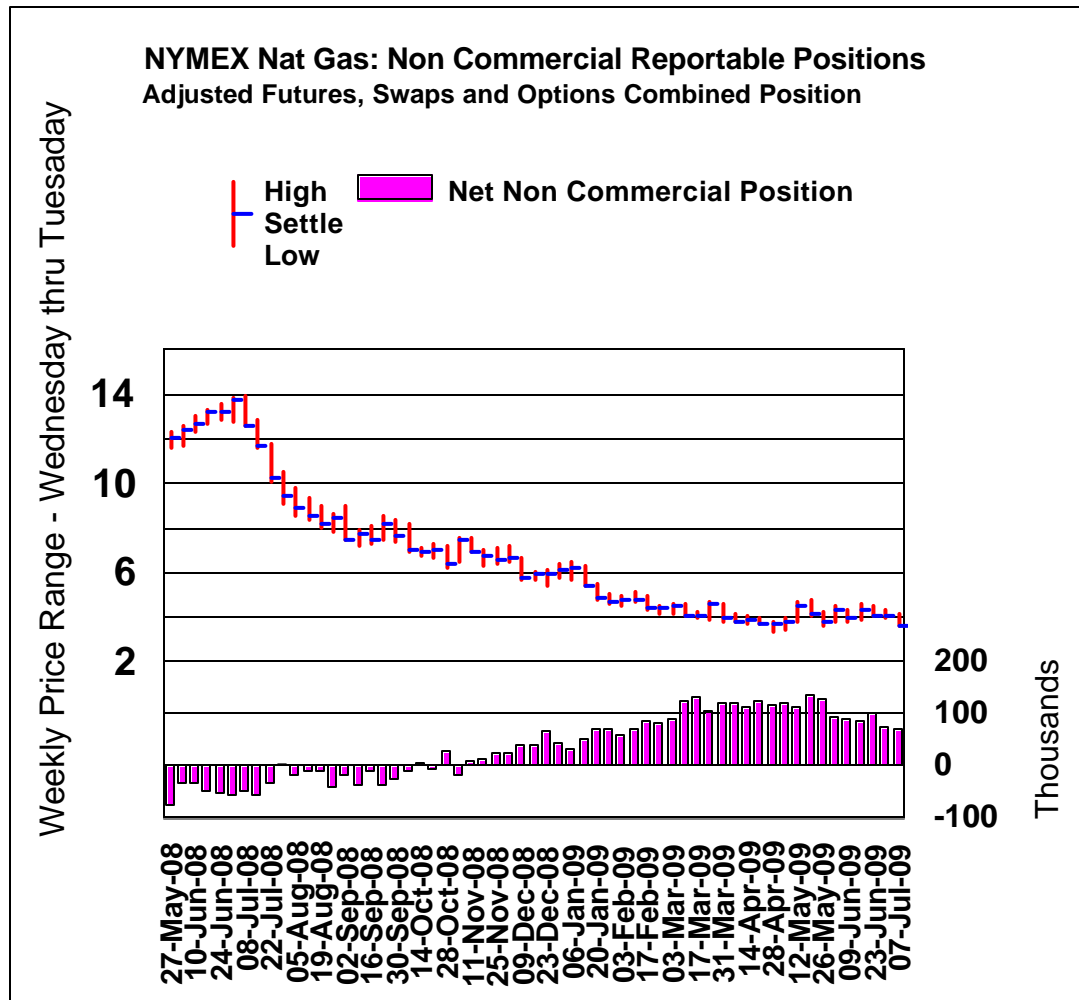
Entergy received an approval from the NRC's judicial branch on the renewal of the company's Vermont Yankee nuclear power plant's operating license for another 20 years. The company hopes to receive the final commission approval for the plant's license renewal by the end of the year.

Tenaska, the managing partner for the \$3.5 billion Taylorville Energy Center, announced today it has been selected by the Department of Energy to proceed into the term sheet negotiation phase under the DOE Loan Guarantee Program. The amount of the guarantee could be up to \$2.579 billion. Tenaska continues to move forward with the front end engineering and design work required by the Illinois Clean Coal Portfolio Standard Law and it hopes it will be presented to state regulators by early next year. The Taylorville facility once built would be one of the nation's first commercial scale coal gasification with carbon capture plants. Its technology will convert coal into substitute natural gas,

which will be used for electricity generation or fed into interstate natural gas pipelines. By capturing and storing more than 50% of the CO2 it produces, the facility would have the emissions profile of a natural gas fired power plant.

Genscape reported today that U.S. coal consumption fell 4% from the previous week and was 15% below the same level a year ago.

The EIA reported late yesterday that U.S. coal production for



the week ending July 4th totaled 19.3 million tons, some 5% less than the prior week and 2% lower than the same week a year ago.

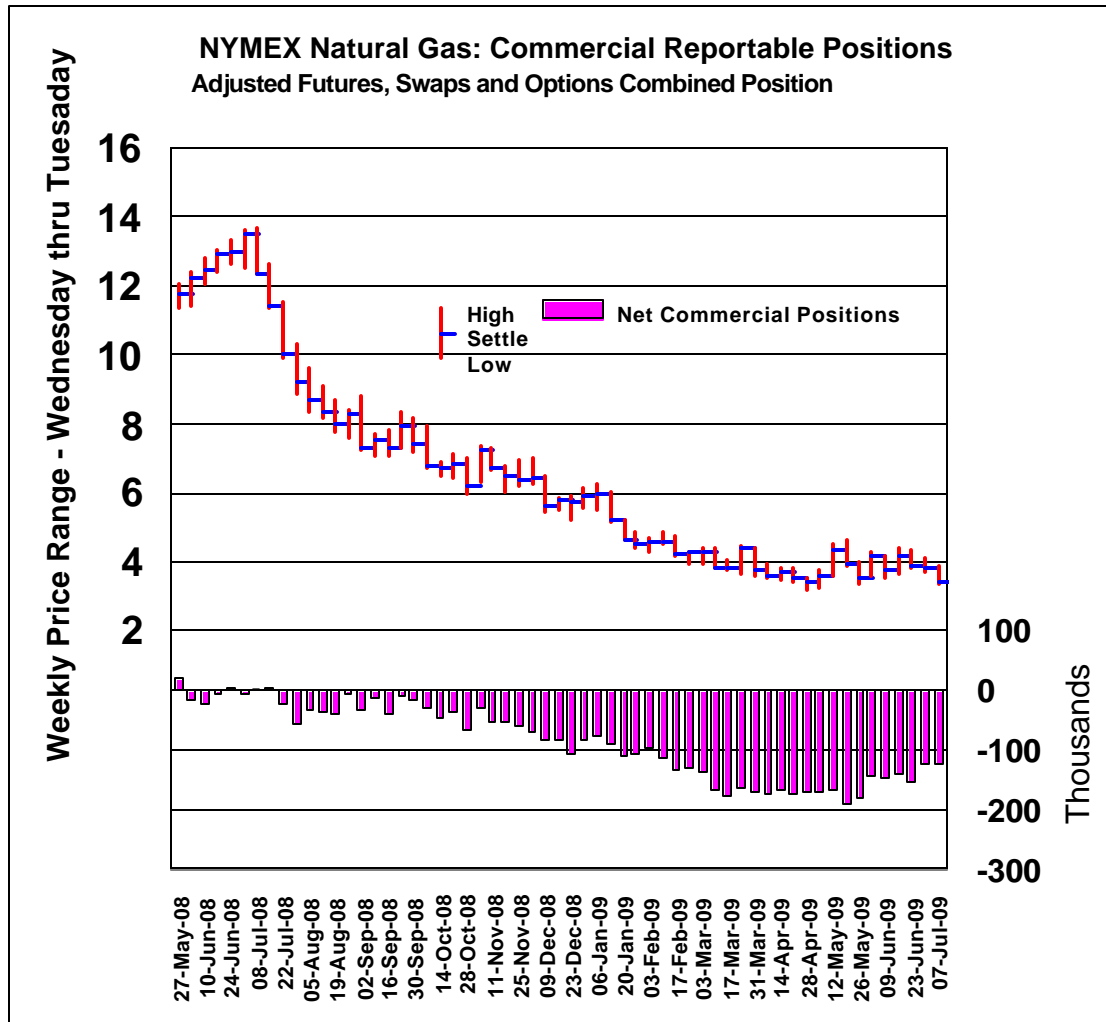
MARKET COMMENTARY

While the oil and equity markets continued to decline significantly today, natural gas while being on the defensive for much of the day still posted a smaller trading range on the day than the prior session as well as holding the lows from Wednesday. In fact the lows of each trading session this week has been contained with a range \$3.337-\$3.373, which appears to point toward a possible broad area of support being built for this market.

Given the prospects for noticeably higher electrical loads in the Midwest, East and West Coasts, coupled with the continuing heat wave in ERCOT we see at least electric generating demand to help throw a lifeline to natural gas prices. But given the tremendous supply overhang in this market we do not feel a significant rally is in the cards unless tropical threats begin to pop up. This rally could gain

short term legs especially if it coincides with the natural gas ETF, UNG gains approval to expand its outstanding shares profile.

This afternoon's Commitment of Traders Report showed little change in positions by commercials and non-commercials reportable positions for the period ending July 7th.



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