

The Windham Group

ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 15, 2009

NATURAL GAS MARKET NEWS

AccuWeather forecaster Joe Bastardi said today that the cooler than normal temperatures this summer in the Northeast and Great Lakes will eventually evolve towards more normal temperatures for the second half of July but then could return toward cooler than normal temperatures for the remainder of the summer. He also is looking for this winter to be colder than normal, the coldest in five years especially for the area of Washington DC through Boston.

The FERC today gave Bobcat Gas Storage the go-ahead to place into service its second storage cavern at its facility in St. Landry Parish, Louisiana

Reuters reported yesterday that according to CFTC data it has obtained, speculators accounted for 71% of the buying in the NYMEX WTI contract back in April 2008. That was up sharply from just 34% eight years earlier.

Goldman Sachs Chief Financial Officer David Viniar said late Tuesday that his firms energy trading is hedging and therefore should be exempt from proposed U.S. government position limits on the volume of contracts it could hold. He said he expected the proposed regulations may have little impact on

Generator Problems

NPCC – Dominion Resources 882 Mw Millstone #2 nuclear unit moved into cold shutdown from hot standby mode on July 13th due to a reactor coolant system leak,.

OPG's 881 Mw Darlington #3 nuclear power station was shut early Wednesday.

SERC – Southern Nuclear's 883 Mw Hatch 2 nuclear unit cut its output to 38% on Wednesday, down from 44% on Tuesday.

Cal ISO reported this afternoon that it had some 5326 Mw of generating capacity off line, of which 47% was non-gas generating assets.

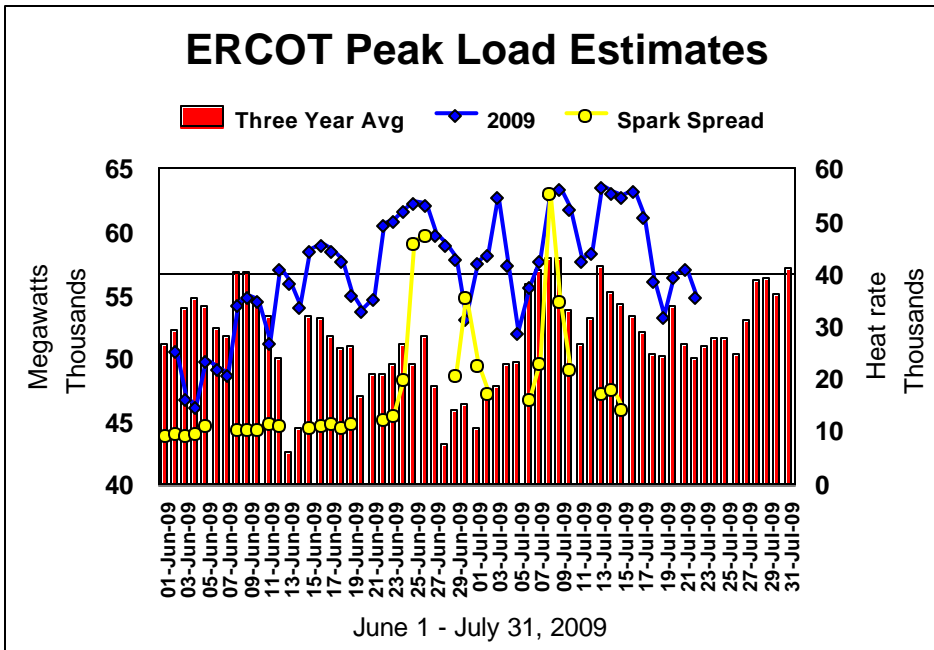
The NRC reported this morning that 93,516 Mw nuclear generation capacity was on line, down 1.0% from yesterday and off 3.7% from the same time a year ago.

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	823,300	\$3.367	\$0.075	\$0.043	\$0.175	(\$0.167)
Chicago City Gate	508,200	\$3.339	\$0.138	\$0.015	\$0.200	(\$0.156)
NGPL- TX/OK	622,300	\$3.196	\$0.114	(\$0.128)	\$0.176	(\$0.281)
SoCal	328,000	\$3.319	\$0.140	(\$0.006)	\$0.202	(\$0.212)
PG&E Citygate	1,019,100	\$3.452	\$0.115	\$0.128	\$0.177	(\$0.087)
Dominion-South	153,200	\$3.565	\$0.057	\$0.241	\$0.119	\$0.118
USTRade Weighted	17,817,400	\$3.319	\$0.113	(\$0.005)	\$0.17	(\$0.167)

Goldman's commodities results if the CFTC retains hedging exemptions currently granted to banks doing energy trading.

The BP led Tangguh project in Indonesia's Papua will ship its first China bound cargo of LNG to Fujian next week. The plant in eastern Indonesia is Indonesia's third LNG center with a capacity of 7.6 million tones per year. The

plant has long-term contracts with Sempra, China National Offshore Oil Corp and South Korea's K-power.



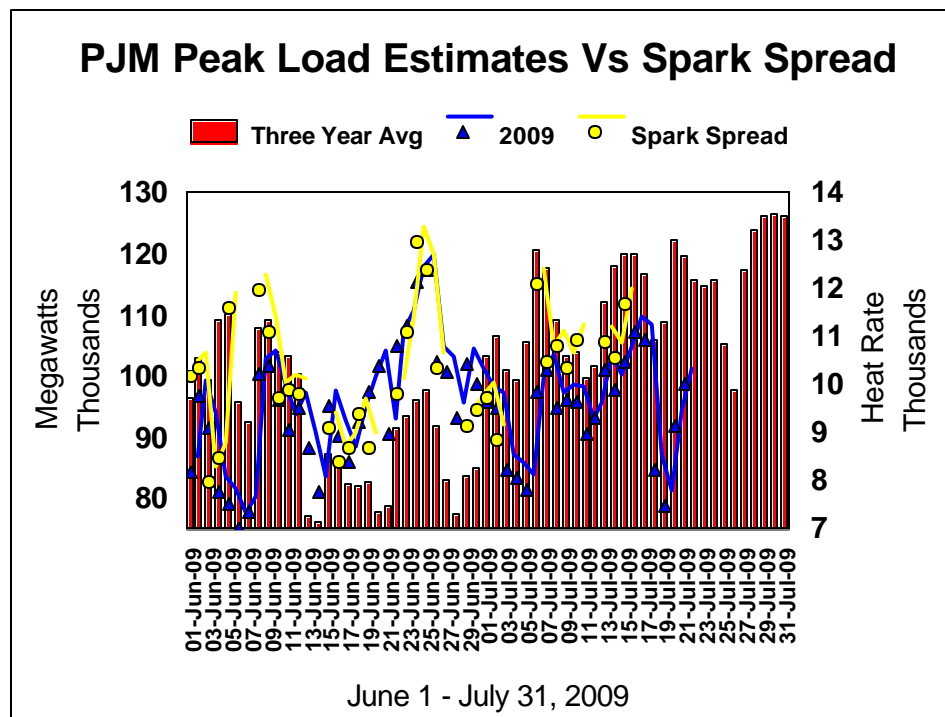
UAE-based Crescent Petroleum said it was seeking international arbitration for the failure of Iran's state oil firm to fulfill a gas export contract. NIOC has yet to complete testing facilities at its offshore Salman field that should have begun exports to the UAE back in 2005. The contract between the two companies signed back in 2001 was for a 25-year period.

The British government said today that it wants to ensure that gas imports do not rise between 2010 and

2020 despite its continued decline in domestic supplies. The government is seeking to increase its energy efficiency efforts and use of renewable power in order to ensure this result. The government feels that achieving 15% renewable energy target will lead to a reduction in overall fossil fuel demand by around 10% and gas imports by 20-30% by 2020. Meanwhile National Grid said it sees natural gas demand in the UK probably will not top 2008 level for at least 10 years.

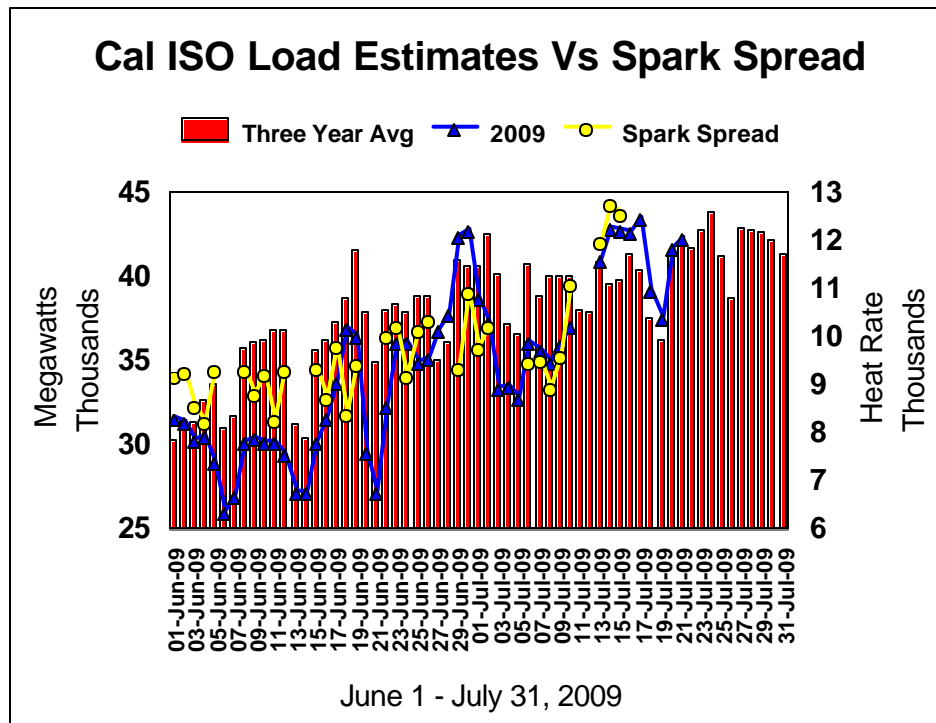
India's Petronet LNG has purchased a spot cargo of LNG from Qatar with expected deliver for July. This follows the purchase of a spot cargo for June delivery to cover firm demand. The original destination for this cargo was either Japan or South Korea, but was diverted to the spot market due to lower Northeast Asian demand.

The EU will host a second meeting on Friday in order to discuss the securing of bids for funds by Kiev to buy Russian gas and ensure stable supplies to Europe. Ukraine, a key transit country to the 27-



country European Union, is facing a deep economic recession, strained budgets and a weak currency,

making it difficult to pay for Russian gas. Attending the meeting will be Russia, Ukraine and international leaders. Pricing disputes between Ukrainian state energy firm, Naftogaz and Russia's Gazprom led to a three-week stand-off in January in which gas supplies were cut to millions in Europe.



After receiving its first cargo on Tuesday, the newly built Dragon LNG terminal in South Wales is expected to receive a second cargo this month. The Maran Gas Asclepius, which loaded in Trinidad, set sail on Monday and has carrying capacity of 145,700 million cubic meters of LNG. The voyage is expected to take approximately 12 days.

Qatar's new train 5 gas unit is due to start processing gas very soon as part of the commissioning of the LNG facility. The unit will be able to produce 7.8 million tons of the super-cooled gas a

year when it reaches full capacity.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said effective Intraday cycle 1 for the gas day of July 15, it will accept increases for nominations sourced from meters located on the Carthage Line Lateral due to reduced nominations.

ELECTRIC MARKET NEWS

The U. S. Department of Energy has taken another step forward on the coal-fueled 275-Mw Future Gen carbon capture and sequestration power project in Illinois. This is being done in an effort to cut down on greenhouse gas emissions, which scientists have linked to the warming of the planet. Carbon capture and Sequestration could allow coal, which currently provides about half the nation's electricity, to remain an import source of power for decades.

The Edison Electric Institute reported that US electricity generation in the week ending July 11th fell by 9.2% on the week and by 0.57% on the week to 79,938 Gwh. For the 52 weeks ending July 11th, electricity output was down 3.4% on the year at 3,973,391 Gwh.

MARKET COMMENTARY

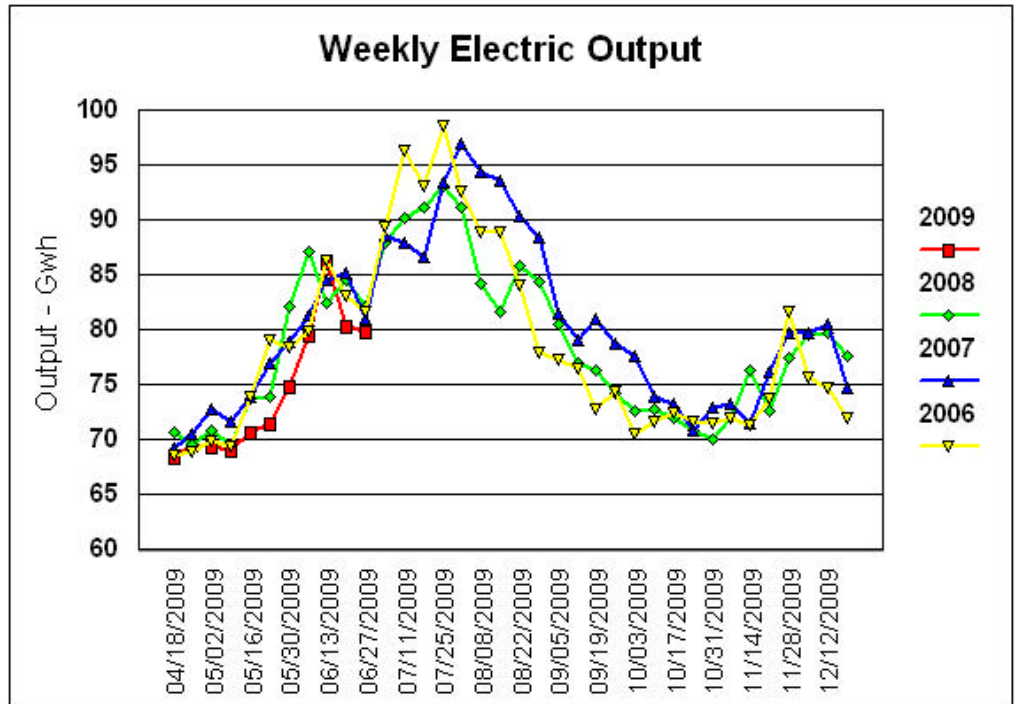
The natural gas market today posted an outside trading session. While it started out the day in positive territory, helped by near term demand for power generation needs, by mid morning a slight down turn in the oil markets after the release of the oil inventory numbers dragged natural gas futures lower with it. Once the minor support line was broken at \$3.381 natural gas continued to erode in value despite oil prices and equity markets rebounding throughout the late morning and into the afternoon. Natural gas finished back down near the lows of Monday, as it appeared many traders were not expecting a supportive inventory report tomorrow. Market expectations were for a 85-90 bcf build in stocks, versus

a 102 bcf build for the same week a year ago and the five year seasonal average for the week at 88 bcf.

Open interest reported at mid day for the Henry Hub futures and swaps showed that on a combined and adjusted basis open interest in these contracts declined over 8400 contracts yesterday, the biggest one day drop outside of the expiration period since May 1st. This seems to confirm that yesterday's price rebound was driven by short covering rather than new longs coming into the market.

One major buyer in recent weeks had been the specs in the natural gas ETF, UNG, which has obviously remained frozen with its position due to reaching its maximum position limit last week as it awaits approval from regulators for the ability to issue more shares in the fund.

We remain bearish on this market but still would not look to establish new shorts at these current levels. We see support tomorrow at \$3.259 followed by \$3.221, \$3.15, \$3.088 and \$2.918. Resistance we see at \$3.454, \$3.527, \$3.624 and \$3.722-\$3.742. More significant resistance we see at \$3.804, \$3.901 and \$4.059.



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