



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 16, 2009

NATURAL GAS MARKET NEWS

The two tropical waves in the eastern Atlantic that forecasters were watching over the past several days have become almost a non-issue as the systems have moved over cooler waters of the Atlantic coupled the systems encountering dry, dusty air to the north and northwest, basically stripping any convections these systems had. As a result no tropical development is now expected across the Atlantic through Sunday. While the remnants of one of these tropical waves could spring back to life next week it would not be a threat to the Gulf of Mexico, but rather the U.S. Southeast coast.

The NOAA released their long-term weather forecasts this morning and it called for above normal temperatures in August for much of the western United States and from East Texas to Florida. Its longer-term outlook for December through February sees most of the nation with above normal temperatures as a result of the expected El Nino conditions lasting through the period.

Generator Problems

NPCC – OPG's 535 Mw Lennox #1 and #2 oil and natural gas fired power station were shut early Thursday.

Entergy's 620 Mw Vermont Yankee nuclear unit reduced out put by 9% to 91% of capacity.

OPG's 490 Mw Nanticoke #5 coal fired power unit returned to service early Thursday.

PJM – Constellation's 873 Mw Calvert Cliffs #1 nuclear unit was shut early Thursday. The unit had been at full power on Wednesday.

SERC – Southern's 883 Mw Hatch #2 nuclear unit ramped up to 90% power on Thursday, up from 38% capacity recorded on Wenesday. Operators had reduced output to repair a small leak in the condenser.

ERCOT & SPP – NRG Energy's 836 Mw Limestone 1 coal fired power unit tripped off line early Thursday but returned to service by the afternoon.

WSCC- TransAlta 406 Mw Sundance coal fired Unit #4 returned to service on July 16th. The unit had been shut on July 10th.

Energy Northwest's Columbia nuclear unit ramped up to 99%.

In Mexico, Sempra's Termoelectrica natural gas generating unit returned to service.

Cal ISO reported this afternoon that it had some 4595 Mw of generating capacity off line, of which 48% 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 veaar aoo.

EIA Weekly Report

	07/10/2009	07/03/2009	Change	07/03/2008
Producing Region	1032	1013	19	738
Consuming East	1411	1349	62	1235
Consuming West	443	434	9	323
Total US	2886	2796	90	2297

*storage figures in Bcf

Kinder Morgan reported a blast occurred on a portion of the Midcontinent Express Pipeline in Mississippi, as workers were pressure testing a section of the line that was under construction. No gas flows on the line were affected.

The FERC today approved Dominion Cove

Point LNG's proposal to upgrade and expand its offshore pier at its LNG terminal.

Canadian Gas Association

Weekly Storage Report

	10-Jul-09	03-Jul-09	11-Jul-08
East	191.1	183.5	145.4
West	293.8	286	244.3
Total	484.9	469.5	389.7

storage figures are in Bcf

The FERC also approved today the Rockies Express Pipeline's proposal to expand capacity between Meeker hub and the Cheyenne hub in Colorado on the REX/Entrega leg of the pipeline system.

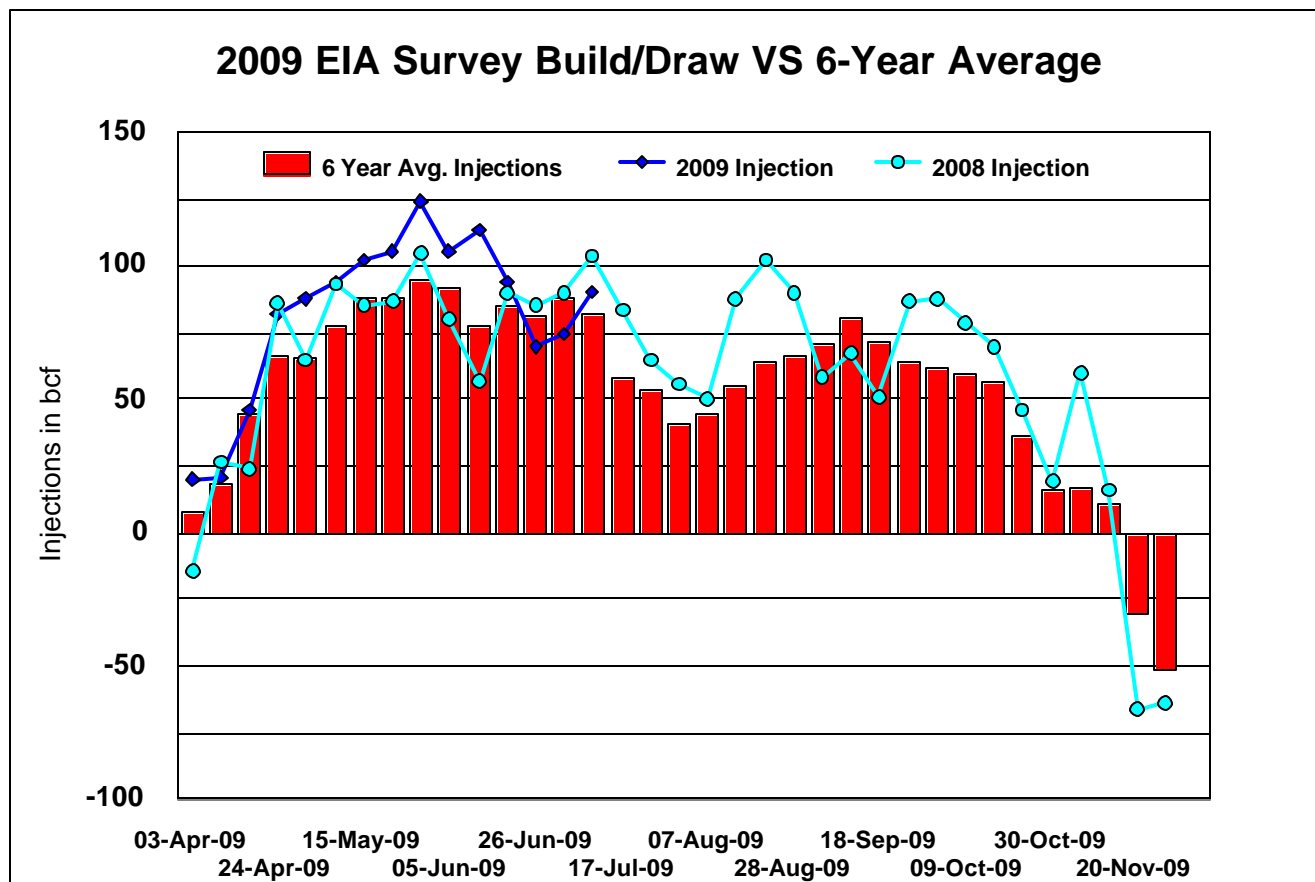
Alaskan Lt. Governor Parnell Thursday met with Exxon Mobil and TransCanada to review progress on TransCanada's proposed natural gas pipeline. While no details of the meeting were given, Parnell has previously

suggested that the two competing pipeline projects be united and work together on one pipeline plan.

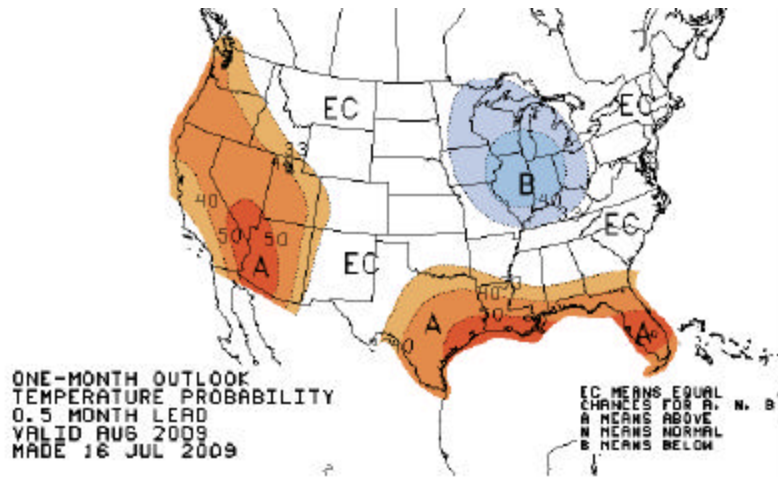
FERC Commissioner

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	486,200	\$3.211	(\$0.156)	(\$0.399)	(\$0.432)	(\$0.217)
Chicago City Gate	564,500	\$3.160	(\$0.178)	(\$0.450)	(\$0.464)	(\$0.218)
NGPL- TX/OK	482,700	\$3.032	(\$0.164)	(\$0.578)	(\$0.450)	(\$0.340)
SoCal	482,600	\$3.176	(\$0.143)	(\$0.434)	(\$0.429)	(\$0.243)
PG&E Citygate	608,400	\$3.296	(\$0.157)	(\$0.314)	(\$0.443)	(\$0.109)
Dominion-South	232,700	\$3.464	(\$0.101)	(\$0.146)	(\$0.387)	\$0.062
UTrade Weighted	16,208,600	\$3.173	(\$0.146)	(\$0.437)	(\$0.43)	(\$0.217)

Spitzer said today that the FERC could make good use of pending legislation that would give the FERC cease-and-desist authority to quickly intervene in gas and power markets to stop suspected misconduct and to freeze company assets if necessary. The commissioner also suggested that sound



energy policy would promote the use of natural gas to fuel large commercial vehicles and electricity to power the family car.



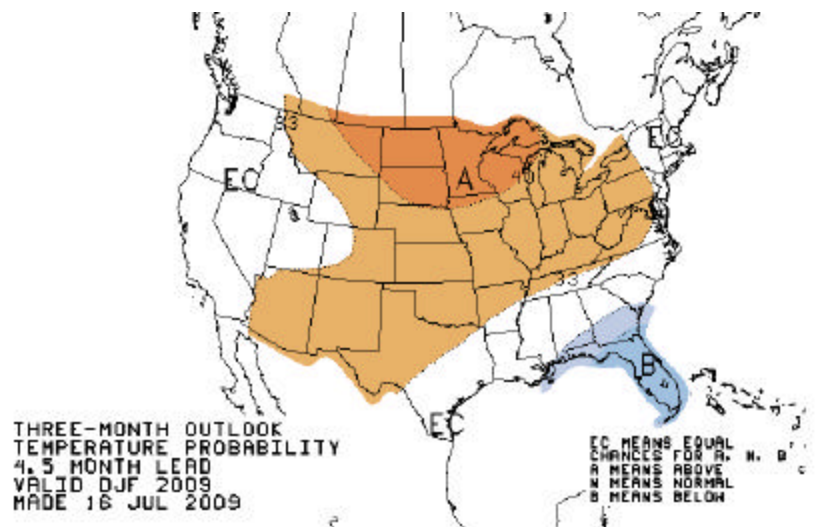
The Department of Labor reported this morning that the number of workers filing new claims for jobless benefits fell sharply last week to the lowest level since January. But once again the seasonally adjusted data was distorted by an unusual pattern of automotive industry layoffs that amplified the drop. Initial claims were down 47,000 to a lower than expected 522,000 in the week ending July 11th.

Reuters reported that a LNG cargo from Norway is expected to arrive at

the Isle of Grain terminal in the UK shortly, possibly by Thursday evening.

Gas flow from Shell's St. Fergus terminal dropped from around 20 mcm on Wednesday to zero on Thursday, National Grid reported, while supplies from Exxon Mobil and Total's terminals also fell.

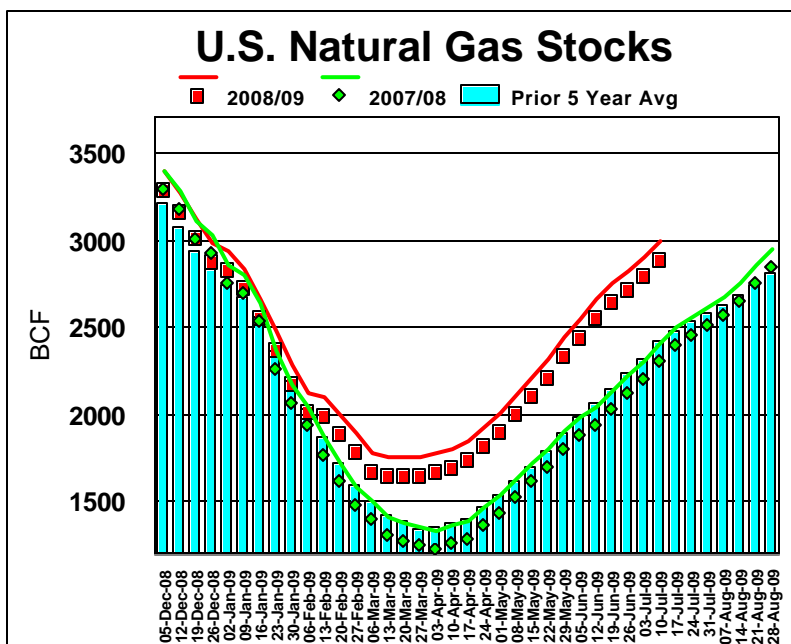
Reuters reported today that natural gas storage at NBP stood at 91.6% of capacity up 1.7% from the prior week while



storage in Belgium was up 4.7% on the week while German storage increased by 3.4%.

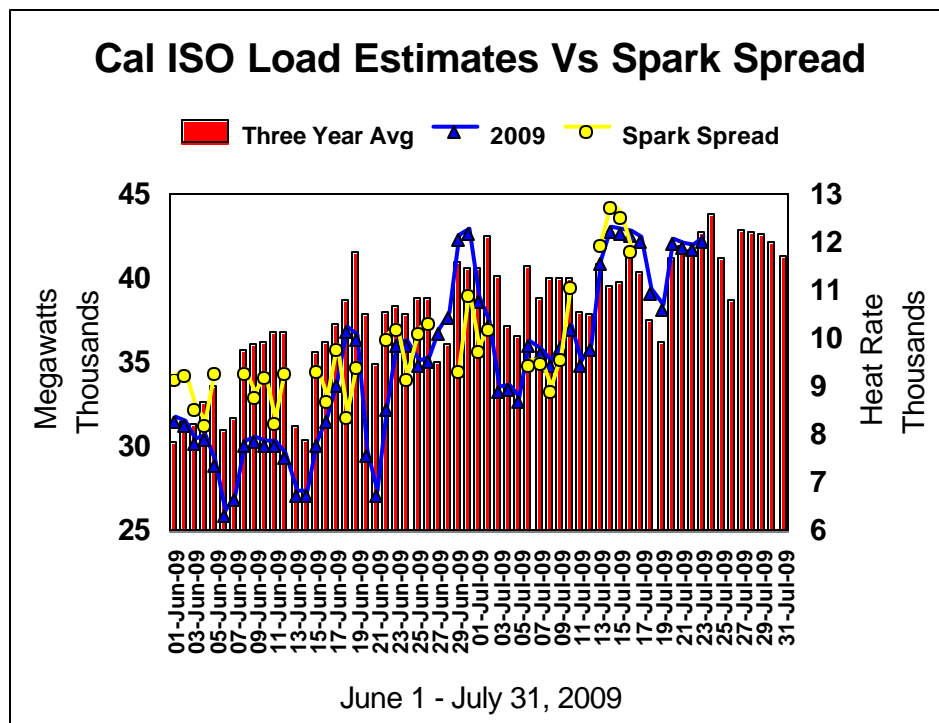
The Italian Environmental Ministry announced that the Italian Environmental Minister has signed a decree that is crucial for Spain's Gas Natural to build a LNG terminal at the northern Italian port of Trieste. The company will still need to gain approval for its 8 billion cubic meter terminal from regional regulators. The company has already spent four years seeking just the national approval. The terminal is slated to begin operations by 2012.

Royal Vopak, the world's biggest chemical and oil storage company has



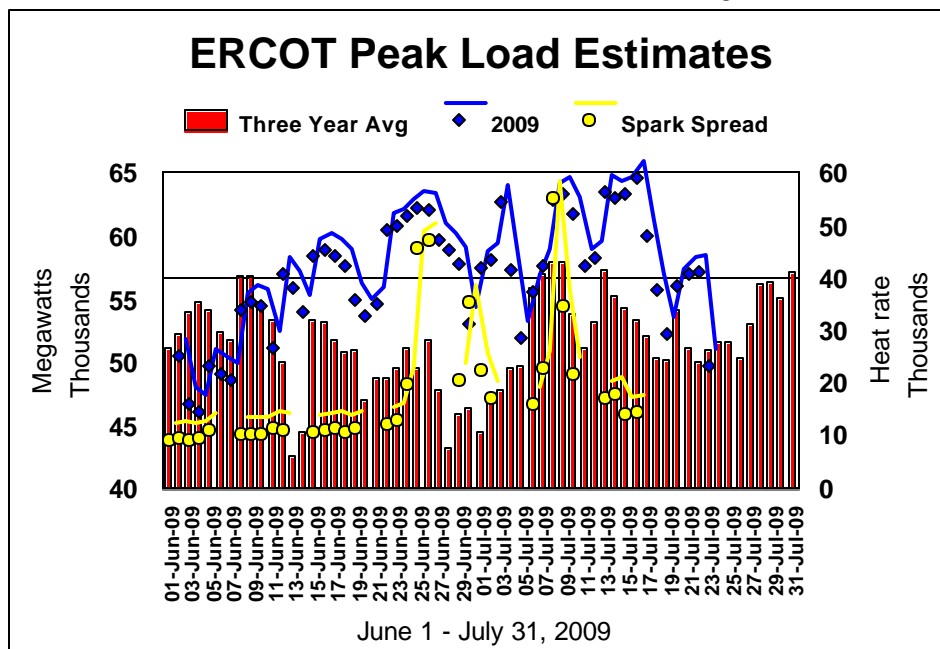
reached an agreement to build a natural gas storage terminal in France. The re-gasification terminal will be located in Fos-sue-Mer and will have a capacity of 8 billion cubic meters per year.

Russian President Medvedev said today that Russia and Germany are doing all they can to get the various national approvals for the Nord Stream. He also noted that he does not see how the Nabucco Pipeline will secure enough gas supplies for the project. Meanwhile U.S. special envoy Richard Morningstar said today that countries participating in the Nabucco gas pipeline project would not agree to Iranian participation as a supplier now, even if some of them might like to see it eventually.

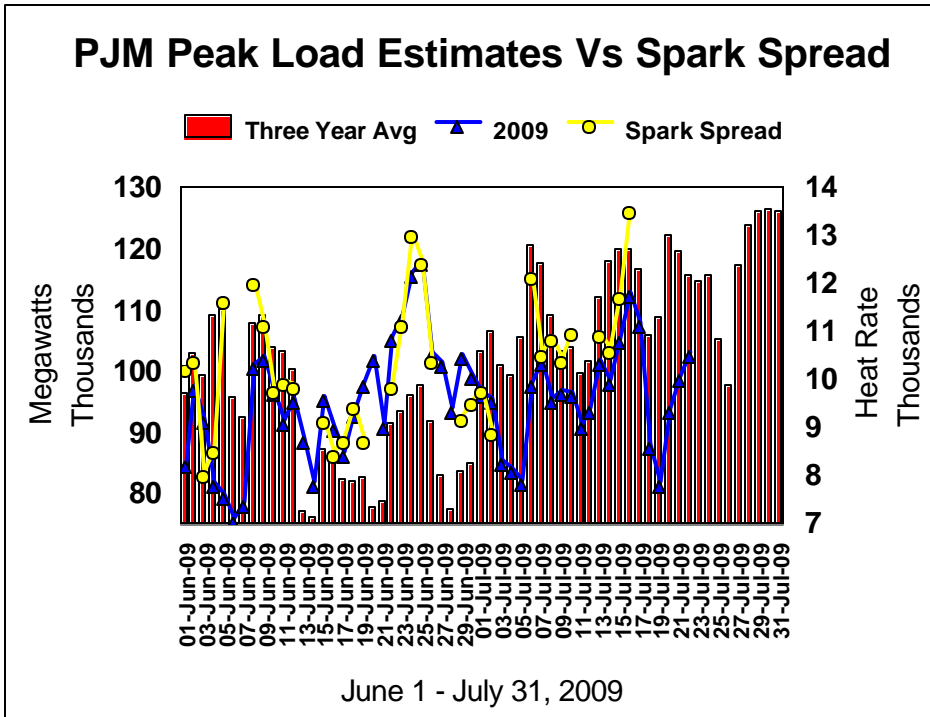


Yemen will begin LNG exports from its Yemen LNG project finally within the next few weeks. The \$4 billion facility was originally scheduled for completion in late 2008 with the first export cargoes in January 2009 but fell behind schedule due to technical reasons and labor and supplier issues. The facility is expected to export some 6.5 million metric tons of LNG per year for at least 20 years. It has term supply contracts and Korea Gas for 2 million tons a year each of LNG.

The European Commission proposed Thursday new rules to take effect for 2010 to make sure the EU is better prepared to face natural gas shortages, as a potential new crisis between the Ukraine and Russia risks affecting European supplies again this winter. Each of the 27 E.U. countries will have to designate an authority to look after security of gas supply, which will prepare preventive action plan and an emergency plan to face any potential shortage. The commission will also be able to declare an EU wide emergency, in which case it would coordinate the actions of the 27 EU countries, as well as the interaction with third countries. This would happen on the request of one country authority or if the EU loses more than 10% of its daily supplies from third countries. The EU commission also proposed that by 2014 all



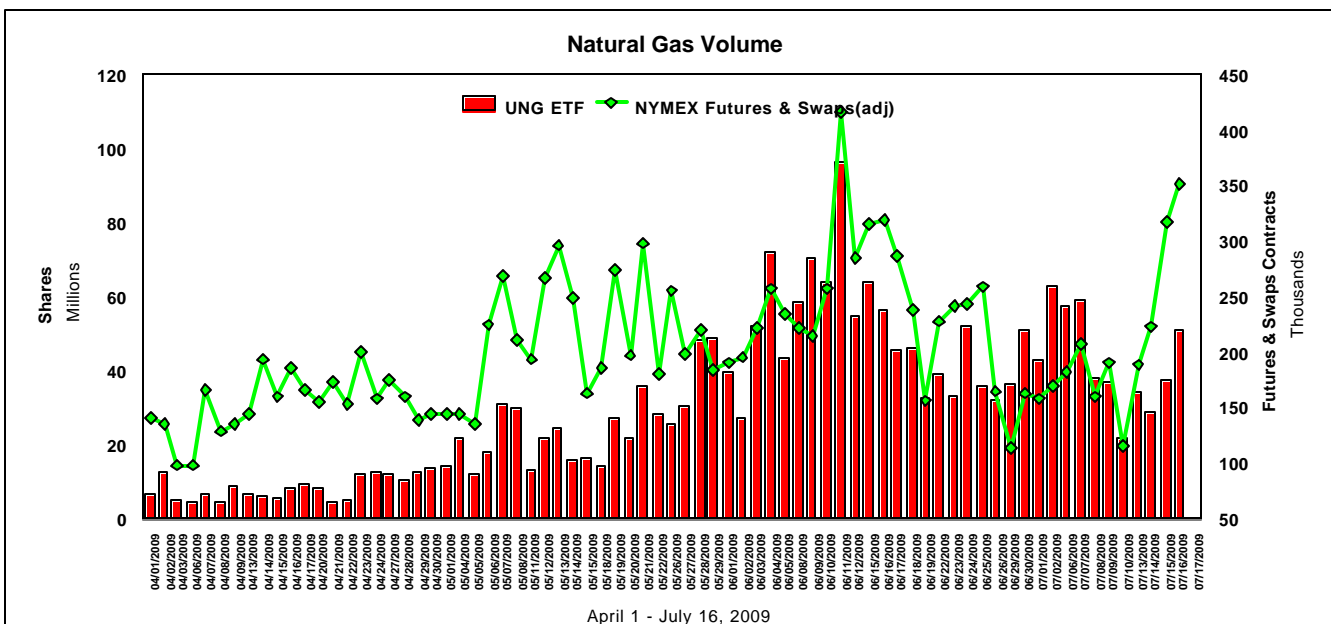
27 members should be able to cover the loss of their main gas supply for at least 60 days based on demand during the coldest winter in the last 20 years. While most of the countries meet this standard, there are nine countries that do not: Bulgaria, Denmark, Finland, Hungary, Ireland, Lithuania, Romania, Slovenia and Sweden. Most of these countries would be able to meet the new standard after projects supported by the EU's \$5.6 billion energy fund are completed in the next few years. The EU Parliament and the 27 member governments will have to back the commission's proposal before it can become law, in a negotiation process that is likely to take months.



JP Morgan Chase said today that its risk in commodities trading rose for the first time in three quarters as it reported record investment banking and trading results for the second quarter of this year. The bank said its VaR in commodities rose \$6 million or 21% to \$34 million in the second quarter. The prior quarter the bank's VaR was down 7% while in the 4Q08 it plunged 27%. Rival Goldman Sachs on Monday said its commodities VaR was unchanged from the first quarter but down 17% from a year ago.

PIPELINE MAINTENANCE

Gulf South has extended the construction and pigging maintenance at Calcasieu Parish, Louisiana for approximately 60 days from July 15th. Locations shut in and unavailable for service for the duration of the maintenance include Roy Nelson Plant, Sasol Lake Charles and Entergy #1.



El Paso Natural Gas Pipeline reported that due to complications during Line 1114 pipe work during the first half of July; the company announced the line would remain shut through July 18th.

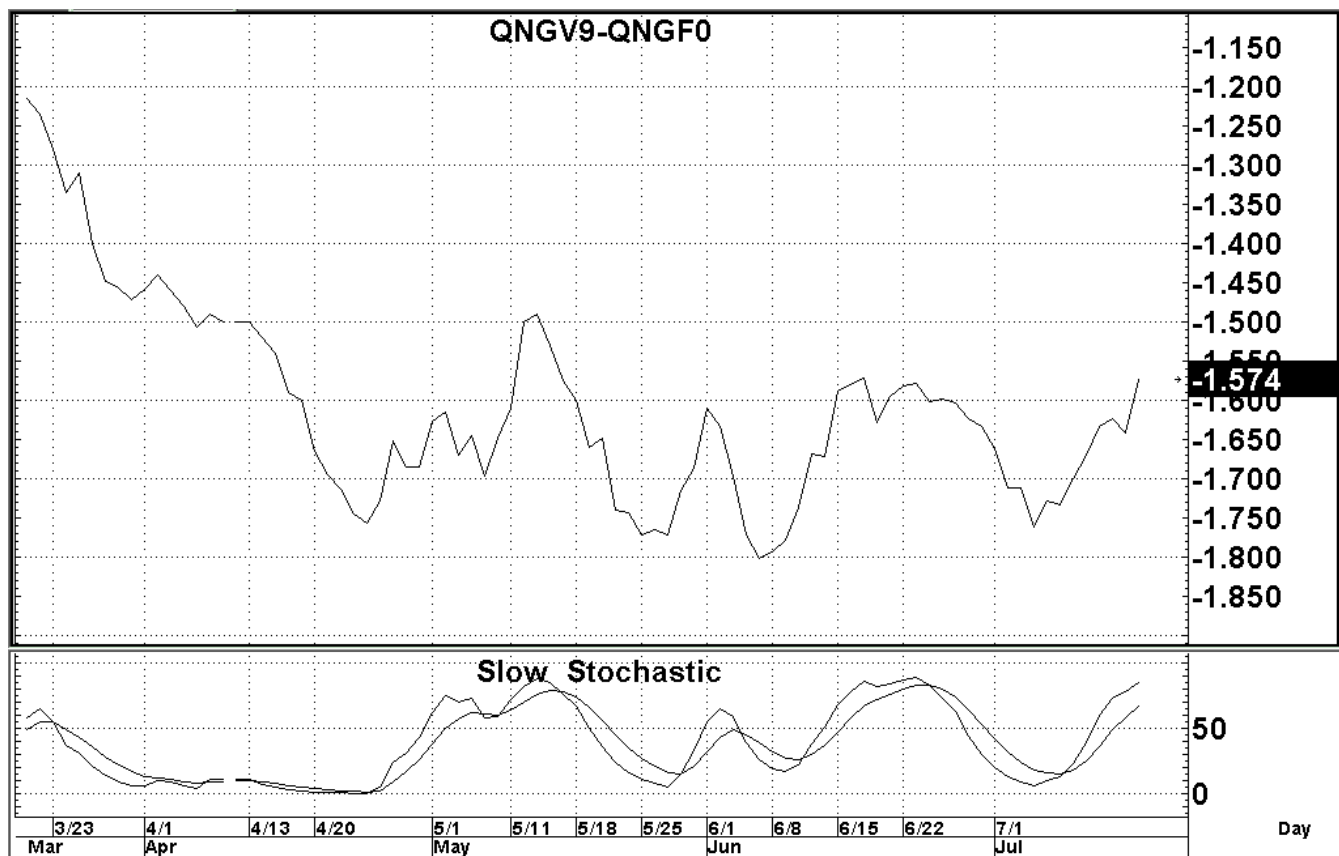
SONAT said it would be conducting maintenance at the Mississippi Canyon 194 platform. During the work, Mississippi Canyon 194, Mississippi Canyon 109 and the Romere Pass Buyback meter will need to be shut in beginning July 17th for approximately three weeks.

PIPELINE RESTRICTIONS

Due to reduced nominations, Tennessee Gas Pipeline was accepting increased nominations sourced from meters located on the Carthage Line Lateral. The company estimated that available capacity of 23,500.

ELECTRIC MARKET NEWS

The FERC today approved the application for MidAmerican Energy to join the Midwest Independent System Operator power grid.



The EIA reported this afternoon that U.S. coal production for the week ending July 11th totaled 19.918 million tons up 3.4% from the prior week but 7.7% less than the same week a year ago. Year to date coal production has averaged 5.6% less than a year ago.

MARKET COMMENTARY

The natural gas market starting from 9 AM saw steady buying that by midday drove prices upwards by 40 cents. This basically steady march higher in the futures market was not slowed by a relatively neutral to slightly bearish storage report, weaker cash market values and weather forecasts that seemed less than supportive, given the lack of any tropical threats it seems for 7-10 days coupled a long range temperature outlook that looked neutral to bearish for August as well as what looks like will be a poor heating season this winter as well. This market seemed to be propelled by short covering,

possibly flushing out the new longs that were established yesterday, as reflected in open interest reported at midday that showed on a combined and adjusted basis Henry Hub futures and swaps saw a jump of 12,428 lots. The big gain was in the September contracts, which alone grew by over 20,000 contracts.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 07/16/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	9	9	P	2.5	0.0234	0.0483	7225	0.025	0.025
LN	8	9	C	4.75	0.0057	0.0005	3400	0	0
LN	9	9	P	3.5	0.2438	0.3934	3050	0	0
LN	8	9	P	3	0.0147	0.0653	3003	0.015	0.015
LN	10	9	P	3	0.1583	0.2385	2950	0.17	0.165
LN	10	9	P	2.5	0.0654	0.1043	2450	0.065	0.065
LN	9	9	P	2	0.0035	0.008	2200	0	0
LN	8	9	C	4	0.0792	0.0154	2119	0.075	0.0475
LN	10	9	P	2	0.0217	0.0337	2000	0.03	0.0225
LN	10	9	P	3.25	0.2319	0.3326	1800	0	0
LN	9	9	C	4.25	0.229	0.1126	1525	0	0
LN	8	9	P	3.25	0.0481	0.1592	1411	0	0
ON	10	9	P	3	0.158	0.239	1407	0.205	0.155
LN	11	9	C	5.5	0.3867	0.2775	1405	0.35	0.35
LN	11	9	C	7	0.1396	0.0939	1400	0	0
LN	10	9	P	3.85	0.4811	0.6397	1337	0	0
LN	10	9	C	3.85	0.651	0.4568	1337	0	0
LN	9	9	P	3.25	0.1553	0.2655	1316	0.22	0.1525
LN	8	9	P	3.5	0.1193	0.3103	1173	0	0
LN	9	9	C	4.5	0.1646	0.0761	1150	0.14	0.14
LN	9	9	C	5	0.0813	0.0333	1050	0	0
LN	8	9	P	2.75	0.0032	0.0197	955	0	0
LN	12	9	P	3	0.0432	0.0544	950	0	0
LN	8	9	C	3.5	0.2872	0.0933	895	0.195	0.175
LN	11	9	P	4	0.3518	0.4491	875	0	0
LN	9	9	P	3	0.0912	0.1663	853	0.095	0.095
LN	11	9	P	2	0.0103	0.0145	850	0	0
LN	8	9	C	3.9	0.1059	0.0229	816	0	0
LN	8	9	C	4.5	0.0149	0.0017	800	0	0

As a result we again remain skeptical of this market being able to sustain these gains. We would of course be willing to sell this market for a long term trade if the rally continues tomorrow and lifts values up above \$3.90 but otherwise we see this market still likely to test its recent lows once again and possibly challenge the \$3.00 level., but will remain very volatile. We see resistance tomorrow at \$3.742-\$3.769, followed by \$3.901, \$3.963, \$4.059 and \$4.245. Support we see \$3.385, \$3.26-\$3.25, \$3.227 and \$3.15.

But in spreads we would be a bit more aggressive looking to sell the Oct-Jan spread as this spread has rebounded back towards levels where we think it is interesting to become a scale up seller starting at -\$1.57 up to-\$1.49. We feel that this spread has no business being back at these levels without a significant tropical threat. One

must remember that current level of working gas stocks are at 2.886 tcf nearly 600 bcf more than a year ago. Our current level of inventories in natural gas was not realized last year or basis the 5-year seasonal average until the first week of September. We still have eight more storage reports to go until then. As a result we feel that the price pressure on the October will have to return once again and drive its discount to the January contract once again back to at least \$1.70-\$1.75.

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