



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 17, 2009

NATURAL GAS MARKET NEWS

The trade group, the Industrial Energy Consumers of America (IECA), has called on the SEC not to issue additional shares to the United States Natural Gas Fund (UNG), saying the additional shares could distort and possibly raise the price of natural gas long term for manufacturers and other consumers.

The National Hurricane Center this afternoon continued to watch a tropical wave some 800 miles west-southwest of the Cape Verde Islands. The NHC said the system has become a little better organized over the last day, but conditions are only marginally favorable for further development near term. As a result any development will be slow to occur as it moves westward at 15-20 mph. The Hurricane Center assigned a 30% or less chance the system could become a tropical cyclone during the next 48 hours and most models continue to point to this system if a threat to the U.S. would be on the Southeast coast.

Baker Hughes reported today that for the current week the number of drilling rigs search for natural gas in the United States stood at 665 rigs down seven from the prior week.

BP said Friday that with another successful appraisal well completed, it has "firmly established" the Mad Dog Field as the third giant field in the company's Gulf of Mexico portfolio.

Generator Problems

NPCC – OPG's 535 Mw Units #1 and #2 at the Lennox oil and gas fired power plants returned to service Friday morning.

OPG's Lambton #4 coal fired power plant was taken off line over night.

OPG's 490 Mw Unit #2 at the Nanticoke coal fired power plant returned to service today. The unit was shut on July 14th.

Entergy's 620 Mw Vermont Yankee nuclear unit was back to full power this morning, up 9% from yesterday.

PJM – Exelon's 619 Mw Oyster Creek nuclear unit was back to 72% capacity, up from 0% yesterday.

SERC – Southern's 883 Mw Hatch #2 nuclear unit was at 98% capacity, up 8% from Thursday.

The NRC reported this morning that 94,841 Mw nuclear generation capacity was on line, up 0.6% from yesterday and off 3.5% from the same time a year ago.

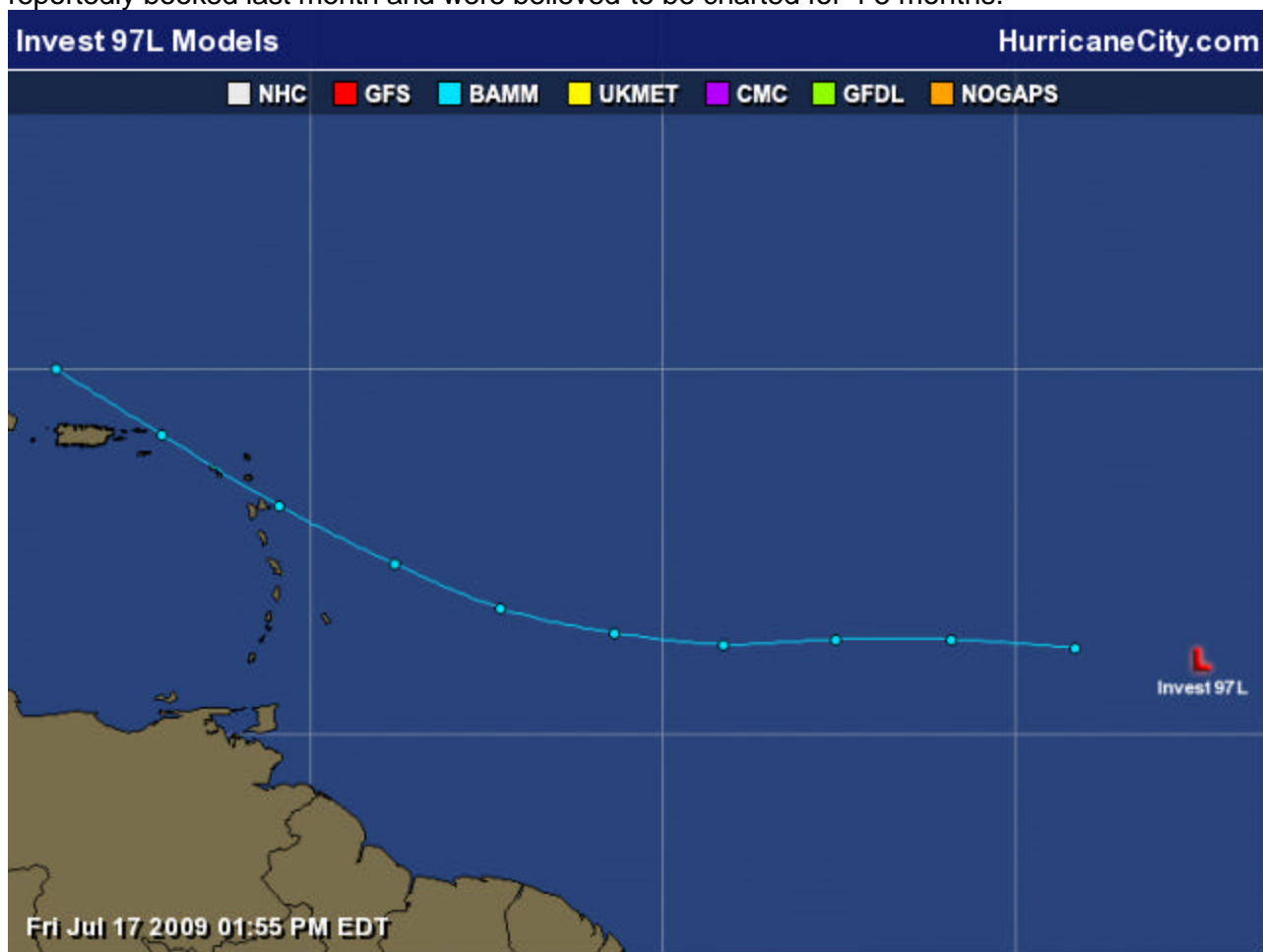
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	704,300	\$3.392	\$0.181	(\$0.324)	\$0.040	(\$0.237)
Chicago City Gate	563,300	\$3.330	\$0.170	(\$0.386)	\$0.064	(\$0.236)
NGPL- TX/OK	503,500	\$3.220	\$0.188	(\$0.496)	\$0.082	(\$0.361)
SoCal	594,400	\$3.313	\$0.137	(\$0.403)	\$0.031	(\$0.236)
PG&E Citygate	418,200	\$3.495	\$0.200	(\$0.221)	\$0.094	(\$0.093)
Dominion-South	128,400	\$3.604	\$0.140	(\$0.112)	\$0.034	\$0.039
USTRade Weighted	16,497,300	\$3.319	\$0.146	(\$0.397)	\$0.04	(\$0.237)

The National Energy Board in Canada said that Canadian export volumes, prices and revenues all fell sharply in the first half of 2008-2009.

South Korea's imports of LNG fell for the sixth consecutive month in June from a year earlier as it stood at 1.46 million tones down 1.35% from a year earlier.

Turkmenistan announced it has signed a deal granting Caspian Sea gas exploration and extraction rights to a member of the Nabucco pipeline partners, the German firm, RWE AG.

Japanese trading firm Marubeni reportedly has chartered two LNG tankers for floating storage in Southeast Asia, after having bought LNG on the spot market from Egypt. The two tankers were reportedly booked last month and were believed to be chartered for 4-5 months.



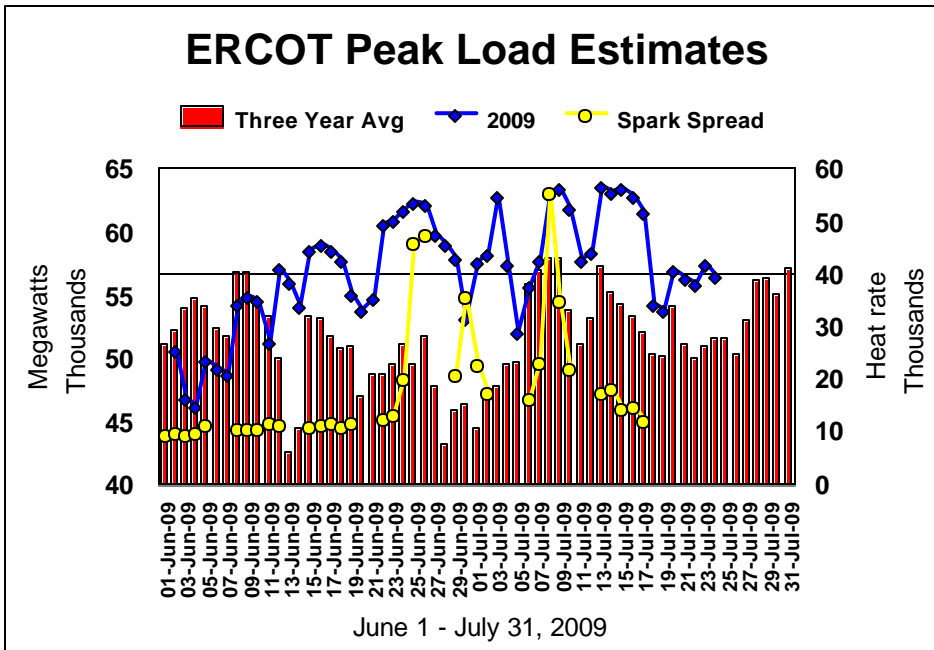
China's state owned CNOC hopes to double its natural gas production in seven years. It looks for production to reach 120 bcm per year by 2015 and 150 bcm per year by 2020.

The leading economist at the World Bank covering the Ukraine said this week that he expects the Ukrainian economy to contract by 15% this year, far worse than the bank's prior forecast of a 9% contraction.

A European Union official said Friday the Ukraine has made important commitments to reform its gas sector and the EU, international financial institutions and Russia have agreed to intensify funding talks.

Bloomberg News reported that T. Boone Pickens hedge fund, BP Capital is seeking to expand investments in its Energy Equity Fund II and Energy Fund II. After his returns in the funds are

reportedly up 79% this year. BP Capital currently manages \$500 million substantially less than the \$4 billion the fund had under management at the start of 2008.



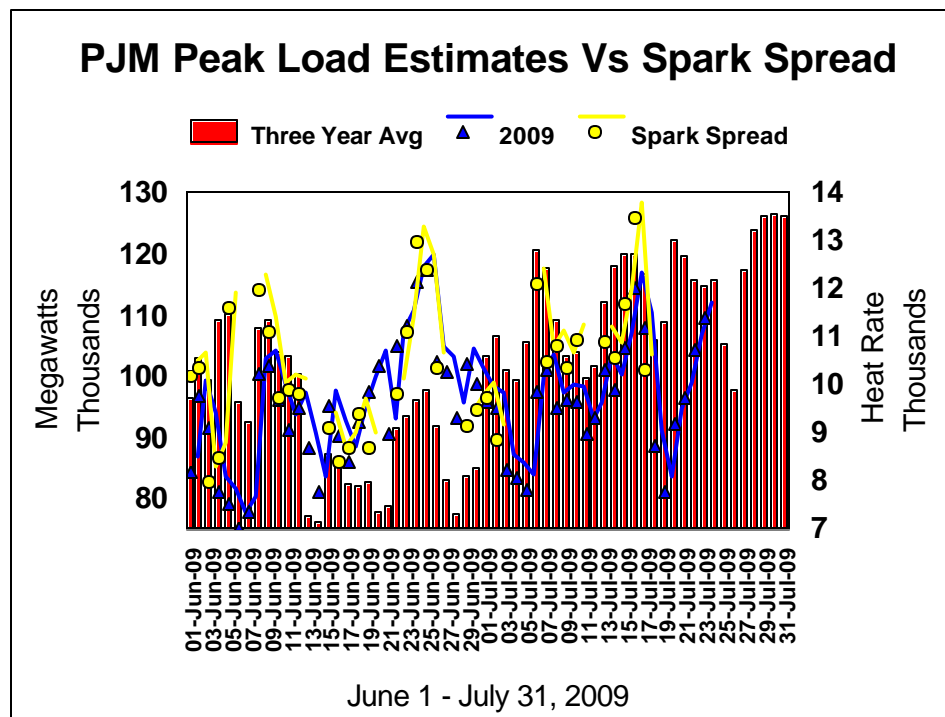
The Commerce Department said housing starts increased 3.6% to a seasonally adjusted 582,000 annual rate in June compared to the prior month. May housing starts increased by 17.3% to 562,000, revised from an originally reported 17.2% increase to 532,000. Single-family starts in June compared to the prior month increased by 14.4% to 470,000 after rising 5.9% in May. June permits to start construction increased by 8.7% to 563,000 units, the highest level since December.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 118.1 in the week ending July 10th from a revised 119 the prior week, which it originally reported at 118.5. The index's annualized growth rate increased to a five year high of 7% from 6.2% a week ago, which was revised up from 5.4%. It is the highest yearly growth rate reading since the week ending May 14, 2004, when it stood at 7.1%.

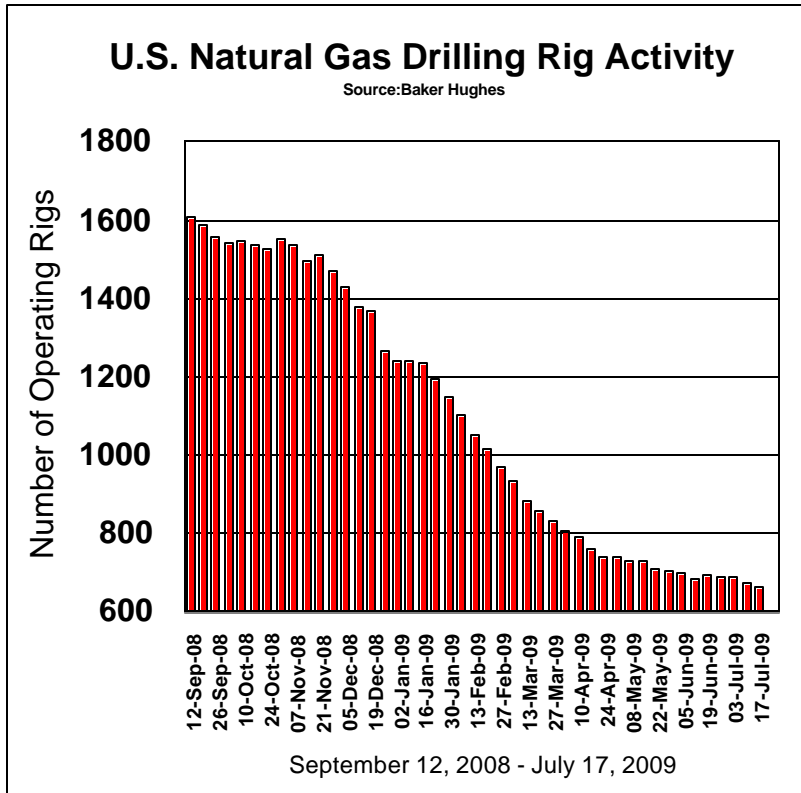
PIPELINE MAINTENANCE

A force majeure event occurred at Rockies Express Arlington compressor station in Wyoming yesterday the company reported. The company expects the unit to be down through July 20th.

Trailblazer Pipeline announced that due to station calibrations and ESD test will be performed on all units at Station 602, located in Lincoln County, Nebraska on August 12th. The work will require a reduction in capacity through Segment 20 impacting shippers. ITS/ITS/AOR and Firm Secondary out of path transports will not be available.



Gulf South Pipeline said unplanned maintenance on Unit #2 at the Kiln Compressor Station is complete. The work began back on July 10th and capacity through the station had been reduced up to 100,000 Dth/d.



PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said effective for July 17th, due to reduced nominations, the company will be able to accept increases for nominations sourced from meters located on the Carthage Line Lateral. The company estimates it has 12,000 available capacity.

Colorado Interstate Gas said progress has been made in improving the inventory balances among the company's storage fields; however the Ft. Morgan and Latigo storage fields continue to operate above field guidelines. As a result the company's SOC, OFO and Underperformance Caps already in place, will remain at least through the weekend.

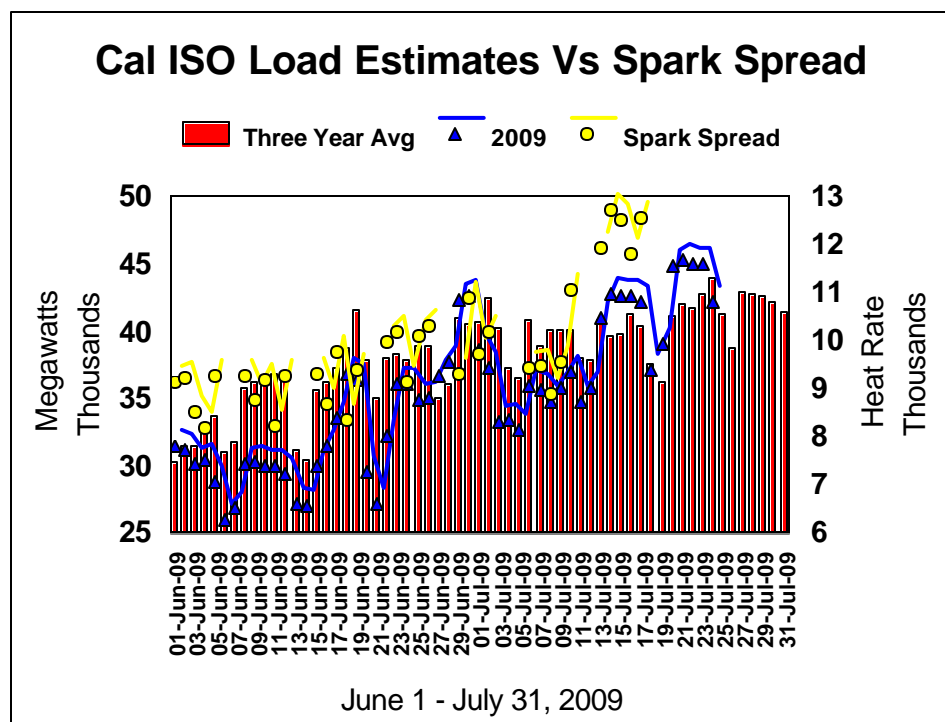
Based on its operating conditions Cheyenne Plains Gas Pipeline is

maintaining throughout the upcoming weekend and until further notice the Underperformance Caps that were put in place back on June 25th.

SONAT said today that based on expected weather conditions and on current supplies and anticipated demand, it expected storage requirements to be at or above maximum injections capacity beginning July 18th.

ELECTRIC MARKET NEWS

The EIA reported today that net generation in the United States dropped 5% in April 2009 from a year earlier. This was the ninth consecutive month that net generation was down from the prior year. The drop in



coal fired generation was the largest absolute fuel specific decline from April 2009 versus April 2008 as it was down 13.9%. Meanwhile hydroelectric generation was up 18.4% from the same month a year ago, while nuclear generation was up 3.1% and natural gas generation was down 1.5%.

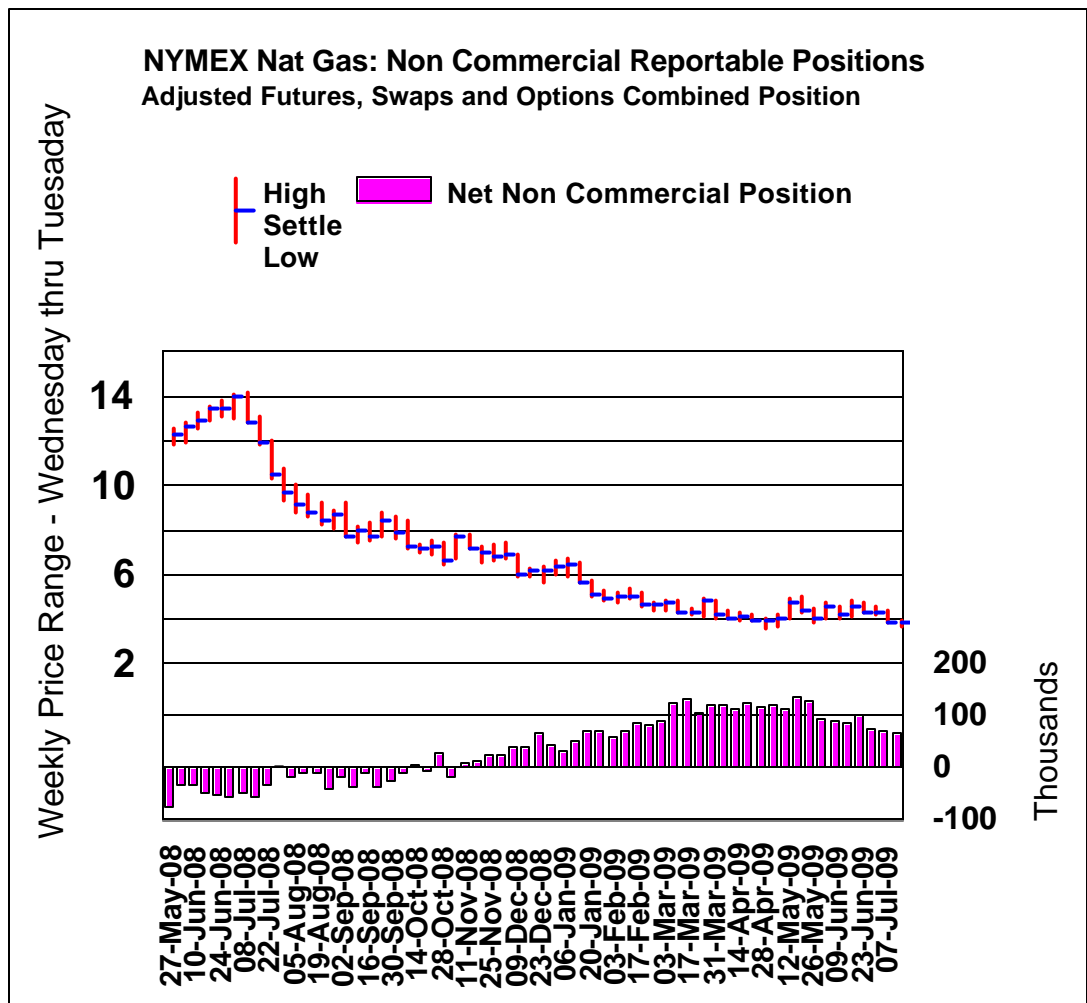
The Canadian trading arm of Shell Energy North America said Friday it would buy nearly all of the natural gas and power customers contracts of Integrys Energy Services of Canada Corp. The purchase price was not disclosed. The deal pending regulatory approval would close later in the third quarter of this year.

MISO under pressure from two of its utilities which have threatened to leave the RTO if they are forced to bear a large portion of the costs of interconnecting renewable resources being built in their service area that would go to provide power to other zones, has prompted MISO to ask the FERC to approve proposed interim changes to the way the grid operator allocates network upgrade costs. Currently a relatively large share of network upgrade costs is allocated to the pricing zone in which the new generator interconnects with the grid, regardless of where the power produced ultimately is used. Given the potential for large amounts of wind generation facilities that are projected to be built in the northwestern zones of the RTO, end use customers would be forced to pay many of the related interconnection costs.

Genscape reported that U.S. consumption of coal increased by 6% from the previous week but was 13% less than the same week a year ago.

MARKET COMMENTARY

The natural gas market today was dragged higher by the oil markets as positive economic news seemed to fuel a global macro bullish view of the primary commodities and equities as the economic recovery may be underway. In



addition the possibility of a tropical system development over the next few days seemed to help support values going into the weekend. But given the inability of the natural gas market to hold onto the day's gains as prices sold off quickly at the close, bringing prices back to basically unchanged on the day, makes us skeptical that this is really the start of a bull move. We continue to feel that without

strong confirmation of an uptick in industrial activity or a true threat to production in the Gulf of Mexico, these price rebounds will be short lived as the ever growing storage hang will increasingly weigh on this market.

As a result we would still be a scale up seller of this market starting at \$3.90. We see resistance starting Monday at \$3.80 followed by \$3.90, \$4.03-\$4.05, \$4.138 and \$4.574. Support we see at \$3.581, \$3.54, \$3.518, \$3.45-\$3.425, \$3.30 and \$3.26-\$3.237. Additional support we see at \$3.168

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