



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 21, 2009

NATURAL GAS MARKET NEWS

The National Hurricane center this morning continued to watch a tropical wave over the eastern Caribbean Sea. Upper level winds remain unfavorable for development of this system at this time. The various computer models appeared to show that this system with less than a 30% chance in developing into a tropical cyclone would move over the Dominican Republic, Haiti before reaching the Bahamas and Florida. The National Hurricane Center also noted that there was an area of showers and thunderstorms have become concentrated near the northern Bahamas this morning, but no sign of organization. The NHC also noted there is a less than 30% chance that this system could become a tropical cyclone.

Generator Problems

NPCC – OPG's 535 Mw Lennox #3 oil and gas fired unit was shut early Tuesday.

OPG's Lambton #4 coal fired unit was shut early Tuesday. The company also reported it had taken off line its 490 Mw Nanticoke #6 coal fired unit as well.

PJM – Constellation Energy's 835 Mw Calvert Cliffs #1 nuclear unit was back to full power this morning, up 90% from yesterday.

The NRC reported this morning that 94,730 Mw nuclear generation capacity was on line, up 0.8% from yesterday and off 4.% from the same time a year ago.

The CEO of Halliburton said Monday that North American drilling activity targeting natural gas is unlikely to see a meaningful rebound before the end of this year. He noted that rising volumes of gas in underground storage indicate that production is not declining fast enough to bring it into equilibrium with depressed demand.

Reuters reported today that according to its survey of 27 analysts they see 2009 prices averaging \$4.21 per Mmbtu and 2010 prices at \$6.03. Last quarter's survey estimated 2009 prices at \$4.67 and \$7.01 in 2010.

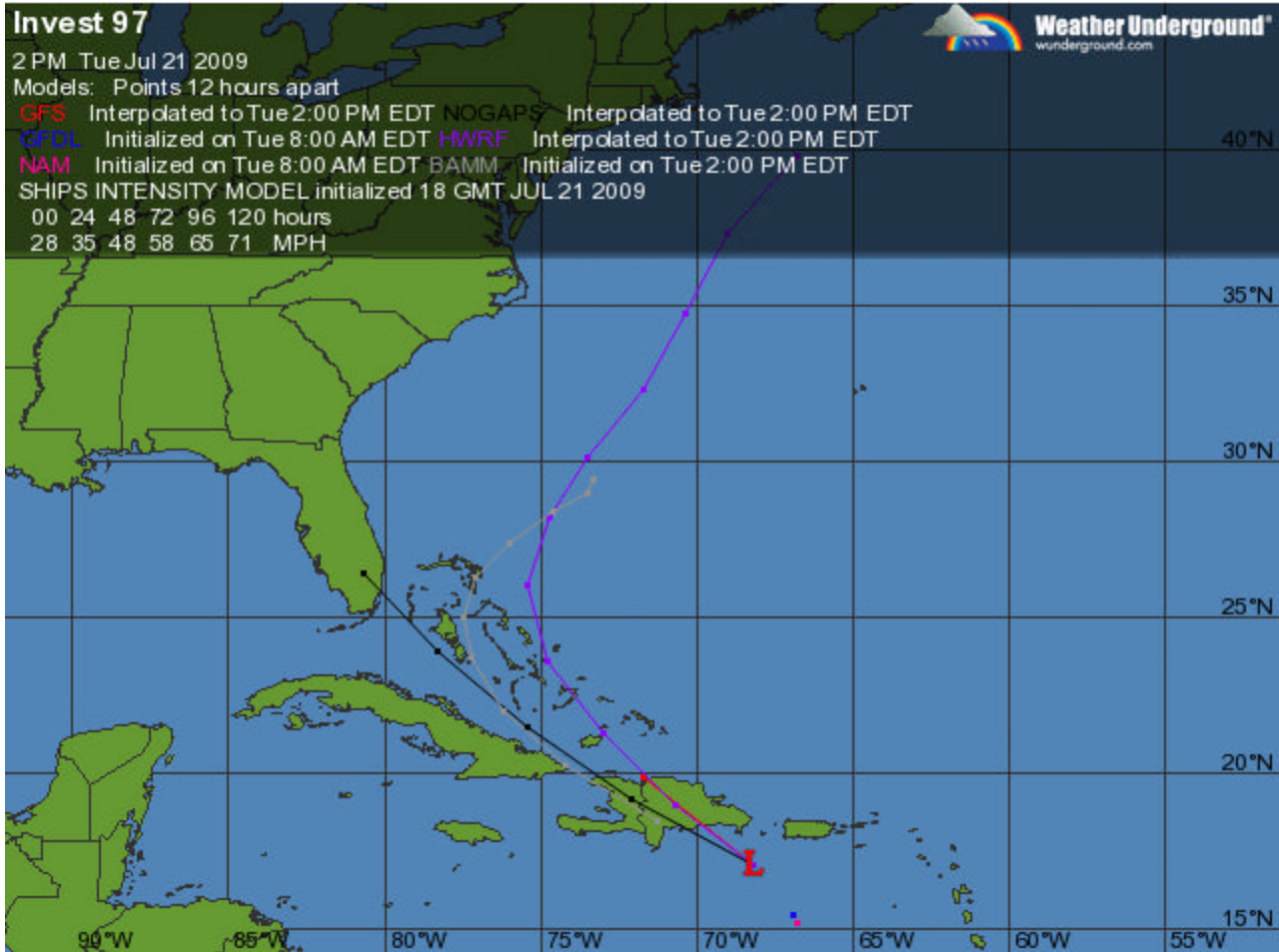
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	512,500	\$3.478	(\$0.010)	(\$0.176)	(\$0.086)	(\$0.228)
Chicago City Gate	478,200	\$3.458	(\$0.021)	(\$0.196)	(\$0.104)	(\$0.222)
NGPL- TX/OK	720,200	\$3.336	(\$0.012)	(\$0.318)	(\$0.095)	(\$0.349)
SoCal	410,600	\$3.490	(\$0.030)	(\$0.164)	(\$0.113)	(\$0.211)
PG&E Citygate	722,100	\$3.662	(\$0.030)	\$0.008	(\$0.113)	(\$0.056)
Dominion-South	236,600	\$3.725	\$0.024	\$0.071	(\$0.059)	\$0.036
UStTrade Weighted	17,784,800	\$3.461	(\$0.003)	(\$0.193)	(\$0.09)	(\$0.228)

The U.S. House of Representatives, by unanimous consent yesterday passed legislation that would direct the Secretary of Energy to

conduct a five year program of natural gas vehicle research, development and demonstration. Some \$30 million per year was allocated to the program.

The FERC Tuesday issued an order amending Maritimes & Northeast Pipeline presidential permit so the company can export as well as import natural gas through its cross border pipeline facilities at the U.S. – Canadian border.

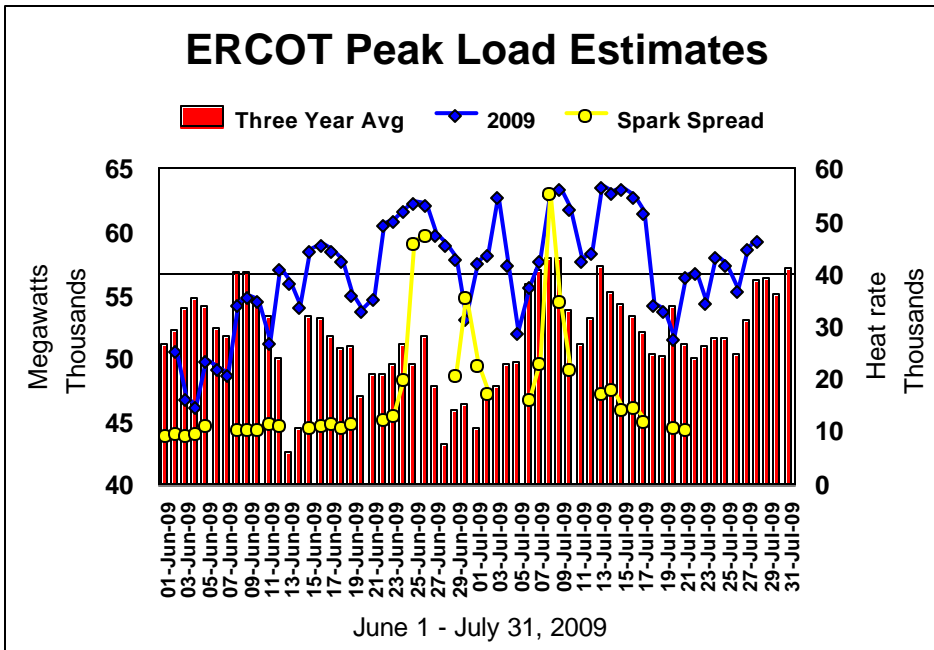
CFTC Chairman Gensler said today that his agency would hold its first public forum on broader market speculation on July 28th. He looks toward that hearing to “further inform the commission as to .”.Whether the “bona fide” hedge exemption should continue to apply to persons using the futures markets to hedge risks other than risks arising from the actual use of a commodity.” He said one or more additional hearings might take place between July and August at dates that have not yet been announced. While the commissioner told a Congressional subcommittee that it would begin providing additional data in the CFTC’s Weekly Commitment of Traders reports, he again declined to specify when that would begin.



Federal Reserve Chairman Bernanke said Tuesday that the pace of decline in the U.S. economy appears to have slowed significantly and final demand and production have shown tentative signs of stabilizing. He noted that the FOMC anticipates that economic conditions are likely to warrant maintaining the federal funds rate at exceptionally low levels for an extended period. He sees a gradual recovery in 2010 with a possible acceleration in 2011, with unemployment expected to peak at the end of this year.

The Lawrence Livermore National Laboratory reported today that total U.S. energy use in 2008 was estimated at 99.2 quadrillion Btu, down 2.3% from 2007.

South Korean LNG inventories held by KOGAS rose 68% in June from a year earlier while consumption in South Korea fell 7%. KOGAS said “we have used less LNG for power generation as fuel oil cost less due to weaker crude oil prices”.



Port officials in Belgium said they expected four Qatari LNG tankers to arrive at the port of Zeebrugge over the next two weeks.

The Ukrainian President called on the U.S. to help finance the modernization of its gas transit network.

A plant official at Indonesia’s LNG Bontang plant said he expected that LNG export cargoes from the facility will be some ten cargoes less this year than

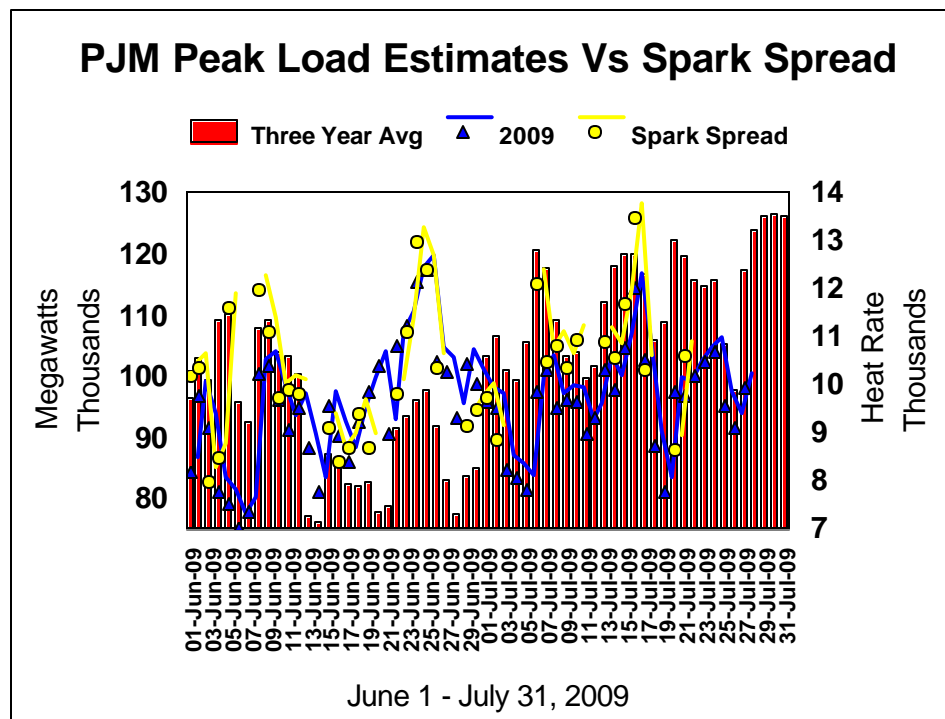
last year as 297 cargoes are planned to be exported. The reduction is a result of term customers requesting a cut in their liftings due to the global economic slowdown.

PIPELINE MAINTENANCE

SONAT said that it is in the processing of abandoning its 16-inch Mississippi Canyon 268 Line. It had earlier reported that the work would require West Delta receipt point 152 to be shut in for up to six days and the work would begin on July 20th. The work has been delayed and will be started on July 24th.

Gulf South said it would be accepting nominations of up to 175,000 Dth/d on the East Texas Expansion 42-inch pipeline beginning July 24th through July 27th from the Carthage Expansion header to Texas Gas.

Kern River Pipeline reported that hydro-static testing is required on the original Kern River line in



order for the company to complete the maximum allowable operating pressure upgrade. Though he dates have yet to be determined, the company anticipates mainline valve 142A to 149A will be out of service for approximately two weeks and the estimated operational capacity at Veyo will be reduced by

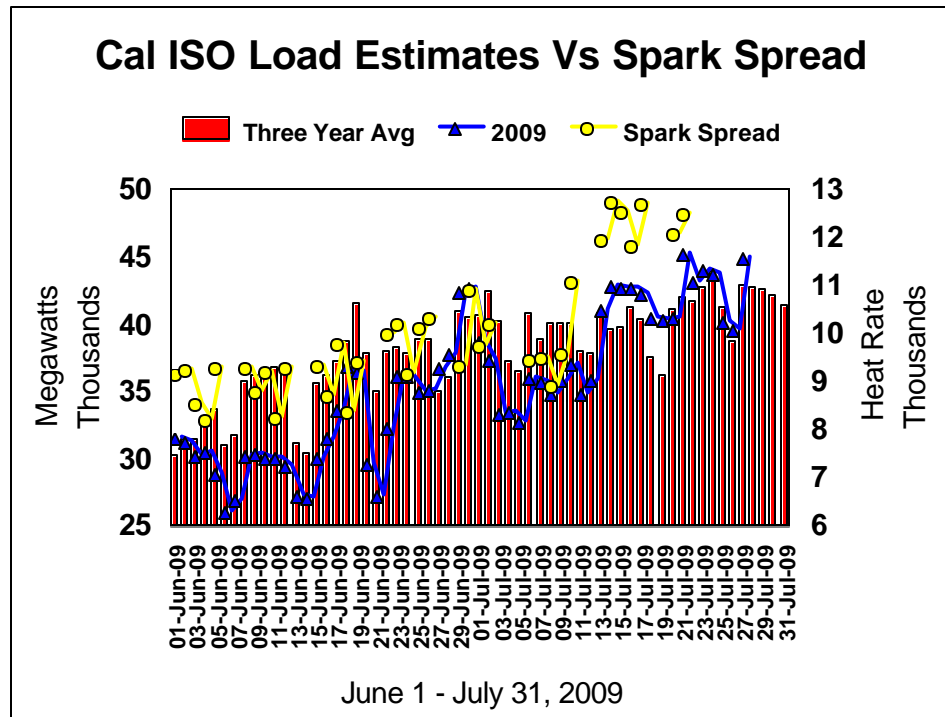
21,000 Dth/d from the average operational capacity for the month in which the hydro-static testing actually occurs.

PIPELINE RESTRICTIONS

Rockies Express Pipeline said late last night that it expected to lift its force majeure notice which was initiated on July 17th on Tuesday and would be scheduling segment 140 back to full capacity. to complete repairs at Arlington Compressor Station.

CIG said effective for the timely cycle for gas day July 22nd it was canceling the SOC/OFO declared late last month.

PG&E said that due to low inventory it was again calling a system wide Stage 2 OFO for July 21st.



ELECTRIC MARKET NEWS

Genscape estimated that coal supplies at U.S. power plants decreased 0.2% this week from last week but remain 25.7% greater than the same week a year ago.

Exelon Corp said it has withdrawn its hostile \$7.7 billion bid for NRG Energy today after NRG shareholders rejected an Exelon-backed slate of directors.

Southern California Edison continued to urge customers to conserve power as a heat wave continued to impact southern California for a second day in a row. The company said its transmission system was performing well by the multi-day heat wave and lightning had caused some isolated equipment failures and. Cali Iso did not expect demand in the state this week would exceed its all time usage record of more than 50,000 Mw. Yesterday Cal Iso reported demand peaked at 40,454 Mw and was expected to reach 45,158 Mw today with demand the remainder of the workweek peaking at just over 43,000 Mw each day. The weather was expected to begin to moderate Wednesday.

PG&E Corp said it plans to replace the reactor vessel heads at both reactors at the 2240 Mw Diablo Canyon nuclear plant when the facility undergoes its next refueling outage. Unit #2 is scheduled for its refueling outage this autumn and Unit #1 in the autumn of 2010.

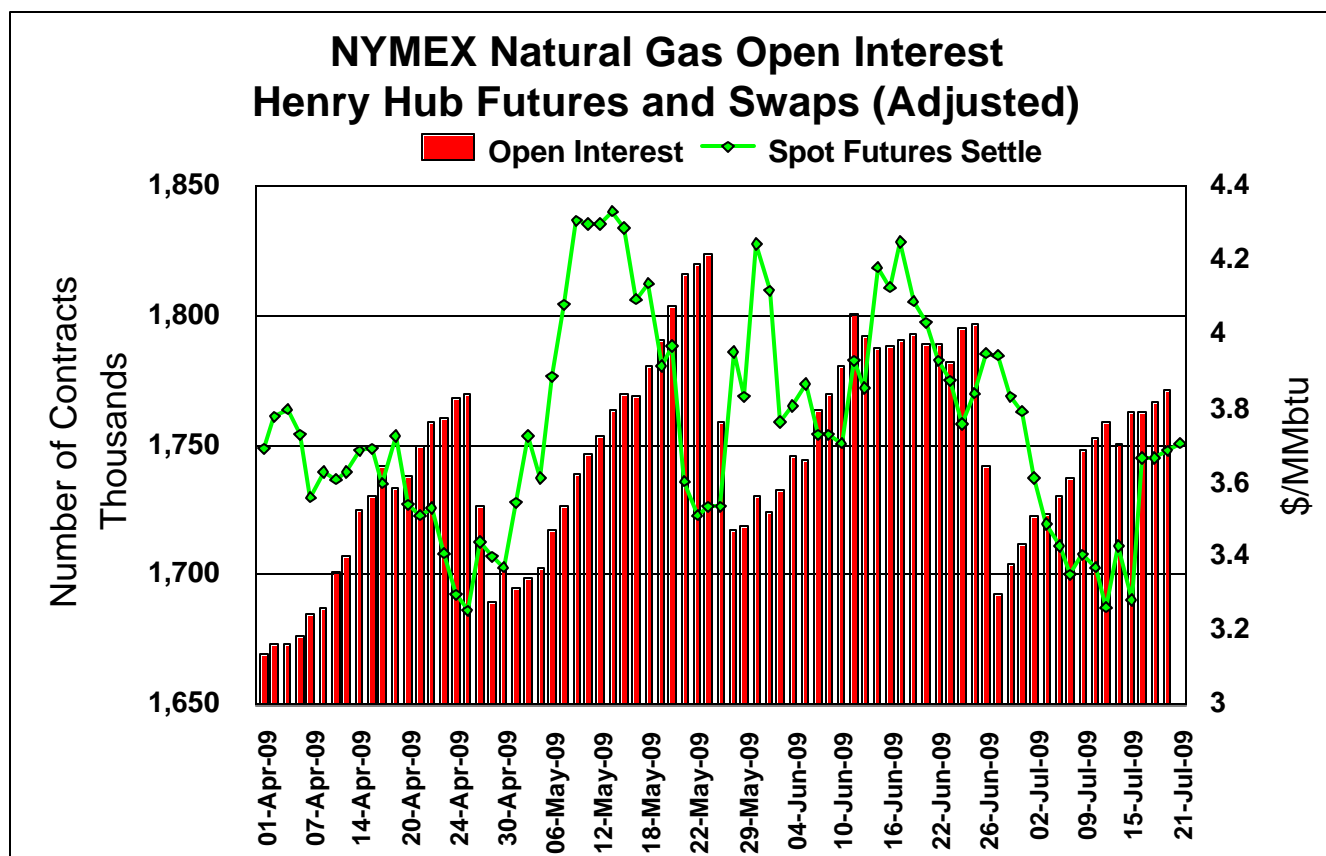
MARKET COMMENTARY

The natural gas market posted its smallest daily trading range in over a week as it also posted its first inside trading session in two weeks. Market participants appeared to be comfortable trading water at these levels given the short term electric generation in ERCOT and in Cal Iso versus limited demand in the Midwest , PJM and into the Northeast.

While open interest in the natural gas ETF, UNG posted a minor decline basis Monday's trading, the NYMEX Henry Hub futures and swaps on a combined and adjusted basis saw its fourth consecutive

daily increase and the 13th time out of the last 14th trading session in which open interest in these instruments have increased, which over the last week has to be seen as new longs coming into this market.

We continue to sit on the sidelines with this market and would not look to establish a new short position unless this market rallied back over \$3.90. We see initial resistance at \$3.775-\$3.785 followed by \$3.90 and \$4.059. Additional resistance we see at \$4.138 and \$4.574. Support we see at \$3.516 followed by \$3.454, \$3.25 and \$3.227.



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