



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 22, 2009

NATURAL GAS MARKET NEWS

The tropical wave Invest 97 that many traders were keeping an eye on over the past week or so now seems to be clearly headed towards the Bahamas and then on towards the U.S. East Coast. In fact the weather system now may combine with another area of unsettled weather over the Bahamas and either form into a tropical or subtropical storm system and move up along the U.S East Coast and into the Canadian Maritimes.

Generator Problems

NPCC – OPG's 535 Mw Lennox 3 oil and gas fired unit returned to service by early Wednesday. The unit was taken off line on July 21st.

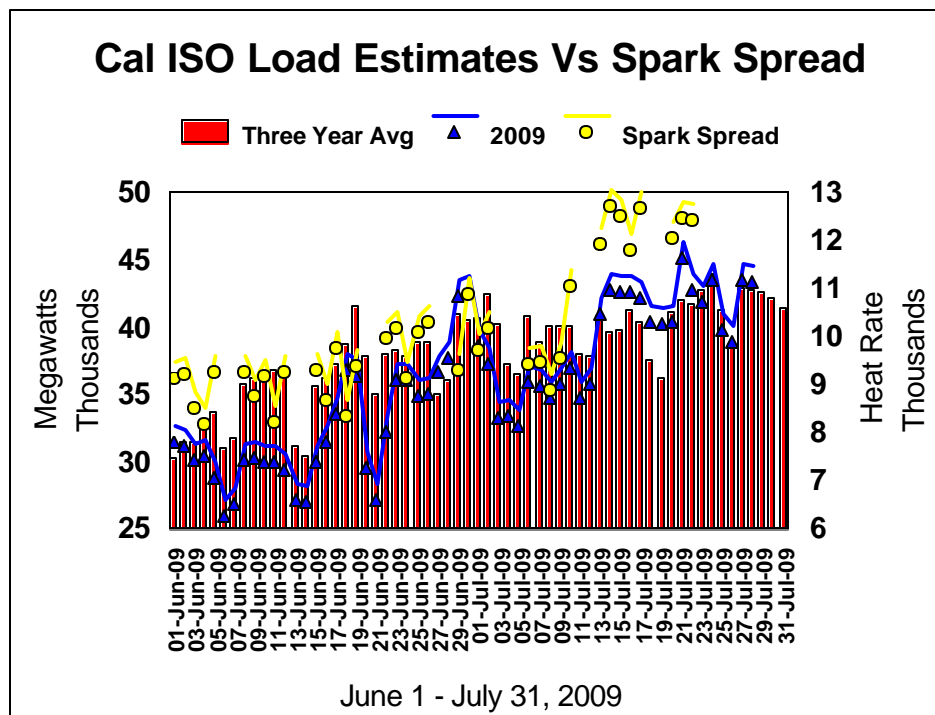
The NRC reported this morning that **95,072 Mw nuclear generation capacity was on line, up 0.4% from yesterday and off 3.6% from the same time a year ago.**

Paramount Energy Trust said Wednesday it would curtail natural gas production due to the down turn in natural gas prices. The trust said it has or will have 35 million cubic feet per day temporarily shut in. It also said that if the shut-in lasts through October, its estimated 2009 average production will be cut to about 160 million cubic feet per day. The company said that after an analysis of all its properties, it

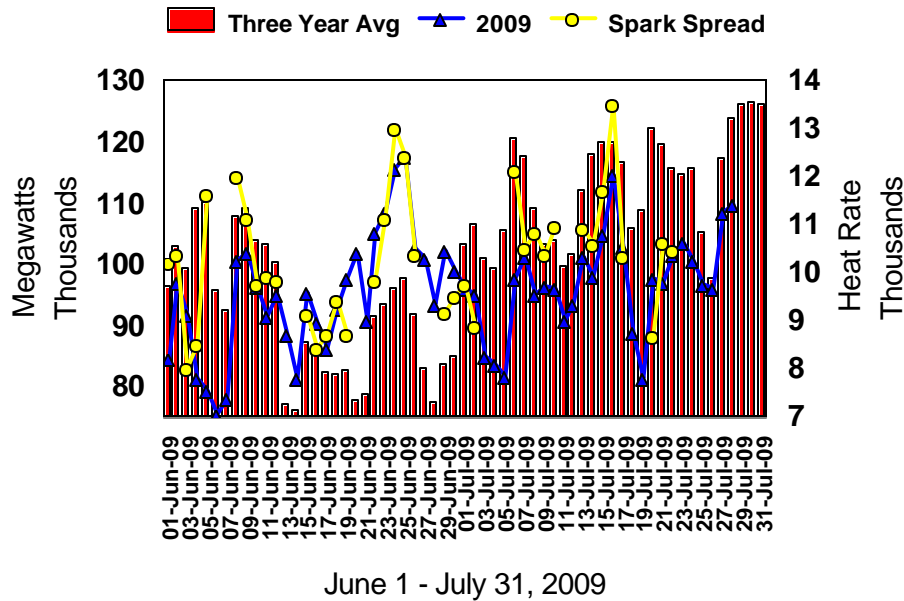
expects a gain in present value by deferring production until prices stabilize.

An official of the Indonesian watchdog group, BPIMAG, said Wednesday that the Tanguh LNG project plans to ship 56 cargoes this year.

The UK natural gas market bounced higher today on market rumors that the CATS natural gas pipeline, which supplies up to 20% of Britain's gas, will have a planned outage for four weeks next month, which would significantly reduce gas flow to Britain. BP, the operator of the line declined



PJM Peak Load Estimates Vs Spark Spread



to comment on the matter.

The Romanian President said today that he was optimistic about Turkmen gas supplies would be available for the EU-backed Nabucco pipeline project.

CFTC Commissioner Gensler said today that all derivatives dealers should meet capital, margin, conduct and record-keeping rules. He also urged Congress to pass changes to the bankruptcy law to protect against derivative dealer insolvencies and called for position limits for CFTC regulated OTC derivatives that affect price discovery

PIPELINE MAINTENANCE

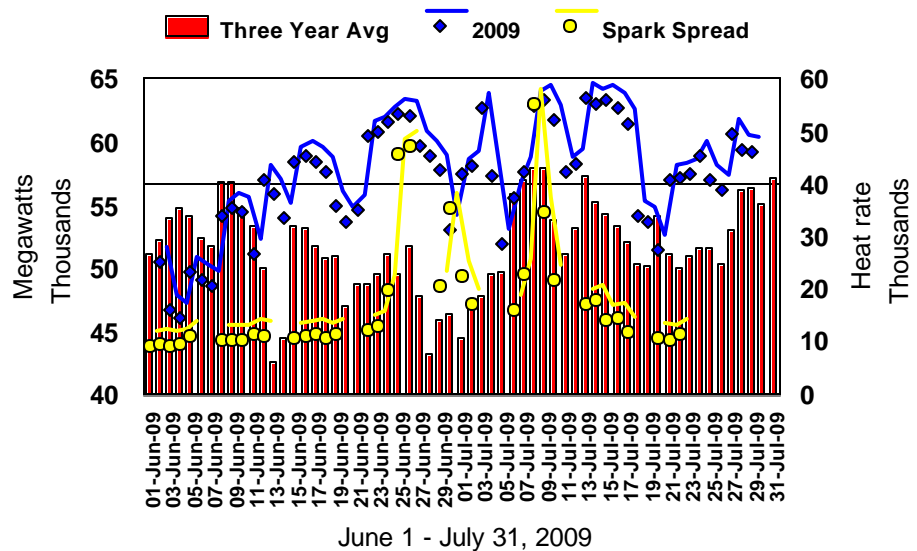
Questar Pipeline said the ML 104 delivery point, between its Thistle compressor station and the Goshen delivery to Kern River, will be reduced to 160,000 Dth/d for August 11th and to 330,000 Dth/d on August 12th to facilitate a smart pigging operations, as well as complete the engine and bundle replacements at Thistle and Oak Spring #2. Based on nominations, these cuts represent a 50% reduction to Tier 1 nominations on August 11th and an 86% reduction for the following day.

Gulf South said it would be performing planned system compressor maintenance on Unit #6 at the Montpelier Compressor Station starting July 29th and lasting for eight hours. Capacity through the facility could be reduced by as much as 50,000 Dth.

PIPELINE RESTRICTIONS

Midcontinent Express Pipeline said that effective for today and continuing until further notice, ANR Perryville has limited capacity for deliveries.

ERCOT Peak Load Estimates

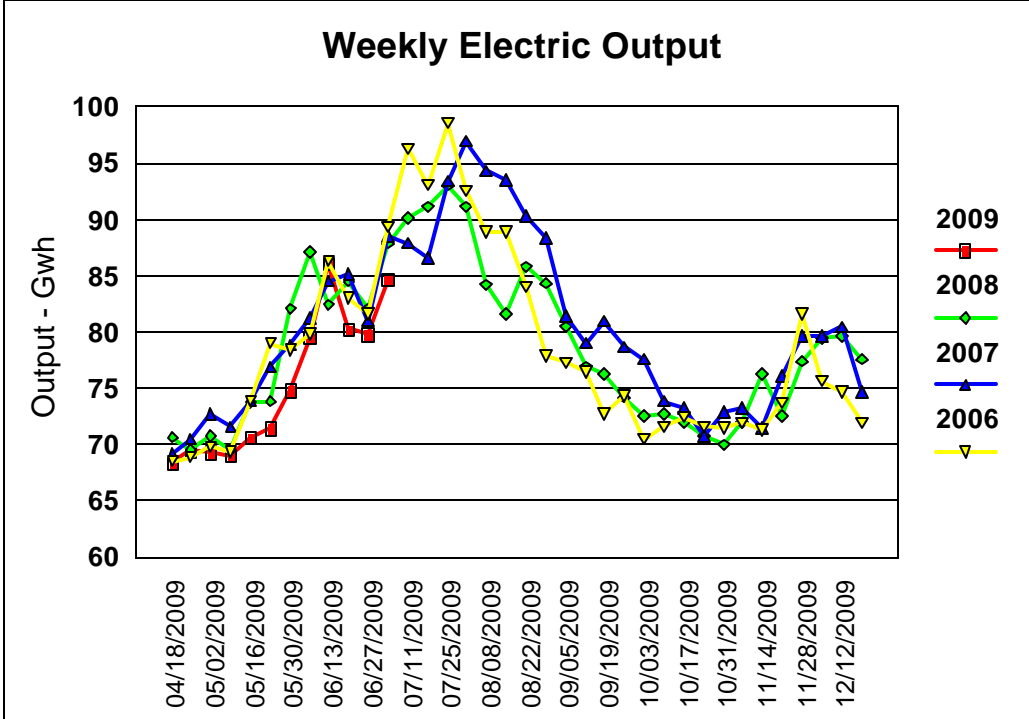


ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending July 18th, power production was some 6.1% higher than the week before but still 6.5% less than the same week a year ago. Year to date electric production has been down 4.2% from a year ago.

MARKET COMMENTARY

Market expectations for tomorrow's EIA Storage Report appear to be ranging between a 60-80 bcf build with most estimates centered around a 67-68 bcf build. For the same week a year ago, stocks rose an adjusted 87 bcf last year for the same reporting period while the 5 year seasonal average is a 62 bcf build.



We remain bearish for the intermediate term on this market given the storage overhang. While the market may get a boost from getting a storage injection number to tomorrow that may be the smallest in nearly two months, we still feel that this would be a selling opportunity and would look to continue to be a scale up seller of this market especially over \$4.00.

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