



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 24, 2009

NATURAL GAS MARKET NEWS

The Tropical Atlantic remains very quiet this morning, with little features to talk about. There is an area of tropical disturbance located south-southeast of the Cape Verde Islands in the far eastern Atlantic. The environmental conditions are somewhat favorable for development with low wind shear and a diminishing area of dry dusty air the eastern Atlantic. Development of the system over the next several days though is expected to be slow if at all. One forecaster noted that while none of the forecast models currently are showing any tropical development in the western Atlantic, Caribbean or Gulf of Mexico, conditions there are improving for future development there with a ridge of high pressure expected to begin to rebuild and extend westward into the northeast Gulf of Mexico that would help keep approaching tropical weather systems on a more westerly track rather than curving northward into the Atlantic.

Generator Problems

MISO – Exelon's 1138 Mw La Salle #1 nuclear unit was at 83% capacity, up 19% from yesterday.

FirstEnergy reduced operations at its 1231 Mw Perry nuclear unit to about 37% of capacity Friday to facilitate work to fix a hydraulic leak.

NPCC – OPG's Lambton #4 coal fired unit returned to service this morning.

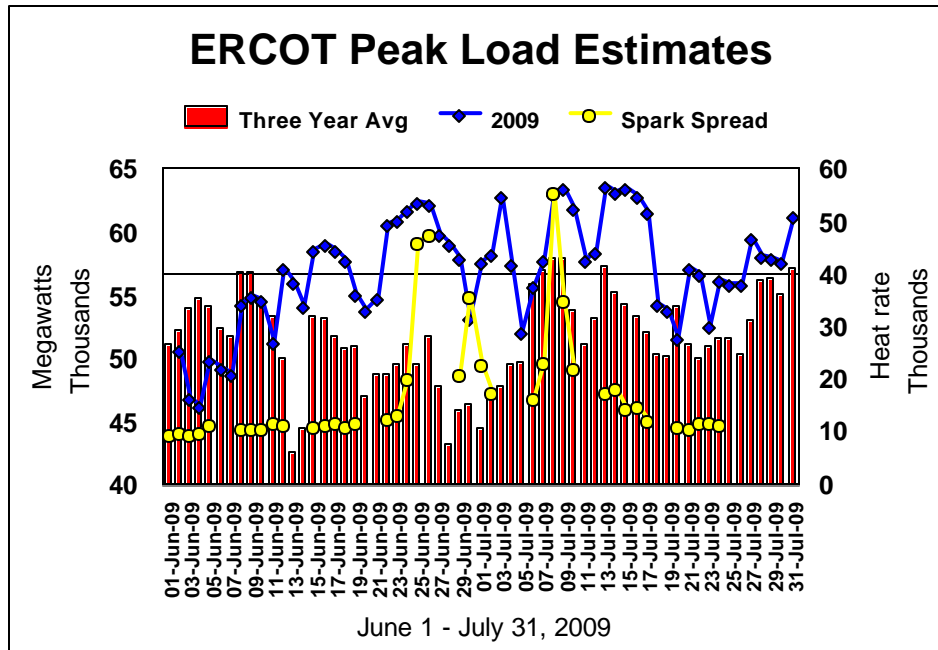
The NRC reported this morning that 94,830 Mw nuclear generation capacity was on line, up 0.1% from yesterday and off 2.9% from the same time a year ago.

The United States Natural Gas Fund, the ETF, said today it strongly believes its activities have not caused extreme swings in the price of the underlying natural gas market. It noted that during the September 2007 through July 2008 UNG's holdings in the natural gas futures and swap market were essentially flat. It noted more recently the ETF has seen a large increase in the number of gas contracts owned by it at a time when overall prices have trended lower.

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	644,300	\$3.366	(\$0.293)	(\$0.288)	(\$0.283)	(\$0.191)
Chicago City Gate	474,300	\$3.378	(\$0.283)	(\$0.276)	(\$0.298)	(\$0.185)
NGPL- TX/OK	551,600	\$3.274	(\$0.267)	(\$0.380)	(\$0.282)	(\$0.304)
SoCal	558,300	\$3.418	(\$0.276)	(\$0.236)	(\$0.291)	(\$0.154)
PG&E Citygate	736,400	\$3.659	(\$0.269)	\$0.005	(\$0.284)	\$0.053
Dominion-South	164,300	\$3.636	(\$0.247)	(\$0.018)	(\$0.262)	\$0.062
UStTrade Weighted	16,271,600	\$3.382	(\$0.268)	(\$0.272)	(\$0.28)	(\$0.191)

Baker Hughes reported that the number of rigs drilling for natural gas in the United States this week rose by 10 to 675 after sinking last week to its lowest level in seven years.

Reportedly the collapsed hedged fund Amaranth Advisors, seven affiliates and the former trader Brian Hunter Thursday submitted a joint offer of settlement to the FERC to resolve all claims that they had manipulated the market to influence natural gas futures prices.



India's Petronet reportedly is looking to import two spot cargoes of LNG next month to meet rising domestic natural gas demand. The cargoes would be part of the 10 spot cargoes the company has purchased since February from various suppliers for delivery between April and October.

Woodside Petroleum said Friday that it would shut two LNG production units at its North West Shelf

operation in the third quarter for planned maintenance. The work is expected to take 20-25 days.

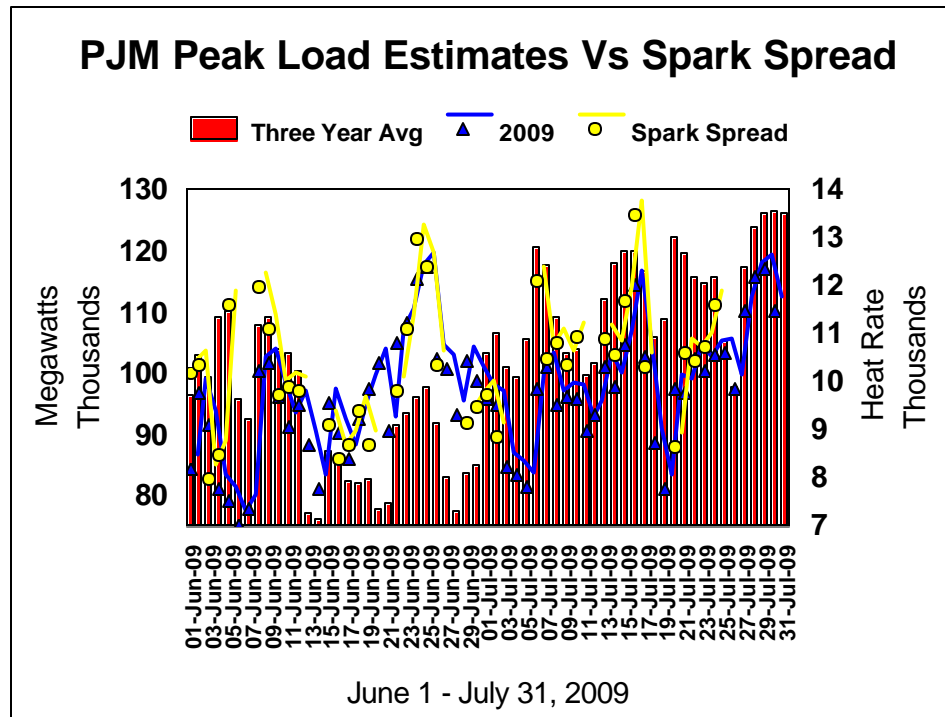
Nexen announced Thursday that it is reviewing strategic alternatives for its natural gas and power marketing businesses, which may include the sale of all or part of these marketing businesses.

PIPELINE MAINTENANCE

Transco has removed a section of pipeline near the North Carolina/Virginia border for anomaly repair and the work is expected to be completed by August 6th.

KMIGT said it is revising the capacity available for its August 9th maintenance at its Casper Compressor Station due to ongoing maintenance at the KMULLC Casper Plant. Maintenance at the Casper Compressor Station from August 11th through August 17th will result in a 138,000 Dth/d limit in total scheduled quantities

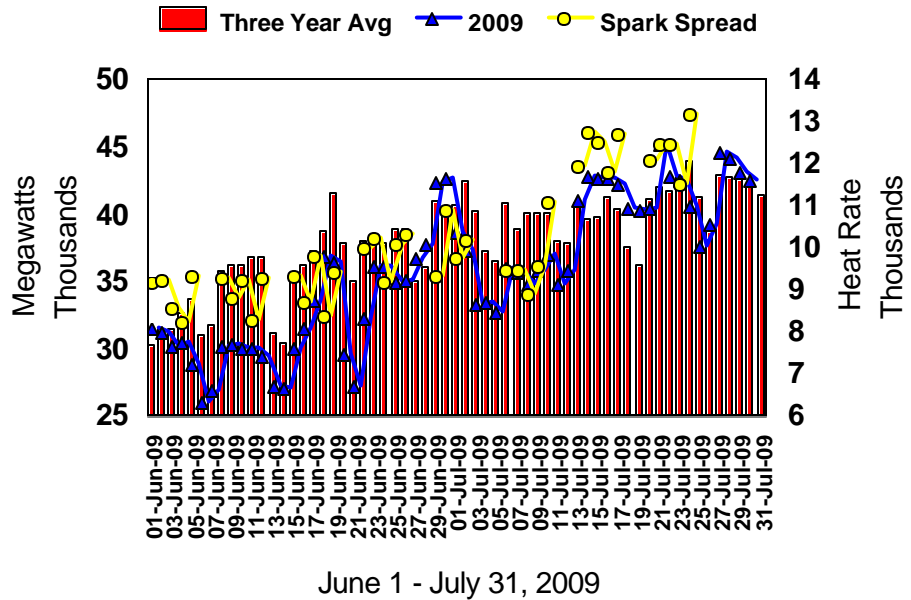
through Segment 45 and Segment 730. Based on the level of nominations, the company does not anticipate any reduction in scheduled quantities.



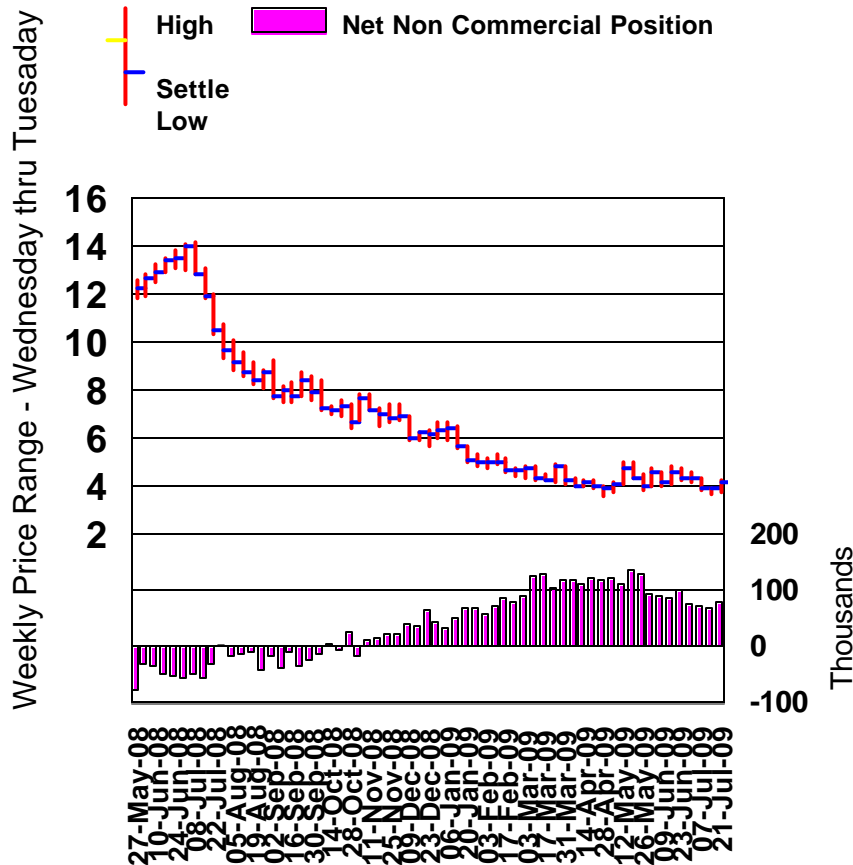
ELECTRIC MARKET NEWS

Exelon's CEO said Friday that his company will not be pursuing new construction of nuclear power plants, but instead will focus on upgrading existing nuclear plants capacity while also looking to build transmission projects in the Northeast and Mid-Atlantic. This statement came after the company's June 30th statement in which it said it was postponing indefinitely plans to build a new nuclear plant in Texas, after it was not selected as a finalist for the Department of Energy's

Cal ISO Load Estimates Vs Spark Spread



NYMEX Nat Gas: Non Commercial Reportable Positions
Adjusted Futures, Swaps and Options Combined Position



first round of loan guarantees. The company management had previously said that a DOE loan guarantee was imperative for Exelon in order to move forward with the project.

Genscape reported that U.S. consumption of coal declined 3% from the previous week and was 16% below the same week a year ago.

MARKET COMMENTARY

Despite lower cash prices today, the futures market appeared to grind slowly higher after yesterday's lows were held during trading early this morning. By the end of the day the market had retraced nearly 50% of yesterday's sell off. The market posted an inside trading session today, the second one this week, which appears to point to us a belief in a general exhaustion with this market by traders. It appears to us that traders are unwilling to substantially take this market above the \$4.00 level,

especially without a significant tropical threat to Gulf Coast production. But likewise the bears are unable to gain additional commitments to this market without getting further along into hurricane season and seeing that record inventories will become a reality. Thus we see the \$3.50-\$3.75 area as probably where prices might fluctuate for the next month with short term forays to \$3.30-\$3.20 on the down side and \$3.90-\$4.00 on the upside.

This afternoon's Commitment of Traders Report showed that the non-commercial reportable sector of the market for the week ending July 21st was a net buyer on the week after the prior three weeks on seeing this sector decreasing its net long position.

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