



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 27, 2009

NATURAL GAS MARKET NEWS

CFTC Chairman Gensler said today that the CFTC will impose position limits and reporting requirements on the IntercontinentalExchange's Henry Hub natural gas swap, similar to those that govern futures on the NYMEX. NYMEX current position limits are 12,000 net futures and 1000 in the last three trading days before the contract expires. The CFTC was issuing this new policy under the authority granted to the agency under last year's 2008 Farm Bill which allowed the CFTC to regulate exempt ICE contracts like the Henry Hub swap if those contracts serve a significant price discovery function. The rule announced today was the first time that the CFTC has used its new authority. ICE announced today that it would begin immediately submitting market statistics on the Henry Hub contract to the commission. The positions of large traders of the ICE contract will be incorporated in the CFTC's Commitment of traders report.

The daily holdings report by the natural

Generator Problems

MISO – AEP's 1060 Mw Cook #2 nuclear unit was shut on Sunday due to a reactor coolant pump seal malfunction.

FirstEnergy's 1231 Mw Perry nuclear unit ramped up to 92% power early Monday, up from 37% recorded on Friday.

Exelon's 1138 Mw LaSalle #1 nuclear unit was ramping back to full power today. The unit was at 83% power on Friday.

ERCOT & SPP – Luminant's 750 Mw Monticello #3 coal fired power plant returned to service Monday. The unit had been shut on Sunday to fix a leak.

The AEP's 675 Mw Pirkey coal fired power station was taken off line over the weekend to fix a boiler tube leak. The unit may remain off line until August 1st.

NPCC – Dominion Resources' 882 Mw Millstone #2 nuclear unit has exited its outage and ramped back to full power. The unit had been shut on July 3rd.

OPG's oil and gas fired Lennox #4 was shut for repairs.

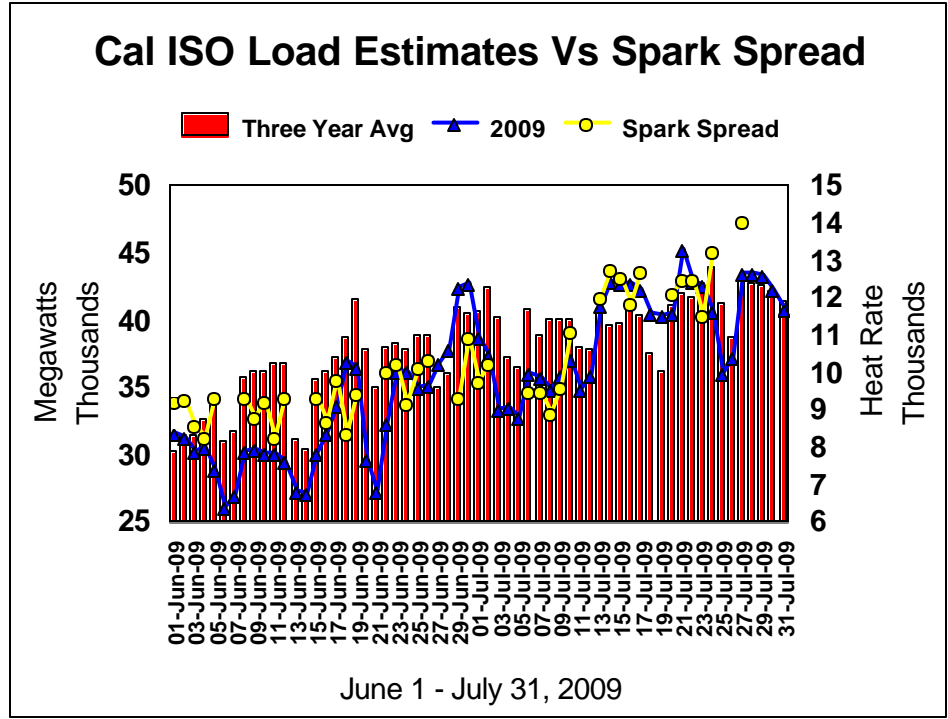
Bruce Power's Bruce 8 nuclear unit returned to service

The NRC reported this morning that 95,454 Mw nuclear generation capacity was on line, up 0.7% from Friday and off 2.2% from the same time a year ago.

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	489,200	\$3.459	\$0.094	(\$0.161)	\$0.125	(\$0.199)
Chicago City Gate	396,400	\$3.461	\$0.083	(\$0.159)	\$0.117	(\$0.199)
NGPL- TXOK	417,600	\$3.333	\$0.059	(\$0.287)	\$0.093	(\$0.317)
SoCal	327,800	\$3.468	\$0.050	(\$0.152)	\$0.084	(\$0.174)
PG&E Citygate	883,800	\$3.743	\$0.084	\$0.123	\$0.118	\$0.054
Dominion-South	179,300	\$3.705	\$0.069	\$0.085	\$0.103	\$0.053
USTrade Weighted	16,065,200	\$3.473	\$0.091	(\$0.147)	\$0.12	(\$0.199)

gas ETF, United States Natural Gas Fund, LP showed that on Friday the ETF had reduced its position in the ICE swaps by 67,375,000 Mmbtu or 26,950 lots (2500 Mmbtu per lot) and shifted its

holding into a fully collateralized total return swap with an investment grade counterparty(ies) thus leaving its overall position unchanged from the prior day.



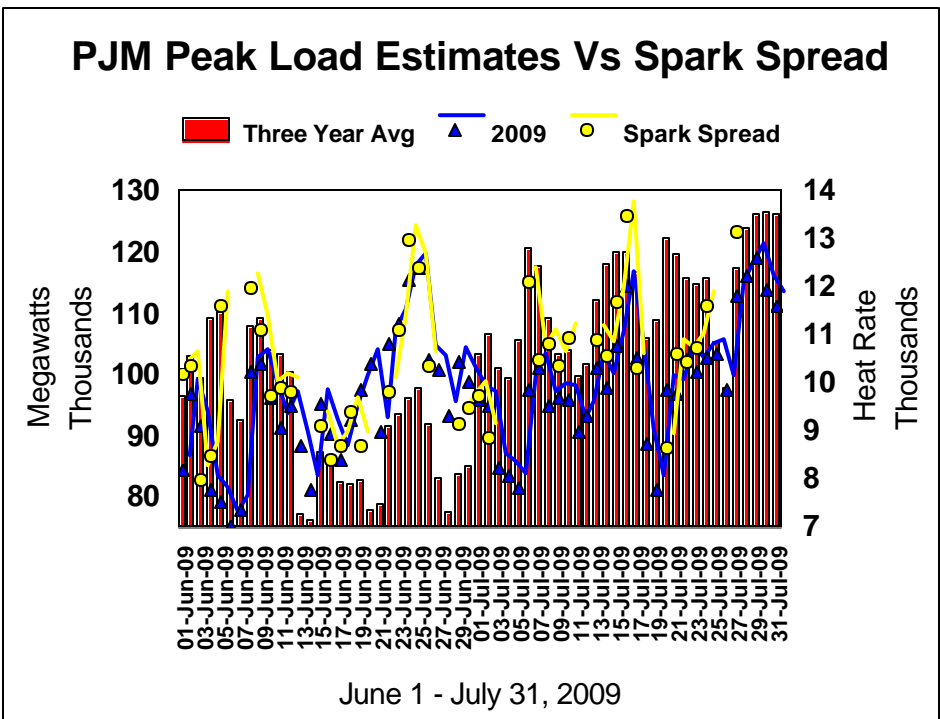
Raymond James & Associates said in a research note today that fundamental differences between global crude markets and the domestic natural gas market are unlikely to return to the historical 7:1 ratio price wise until U.S. shale gas reserves are depleted, gas demand infrastructure is enhanced or more domestic LNG export capacity is added.

The Tropical Atlantic basin remains very quiet as a result a large dry, dusty Saharan air mass sitting over much of the eastern

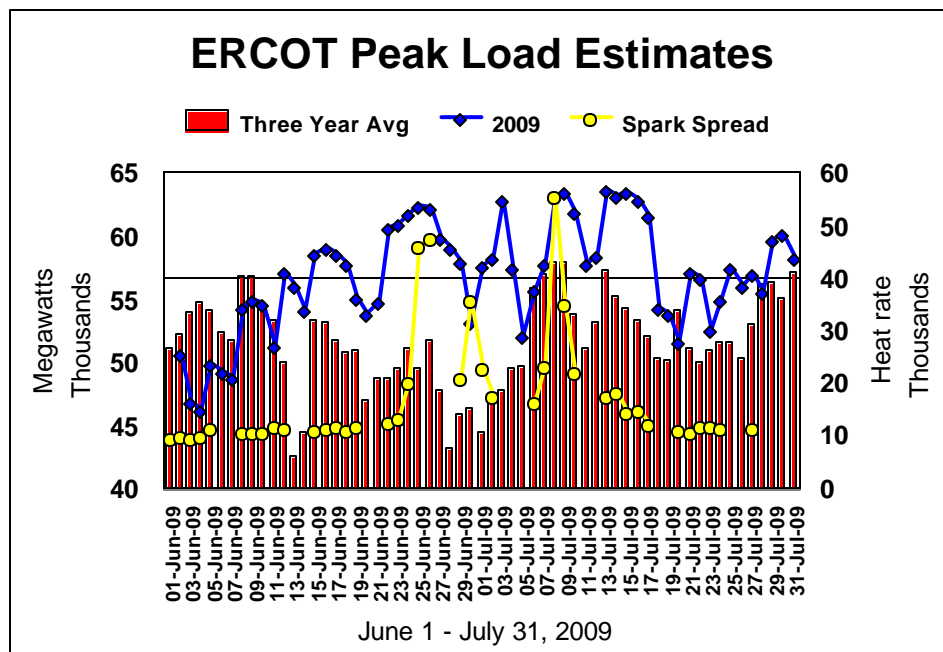
half of the region. The Atlantic Basin is expected to remain quiet this week. Some forecasters are looking to the MJO could be showing some signs of life returning to the tropics for potential storm development by August 10th.

El Paso Corporation said today that Global Infrastructure Partners has bought a 50% stake in its Ruby Pipeline project and will invest up to \$700 million in the pipeline. The Ruby Pipeline has a design capacity of 1.5 bcf/d and will transport natural gas from several Rockies production basins to California, Nevada and the Pacific Northwest.

El Paso Pipeline Partners reported that it had bought additional interest in Colorado Interstate Gas for \$215 million bringing its total share in the company to 58%.



Ukrainian Naftogaz said Monday that it bought 3 billion cubic meters of gas from Russia in July for a total of \$595 million. This payment will be due to Gazprom by August 7th. The Ukraine has said it has stored about 21 bcm so far of its targeted or required levels of 26-28 bcm.



Papua New Guinea's trade minister said Monday that the Indian firm Petronet LNG is in talks to buy LNG from the Interoil's LNG project in the island nation. Exports from the project are expected to start in 2014.

Woodside Petroleum has decided to proceed with front-end engineering and design work on an expansion of its Pluto LNG project in Western Australia. But the company has warned that the future

of the project depends on it pinning down gas supplies.

A tanker carrying Norwegian LNG docked at the Isle of Grain terminal on Saturday. Typically Norwegian LNG supplies are destined for the US, but this was the second time Norwegian LNG moved into the British market.

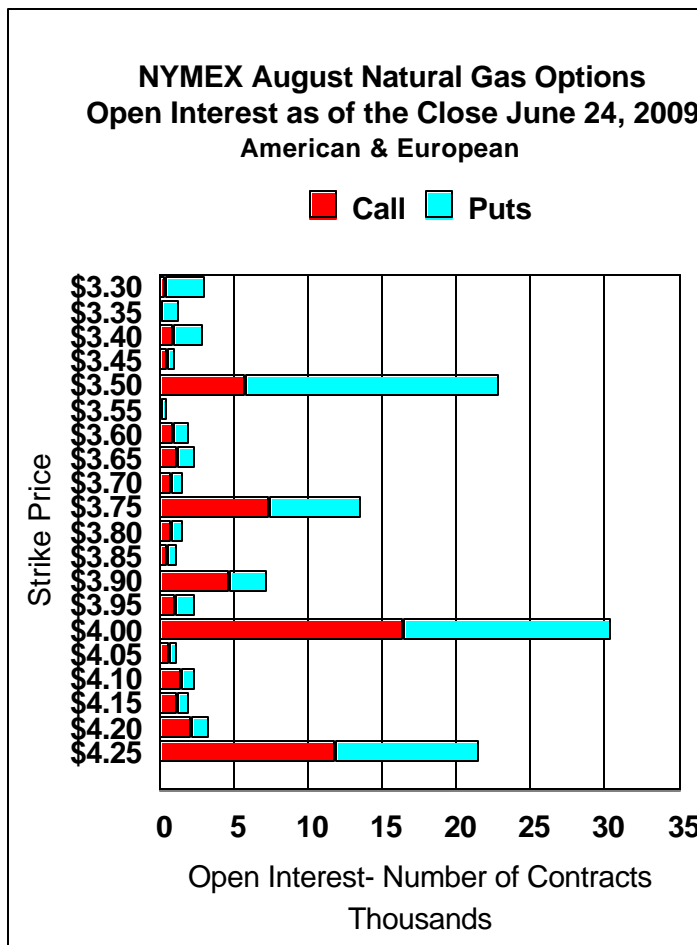
Qatari LNG tanker the Al Ghuwairiya was docked at the South Hook terminal on Monday.

Indonesia's Pertamina said on Monday it was looking for other potential buyers for LNG from the planned Donggi-Senoro plant, especially since the company is under governmental pressure to void a 15 year supply deal with Chubu Electric and Kansai Electric because the price was set too low.

Tokyo Electric Power reportedly it will import an extra cargo of LNG from Abu Dhabi for September. The company typically imports 5 LNG cargoes a month.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said today that it was restricting Carthage Line Lateral through approximately 65% of secondary out of path



service nominations pathed from meters located on the line.

MARKET COMMENTARY

The natural gas market posted its second straight inside trading session as traders found little fresh news to trade off of this morning. While the tropical Atlantic basin remains quiet a slight uptick in cooling demand in the Midwest and East Coast coupled with higher oil prices seemed to keep this market's price in limbo or status quo. But given tomorrow is expiration day for the penultimate contract along with natural gas options, today could have been the calm before the storm. To give further warning that tomorrow could be an explosive and volatile trading session is the fact that the last time that the natural gas market has seen the spot contract post two consecutive trading sessions that were inside trading days was back in February of this year and the third session saw a 38 cent trading range.

While we do not think that volatility will be fully realized tomorrow we would be ready to seize the opportunity if tomorrow's price action leads to a spike higher in prices. We would again be ready to be a scale up seller of the September contract at \$4.04 up to \$4.20. Additional resistance we would look at \$4.26, \$4.387 and \$4.716. Support we see at \$3.688, \$3.625, \$3.40 and \$3.366.

While we are encouraged by the movement in the Oct-Jan spread we would continue to be patient in holding this spread until our target of \$1.70-\$1.75 Oct discount is again realized. This spread in the past three trading sessions has moved nearly 20 cents.

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