



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR AUGUST 5, 2009

NATURAL GAS MARKET NEWS

ANR Pipeline said it was forced to shut in 227 million cubic feet per day of natural gas due to an explosion and fire that rocked Enterprise Products gas compression platform, High Island 264 platform. The facility is some 90 miles southeast of Galveston, Texas. The fire also forced the temporary suspension of service on the 42-inch mainline transporting gas from the platform. ANR said its pipeline was ready to receive gas from Enterprise but it would need to wait until Enterprise completes repairs to its platform and system following the incident. A spokesman for Enterprise Products said they were still evaluating the damage to the platform, but said there are ways to reroute some gas around the platform if necessary. The HIOS gathers natural gas from fields in the western Gulf of Mexico connecting to the ANR and Tennessee Gas Pipelines and to the UT Offshore System

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #6 coal fired power plant was shut early Wednesday.

MISO- Exelon's 1152 Mw Braidwood #2 nuclear unit has exited its outage and ramped up to 16% power this morning. The unit tripped off line back on July 30th.

The NRC reported this morning that 94,562 Mw nuclear generation capacity was on line, down 0.9% from yesterday and down 2.65% from the same time a year ago.

The Freeport LNG terminal is scheduled to receive its second cargo of the year by Friday.

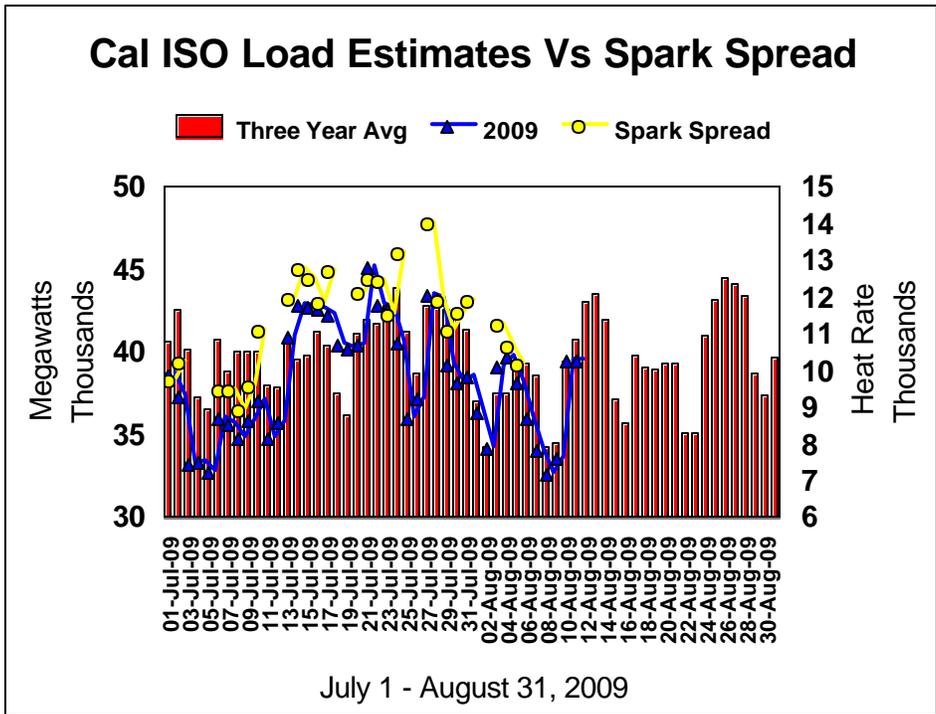
The CFTC Commissioner Michael Dunn said Wednesday that Congress should grant the CFTC the authority to set speculative limits in over-the-counter markets. He noted that "unilateral Commission

action in only the markets we currently regulate may not have the desired effect of reigning in excessive speculation in the futures market." He also outlined that he has requested the

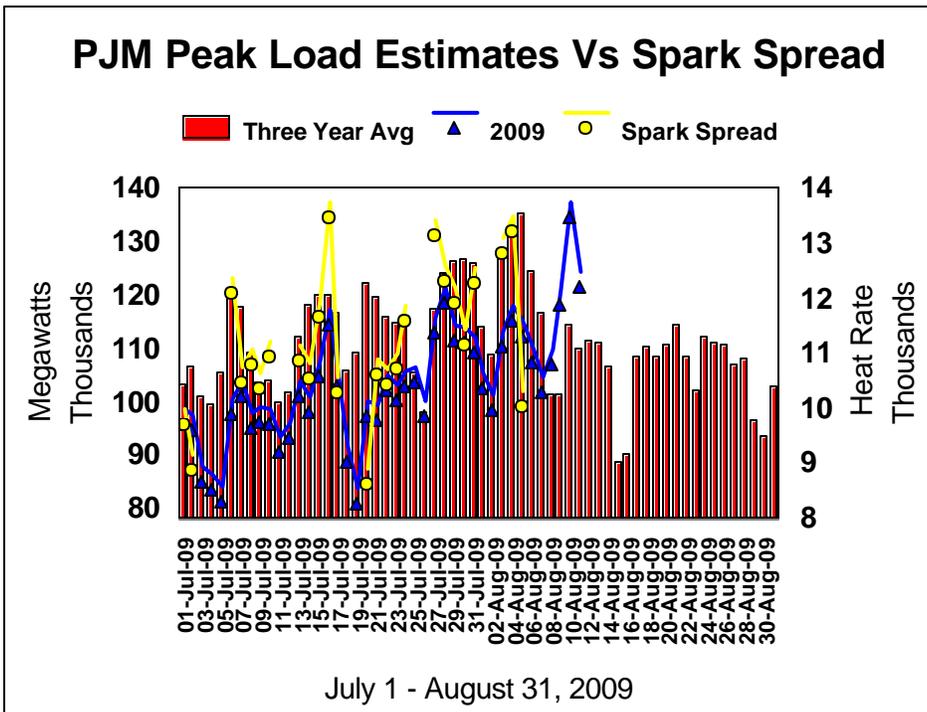
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,070,700	\$3.605	\$0.076	(\$0.444)	\$0.083	(\$0.424)
Chicago City Gate	469,400	\$3.729	\$0.133	(\$0.320)	\$0.095	(\$0.387)
NGPL- TX/OK	752,600	\$3.613	\$0.153	(\$0.436)	\$0.115	(\$0.494)
SoCal	337,300	\$3.687	\$0.163	(\$0.362)	\$0.125	(\$0.444)
PG&E Citygate	818,600	\$3.904	\$0.143	(\$0.145)	\$0.105	(\$0.201)
Dominion-South	336,600	\$3.798	\$0.080	(\$0.251)	\$0.042	(\$0.220)
USTRade Weighted	18,231,100	\$3.673	\$0.121	(\$0.376)	\$0.08	(\$0.424)

CFTC staff to begin a review to determine whether financial firms have adequate firewalls in place between their research, reporting and trading divisions. Meanwhile the Chief Investment Officer for United States Commodity Funds said he believes "that the significant increase in energy prices last summer were wholly unrelated to the activities of our commodity tracking funds using the commodity futures market to hedge the exposure to investors that results from their obligation to track price

movement of a commodity. He told the CFTC his funds play an important role in providing liquidity to the futures market by helping buyers find sellers and vice versa.” John Arnold, the managing partner of Centaurus Advisors hedge fund, said position limits should not be mandated on energy contracts, particularly natural gas, that are cash settled and the contracts owned do not take physical delivery of the underlying commodity. He noted “we have seen no conclusive evidence of a positive correlation between trading volume and volatility.” He warned that position limits on cash settled energy futures contracts would decrease liquidity, increase transaction costs and cause wild price swings in contracts as they near expiration.



Barclays Capital said in a research report it found investors in commodities’ exchange-traded products, or ETPs, switched their interest from overheated oil contracts to natural gas in the second quarter of this year. The bank estimated an additional \$2.8 billion worth of cash flowed to traded energy funds in the second quarter, with most of it headed into the natural gas markets. Dow Jones reported that

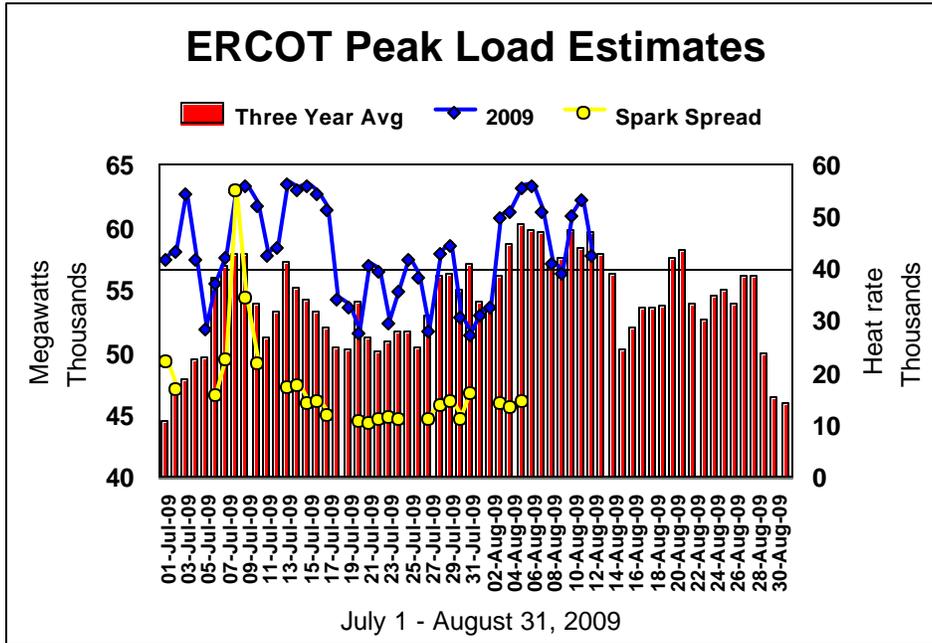


Barclays has estimated that \$34 billion flowed into commodity funds in the second quarter, bringing the total invested in commodities up to \$209 billion.

Barclays Capital reported today while their economic team sees a rebound in industrial production, they see the rebound in the four largest consuming sectors of natural gas, chemicals, petroleum and coal products, primary metals and the food sector will lag behind any rebound that is expected over the next 6-18 months. As a result it sees the industrial sector to

consume 16.6 bcf/ d in 2009, down 8.1% or by 1.5 bcf/d from 2008 and then recover by 1.9% to 16.9 bcf/d in 2010.

A senior Russian official said today that Turkey will agree “in principle” to allow the South Stream gas pipeline to pass through its territorial waters. A protocol on cooperation is expected to be signed later this week.



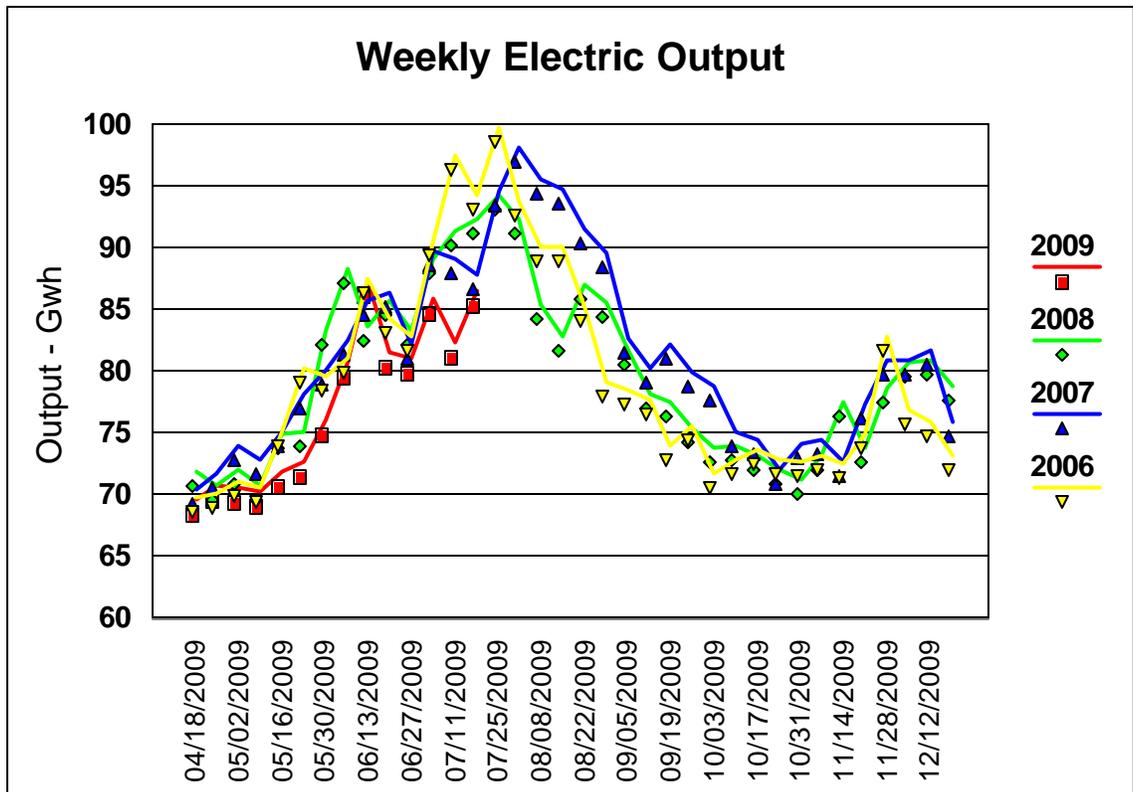
The Ukrainian Prime Minister said today the Ukraine has paid \$605 million for Russian gas supplies in July and have settled their bill in full ahead of schedule for gas supplies coming from Russia. Naftogaz said it had bought 3 bcm of gas in July, much of went into storage for the winter months to ensure smooth transit to Europe by keeping up pipeline pressure.

Chevron has signed a preliminary deal worth \$2.5

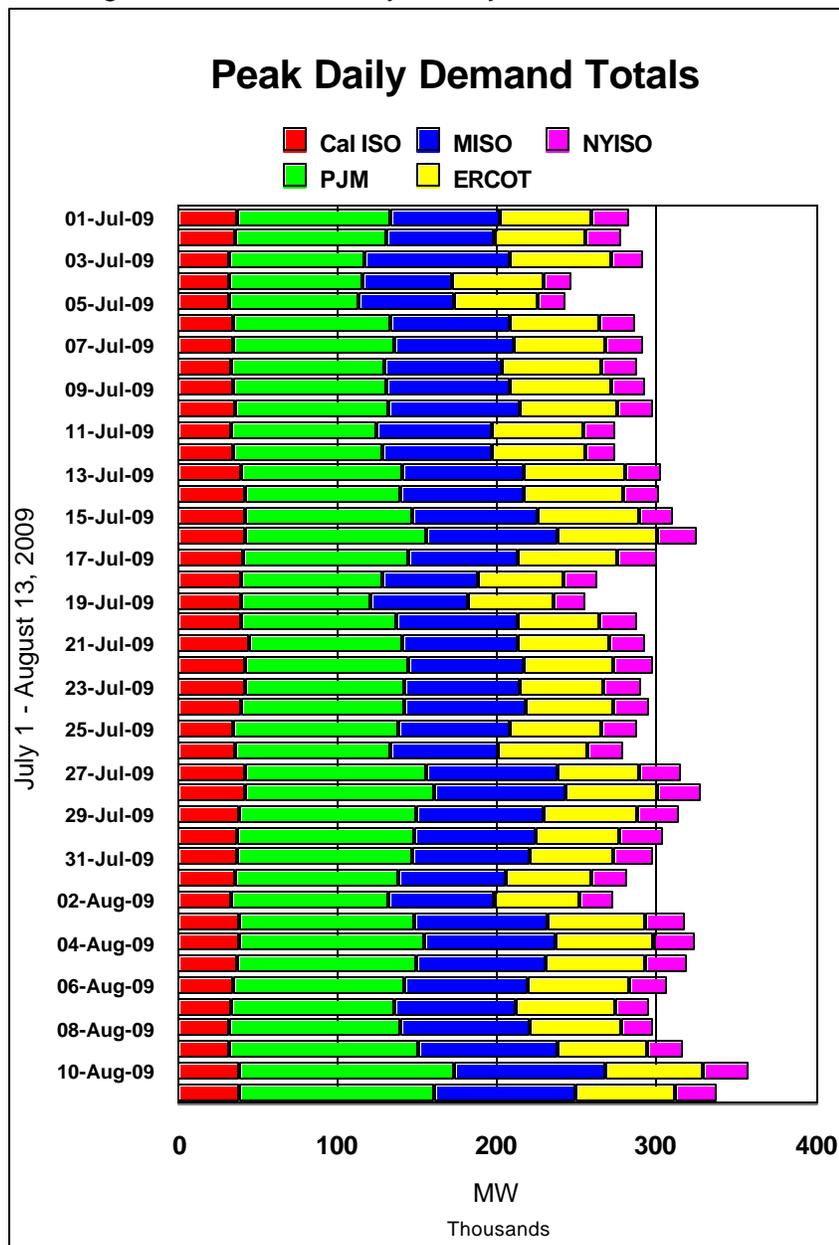
billion to buy gas from ConocoPhillips on Sumatra Island, Indonesian officials said today. Chevron needs the gas to support technology used to recover oil from the Duri field, where output has been declining.

Trinidad reported that for the first five months of the year, natural gas production rose 3.3% on a year on year basis.

Britain's Dragon LNG terminal in south Wales started delivering gas into the grid Tuesday afternoon. Gas flows from the terminal



rose to 5 million cubic meters and remained at that level on Wednesday, National Grid reported. The first cargo arrived at the facility on July 14th with a second tanker expected to arrive on Thursday.



The US Commerce Department said demand for US factory goods unexpectedly increased during June by 0.4%. It was the third consecutive increase. In May, orders for manufactured goods increased by a revised 1.1%. Excluding the transportation sector, June factory orders increased 2.3%. Demand for durable goods fell by a revised 2.2%, up from a previously estimated 2.5% decline. Inventories of manufactured goods fell by 0.8% in June.

ADP Employer Services and Macroeconomic Advisers LLC said the US private sector cut 371,000 jobs in July compared with a revised 463,000 decline in June. The market estimated a loss of 345,000 private sector jobs. Separately, ADP said the US is on track for a modest job recovery in early 2010 in line with its economy emerging from the worst recession in decades. US growth is likely to return in the second half of the year, although companies are still cutting jobs in July.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline reported that it had discovered a leak on a portion of its Bluewater natural gas system in the Gulf of Mexico and was forced to declare a force majeure.

majeure effective late Tuesday. The leak was discovered on the Triple T portion of the system around the 523M-2300 Line. But by Wednesday afternoon the company lifted the force majeure.

Columbia Gas Transmission announced it has completed its Appalachian Expansion Project ahead of schedule and is now providing approximately 100,000 Dth/d of new transportation capacity to three producers in the region

El Paso Natural Gas announced it was cancelling the warning of a strained operating condition for a draft condition on the Yuma Lateral that was issued on August 3rd.

SONAT shippers and poolers were notified today that beginning immediately, the capacity allocation that was implemented beginning August 1st for several groups had been canceled.

**PIPELINE
MAINTENANCE**

Gulf South will be performing compressor maintenance on all units, one at a time, at the Montpelier Compressor Station beginning today and lasting through August 7th before resuming August 10th through August 14th. Capacity through the station could be reduced by as much as 50,000 Dth.

TransCanada said the repair of the NPS 20 Peace River mainline has been completed. The PRML will be returned to service at a reduced capacity until further investigation has been completed. As a result all interruptible service in Segment 1 will be removed effective August 5th. The pipeline was moving some 141 MMcf/d

before the pipeline break. Flows are expected to run at 123 MMcf/d until the investigation is completed.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 08/05/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	11	9 P	2.5	0.0144	0.0161	4600	0	0	
LN	10	9 P	3	0.068	0.0768	3950	0	0	
LN	12	9 P	4	0.0997	0.1084	2901	0	0	
LN	9	9 C	4.5	0.1436	0.1386	2652	0	0	
LN	3	10 P	3	0.016	0.0187	2500	0	0	
LN	9	9 P	3.25	0.0455	0.0538	2127	0.045	0.045	
LN	9	9 P	3.5	0.0916	0.1059	2102	0.095	0.095	
LN	9	9 P	4	0.2798	0.3063	2050	0.31	0.295	
LN	9	9 P	3.75	0.1693	0.1898	1960	0	0	
LN	9	9 C	4.25	0.2179	0.2092	1927	0	0	
LN	9	9 P	3	0.0201	0.0247	1600	0.025	0.025	
LN	10	9 P	2	0.0091	0.0106	1600	0	0	
LN	1	10 P	4	0.0855	0.0924	1600	0	0	
LN	10	9 P	4	0.3473	0.3772	1525	0	0	
LN	3	10 C	8.75	0.2186	0.2193	1400	0	0	
LN	10	9 P	3.5	0.1688	0.1886	1350	0	0	
LN	10	9 C	5	0.2716	0.2682	1250	0	0	
LN	12	9 C	7	0.3008	0.2925	1151	0	0	
LN	10	9 P	3.25	0.1082	0.1231	1050	0	0	
LN	10	9 C	4.5	0.4349	0.4226	1015	0.43	0.43	
LN	9	9 C	5	0.0581	0.0571	900	0	0	
LN	10	9 C	6	0.1012	0.1044	875	0.11	0.11	
LN	10	9 C	4.25	0.5442	0.5258	850	0	0	
LN	9	9 C	4	0.3218	0.3073	795	0.31	0.3	
LN	10	9 C	4	0.6751	0.652	750	0	0	
LN	4	10 P	4	0.1441	0.1555	750	0	0	

ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that for the week ending August 1st, U.S. power production rose by 5.12% from the prior week reaching 85,422 Gwh. But this output level was still 95 less than the same week a year ago.

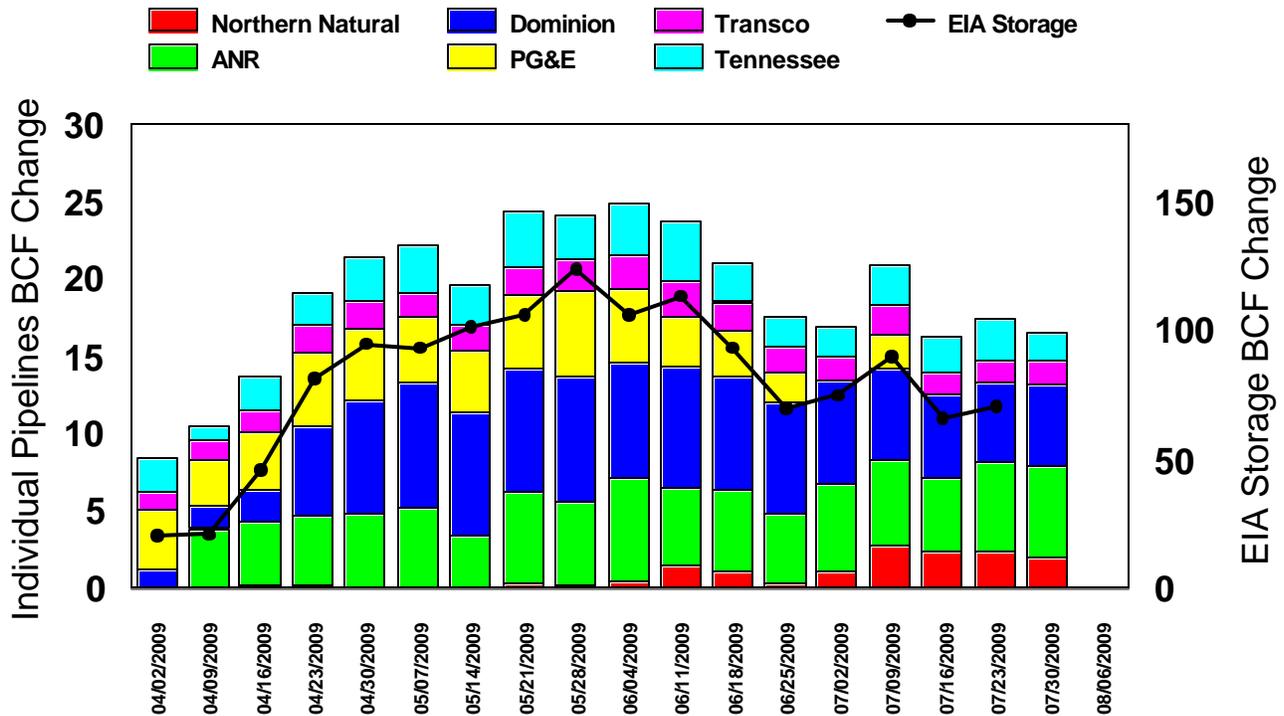
ERCOT on Wednesday called for consumers and businesses to reduce electric use, citing unplanned generation outages of about 3900 Mw while peak demand was expected to exceed 63,000Mw for Wednesday and Thursday, before demand slips back to 61,000 Mw on Friday. ERCOT's all time demand record is 63,453 Mw set back in July of this year.

MARKET COMMENTARY

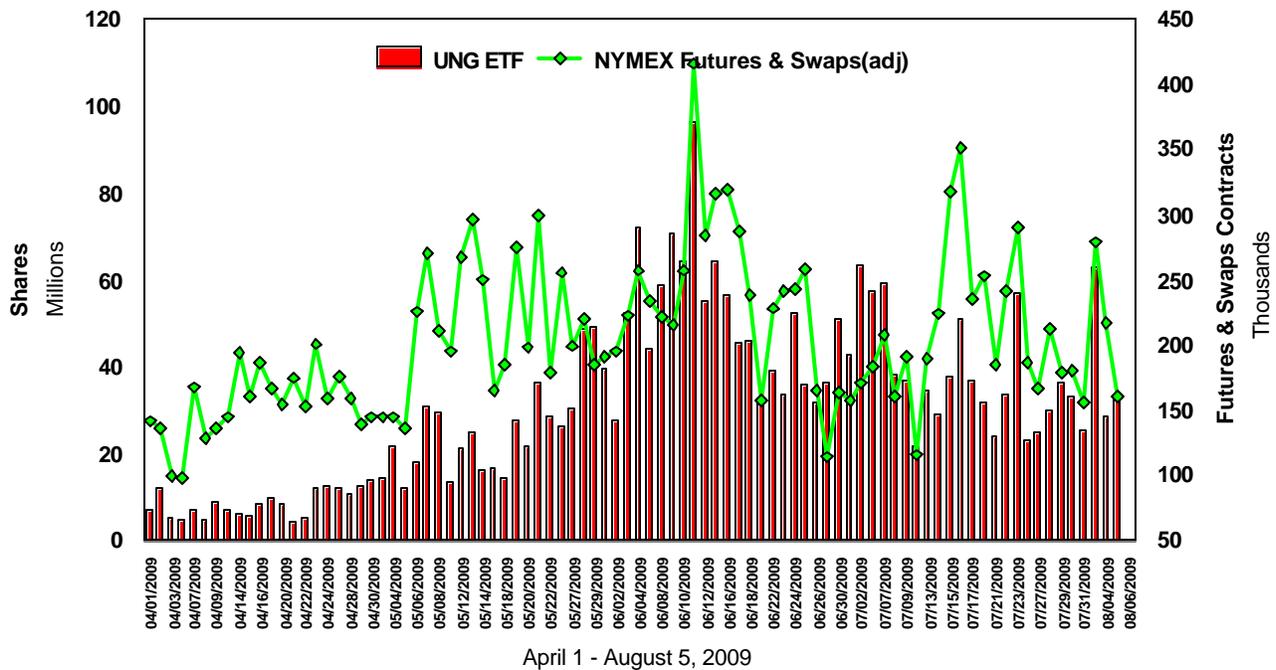
The news of the explosion and fire on the Enterprise Products compression platform in the Gulf of Mexico this morning coupled with stronger generation demand near term which was supporting cash values, helped to support natural gas futures values and allowed the natural gas to not only settle above the \$4.00 level for the third consecutive trading session, but at the highest level for the week. Traded volumes though were relatively light in both the ETF as well as the futures and swaps on NYMEX as traders seemed to have moved to the sidelines as they await tomorrow's storage report.

Market expectations for tomorrow's EIA Storage Report are centered around 60 bcf increase. A year ago stocks rose an adjusted 57 bcf with the five year seasonal build of 48 bcf. Our pipeline storage model is showing a bit larger build in inventories on the week seeing 68 bcf build.

Weekly Change In Nat Gas Stocks



Natural Gas Volume



We see resistance tomorrow still at \$4.162 followed by \$4.20, \$4.261,\$4.481and \$4.716. We feel though that if the storage report comes in the high 60's or low 70's then some selling pressure could return to this market and push values back below \$4.00 again. We see support \$3.893 followed by \$3.868, \$3.811, \$3.728 and \$3.657. More distant support we see at \$3.459 and \$3.366.

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