



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 14, 2008

NATURAL GAS MARKET NEWS

Enterprise Products Partners announced that repairs to its Independence Trail export pipeline are expected to be complete in the first half of the June versus its previous estimate of mid-May. The Independence Trail export pipeline has been shut since early April, when a leak was discovered.

Anadarko Petroleum Corp late Tuesday reaffirmed its full year production guidance at 207 million to 212 million barrels of oil equivalent.

The FERC on Tuesday gave its approval for Cheniere Creole Trail Pipeline to place into service much its pipe system that would serve two liquefied natural gas terminals in Louisiana.

The Oregon Department of Energy issued a report concluding that it would be less expensive and less carbon intensive to get additional future natural gas supplies via interstate pipelines from the Rocky Mountains rather than imported liquefied natural gas.

According to the National Energy Board, Canada's natural gas production in 2007 averaged 16.8 bcf/d, down 2% on the year.

The National Oceanic and Atmospheric Administration said this week that it had revised its heating degree day calculations going back to January due to data problems that sometimes overstated total heating degree days, particularly in some Midwestern states.

PIPELINE MAINTENANCE

Gulf South Pipeline said it would perform scheduled maintenance on Montpelier Compressor Station Unit#4 starting May 20th and continuing for about four days. Capacity through Montpelier Compressor Station could be reduced by as much as 75,000 mcf/d during the maintenance.

Generator Problems

NPCC –OPG's 490 Mw Nanticoke #3 coal fired power station returned to service early Wednesday. The unit was shut by March 3. Unit #4, shut April 22 will most likely return in late May.

ERCOT- AEP is scheduled to shut the 690 Mw Oklaunion coal-fired power station in Texas on May 14-15 to fix a tube leak. It is unknown when the unit will return.

MAIN – FPL's 516 Mw Point Beach#1 nuclear unit ramped up its operations to 70% of capacity on Wednesday, up from 28% on Tuesday.

Dominion Resources' 591 Mw Kewaunee nuclear unit continued to ramp up its output. The unit was operating at 99%, up from 97% on Tuesday.

WECC – Southern California Edison's 1080 Mw San Onofre nuclear unit #3 ramped up to 55% power by early Wednesday after exiting an outage Tuesday. Unit #2 continued to operate at full power.

PG&E's 1,100 Mw Diablo Canyon nuclear unit #1 increased its operations to 57% of capacity, up from 50% on Tuesday.

SERC –Wolf Creek Nuclear Operating Corp's 1,166 Mw reactor in Kansas started to exit a refueling outage early Wednesday. The unit was shut for refueling on March 17.

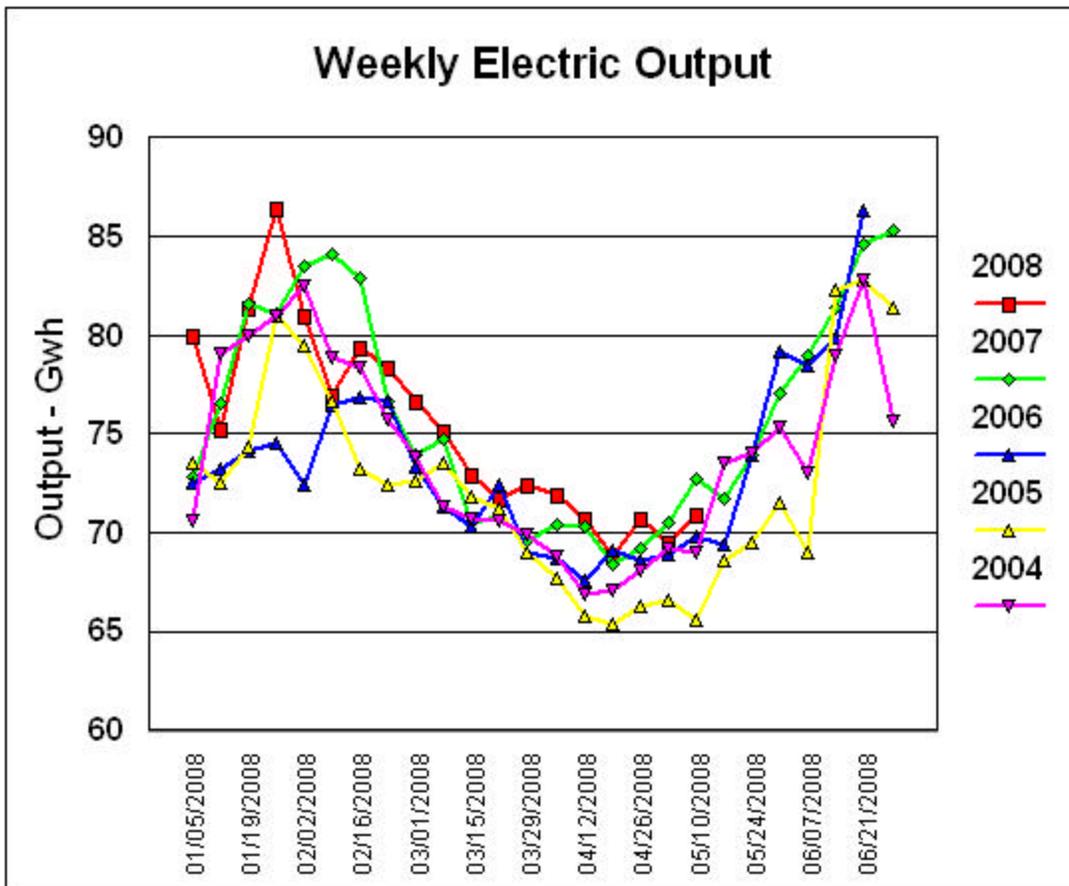
Southern Nuclear's 862 MW Hatch #2 nuclear unit continued to ramp higher to 92% capacity on Wednesday, up from 72% on Tuesday.

The NRC reported that 82,190 Mw of nuclear capacity is online, up 1.26% from Tuesday and down 5.25% from a year ago.

ANR Pipeline Co will perform inline inspections May 20-22 on the Marshfield to Appleton line located in Wisconsin in the Northern Fuel Segment, cutting the total Viking-Marshfield receipt capacity by 90 mmcf/d.

Enbridge Offshore Pipelines and its Stingray Unit said that due to the volume and quality of liquids received from the initial pig run from West Cameron 148 to Station 701-Holly Beach, the second pig run from West Cameron 509 to West Cameron 148 originally scheduled for May 13th was postponed until May 19th.

Also the piping repairs at the onshore compressors at Station 701-Holly Beach originally scheduled for May 14th was postponed until May 20th. The onshore compressors at the station will be out of service for an estimated 10 hours while repairs are made.



ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending May 10th, US electric production increased by 2.5% on the year and by 1.98% on the week to 70,932 Gwh.

The president and chief executive of the NERC said the US electricity system is expected to operate reliably overall this summer. It said capacity margins or extra power generation capacity that can be used to meet emergency demand situations, increased by 1.9% on the year. The NERC also stated that US coal exports have increased significantly over the past six months amid increasing global demand, placing constraints on the supplies available to North American generators. It said that while the lower coal inventories were not an imminent reliability concern, it would continue to monitor the situation.

MARKET COMMENTARY

The natural gas market opened at a low of \$11.44 and continued to trend higher on the news that the restart of the Independence hub production platform in the Gulf of Mexico would be delayed until mid-June to complete further repairs. The market rallied to another new 28 month high of \$11.794 earlier this morning before it retraced some of its gains and settled up 17.6 cents at \$11.598. While the market seemed to have retraced its earlier gains amid the sharp sell off in the crude market, the oil market's premium over natural gas narrowed to \$9.819 after reaching a high of \$10.268 on Tuesday.

Market expectations for tomorrow's EIA Storage Report range between an 80-90 bcf build, with our model looking to come on the higher side with a 90-95 bcf build. For the same week a year ago stocks saw a build of 95 bcf, with a five year average gain of 79 bcf.

While the market seemed ready to continue retracing its previous gains, the market will remain supported following the news of a delay in the restart of the Independence hub. The market continues to trade within its upward trend channel and is seen finding support at \$11.44, \$11.427, \$11.257 followed by \$11.21 and \$11.073. Resistance is seen at \$11.781, its high of \$11.794, \$11.965 followed by \$12.184 basis its upward trend channel and \$12.315.