



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 16, 2008

NATURAL GAS MARKET NEWS

According to an analysis by NOAA's National Climatic Data Center this past April was the coolest April in 11 years, based on records going back to 1895. Based on NOAA's Residential Energy Demand Temperature Index, the varying temperatures kept the nation's overall temperature-related residential energy demand for April near average, which is 51 degrees F, for April.

Alaska Gov. Sarah Palin's gas line team is expected to announce whether it would recommend that lawmakers approve TransCanada Corp's proposal for a pipeline from the North Slope to Alberta in the week of April 19.

The US Minerals Management Service said the US Gulf oil and gas industry was much better prepared for the 2008 hurricane season than it was three years ago. It said new engineering standards, based on a new estimate of worst possible storm conditions, are being applied to platforms, especially those in the Central Gulf and deeper waters. Other measures already have been taken and continue to be implemented to strengthen offshore oil infrastructure, including stronger mooring of floating structures and better tie down of equipment on platform decks to withstand hurricane winds. Plans are also in place to shift flows of oil and gas in the event of damage to undersea pipelines.

The FERC on Thursday gave Columbia Gulf Transmission approval to sell about 530 miles of pipeline located onshore and offshore Louisiana to Tennessee Gas Pipeline.

Generator Problems

NPCC – PSE&G's 1,130 Mw unit 2 at the Salem nuclear power station in NJ ramped up to 18% power as of early Friday. The unit was shut earlier this week due to an instrument problem related to the steam generator flow channels.

Dominion Resources Inc's 870-Mw Millstone nuclear power station #2 ramped up to 18% power as of early Friday. The unit has been shut since April 6 for a refueling outage.

Constellation Energy Group Inc's 498 MW Ginna nuclear power station dipped to 50% power early Friday. On Thursday, the unit was operating at full power after ramping up this week from a refueling outage that began April 20.

WSCC – PG&E said its 1,100 Mw Diablo Canyon nuclear unit #1 is back at full capacity after being cut back to 50% on Tuesday and remaining below 60% power through Thursday. Meanwhile, the equally rated Diablo Canyon 2 remains at full power this morning, unchanged on the day after experiencing a similar cut in production last weekend.

SERC – Wolf Creek Nuclear Operating Corp's 1,167 Mw nuclear plant is being ramped up for production. The unit has been reconnected to the regional grid at 48% capacity, after completing a refueling outage that lasted close to two months. This unit was shut March 17 for refueling.

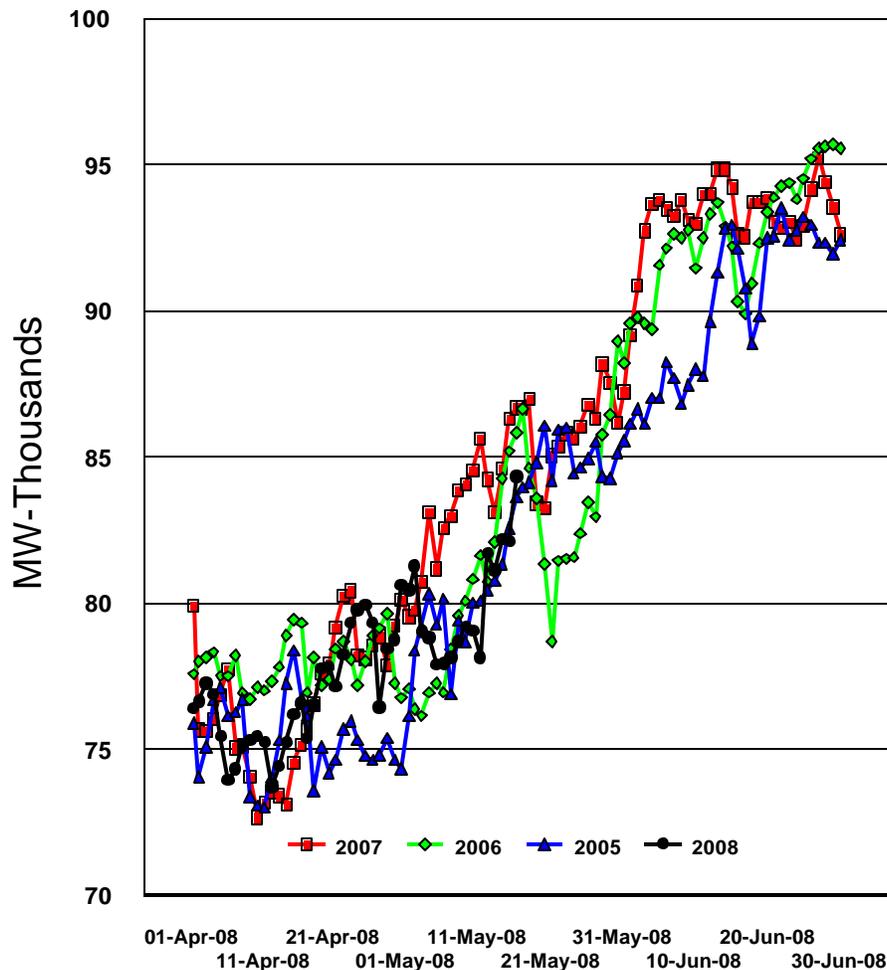
The TN Valley Authority has restarted its 1,100 Mw Browns Ferry nuclear unit #3, warming up the unit off line at 9% capacity. The unit shut March 19 for an extended refueling maintenance outage, which occurs every two years at the Brown Ferry plant. The equally rated units 1 and 2 remain at full power.

Southern Nuclear's 862 Mw Edwin I Hatch 2 is back at full capacity, up from 92% on Thursday. The reactor was shut May 5; no reason was given for the shutdown.

FRCC – FPL said its 760 Mw Turkey Point nuclear unit #4 is at 93% capacity, up from 73% on Thursday. Unit #3 continues to operate at full capacity.

The NRC reported that 84,355 Mw of nuclear capacity is online, up 2.68% from Thursday and down 3.06% on the year.

Daily U.S. Nuclear Power Generation



According to Baker Hughes, the number of drilling rigs in the US increased by 26 in the week ending May 16th to 1,994. It reported the rigs searching for natural gas fell by 4 to 1,471 on the week.

PIPELINE

MAINTENANCE

Alliance Pipeline's Gordondale 2 AB 14 Meter Station will be off line for six hours starting at 11:00 on Wednesday, May 21. This station will be shut due to maintenance and its capacity will be lowered as a result.

Scheduled pipeline maintenance will beg in today on Gulf South Pipeline's Index 293. Maintenance is expected to take up to four days. The high-pressure system from Pointe a la Hache to Venice will be equalized with the low-pressure system from Pointe a la Heche to Chalmette. Grand Bay C.P. A-1, Harvest Oil & Gas will be shut in for the duration of the

maintenance.

ELECTRIC MARKET NEWS

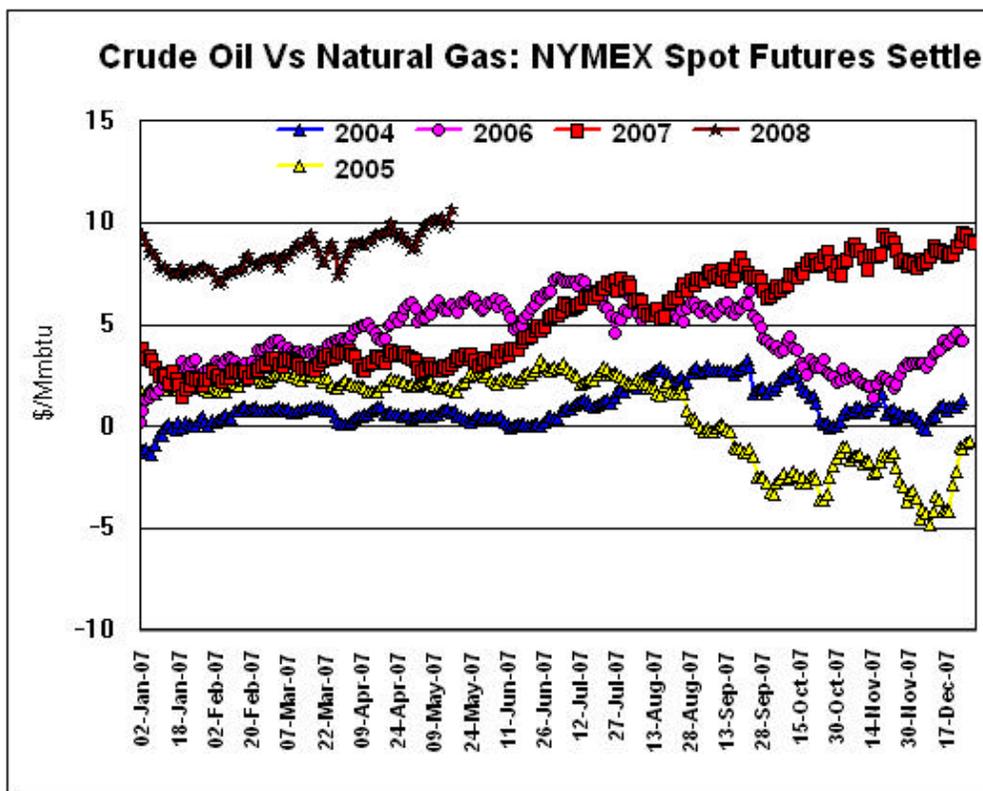
The EIA has estimated from data on railroad car loadings, U.S. coal production totaled approximately 22.8 million short tons during the week ended May 10. This estimate mirrors that of last week and is 8% higher than the estimate reported for the same week last year.

Xcel Energy expects to have an additional 500 Mw of generating capacity on line by July, at its new Hobbs, NM plant. This is expected to improve the utility's generating efficiency and to save millions of dollars in fuel for its customers.

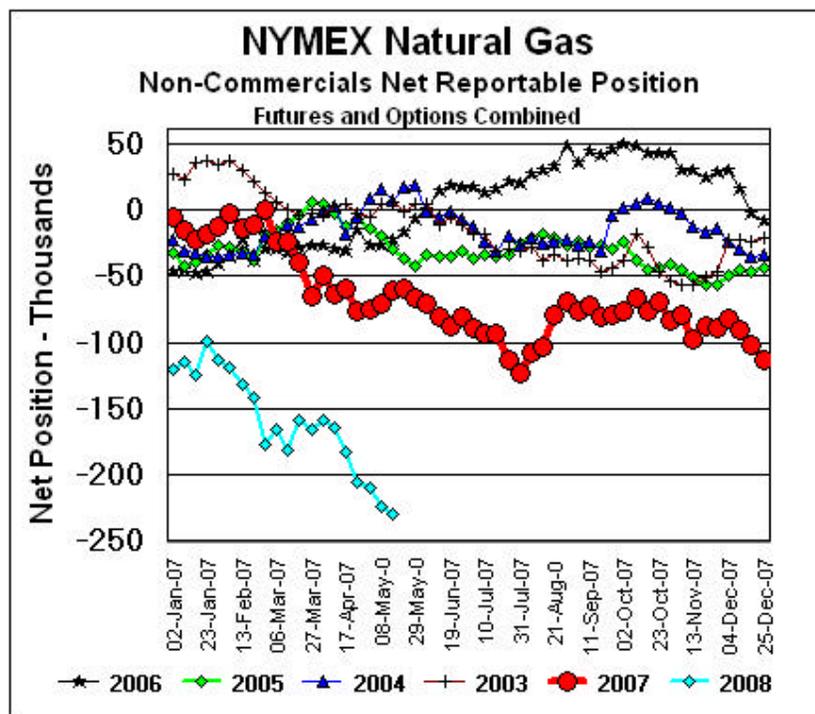
One of the largest wind energy contracts has been approved between Southern California Edison and Alta Windpower Development. This contract will allow for the development of at least 1,500 MW from multiple wind generating facilities to be built in the Tehachapi Wind Resource Area. This project is expected to start with 250 Mw in 2010 and increase by 250 Mw annually until a minimum of 1,500 MW or maximum of 1,550 MW is developed. Although the Alta projects will come online in phases, the total capacity represents just under half of the total needed to reach the state's Renewables Portfolio Standard goal, which requires that utilities obtain 20 % of their power from renewable sources by 2010.

MARKET COMMENTARY

The natural gas market moved higher early Friday, once again supported by the record move in the crude market following another bullish Goldman Sachs report calling for crude to average \$141/barrel in the second half of the year. However the natural gas market, which posted a high of \$11.583, retraced its overnight gains and sold off sharply during the remainder of the session. It breached its support at \$11.054 and retraced nearly 62% of its move from a low of \$10.48 to a high of \$11.794 as it posted a low of \$11.01. The natural gas market shrugged off the gains in the oil market, which once again saw its premium over natural gas move out to a new high of \$10.68. The natural gas market was pressured by softer cash prices, mild weather forecasts and rebounding nuclear generation. The market settled down 30.5 cents at \$11.094.



The Commitment of Traders report showed that non-commercials cut their net short positions by 6,429 contracts to 65,168 contracts in the week ending May 13th amid the continued rally in the market. However basis the combined futures and options report, the non-commercials in the natural gas market cut increased their net short position for the sixth consecutive week by 5,099 contracts to 228,806, a new record short position.



The market will likely retrace some more of its previous gains, however the market's losses are seen limited as long as the crude market remains strong. Technically, while the natural gas market breached its support trendline, it was able to settle above it and will come in at \$11.109 on Monday. The market is seen finding support at its low of \$11.01, its 62% retracement level of \$10.982 followed by \$10.875, \$10.656 and \$10.302. Resistance is seen at \$11.448, its high of \$11.583, \$11.718 and \$11.794. More distant resistance is seen at \$11.802 and \$12.021.