



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 22, 2009

NATURAL GAS MARKET NEWS

The president of the Federal Reserve Bank of Philadelphia said late yesterday that while the mid Atlantic region and the nation as a whole are beginning to show some signs that the severity of the recession's beginning to wane, but the economy's potential output may be lower than previously estimated for some time and the effects of the credit crisis are likely to last for some time.

The US National Hurricane Center said showers and thunderstorms associated with a broad area of low pressure over the north-central Gulf of Mexico increased on Friday. However it stated that there was less than 30% chance the system will develop into a tropical cyclone before it moved north toward the Gulf Coast on Saturday.

Baker Hughes reported that the number of rigs drilling for oil and natural gas in the US fell by 18 to 900 in the week ending May 22nd. It reported that the number of rigs searching for oil fell by 1 to 180 while the number of rigs searching for natural gas fell by 17 to 711, the lowest level in nearly 6-1/2 years.

REX Pipeline yesterday once again pushed back its in service date of interim delivery points on the REX-East to the second half of June, rather than the most recent target of the first half of June.

Wood Mackenzie said in a research note that the problems of low demand, new coal fired power plants and a surge in LNG imports will likely keep downward price pressure on U.S. natural gas prices until 2012.

Generator Problems

NPCC – Entergy's 685 Mw Pilgrim nuclear power plant ramped up to 98%, up 36% from Thursday.

PJM – FirstEnergy's 892 Mw Beaver Valley #1 nuclear unit has exited its refueling outage and was at 29% capacity this morning. Operators hope to have the unit back to full power within the next several days.

Dominion Power's 925 Mw North Anna #1 nuclear unit was at 94% capacity, up 9% from Thursday.

PPL's 1150 Mw Susquehanna #2 nuclear unit was at 79% power, up 6% from yesterday. Unit #1 was at 94% power.

The 1120 Mw Hope Creek nuclear unit was back to full power this morning, up 10% from yesterday.

SERC – Southern's 876 Mw Hatch #1 nuclear unit started to exit its outage and was at 1% power this morning.

Duke Energy's 846 Mw Oconee #3 nuclear unit was shut Thursday. The unit had been at 42% power.

MISO – Exelon's 1118 Mw Unit #1 at the LaSalle nuclear unit tripped off line Thursday due to a main power transformer fault.

Xcel Energy's 551 Mw Prairie Island #1 nuclear unit exited its recent outage and was at 31% power this morning.

FPL's 615 Duane Arnold nuclear unit was at full power today, p 10% from Thursday.

The NRC reported this morning that 86,756 Mw of nuclear generation capacity was on line, down 0.23% from yesterday and down 1.06% from the same time a year ago.

PAA Natural Gas Storage announced today that it is conducting a non-binding open season for 2 bcf of firm natural gas storage service to be available starting in the second quarter of 2010 at its Pine Prairie salt cavern storage facility in Evangeline Parish, Louisiana.

Gazprom spokesman today again questioned the ability of the Ukraine to pay for May gas deliveries. The spokesman said that Gazprom has transferred \$2.15 billion to Naftogaz for gas transit as an advanced payment for the whole of 2009. Naftogaz continued say it has enough funds for its May deliveries.

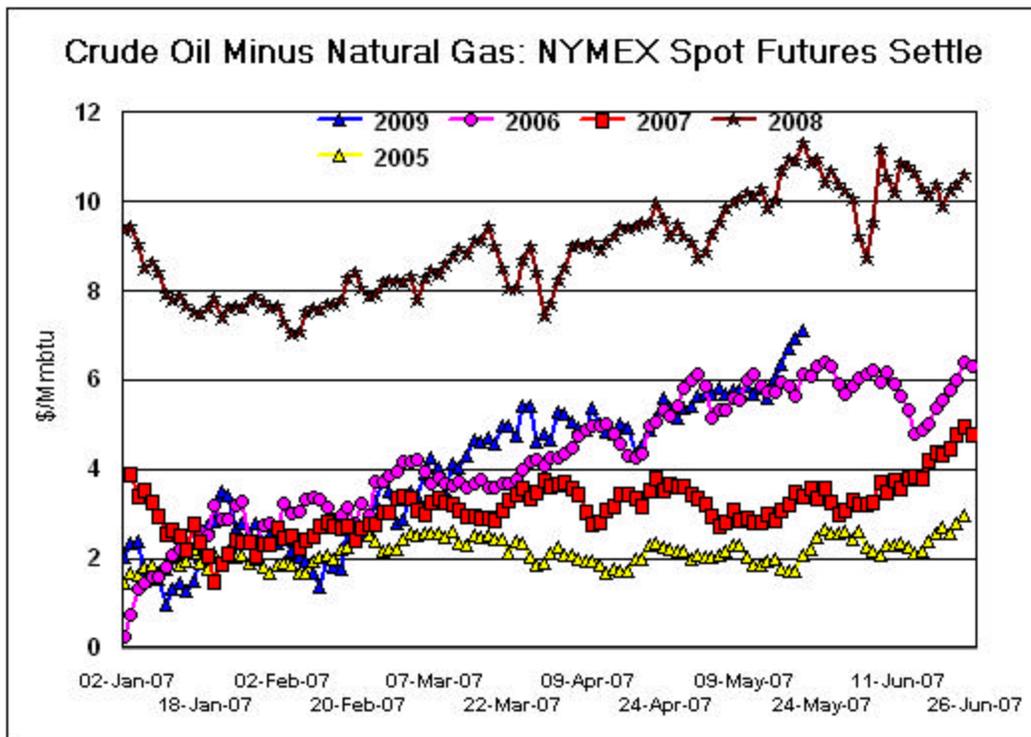
StatoilHydro said its Kollsnes North Sea gas plant is back onstream after a condensate leak shut it down on May 19th.

South Korea's energy minister said today that the government will push for legislation that will allow private firms to import and resell LNG for power generation in 2010. Currently that trade is monopolized by state run Korea Gas Corporation.

Russia's energy minister said that Russia is close to securing Austrian and Slovenian participation in its South Stream natural gas pipeline. He noted that Russia is committed to making the South Stream pipeline a "priority project" for the European Union.

Gazprom said today that it faces a drop in its natural gas production of up to 18% or to 450-510 bcm of gas. Gas production last month was off 28% to its lowest level in a decade due to plummeting demand in Europe.

BG Group has sent 2 more LNG cargoes to Elba Island in Georgia over the weekend. The 145,000 cubic meter Seri Anggun, from Egypt, was previously expected to arrive on May 17, but was seen on Friday anchored at the U.S. terminal. The second tanker, Methane Jane Elizabeth was expected to arrive at Elba Island from Trinidad on Sunday.



Rockies Express said adverse weather conditions again delayed the eastern advance of the Rockies Express natural gas pipeline into Illinois, Indiana and Ohio. It said it anticipated commencing interim service on REX East to delivery points stretching from Illinois to Lebanon, Ohio in mid- to late June and affirmed its projection for service to Clarington, Ohio for November 1. The company previously expected initial

service for points into Indiana and Ohio would be reached in May.

PIPELINE RESTRICTIONS

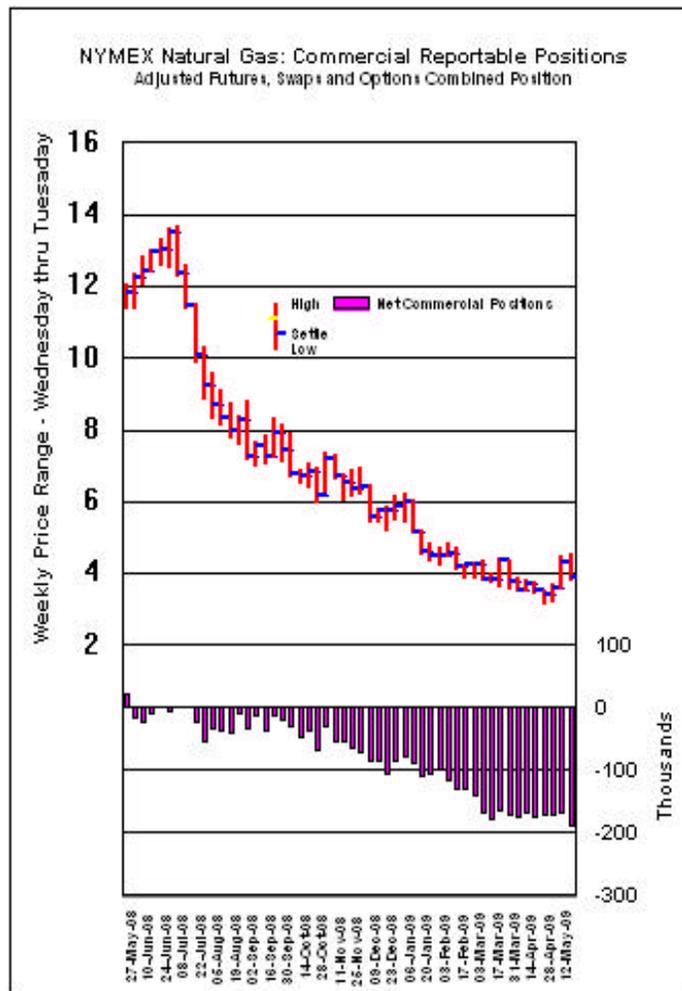
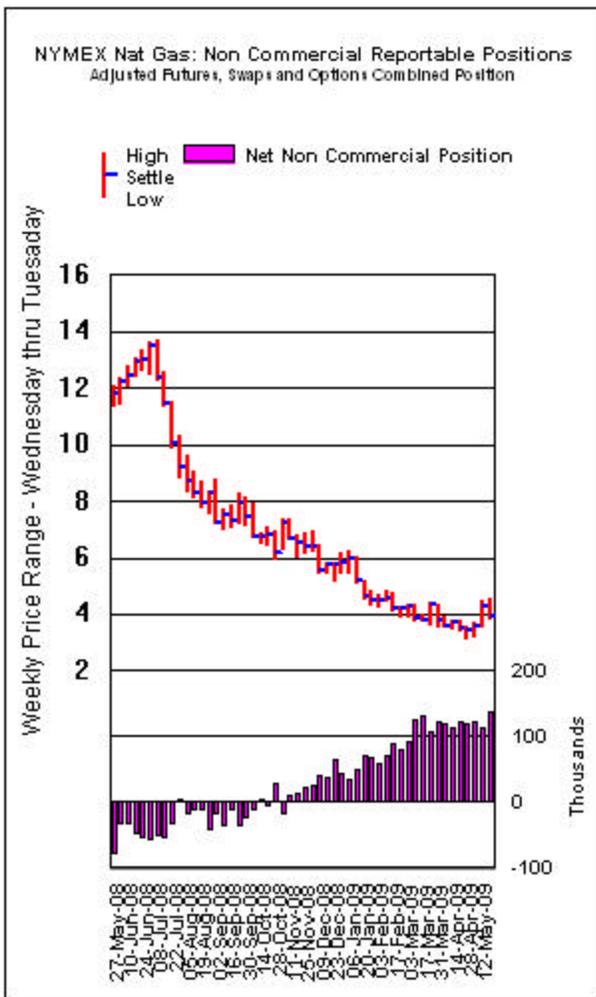
Enbridge said the Corinth and Barton receipt points on Alatenn will be affected by a system wide OFO that Tennessee Gas Pipeline posted yesterday for Saturday, May 23rd.

Tennessee Gas Pipeline said it has restricted the Carthage Line lateral to 79% of Supply to Market Secondary Out of Path nominations. The company has also restricted through 100% of Supply to market Interruptible Service Nominations pathed through Station 219. The Leidy Meters have been restricted through approximately 11% of Supply to market Secondary Out of Path nominations.

California Gas Transmission said it expects high inventory levels through the Memorial Day holiday weekend.

SONAT said based on weather and the historically poor demand over the holiday weekend, it anticipates lower demand and thus storage requirements are expected to be at or above maximum storage capability beginning May 23rd.

Pacific Gas and Electric Co's California Gas Transmission unit issued an operational flow order effective Saturday for all customers on its natural gas pipeline system due to high inventories.



ELECTRIC MARKET NEWS

The Northwest River Forecast Center yesterday predicted that water run off at The Dalles Dam on the Columbia River will be at 88% of normal for the April-September period, up slightly from last week's report but still behind the 99% of normal recorded a year ago.

The House committee yesterday approved a plan for the CFTC the jurisdiction over the new carbon emissions markets. The proposal was included in legislation that would cap and reduce U.S. greenhouse gas emissions. The proposal would also close loopholes in federal regulations and would have the CFTC regulate all OTC trades that are not currently regulated. It would regulate foreign boards of trade with energy transactions traded for delivery in the United States or on a computer terminal located in the United States. It would also set aggregate positions limits for energy speculators across all markets.

NYISO reported today that electricity supplies in New York State should be adequate to meet expected demand this summer. NYISO forecasts that New York summer 2009 peak usage will reach 33,452 Mw, some 3.1% higher than a year ago.

U.S. coal production for the week ended May 16 increased to 19.498 million short tons from the prior week's production of 19.481 million short tons, according to the EIA

Genscape's US coal burn index was up 1% on the week but down 11% on the year at 16.86.

MARKET COMMENTARY

The natural gas market continued its downward trend today following Thursday's sharp sell off. The market retraced some of its previous losses and posted a high of \$3.638 in overnight trading. However its gains remained limited by lack of supportive fundamentals following Thursday's bearish inventory report. The market was also pressured amid weaker cash prices ahead of the Memorial Day weekend. The natural gas market traded to \$3.49 early in the session and remained mostly rangebound before a late bout of selling pushed the market further to a low of \$3.478. It settled down 8.8 cents at \$3.515. Its discount to crude continued to increase to over \$7 as the crude market bounced higher today.

The natural gas market is seen continuing to trade within its downward trending channel, with support at its low of \$3.478, \$3.449, \$3.395, \$3.384, \$3.289 and \$3.251. Resistance is seen at \$3.55, \$3.58, \$3.609 and its high of \$3.638. More distant resistance is seen at \$3.704 and \$3.769.

The latest Commitment of Traders report showed that non-commercials, basis the combined Henry Hub futures and swaps contracts, increased their net long position by 22,910 contracts to 137,168 contracts in the week ending May 19th. Meanwhile, the commercials increased their net short position by 23,694 contracts to 189,550 contracts on the week.