



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 10, 2010

NATURAL GAS MARKET NEWS

The EIA released their latest Short Term Energy Outlook this morning. The EIA is looking for Henry Hub natural gas prices to average \$4.48 per Mmbtu this year. This would be a 53-cent increase over the 2009 average, but a more modest 4-cent upward revision from last month's reports. The price outlook is slightly higher as a result of the EIA revising downward its forecast for 2010 domestic production by an average 12 mmcf/d to 60.75 mmcf/d. The EIA though increased its 2011 production outlook by 30 MMcf/d to 60.42 bcf/d. While the number of natural gas working rigs has declined in recent weeks, the resurgent trend in drilling activity from last year's low contributes to the outlook for production growth in 2010. With a forecast of lower prices throughout the remainder of 2010 relative to the first quarter, EIA expects some continuation of the recent reduction in drilling activity. LNG imports have fallen in recent weeks as maintenance, feed gas shortages and startup delays have reduced the amount of previously expected global LNG supply. Higher prices in other LNG consuming countries especially in Europe have attracted cargoes away from the U.S. But the EIA expects new supply from Qatar, Yemen and Peru will more than satisfy demand and contribute to a 0.4 bcf/d increase in U.S. LNG imports in 2010. Consumption is seen averaging 64.43 bcf/d in 2010 and 64.15 bcf/d in 2011 a 1% and 1.2% increase over estimates released last month. The cause for these increases comes as a result of higher estimates from the industrial and electric power generation sectors.

Generator Problems

NPCC – Atco/OPG's 580 Mw Brighton Beach natural gas fired power station returned to service this morning. The unit had been shut for maintenance since May 7th.

PJM – PPL's Susquehanna #1 nuclear unit was at 94% power this morning up 9% from yesterday.

MISO – AEP's 1020 Mw Cook #1 nuclear unit was running at 57% capacity unchanged since May 6th.

OPPD's 478 Mw Fort Calhoun nuclear power plant remained operating at unchanged levels at 82% capacity today.

Exelon's 1128 Mw Byron #2 nuclear unit was at 93% power up 10% from yesterday.

SERC – Progress Energy's 938 Mw Brunswick #1 nuclear unit was back to full power this morning, up 20% from yesterday.

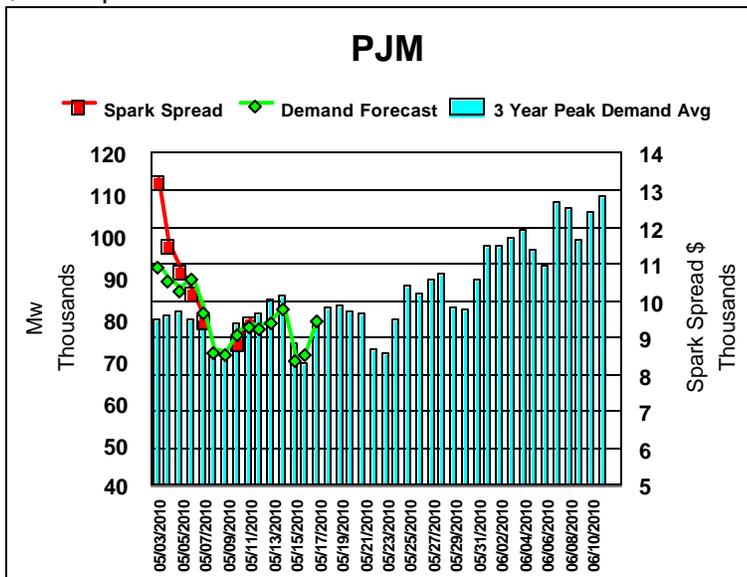
The NRC reported that there was some 86,673 Mw of nuclear power generated today, up 0.5% from yesterday and up 1.8% from a year ago.

The EIA said in its Annual Energy Outlook today said they see the level of shale gas production will

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	1,042,400	\$4.154	\$0.079	(\$0.039)	\$0.071	(\$0.045)
Chicago City Gate	528,100	\$4.245	\$0.066	\$0.052	\$0.076	\$0.060
NGPL- TX/OK	688,200	\$4.062	\$0.074	(\$0.131)	\$0.084	(\$0.113)
SoCal	579,700	\$3.996	\$0.061	(\$0.197)	\$0.071	(\$0.157)
PG&E Citygate	974,700	\$4.366	\$0.024	\$0.173	\$0.034	\$0.212
Dominion-South	694,200	\$4.411	\$0.098	\$0.218	\$0.108	\$0.228
USTrade Weighted	22,041,100	\$4.135	\$0.061	(\$0.058)	\$0.07	(\$0.045)

significantly influence U.S. natural gas prices, production, imports and consumption through 2035. However environmental concerns and

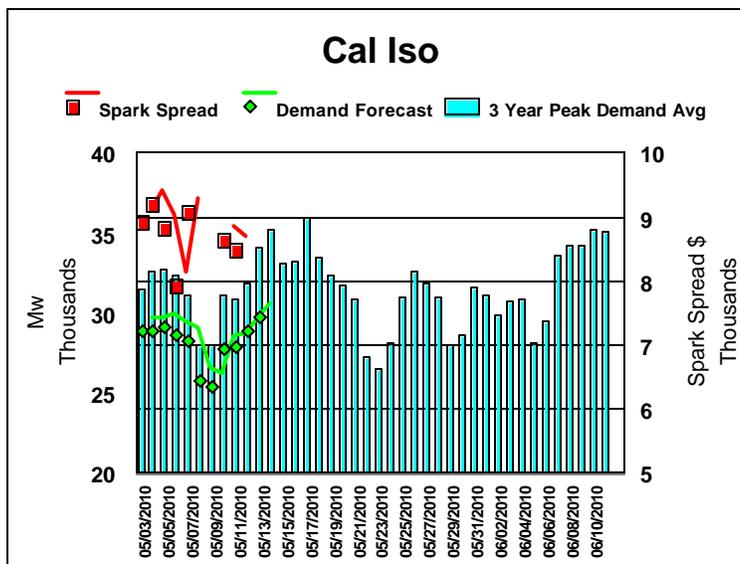
uncertainty regarding the size of some of these resources could impede development. The EIA also looked at the level of future domestic natural gas production will also depend on the level of natural gas demand in key consuming sectors, which will be shaped by prices, economic growth and policies affecting fuel choice. The EIA sees prices for gas at Henry Hub by 2035 could range between \$7.62 to \$10.88 per MMcf in 2008 dollars.



The U.S. Cove Point LNG terminal reportedly is slated to receive a LNG cargo from Nigeria on May 24th. Meanwhile two LNG cargoes are expected to arrive at the Lake Charles LNG terminal over the next few days. The 152,000 cubic meter tanker Seri Bijaksana, from Egypt was expected to arrive on Thursday while the 148,000 cubic meter tanker Ondo was expected to arrive on Friday from Nigeria.

Private weather forecasting service, Frontier Weather late Monday released their summer and hurricane outlook for 2010. The forecasting service sees the Summer of 2010 will start out cooler than normal across the central U.S. but could

end up hotter than normal during the second half of the season. They see the possible La Nina development, volcanic activity in Iceland and solar activity as wild cards in this forecast. In regards to tropical activity, the forecasting service expects to see an above average storm season, with 14-16 named storms and 8-9 hurricanes, significantly above last season' numbers. AccuWeather forecaster Joe Bastardi today predicted a strong 2010 hurricane season. He is looking for 16-18 named storms with 6-7 striking the U.S. coast and five of these storms being hurricanes. He is basing his bullish forecast on the Atlantic tropical water temperatures being warmer as well as high humidity and low pressures in the tropical Atlantic being expected.



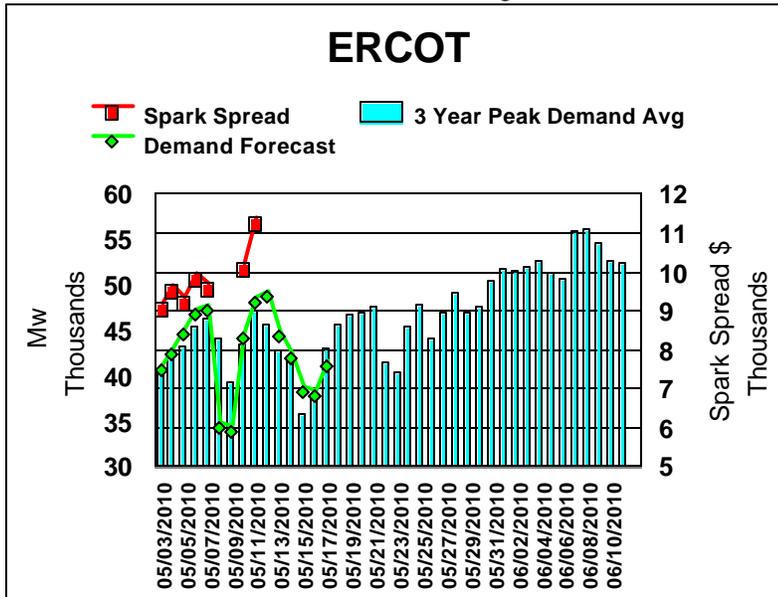
National Grid reported this morning that Norwegian gas flows into Britain via the Langeled pipeline was impacted by a compressor problem at the Kollsnes gas processing plant, which reduced export capacity to 100 mcm/d. Gas flows overnight were reported to be erratic at best. Meanwhile Gassco said today that gas production at Kaarstoe's processing facility in Norway will not be affected by Wednesday's planned eight hour outage at the facility's power plant.

Algerian Oil Minister Khelil said today that Algeria is resisting pressure from gas buyers to renegotiate long-term contracts, due to the current low level of spot prices. Algeria said that is still selling gas on long term deals at around \$7 per Mmbtu. The Medgaz pipeline he said will now have its startup delayed until September, due to technical issues in Spain and Algeria.

Japan's Osaka Gas Company has agreed to take a 20% stake in the operations of a LNG terminal near Valencia, Spain. The terminal, which currently has an intake capacity of 64 million tons per year is currently being expanded to 76 million tpy. No price was reported for the transaction.

The 136,000 ton LNG tanker, the Mourad Didouche is slated to arrive at the Isle of Grain import terminal on May 21st from Algeria.

Liquefied Natural Gas Ltd. on Monday told investors that it can still build a gas export project in Queensland state, Australia even though it has lost Arrow Energy's gas supply and financial support.



E. ON Ruhrgas reported that its sales of natural gas in the first quarter of this year were up 15% from the same period a year ago as a recovery in German industrial demand helped boost sales.

Poland's gas monopoly, PGNiG said new gas tariffs will be delayed again as regulators continue to need more time to set the prices. The company has been in protracted negotiations with regulators on raising prices it charges retail users in order to bring it in line with the company's import costs from Russia.

The Commerce Department reported this morning that U.S. wholesale inventories rose for the third straight month in March to their highest level in the past eight months, while sales posted their largest gain since November. Total wholesale inventories rose 0.4% in March after an unrevised increase of 0.6% in February. The market had been looking for a 0.5% gain in March. Meanwhile Investor's Business Daily and TechnoMetrica Market Intelligence said their Economic Optimism Index rose to 48.7 in May from 48.4 in April. Last month, the index had rebounded after previously hitting its lowest level in a year. Readings above 50 indicate optimism, while those below 50 point to pessimism.

PIPELINE MAINTENANCE

Transco has delayed the start of line lowering on an offshore segment of the Southwest Louisiana Lateral from May 15 to a start date of June 1st. This outage affects approximately 10 MMcf/d flowing to Transco. The work is expected to last 14 days.

NGPL said that it perform mainline valve maintenance located near Station 155 in Wise County, Texas on Segment 1 of its Midcontinent zone, starting on May 26th. The company does not anticipate that this work will affect customers.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said it has restricted through approximately 58% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul Point.

ELECTRIC MARKET NEWS

Genscape reported today that it estimates coal stockpiles at U.S. power plants rose 1% this week from last week but were 0.9% smaller than the same time a year ago. The stocks equate to 63 days worth of coal on hand.

EIA reported in its Short Term Energy Outlook today that it estimated retail sales of electricity to the industrial sector during the first quarter of this year to have grown by 2.7% since the same period a year ago. This would be the first year on year gain in industrial power sales since the beginning of 2008. The EIA estimates that total power demand this year in all sectors will grow by 2.7% and 1.3% next year, down slightly from last month's estimate of a 2.9% growth rate this year. The EIA has increased its projected growth in natural gas generation this year by 1.8% to a 3.8% gain on the year. This increase was primarily the result of delivered coal prices that remain near record levels. In addition the low runoff levels in the Pacific Northwest will likely drive down the share of power generated from hydropower this summer, thereby boosting gas generation levels.

The Cal ISO said today that it expects California to have enough power this summer. The grid operator expects a projected peak power demand this summer of 47,139 Mw, which would be 2.9% higher than last year's peak demand, but far short of the peak demand recorded back in 2006 of 50,270 Mw. Total generating capacity is estimated to be 50,888 Mw up 1357 Mw from last year. The grid operator also expects to have between 8800 Mw and 11,400 Mw of imported generation available as well.

The new U.S. Senate climate bill is expected to be unveiled tomorrow by Senators Kerry and Lieberman. The core of the bill is a goal to cut U.S. carbon emissions by 17% by 2020. The bill also contains tax and loan guarantee incentives to expand nuclear generation.

MARKET COMMENTARY

The natural gas market today posted an inside trading session as traders appeared to move towards the sidelines and await this week's storage report before committing to pushing this market higher. Volume today appeared to be off some 30% from yesterday. While the Short term Energy Outlook appeared to be supportive basis its outlook for prices and the supply demand balance, and supportive the anticipated decline in U.S. production starting this quarter still has not been clearly supported by the storage report or by Baker Hughes rig numbers. Also the market seemed to find little price support from bullish hurricane forecasts released today, while in past years the market would have at least recorded some additional price strength for at least one trading session from the release of these reports.

As a result we continue to look for this market to remain contained in its two-month-old sideways trading channel. We see resistance tomorrow at \$4.225-\$4.235 followed by \$4.322 and \$4.424, Support we see at \$4.09, \$4.045 and \$4.00, followed by \$3.855 and \$3.81-\$3.80.

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