



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 12, 2009

NATURAL GAS MARKET NEWS

The EIA this morning released their latest Short Term Energy Outlook. It sees the Henry Hub natural gas spot price to average \$4.06 per Mcf in 2009, down from an average of \$9.13 Mcf and some 18 cents lower than last month's estimate. The EIA lowered its demand estimate for natural gas in 2009 by 0.1% from last month and now looks for a 1.9% decline in consumption to 62.32 bcf/d and then will grow to 62.48 in 2010. Total U.S natural gas marketed production this year is estimated to fall to by 1% to 57.98 bcf/d down 0.8% from last month's estimate. The EIA sees production falling to 56.36 bcf/d in 2010. Net imports are seen as averaging 7.98 bcf/d in 2009 some 4.7% higher than last month's estimate, but still 1.8% less than a year ago. The decline in overall imports is seen as a result suspended drilling programs and declining well productivity in Canada. U.S imports of LNG are expected to grow from 350 bcf in 2008 to 500 bcf in 2009 and to 650 bcf in 2010. The EIA projects working gas inventories to peak at 3635 bcf this year, exceeding the record of 3565 bcf recorded in October 2007.

Investor Business Daily's survey found that U.S. consumer confidence fell slightly in May to 48.6 from 49.1 in April, which had been the strongest month since November 2008. A reading below 50 indicates pessimism.

Williams Companies CEO said today that he sees some 2-3 bcf/d in excess U.S. natural gas supply. He expects to see more switching to natural gas as a power generation fuel from coal if natural gas prices stay below \$4.50. He also sees U.S. natural gas storage levels at the end of 2009 below the end of 2008 levels.

Generator Problems

SERC – Carolina Power & Light has returned its 900 MW Harris 1 nuclear unit to full power this morning, after running at 30% on Monday. The unit was restarted this past weekend after being shut down on April 18 for a regularly scheduled refueling and maintenance outage.

Southern Nuclear's 920 MW Farley nuclear Unit #1 was at 90% capacity this morning up, from 79% on Monday. The unit was restarted May 6 after being shut down on April 3 for a routine refueling and maintenance outage.

Dominion's 800 MW Unit 1 Surry Power Station in VA was running at 38% capacity this morning, up from 1% on Monday. The unit was restarted Monday after being shut on April 18 for a scheduled refueling and maintenance outage.

FRCC – Florida Power & Light ramped its 693 MW Turkey Point unit 4 to 65% capacity this morning, up from 57% on Monday. The unit was restarted this past weekend after experiencing a control rod problem in April.

ECAR - Operators have restarted the 1,231 MW Perry Nuclear Power Plant, warming up the unit offline at 1% power this morning. The unit was shut in February to begin scheduled refueling and maintenance outage.

WSCC – Columbia Generating Station's 1,150 MW nuclear power plant is shut for approximately five weeks for a scheduled biennial refueling outage. The plant is tentatively scheduled to restart and reconnect to the Northwest power grid in mid - June

MAIN – Northern States Power Co's 613 MW Monticello nuclear plant was at 30% power this morning; up slightly from 29% on Monday. The reactor was restarted May 7 after being shut in early March for scheduled refueling and maintenance outage.

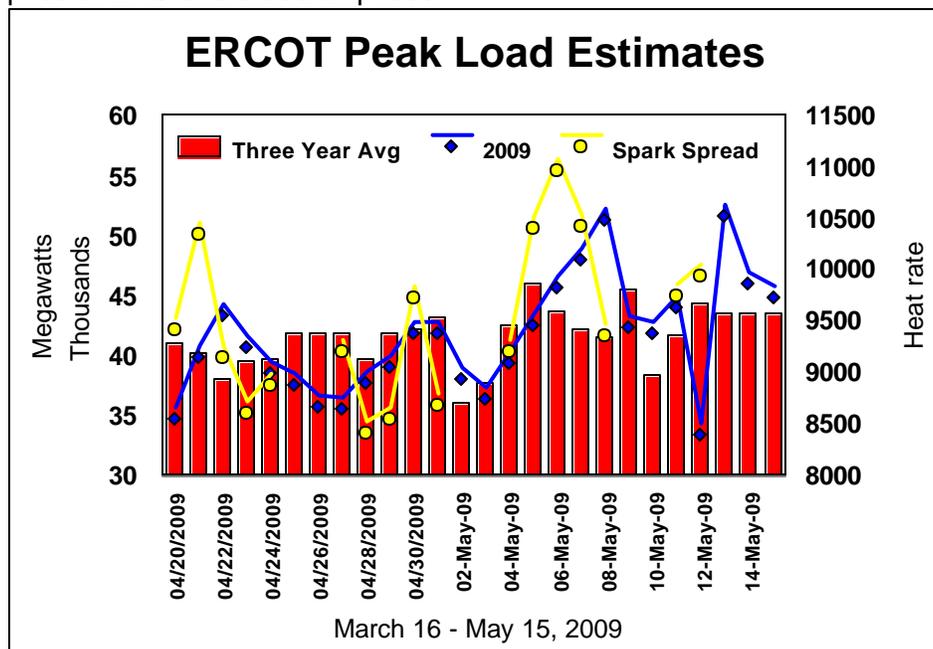
The NRC reported this morning that 85,117 Mw of nuclear generation capacity was on line, up 1.13% from yesterday and up 4.87% from the same time a year ago.

Global demand for LNG has fallen significantly as a result of the economic crisis but should start to recover from early next year the CEO of Qatargas said today. He noted that despite the supply overhang he saw little chance that production of LNG would be cut until demand would recover. He also noted that the Chinese and Indian thirst for LNG is compensating for lower demand elsewhere. He also noted that Qatar's Train 4 is resuming output as it is starting up currently. The second cargo from the new facility is expected to be loaded before the end of May.

| Natural Gas Cash Market | | | | | | |
|--------------------------|------------|---------|---------|------------------|---------|-------------|
| ICE Next Day Cash Market | | | | | | |
| | Volume | Avg | Change | Basis | Change | Basis 5-Day |
| Location | Traded | Price | | (As of 12:30 PM) | | Moving Avg |
| Henry Hub | 829,900 | \$4.408 | \$0.166 | \$0.104 | \$0.048 | (\$0.197) |
| Chicago City Gate | 482,700 | \$4.375 | \$0.130 | \$0.071 | \$0.054 | (\$0.114) |
| NGPL- TX/OK | 480,500 | \$4.204 | \$0.164 | (\$0.100) | \$0.088 | (\$0.297) |
| SoCal | 379,100 | \$4.136 | \$0.193 | (\$0.168) | \$0.117 | (\$0.405) |
| PG&E Citygate | 503,700 | \$4.400 | \$0.184 | \$0.096 | \$0.108 | (\$0.144) |
| Dominion-South | 235,200 | \$4.667 | \$0.104 | \$0.363 | \$0.028 | \$0.243 |
| USTrade Weighted | 16,603,400 | \$4.250 | \$0.124 | (\$0.054) | \$0.05 | (\$0.197) |

The CEO of Total said today that gas prices have fallen more sharply than oil in the global economic downturn and are likely to stay cheaper for some time because of

the greater sensitivity of gas to fundamentals. He saw the price of gas remaining below its equivalent price of oil for a period of time. He said that there appeared to be no link at the moment between the price of LNG and crude oil prices.



The German government reported today that German imports of natural gas were 247,875 tj down 30.2% from the same month a year ago. For the 12-month period of April 2008 through March 2009, gas imports into the nation stood some 6.8% less than a year earlier.

Serbia's gas monopoly Srbijagas and Gazprom are expected to sign an agreement later this week to develop an arm of the South Stream gas pipeline. The Serbian pipeline lateral

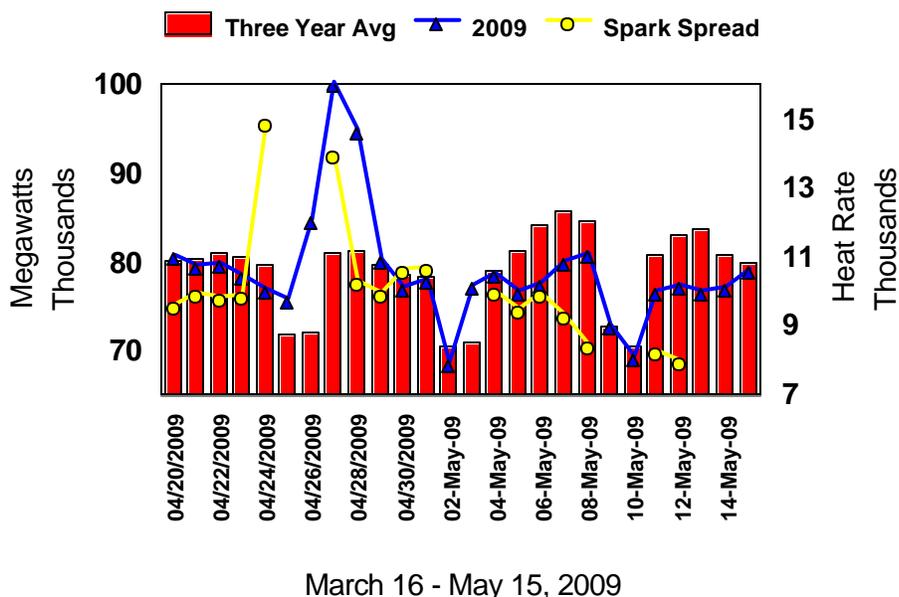
will have an annual capacity of 20 billion cubic meters of gas and be 450 km long.

Husky Energy reported that a second follow up well to its Liwan natural gas discovery in the South China Sea could produce a prolific 150 million cf/d. The company has estimated that Liwan discovery could yield 4-6 tcf of natural gas; the company is looking to begin widespread commercial operations in 2012-2013.

Japan and Russia's Gazprom signed a memorandum of understanding Tuesday on launching a taskforce to study various options including liquefied and compressed natural gas export projects based in Vladivostok in Russia's Far East. Russia has reportedly been very aggressive in seeking Japanese financial and technological assistance for these projects in recent months.

Oil Search Ltd., the second largest partner in ExxonMobil's Papua New Guinea LNG venture, said talks with lenders are in advanced stages, rejecting recent reports that the company was going to raise capital as "inaccurate". The company expects its funding requirements for the project to be about \$4.8 billion. Future equity needs at year-end are expected to be about \$1.2 billion, depending on final capital costs. Exxon and its partners hope to start building the project by year-end. The total cost for the project is estimated at \$12.5 billion.

PJM Peak Load Estimates Vs Spark Spread



PIPELINE MAINTENANCE

Panhandle expects a 10-day outage on the Centralia 200 line from gate valve 201 to gate valve 202 for anomaly digs, starting on May 19. The outage is expected to affect Primary Firm shipper nominations through Pleasant Hill.

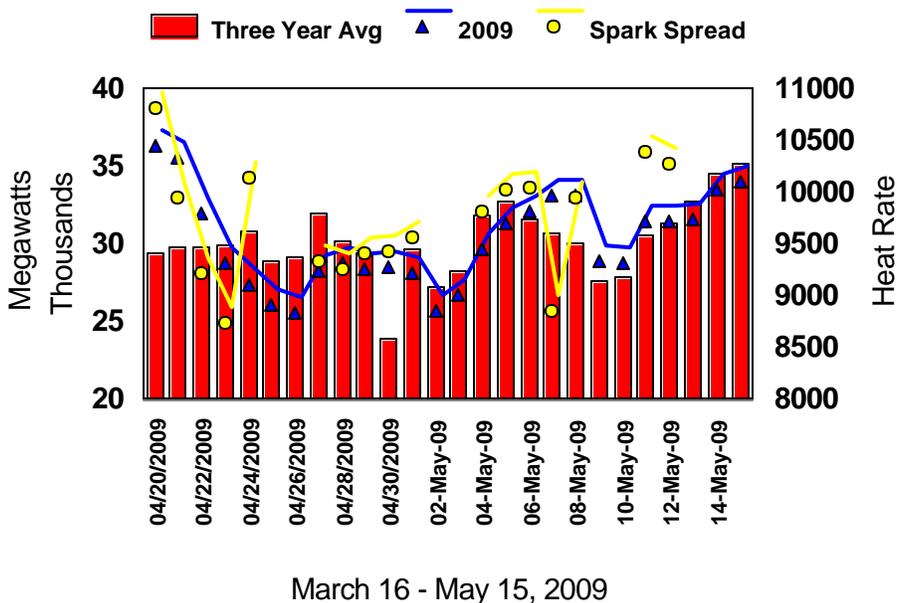
Cheyenne Plains Gas Pipeline Company, a unit of El Paso corp. said no injections or withdrawals will be supported from June 1 through June 7 due to scheduled maintenance. Young Gas Storage Co.

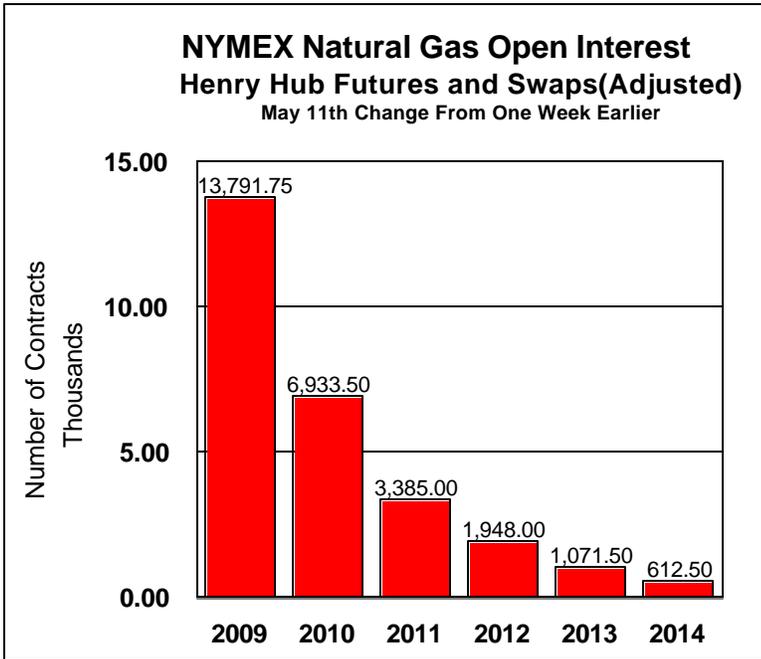
will be conducting scheduled reservoir maintenance on June 1 through June 7. During the test period, no injections or withdrawals will be supported.

ELECTRIC MARKET NEWS

The EIA short term energy outlook released today said it looks for U.S. power plants to burn 1,017.49 million tons of coal in 2009, down 2.3% from last year as a result of recession trimming power demand this year. But this is an upward revision from last month when the agency was looking for coal demand to be off by 2.6%. U.S. coal production was estimated to fall this year by 4.9% as a result lower domestic industrial and generating demand as well as softer export demand. The agency though

Cal ISO Load Estimates Vs Spark Spread





expects export demand for coal will rebound sharply in 2010 by 15%.

Genscape reported today that coal stocks at U.S. power plants rose 0.9% this week from last week and are 16% greater than the same week a year ago.

Ameren IL Utilities continues to restore power to customers in southern Illinois, following damage caused by an inland hurricane late last week. Approximately 33,100 customers were still without electric service, down from 68,800 customers. The Ameren IL Utilities expect the majority of all customers will have their power back by Tuesday night. However, the unexpected severity of the damage in Carbondale means that service in and around that city may not

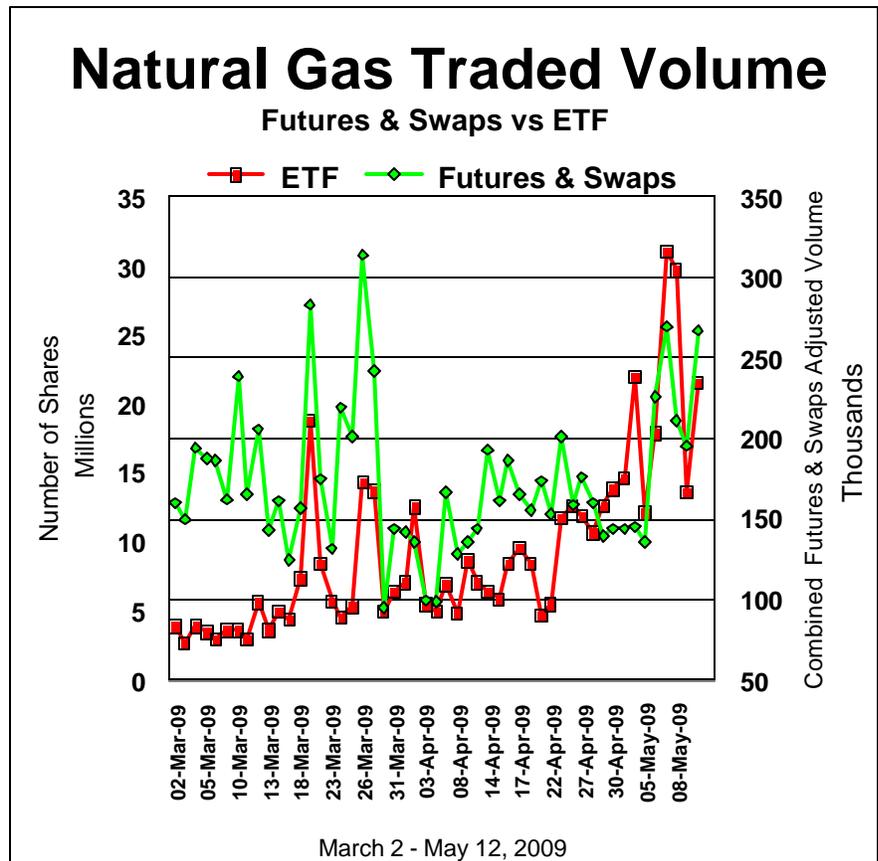
be fully restored until tomorrow or Thursday.

MARKET COMMENTARY

The natural gas market pushed higher early this morning following on the coat tails of crude oil as it surged this morning up to \$60.00 price level. But as oil prices moved lower at mid morning so did natural gas but by mid afternoon natural gas again rallied as additional technical buying came into the market and pushed up prices to the \$4.50 level a price the June contract that has not seen since March 26th. Natural gas received an additional push upward late in the afternoon as oil prices jumped higher on the release of bullish API inventory report.

Open interest reported at midday showed that the natural gas market has seen its Henry Hub futures and swaps on a combined and adjusted basis increased for the sixth consecutive trading session as it appears new longs continue to move into this market. These gains continue to be in the front end of the curve.

While we are not a believer in this market, we obviously have been wrong for over the last 50 cent move as we did not foresee the flood of new buyers returning to this market and today saw



strong buying in both the futures and swaps market as well as in the ETF market. but we continue to look at excessive stocks of natural gas and the prospects for record levels in storage by the end of the injection season will eventually be focused on by traders in this market. We see significant resistance tomorrow at the highs from \$4.58-\$4.61 in the June contract back in March followed by the February spot high of \$4.88 and the June high in that month of \$5.14. Support we see at \$4.276 followed by \$4.06, \$4.027, \$3.906 and \$3.75.

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