



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 13, 2009

NATURAL GAS MARKET NEWS

Saudi Arabia's Oil Minister Ali Al Naimi said gas reserves stood at 267 trillion cubic feet in 2008. He said the offshore field of Karan is expected to produce 1.8 bcf/d of non-associated gas. Saudi Aramco's annual gas production increased by 2.7% to 3 tcf while its daily gas production averaged 8.3 bcf, up 4.3% on the year.

The Canadian energy firm, InterOil said it has received strong interest from global energy companies and utilities to invest in its proposed \$4.5 billion LNG project in Papua New Guinea. InterOil and its partner Pacific LNG Operations are looking to sell a stake in the project of 20-35%, as well as stakes in the upstream gas assets. The company has estimated that the project would cost around \$4.5 billion with a targeted production of 3.5 million tones a year with operations beginning in 2014.

The Italian Senate today has cancelled an amendment in a draft law that would have extended the caps on the sale of natural gas in Italy.

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear plant was at 83% capacity this morning off 17% from yesterday.

OPG's Pickering #7 nuclear reactor returned to service.

PJM – Dominion Resources 800 Mw Surry power station was at 70% capacity this morning, up 42% from yesterday.

SERC – Southern Nuclear's 920 Mw Farley #1 nuclear unit was at full capacity this morning, up 10% from Tuesday.

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit was at 61% power this morning down 4% from yesterday.

MISO – Northern States Power's 613 Mw Monticello nuclear unit was at 55% power this morning up 20% from yesterday.

FirstEnergy's 1231 Mw Perry nuclear unit was still off line at 9% power this morning, up 8% from yesterday.

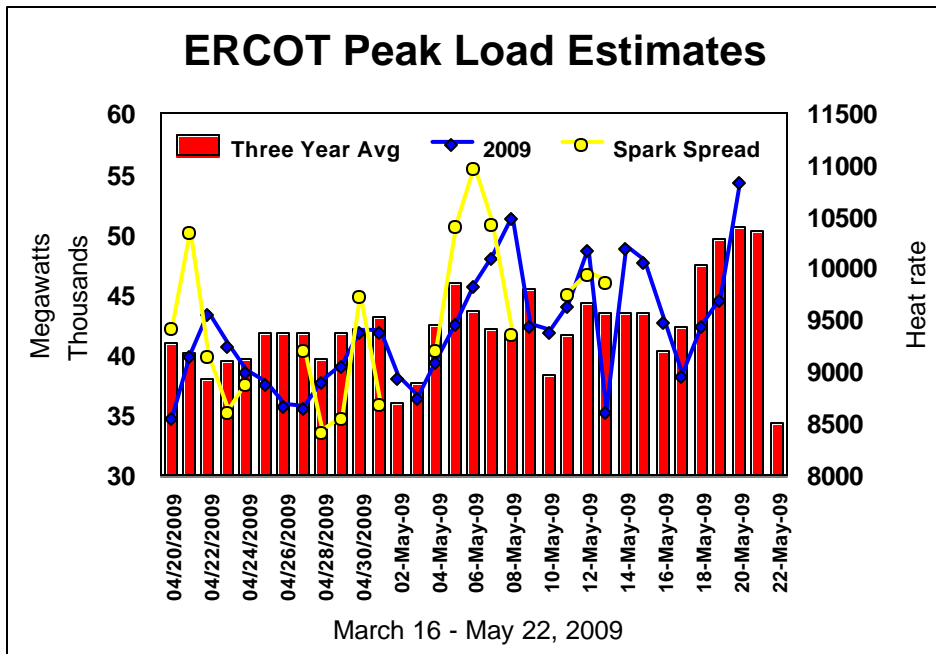
ERCOT – Luminant's 1150 Mw Comanche Peak #1 nuclear unit was at 80% capacity down 20% from yesterday.

The NRC reported this morning that 85,451 Mw of nuclear generation capacity was on line, up 0.4% from yesterday and up 8.9% from the same time a year ago.

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	1,153,000	\$4.418	\$0.010	(\$0.067)	(\$0.208)	(\$0.180)
Chicago City Gate	366,800	\$4.283	(\$0.092)	(\$0.202)	(\$0.273)	(\$0.096)
NGPL- TX/OK	928,600	\$4.397	\$0.194	(\$0.088)	\$0.013	(\$0.224)
SoCal	550,300	\$4.115	(\$0.021)	(\$0.370)	(\$0.202)	(\$0.359)
PG&E Citygate	928,600	\$4.397	(\$0.002)	(\$0.088)	(\$0.183)	(\$0.097)
Dominion-South	236,000	\$4.542	(\$0.124)	\$0.057	(\$0.305)	\$0.224
UStTrade Weighted	17,703,200	\$4.224	(\$0.027)	(\$0.261)	(\$0.21)	(\$0.180)

Top officials from the Treasury Department, Securities and Exchange Commission and the Commodity Futures Trading Commission are expected to announce a plan that will require standardized

over-the-counter derivatives to be cleared through centralized clearinghouses. The plan will also allow the CFTC to set limits on OTC derivatives that impact price discovery on exchanges. Derivatives cleared by a clearinghouse will be viewed as standardized instruments.



The Treasury Department said US regulators will hold a briefing on the Obama administration's recommendations for an over-the-counter derivatives plan on Wednesday afternoon. Under current law, OTC derivatives are largely excluded or exempt from regulation.

Colorado State University hurricane forecaster Bill Gray may reduce his next Atlantic season forecast because sea temperatures are cooling and a weak El

Nino may appear by late summer. The forecast may fall from 12 tropical storms predicted in April to 11. The new forecast is scheduled for release on June 2.

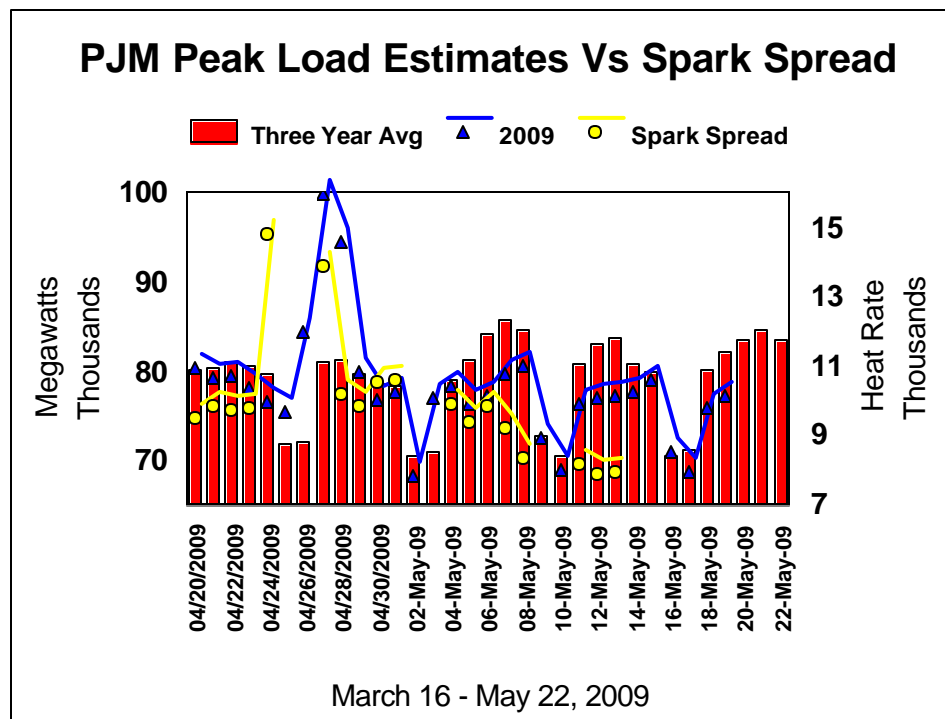
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective for Intraday Cycle 1 for the May 13th gas day, it will accept increases for nominations sourced from meters located on the Carthage Line Lateral.

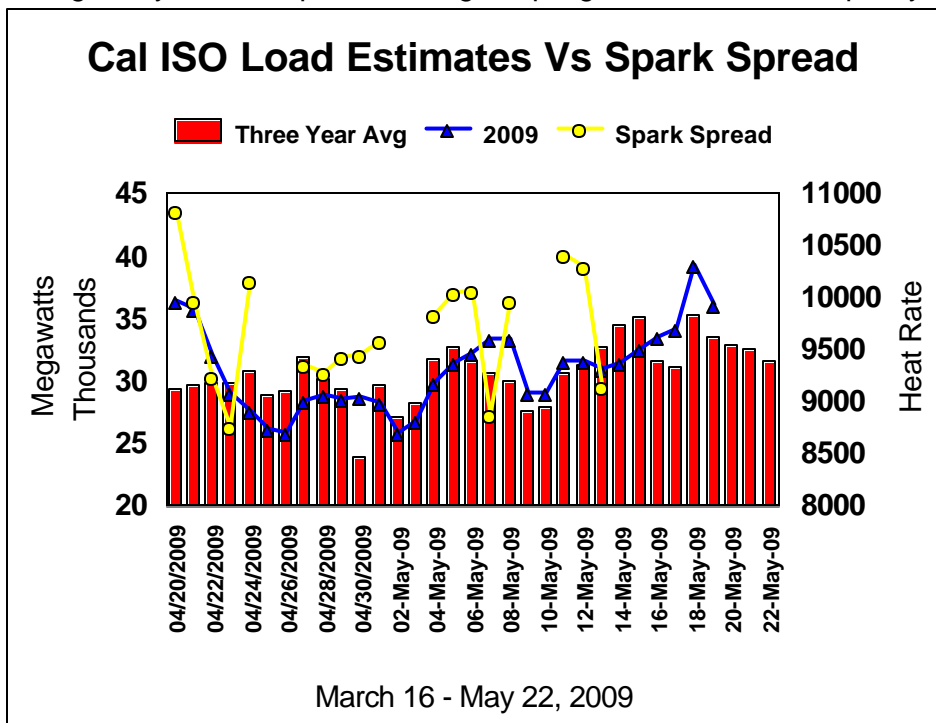
El Paso Natural Gas said that due to high line pack condition, there was a strong probability of it declaring a Strained Operating Condition (SOC) or Critical Operating Condition (COC).

PIPELINE MAINTENANCE

Trailblazer Pipeline said that on May 27th, it will be running a smart tool pig from west-end of Trailblazer in Weld County, Colorado to Station 601, in Logan County, Colorado. ITS/AOR and Secondary out of path transports will be unavailable in Segment 10.



Wyoming Interstate Gas said the Harold Burrow Compressor Station will be out of service May 14th through May 15th to replace leaking coupling on the turbine. Capacity through (HBC) will be reduced from 733 to 660 MMcf/d.



SONAT said late Tuesday that maintenance on the 20 inch Main Pass-Franklinton Line from Gate 6 to Toca has been completed and the line returned to service. The company said it will resume accepting nominations on the next available cycle for points Bayou Gentilly and Delacroix.

PG&E said it will be conducting maintenance on Redwood and Baja Path. The work will reduce capacities on the lines, with capacity reduced on the Redwood line by 4% to

2030 MMcf/d and by 8% on the Baja Path.

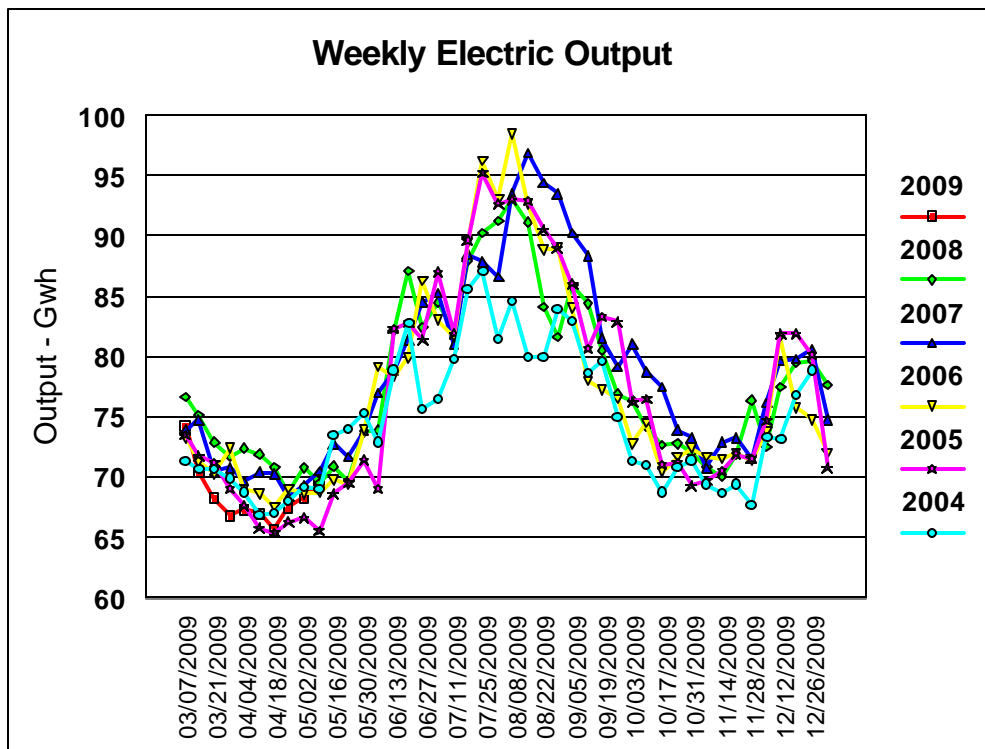
ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending May 8th U.S. electric production reached 69,590 Gwh, up 1.7% from the prior week but 1.9% less than the same week a year ago. Year to date electric production is some 3.3% less than the same time a year ago.

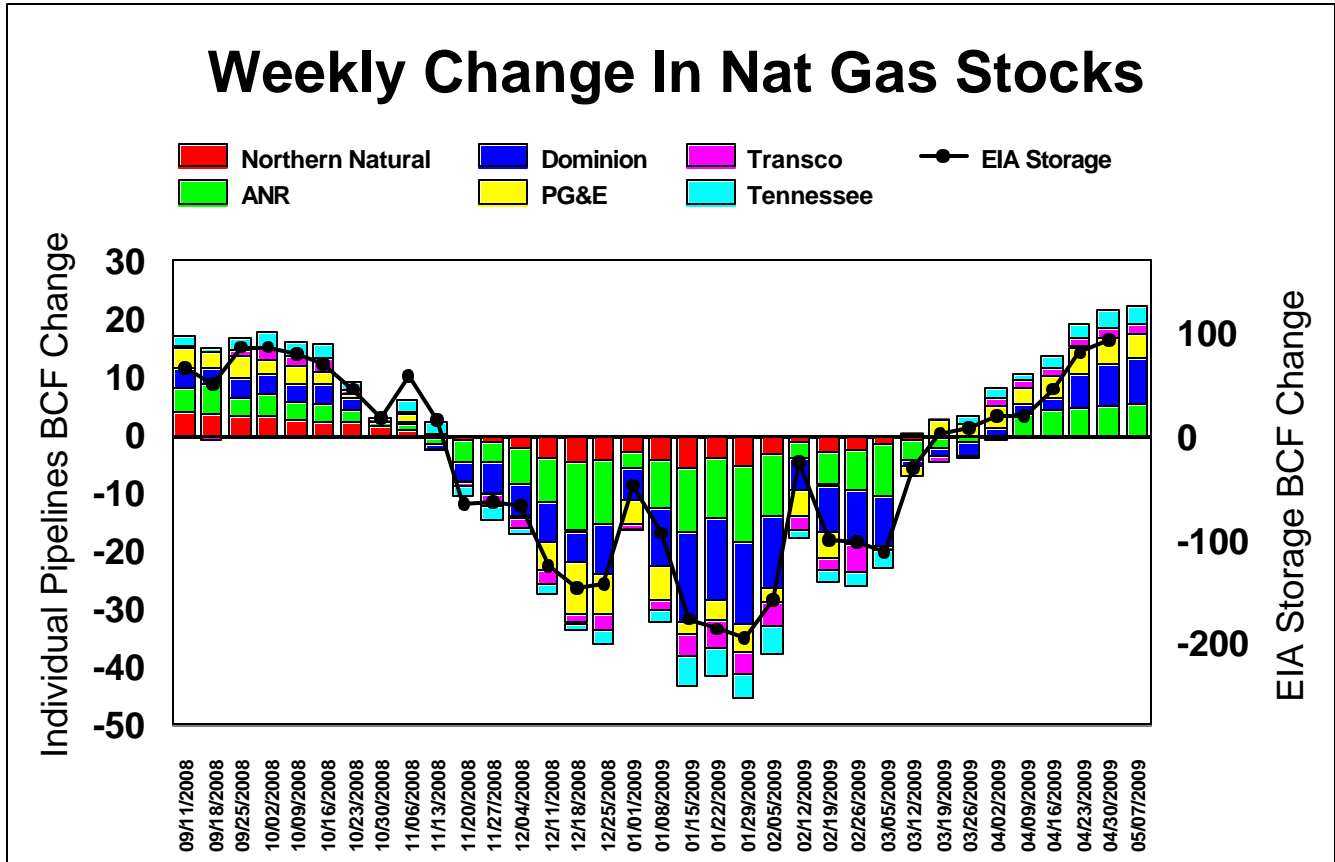
The FERC chairman yesterday clarified his earlier remarks that he believes the electricity markets will decide the future of new coal and nuclear generation.

Ameren Illinois Utilities said today that it still has some 13,700 customers who are still without service, from the severe storm that hit southern Illinois. The utility expects to have the customers reconnected by late today or Thursday.

The CME announced that beginning Sunday,



May 17, 2009 for trade date Monday, May 18, 2009, the Exchange will list a new PJM Western Hub 50 MW Peak Calendar-Month Real-Time LMP Swap Futures contract for trading on CME Globex. The contract will be listed on, and subject to, the rules and regulations of the NYMEX. The CME Globex trading code for PJM Western Hub 50 MW Peak Calendar-Month Real-Time LMP Swap Futures contract is "4SN". The first listed month for this contract will be June 2009. The contract will list current year plus the next five calendar years, consecutively. A new calendar year will be added following the termination of trading in the December contract month of the current year. The minimum tick size is \$0.05.



US House Energy and Commerce Committee Chairman Henry Waxman said the committee agreed on a compromise measure to cut US greenhouse gas emissions by 17% by 2020. The bill also calls for the reduction of carbon emissions of 42% below 2005 levels by 2030 and 83% below 2005 levels by 2050. He said the committee agreed to provide enough free emission allowances to the US electric utility sector to cover 35% of its emissions. Energy and Environment Subcommittee Chairman Edward Markey, who wrote the draft bill with Waxman, said that while utilities will be required to meet 20% of their demand from renewable energy by 2020, 5% can come from energy efficiency measures. The agreement also provides that if a state governor verifies that the 15% target cannot be met, then utilities in that state will be permitted to increase the percentage of the target attributable to efficiency programs to 8%. The energy committee will begin considering the legislation on May 18th. Meanwhile, US power utilities support the compromise, saying the changes will soften the impact on power bills.

The CFTC's Commissioner said the CFTC needs to increase its staff to regulate the proposed market for carbon dioxide permits. The US House Energy and Commerce Committee is expected to vote next week on cap-and-trade legislation. He said an international carbon market could be worth \$2 trillion in five years if Congress passes legislation this year.

The New York ISO said in a report today noted that wholesale electric prices in the state in April dropped to their lowest level since 2002. The average price of power in the state was \$39.64 Mwh, a 13% drop from March and almost half of the price recorded in January. NYISO said this was good news for consumers and showed that New York's competitive markets were working. The NYISO said the efficiency of fossil fueled plants, as measured by heat rate, has improved by 21% since the onset of competitive electric markets in 1999. NYISO reported that average daily power usage in April in New York was 400 Gwh per day, down from 422 Gwh/day in March and below April 2008 level of 406 Gwh/day.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/13/2009									
-----CONTRACT-----				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
LN				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	6	9	P	3.5	0.0156	0.0141	4575	0.015	0.0125
LN	11	9	P	8	2.8568	2.7936	4000	0	0
LN	11	9	C	8	0.217	0.2524	4000	0	0
LN	10	9	P	3	0.1299	0.1347	3800	0	0
LN	10	9	C	8	0.1483	0.1722	3610	0	0
LN	6	9	P	4	0.0995	0.0856	3350	0.095	0.095
LN	6	9	P	3.75	0.0438	0.0381	3200	0.045	0.0425
LN	6	9	C	5	0.0459	0.0786	3116	0.075	0.075
LN	10	9	P	2	0.019	0.0209	2850	0.02	0.02
LN	7	9	C	5	0.2247	0.2743	2810	0.247	0.238
LN	9	9	C	6	0.2742	0.3197	2650	0	0
LN	7	9	P	3.5	0.0852	0.0837	2550	0	0
LN	9	9	C	7	0.1429	0.173	2200	0	0
LN	10	9	P	3.5	0.2452	0.2496	2175	0	0
LN	7	9	C	5.5	0.121	0.1546	2132	0	0
LN	10	9	P	4	0.4194	0.419	1925	0	0
LN	8	9	C	7.5	0.046	0.0594	1914	0	0
LN	9	9	C	7.5	0.1045	0.1288	1914	0	0
LN	10	9	C	7.5	0.1892	0.2132	1914	0	0
LN	7	9	C	7.5	0.0092	0.0139	1814	0	0
LN	10	9	P	2.5	0.0573	0.061	1800	0	0
LN	8	9	C	5	0.3877	0.4469	1800	0	0
LN	7	9	P	3.75	0.1303	0.1227	1750	0	0
LN	6	9	P	3.25	0.0043	0.0041	1600	0	0
LN	7	9	C	6	0.063	0.0844	1529	0.08	0.078
LN	8	9	C	6	0.1638	0.1988	1350	0	0
LN	7	9	P	3	0.0345	0.0353	1325	0.021	0.021
LN	6	9	C	4.25	0.275	0.3631	1250	0	0
LN	7	9	P	4	0.2083	0.191	1210	0	0
LN	6	9	C	4.5	0.162	0.2302	1193	0	0
LN	8	9	P	4	0.2941	0.2786	1150	0	0
LN	9	9	C	5.5	0.3811	0.4357	1117	0	0
LN	8	9	C	5.5	0.2539	0.3001	1057	0	0
LN	10	9	C	5.5	0.5312	0.5904	1057	0	0
LN	8	9	P	2	0.0024	0.0025	1000	0	0
LN	9	9	P	4	0.3549	0.3484	1000	0	0

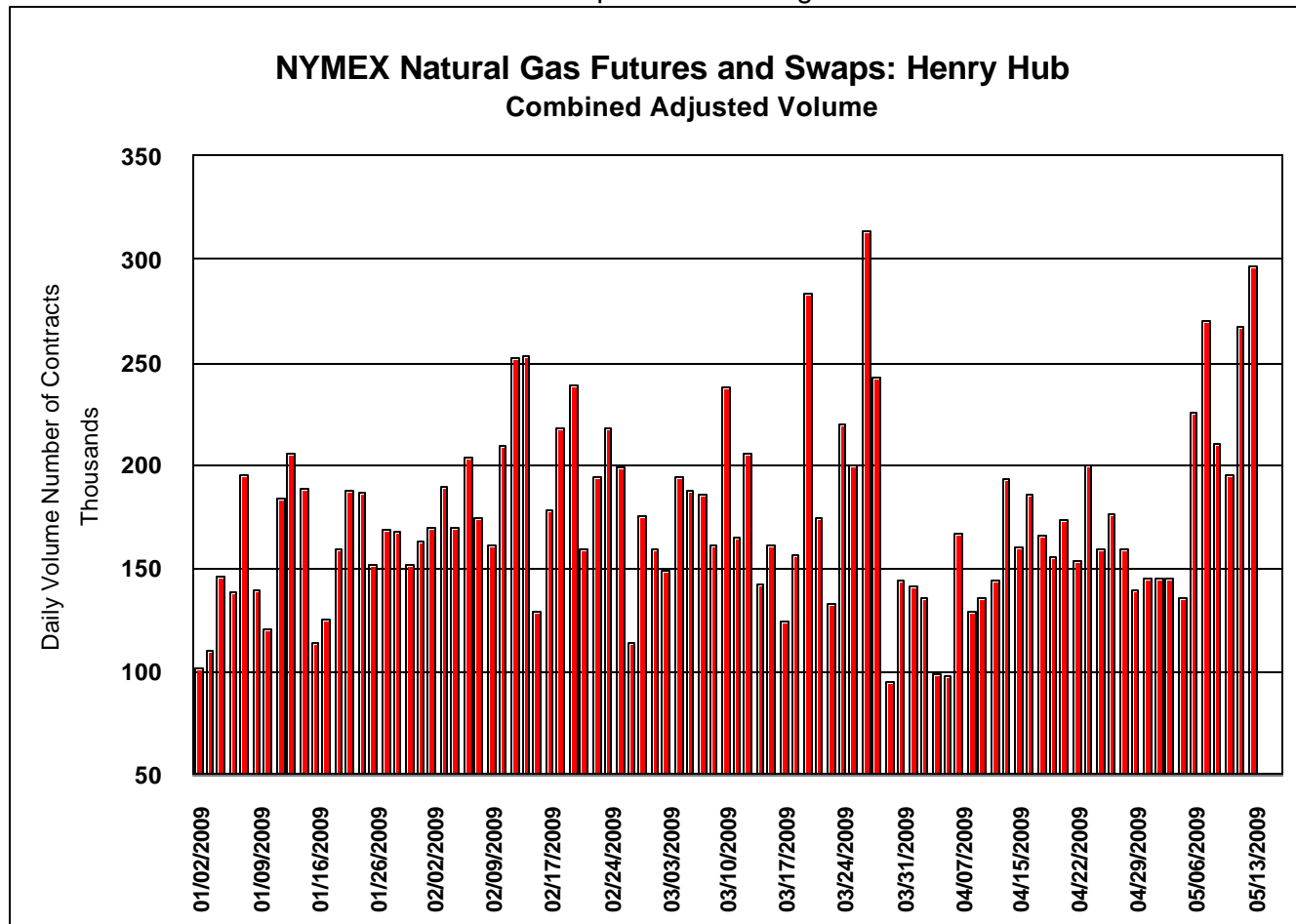
MARKET COMMENTARY

The natural gas market posted an outside trading session today, as prices opened stronger overnight but came under pressure this morning following bearish economic reports, which weighed on the equity markets. Even the oil market was not able to overcome the bearish mood of the market despite the release of bullish inventory report by the EIA at mid morning. The natural gas market found additional profit taking in the afternoon as

prices breached yesterday's lows at \$4.276, allowing prices to approach Monday's low and fall to a low of \$4.203 before stabilizing near the end of the Globex trading session. Volume was excellent today as nearly 300,000 contracts on a combined and adjusted basis in the Henry Hub futures and swaps traded on the day, the highest total since March 26th. Volume in the UNG natural gas ETF was also strong with over 24 million shares traded, the fourth time out of the last 5 trading session that the ETF has posted over 20,000,000 million shares traded on the day.

It was no surprise at midday when the NYMEX reported that open interest in the Henry Hub natural gas futures and swaps contracts, on a combined and adjusted basis Tuesday's trading had registered a gain of 6,426, posting the seventh consecutive trading session of gains.

Market expectations for tomorrow' EIA natural gas storage report appear to be ranging between a 88 bcf build to a 105 bcf build with the median expectation coming in around a 99 bcf build. Our estimate



is a bit lower looking for a 91 bcf build on the week ending May 7th. Stocks a year ago rose an adjusted 89 bcf for the same week while the five year seasonal average is a 83 bcf build.

If we continue to find the equity markets registering a bit more concern on the state of the global economy we feel that natural gas prices can post further price erosion tomorrow, even if we found a supportive inventory report that came in slightly lower than market expectations. But if the inventory report comes in tomorrow in triple digits we think this could prompt further long liquidation even if the stock market is flat or up slightly. We see support in the natural gas at \$4.196 followed by 4.069, \$3.913 and \$3.757. Resistance we see at \$4.575-\$4.609 followed by \$4.88 and \$5.14.

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