



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR MAY 13, 2010

NATURAL GAS MARKET NEWS

The U.S. Department of Labor reported today that the number of U.S. workers filing new applications for unemployment fell slightly less than expected last week, while the number of people still drawing benefits unexpectedly rose. Initial claims for state unemployment benefits slipped 4,000 to a seasonally adjusted 444,000 in the week ending May 8th. Meanwhile last week's number was revised upward to 448,000 claims. The number of people still receiving jobless benefits after an initial week of aid unexpectedly rose 12,000 to 4.63 million in the week ending May 1st. Meanwhile Fed Vice Chairman Donald Kohn said today that the Fed's massive addition of reserves to the banking system, undertaken to combat the financial crisis was unlikely to prove inflationary. Separately, RealtyTrac said Thursday that April foreclosure filings fell 9% from March and 2% from a year ago as the first year over year drop was registered since January 2006, when the company began reporting such data. However, banks took control of a record 92,432 properties in April, up 1% from a month earlier and 45% from a year ago.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #2 coal fired power unit returned to service this morning. The unit had been off line since May 12th.

PJM – Constellation Energy's 890 Mw Calvert Cliffs #1 nuclear unit tripped off line yesterday afternoon. The unit had been at full power.

SERC – Southern's 883 Mw Hatch #2 nuclear unit dropped to 71% power this morning from full operating levels on Wednesday.

TVA's Browns ferry #1 nuclear unit saw power return to full capacity this morning, up 3% from yesterday.

ERCOT – Unit #2 at the Monticello coal fired power plant was being shut down to repair a condensate booster pump. The unit was expected to be taken down overnight and be back in service by Friday morning.

MISO – OPPD said output remains reduced at 87% capacity but was up 4% from yesterday. Operators had reduced capacity recently to facilitate condenser cleaning

The NRC reported that there was some 84,627 Mw of nuclear power generated today, down 1.2% from yesterday and down 1.2% from a year ago.

Milford Haven port officials reported that the 216,000 cubic meter LNG tanker, Al Gharrafa is scheduled to arrive from Qatar on May 19th.

EIA Weekly Report

| | 05/07/2010 | 04/30/2010 | Change | 05/07/2009 |
|-------------------------|------------|------------|--------|------------|
| Producing Region | 787 | 760 | 27 | 843 |
| Consuming East | 958 | 905 | 53 | 819 |
| Consuming West | 344 | 330 | 14 | 330 |
| Total US | 2089 | 1995 | 94 | 1992 |

*storage figures in Bcf

South Korea's state owned Korea gas Corp reported that it sold 2.6 million tones of LNG in April, a 49.8% jump over year ago levels. Of the total sales only 1.5 million tones were for household and business consumption, while the remainder went to power generation.

Tokyo Gas, Japan's largest gas distributor said today that it is continuing to look for opportunities in taking additional stakes in more LNG projects. The company in the past year has taken stakes in three

new projects, including the BG Group led Queensland Curtis project in Australia in March. This would be Japan's first coal bed methane derived LNG imports.

Enaga, the Spanish gas grid operator, reported that demand for natural gas in Spain dropped by 3.4% in April from the same month a year ago. This decline marked the first month on month decline in four months. The grid operator noted that the decline in demand was led by smaller utility demand for natural gas, as hydro generation levels increased.

Canadian Gas Association

Weekly Storage Report

07-May-10 30-Apr-10 08-May-09

| | | | |
|--------------|-------|-------|-------|
| East | 98.7 | 92 | 88.7 |
| West | 237.7 | 231.6 | 193.2 |
| Total | 336.3 | 323.6 | 281.9 |

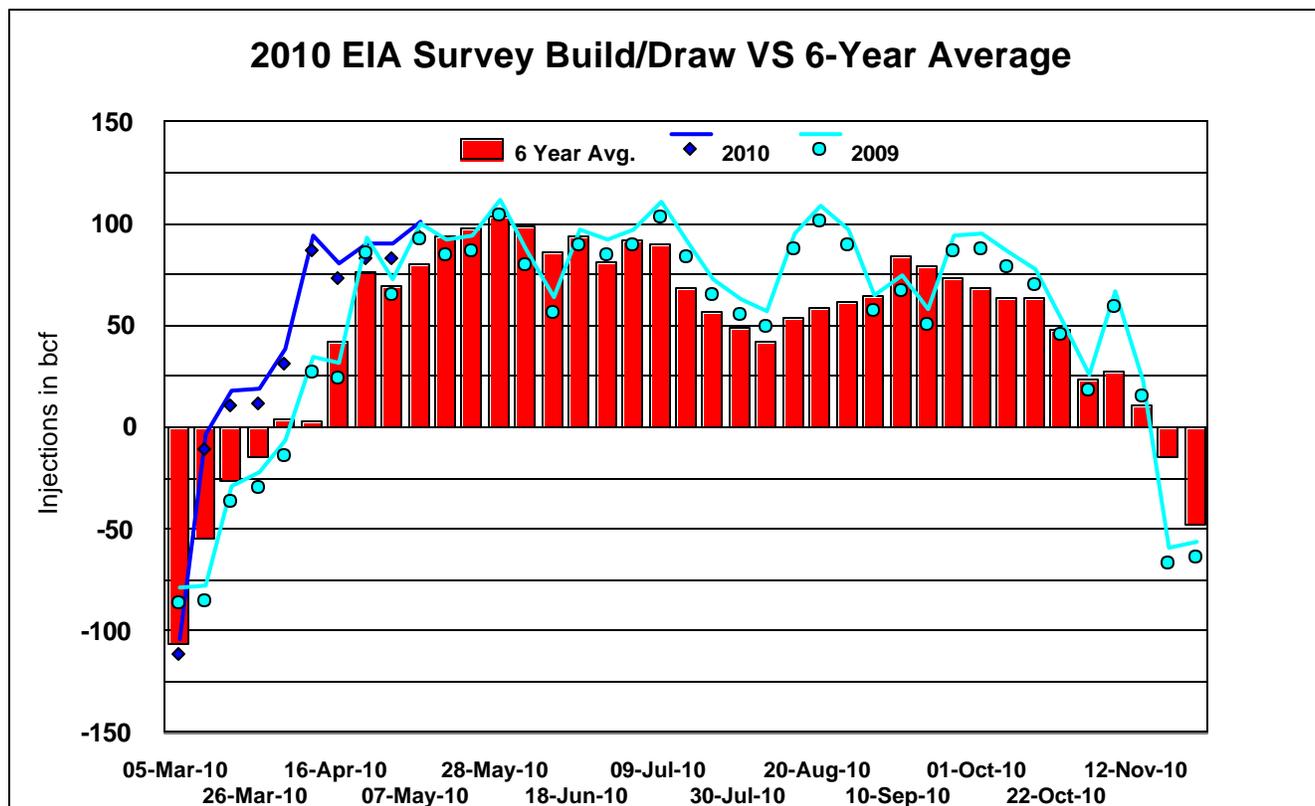
storage figures are in Bcf

Gazprom said today that it is getting closer to reaching a final agreement on gas prices with China. Gazprom reached a preliminary agreement with China last October on supplying China with 70 bcm of gas starting in 2015, which would make it the largest customer of Russian gas.

| 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 | 904,900 | \$4.263 | \$0.085 | (\$0.104) | (\$0.029) | (\$0.102) |
| Chicago City Gate | 537,900 | \$4.341 | \$0.071 | (\$0.026) | (\$0.022) | \$0.008 |
| NGPL- TX/OK | 677,900 | \$4.161 | \$0.081 | (\$0.206) | (\$0.012) | (\$0.174) |
| SoCal | 651,500 | \$4.094 | \$0.092 | (\$0.273) | (\$0.001) | (\$0.243) |
| PG&E Citygate | 780,000 | \$4.434 | \$0.059 | \$0.067 | (\$0.034) | \$0.132 |
| Dominion-South | 568,900 | \$4.480 | \$0.063 | \$0.113 | (\$0.030) | \$0.150 |
| USTrade Weighted | 20,534,200 | \$4.224 | \$0.064 | (\$0.143) | (\$0.03) | (\$0.102) |

Venezuelan President Chavez today, via his Twitter account, announced that a natural gas rig drilling some of the 16 wells in the offshore Mariscal Sucre natural gas project has sunk,

but that the workers were successfully evacuated and the well being drilled has been stabilized and there was no risk of leaks. Venezuela's energy minister said today that sinking of the rig would not



derail the gas project, with production still expected by 2010.

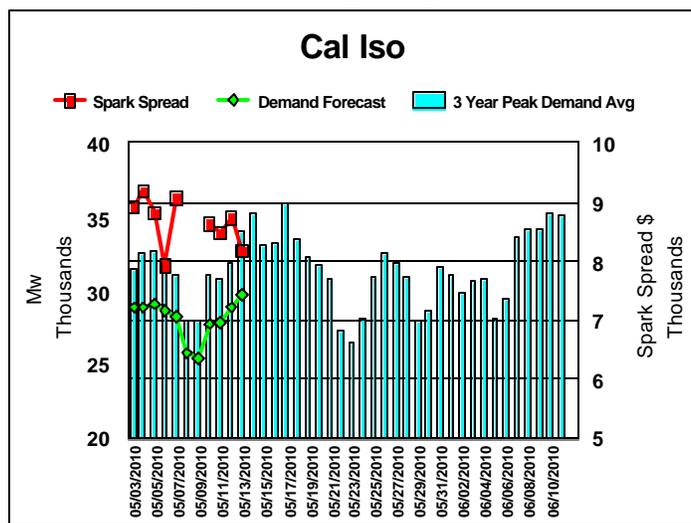
The Graces Cosmos LNG tanker is scheduled to arrive at the newly operational Mejillones LNG terminal in northern Chile from Egypt on June 12th. This will be the third delivery to the terminal, which began operations in February of this year.

Gazprom rejected the Ukraine's suggestion that any merger between Gazprom and Naftogaz involve companies from the European Union.

PIPELINE RESTRICTIONS

Rockies Express Pipeline said that effective for May 13th and until further notice it is at capacity for quantities delivered to Tenn/Guernsey and through Segment 130 from Wamsutter to Echo Springs. Based on nominations,

interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

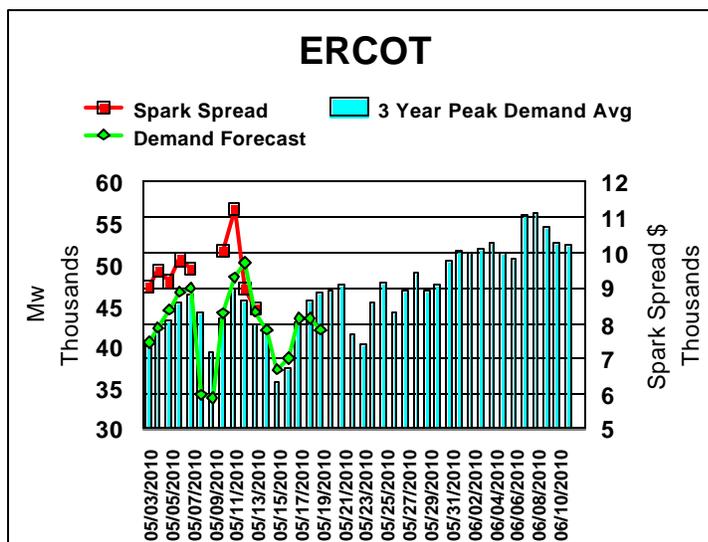
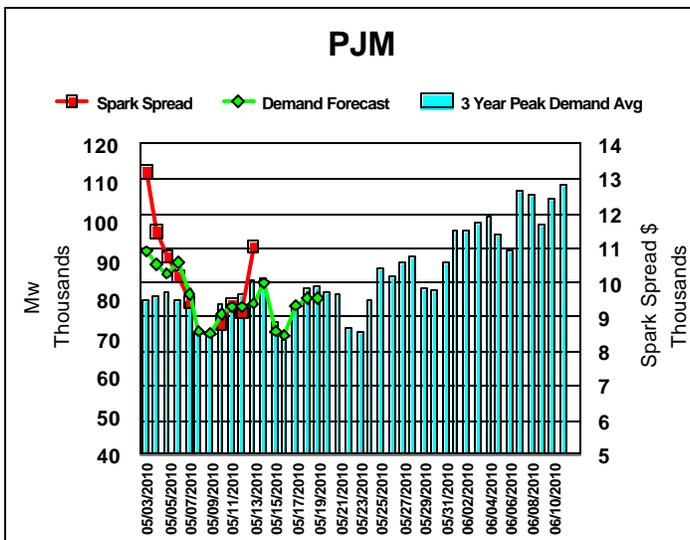


Midcontinent Express Pipeline said all Zone 1 delivery points are anticipated to be available during the Zone 2 force majeure. MEP has agreed with both NGPL and Columbia Gulf on operating conditions that temporality increase the point capacity at their respective PINs. The action is being taken as a result of MEP being force to take remediation work on sections of its pipeline that were damaged as a result of flooding. The work will begin on May 15th and is expected to last 10 days.

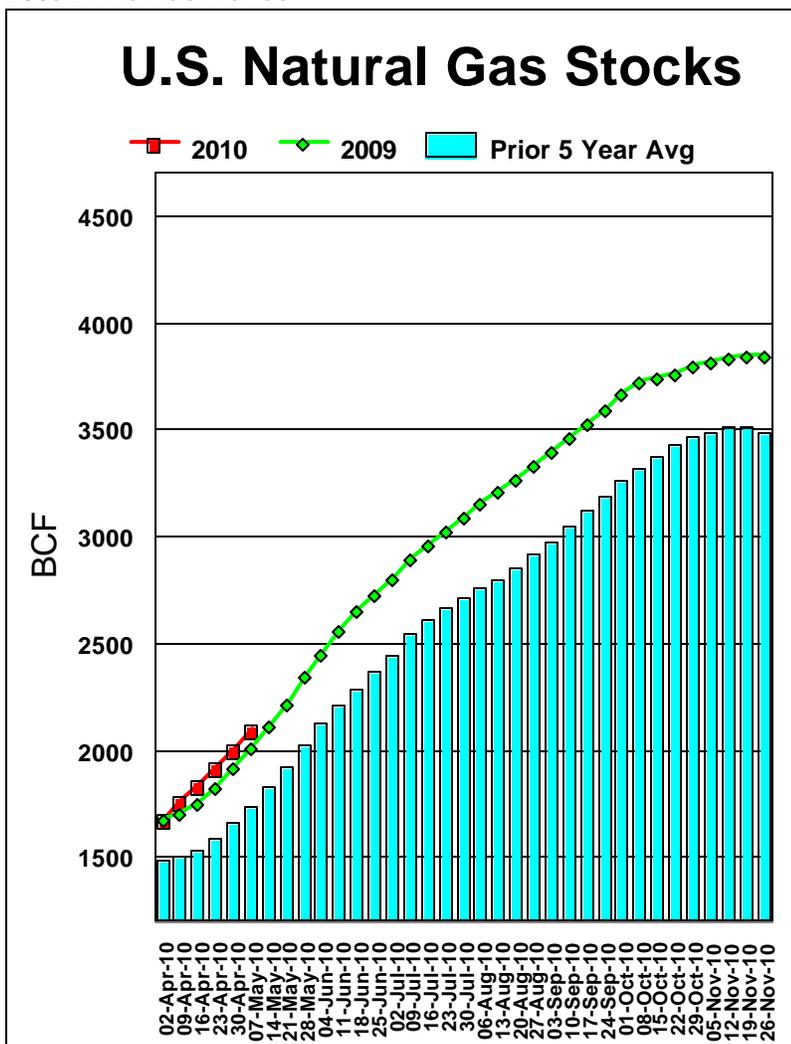
Tennessee Gas Pipeline reported today that it has restricted through approximately 55% of market to supply secondary out of path nominations pathed through the Niagara Spur Backhaul point.

ELECTRIC MARKET NEWS

Senator Kerry's and Lieberman's global warming bill unveiled yesterday, has found support from the Obama Administration, but was lacking active support from Senator Graham's office, despite his earlier efforts in crafting the legislation. Senator Graham said that now is not the time to pass this legislation due to the massive oil spill in the Gulf and talk of moving ahead with immigration reform. The legislation would seek to establish a cap and trade system for reducing carbon pollution by utilities and factories starting in 2013. Initially



the pollution permits would be provided for free but will evolve into full auctions by 2030. The permits would be handed out to utility companies based on a formula of 75% related to their emissions and 25% in their deliveries.



Meanwhile the U.S. EPA announced today that it will issue a rule that will subject power plants, oil refiners and other major carbon emitting industries that emit at least 75,000 tonnes of carbon dioxide a year to carbon control regulations starting in January 2011. The EPA will extend the rules to mostly solid waste landfills and industrial manufacturers that emit 100,000 tones of green house gases a year starting by July 2011. The EPA said it would not act before at least April 30, 2016 to require smaller sources of emissions to get permits. The Obama Administration said it would prefer that Congress pass a climate change bill that would deal with emissions, but that it is prepared to issue these rules in lieu of action from the legislative branch.

The EIA reported this afternoon that coal production in the United States for the period ending May 8th reached 20.780 million short tons, down 0.6% from the prior week, but 5.8% higher than the same week a year ago. Year to date though coal production is running some 3% less than the same time year ago.

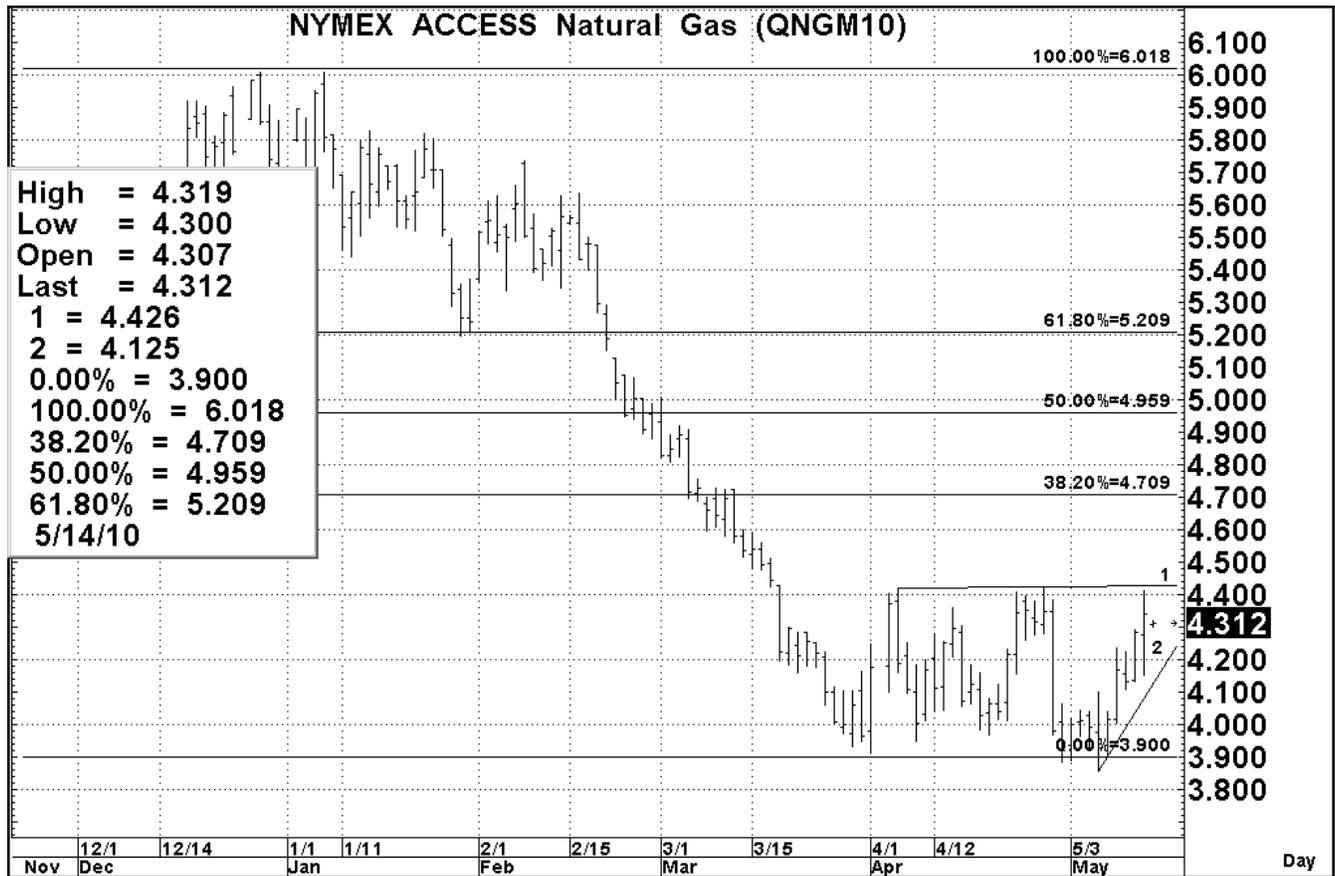
The New York Public Service Commission said Thursday that they expect New York to have enough power to meet peak demand this summer. The PSC looks for power prices this summer should remain stable based on NYMEX futures.

MARKET COMMENTARY

The natural gas market received a boost at mid morning as the EIA Storage report came in lower than expected, with an injection rate of 94 bcf. This report helped to prompt some short covering that quickly drove prices up 15-20 cents, challenging major resistance at the \$4.42 level before backing off on the close. While volume was excellent today, the market still was unable to break out of its two-month-old sideways trading pattern and interestingly finds itself back at the same level it was two weeks ago before it received a downward shove from a bearish EIA storage report.

While we remain longer term bearish on natural gas we feel this market may still have a chance to make a technical move to rechallenge the major resistance level of \$4.42-\$4.426 as some bullish traders seek to set off potential short covering stops above this level. We would look for this potential price run up as an opportunity to sell this market for the intermediate term, since it could prompt an attempt to rally prices up to the next major resistance point of \$4.71. We would look to be a scale up seller of the July \$5.00 calls starting at 15 cents and higher. This strike this evening settled at 10

cents. These options we would look to expire way before any tropical threats are realized to the US Gulf production areas.



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