



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 14, 2009

NATURAL GAS MARKET NEWS

Freeport LNG said today that while it received approval from the FERC to install re-exporting equipment at its terminal last week, it has not moved forward with construction at the terminal until it has received some commercial agreements from counterparties. The company said that there has been a lot of interest but no final agreements have been reached. The company said that the modifications at the terminal would only take about two days and would be carried out by Freeport's maintenance crew. The Freeport terminal has a base load capacity to send out of 1.5 bcf/d and a storage capacity of 6.4 bcf.

Accuweather's Joe Bastardi predicted a below average hurricane season this year in the US and added that the East Coast is at risk of being hit by a major storm. It said out of 10 tropical storms forecast for 2009, down from 16 last year, an estimated six will become hurricanes and three storms may strike the US.

Generator Problems

SPP- AEP planned to restart the Oklaunion coal fired Unit #1 this evening after have the unit down so operators could repair the steam turbine.

FRCC – FPL said that its 63 Mw Turkey Point #4 nuclear unit was running at 67% capacity this morning up 61% level from yesterday.

MISO – Northern States Power said its 613 Mw Monticello nuclear unit was at 53% power this morning, down 2% from yesterday.

FirstEnergy's 1231 Perry nuclear unit was back on line this morning at 30% capacity. The unit was restarted yesterday after being shut from February 23rd due to a refueling and maintenance outage.

ERCOT – Luminant's 1150 Mw Comanche Peak #1 nuclear unit was at 70% capacity this morning off 10% from yesterday.

The NRC reported this morning that 85,674 Mw of nuclear generation capacity was on line, up 0.3% from yesterday and up 4.3% from the same time a year ago.

EIA Weekly Report

	05/08/2009	05/01/2009	Change	Year ago
Producing Region	854	831	23	572
Consuming East	827	768	59	735
Consuming West	332	319	13	208
Total US	2013	1918	95	1516

*storage figures in Bcf

The US dollar fell after data showed initial US weekly jobless claims was higher than expected. The US Labor Department reported that the initial claims for unemployment benefits increased by 32,000 to 637,000 in the week ending May 9th. US jobless claims increased due to auto plant shutdowns related

to Chrysler's bankruptcy. The total number of unemployed drawing jobless benefits increased by 202,000 to 6.56 million, the highest level since the government started keeping track in 1967. The four-week average increased by 6,000 to 630,500. The unemployment rate for workers with unemployment insurance increased by 0.1% to 4.9%.

The Labor Department said the producer price index increased a

Canadian Gas Association

Weekly Storage Report

	08-May-09	01-May-09	09-May-08
East	88.7	76.7	57.5
West	193.2	179.8	144.2
Total	281.9	256.8	201.8

storage figures are in Bcf

seasonally adjusted 0.3% in April after it fell by 1.2% in March. The core PPI, which excludes food and energy costs, increased by 0.1% last month from March. Energy prices fell 0.1% in April compared with a 5.5% decline in March.

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	964,200	\$4.097	(\$0.321)	(\$0.172)	(\$0.117)	(\$0.208)
Chicago City Gate	466,900	\$3.990	(\$0.293)	(\$0.279)	(\$0.077)	(\$0.108)
NGPL- TX/OK	509,400	\$3.836	(\$0.562)	(\$0.433)	(\$0.346)	(\$0.237)
SoCal	357,000	\$3.774	(\$0.341)	(\$0.495)	(\$0.125)	(\$0.360)
PG&E Citygate	450,100	\$4.097	(\$0.301)	(\$0.172)	(\$0.085)	(\$0.084)
Dominion-South	127,300	\$4.285	(\$0.257)	\$0.016	(\$0.041)	\$0.194
USTRade Weighted	18,075,600	\$3.891	(\$0.333)	(\$0.378)	(\$0.12)	(\$0.208)

The Canadian National energy Board confirmed that it has received an application this week from NOVA Gas Transmission for a certificate to

construct and operate the Groundbirch Pipeline, which would connect the TransCanada Alberta System to a source of sweet natural gas supply from British Columbia. The 36-inch line will extend from a new interconnection on the Gordondale Lateral to a new meter station in the Groundbirch area in northeastern B.C. The pipeline would have a capacity of 1.66 bvf/d.

Williams announced today that the FERC has approved its proposal to expand its Transco natural gas pipeline service in the southeastern U.S. via the approval of the Mobile Bay South project. The project is to provide 253,500 Dth/d southbound on the Mobile Bay Lateral from Transco's mainline at Station 85 to its interconnect with Gulfstream Natural Gas System in Coden, Alabama. The project is expected to be in service by 2Q2010.

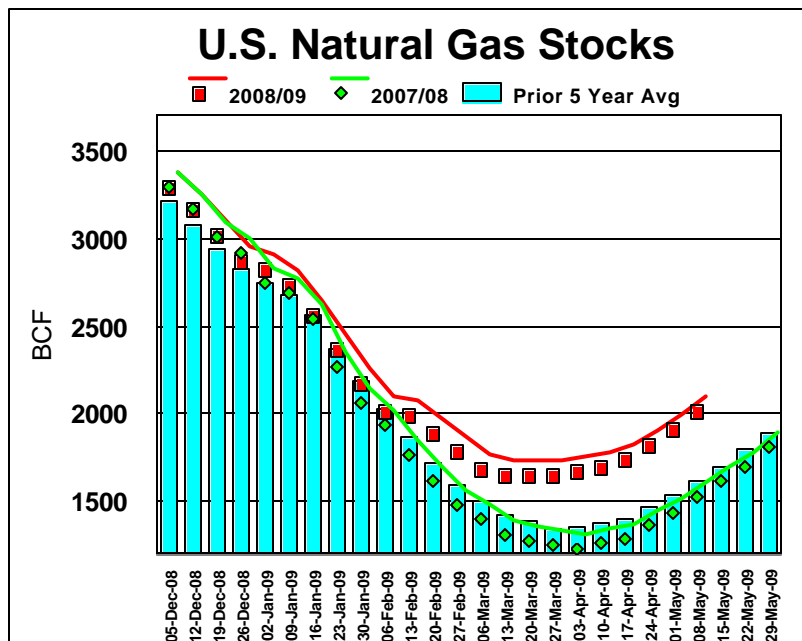
Qatargas Operating Company reported it is storing some of its LNG on vessels at sea to take advantage of current price structure and to wait-out weak demand. The company said it could store on the water for up to 10 months at a time.

Reuters reported that according to data from European storage operators it found that for the week ending May 11th, storage levels at NBP and Zee stood at 54% of capacity.

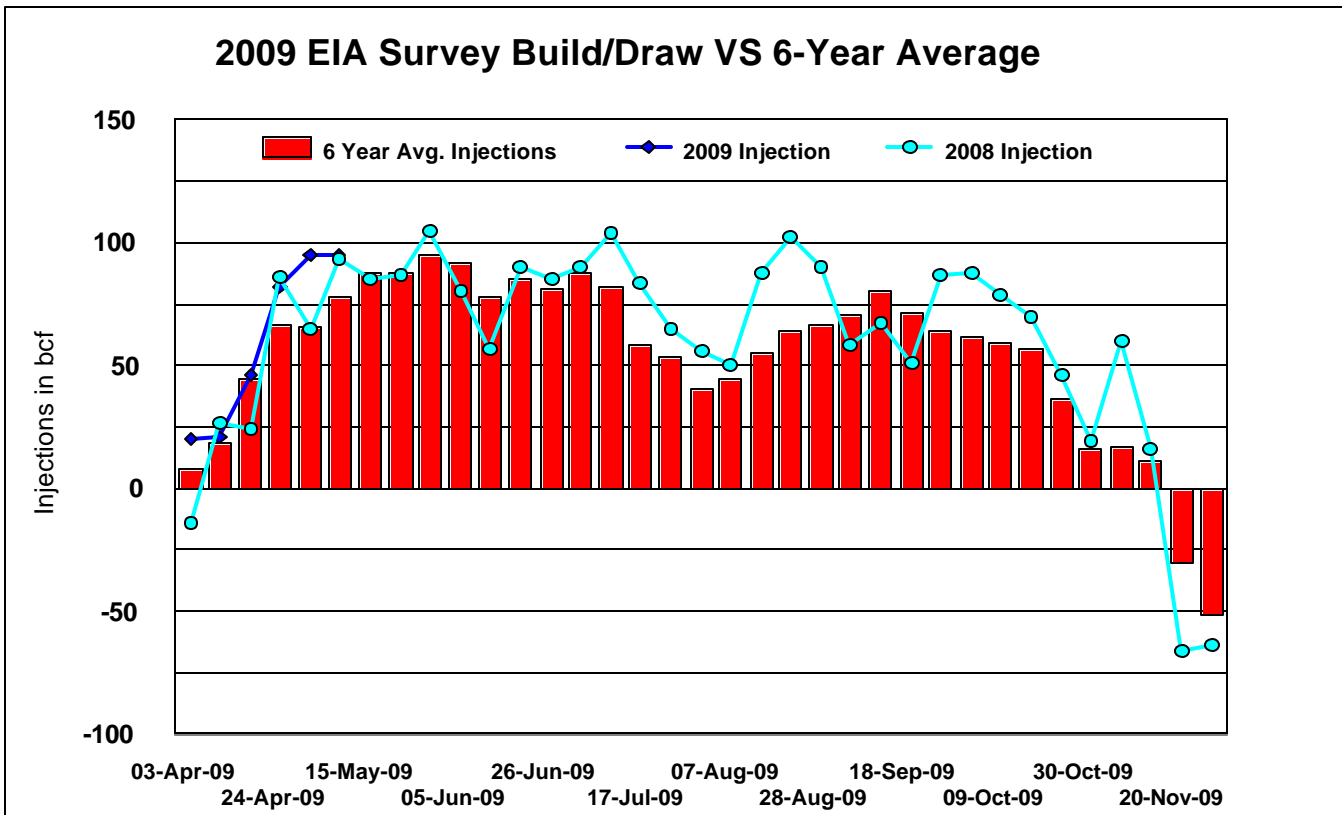
The LNG tanker British Innovator arrived at the Isle of grain import terminal on Thursday. The ship was carrying LNG from Egypt.

The Chinese news agency reported today that Indonesia would begin supplying LNG from its Tangguh gas project in Papua to China's Fujian terminal starting by the end of June. The contract calls for Indonesia to supply 2.6 million tones per year for 25 years and priced at \$3.35 per Mmbtu.

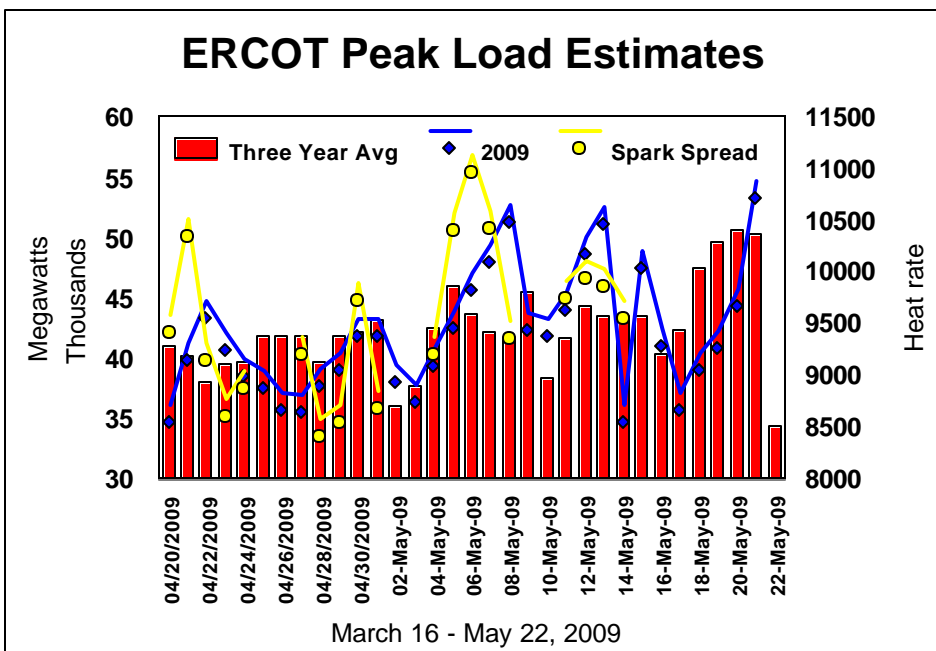
The contract will account for 34% of the Tangguh projects output.. The head of Indonesia's energy regulator said that the Tangguh project partners hope to reach agreement next month with Japan's Chubu Electric Power and Korea Gas Corporation from gas diverted from its original agreement with Sempra Energy.



Gazprom is expected to sign a deal with Eni SpA over the proposed South Stream pipeline. The deal is expected to be announced Friday. This pipeline project is seen as a rival project to the proposed Nabucco pipeline project, in moving gas from the Caspian Sea region to European markets.



Energy Intelligence reported that it appears that less than a year after helping to form the so called Gas OPEC, Qatar appears to be putting the dampers on the organization and as it begins to move into market areas that has been dominated by Gazprom.



PIPELINE RESTRICTIONS

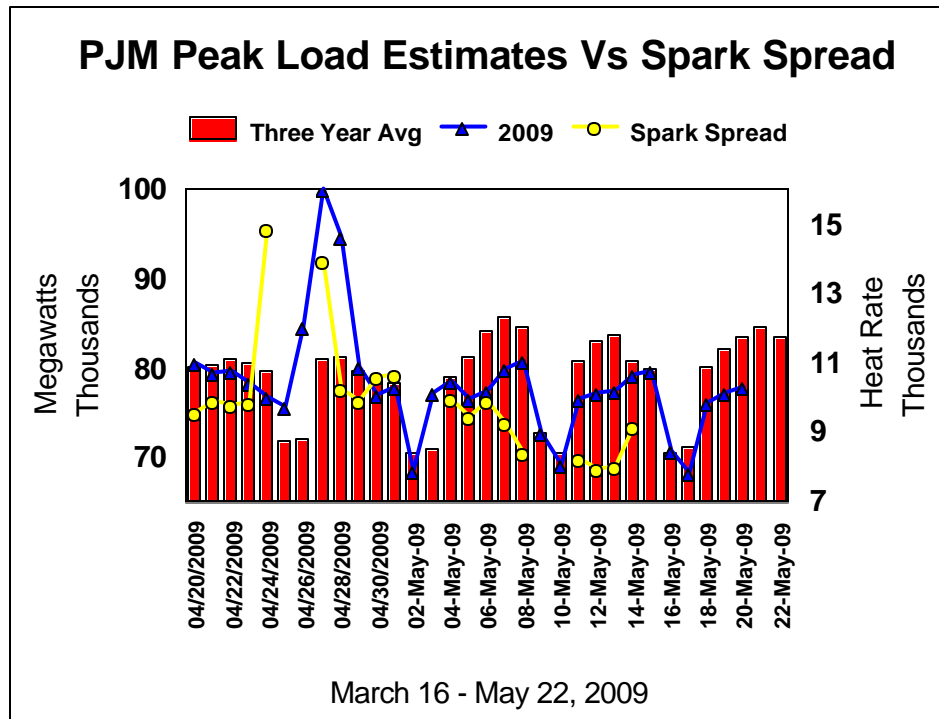
Trailblazer Pipeline said it remains at capacity for gas going eastbound through Compressor Station 602. ITS/AOR and Secondary out of path Firm transports will not be scheduled.

Tennessee Gas Pipeline said it will accept increases for nominations sourced from meters on located on the Carthage Line Lateral.

ELECTRIC MARKET NEWS

California Energy Commission said its recently released Summer

2009 Demand and Supply Outlook that California consumers should expect adequate power this summer. While the Commission noted that snow pack and forecast runoff averages are still below normal, there is sufficient hydroelectric to meet peak power loads even with hotter than normal temperatures. They noted that the state has added 1419 Mw of new generation for this summer season and thus ample reserve margins will help buffer critical peak demand periods. The commission estimated that peak demand this summer would reach 61,623 Mw under normal weather conditions in August or 65,811 Mw under a 10% chance of a hotter than normal summer.



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Ameren Illinois reported that 11,700 of its customers

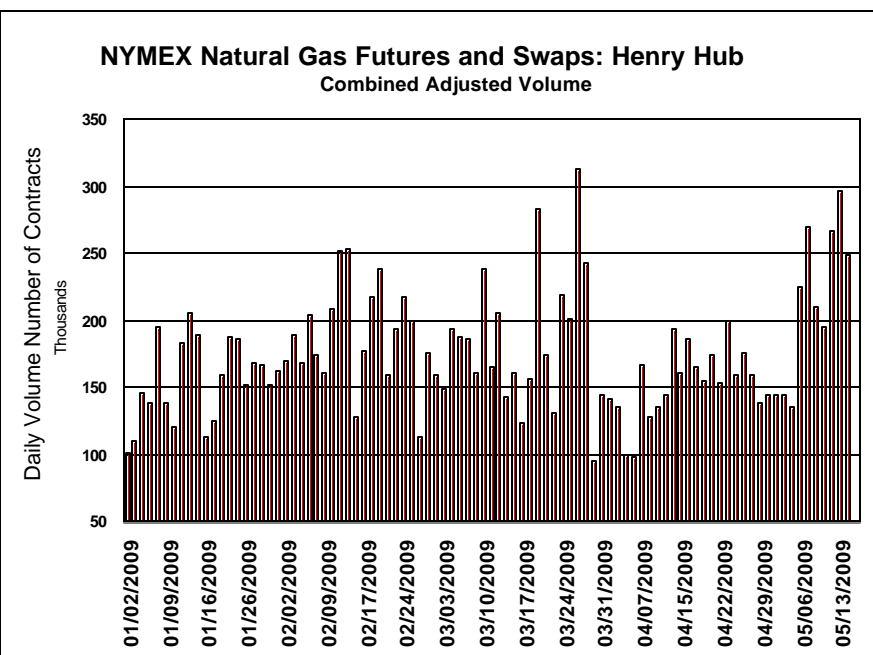
remain without power in its southern Illinois.

The EIA reported this afternoon that U.S. coal production in the week ending May 9th reached 19.481 million tons, down 1% from the previous week and down 13.7% from the same week a year ago. Year to date coal production has been running 5.1% behind last year rate.

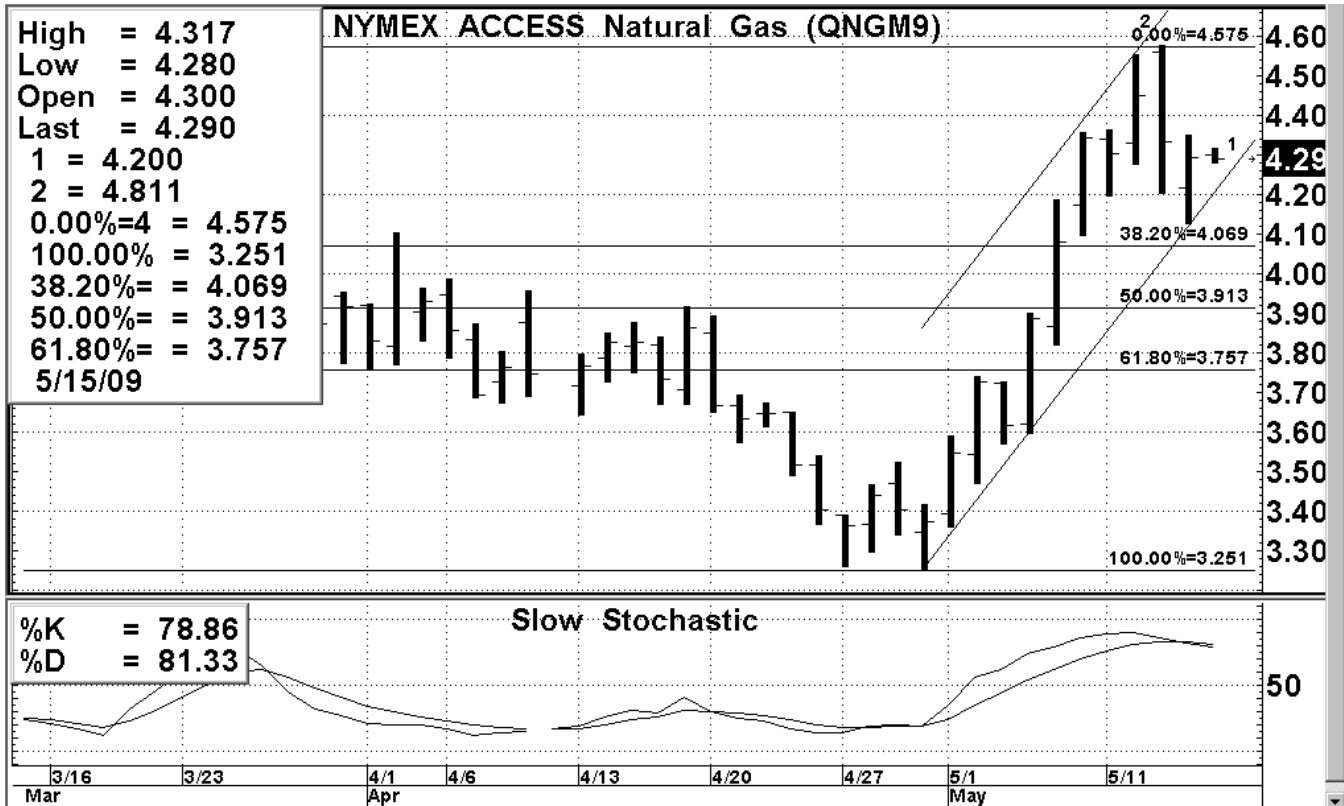
The Senate Energy and Natural Resource Committee today accepted language to pending energy legislation that would allow the federal government to step in and override objections to issuing permits for new power lines projects. Congress previously granted the FERC authority to site and permit electric transmission lines crossing state borders within import corridors with grid congestions. But a federal court ruled FERC couldn't use this authority if a state denies a transmission project in a timely manner. The Senate committee is looking to give states one year to approve sites for high priority national transmission projects.

MARKET COMMENTARY

The energy markets were on the defensive this morning as weaker equity markets around the world were under pressure as a result of the release of several bearish economic reports including U.S. jobs report and the U.S.



producer price index. While natural gas appeared to receive a modest bump in values following the release of the storage report which showed a slightly smaller build than most market expectations, natural gas prices failed to gain traction. While oil prices in the afternoon tuned positive following in the wake of the equity markets, natural values for the most part remained negative on the day in part due to the fact that traders are now looking at inventories that are nearly 500 bcf above a year ago and 374 bcf above the five year seasonal average. This coupled with gas prices in the day-ahead market at Henry Hub were some 12 cent per Mmbtu above spot prices in the UK this afternoon, showed that even more LNG imports could be headed toward the U.S. in the coming weeks. Volume though today



remained brisk in futures, swaps and the ETF's. Open interest reported at midday showed that on a combined basis in the Henry Hub futures and swaps increased for the eight consecutive session, growing by 10,739 lots on Wednesday.

This market still seems to be overlooking current supply demand factors and taking its direction from the equity, currency and oil market. Technically we see key support at the lower end of this month's ascending trading channel, which tomorrow comes in at \$4.20. This was a critical are of support today as this line was tested but held. If this support is breached we would look for support at \$4.125 and \$4.095 followed by \$4.069, \$3.913 and \$3.757. Resistance we see at \$4.35 followed by \$4.403, \$4.575, \$4.609 and \$4.703. More distant resistance we see at \$4.88 and \$5.14.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/14/2009									
-----CONTRACT-----				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	6	9	P	3.5	0.0122	0.0156	5368	0.0325	0.0325
LN	6	9	C	5.5	0.0051	0.0104	4750	0.009	0.008
LN	10	9	P	3	0.1147	0.1299	4125	0	0
LN	10	9	P	2	0.02	0.019	4100	0.02	0.02
LN	12	9	P	3	0.0174	0.0218	2900	0	0
LN	7	9	C	5	0.1864	0.2247	2375	0.175	0.163
LN	6	9	P	4	0.0932	0.0995	2150	0	0
LN	6	9	C	5	0.0293	0.0459	2050	0.03	0.03
LN	6	9	C	4.5	0.1268	0.162	1943	0.13	0.1
LN	7	9	P	3.5	0.0751	0.0852	1770	0	0
LN	6	9	P	3.75	0.0382	0.0438	1762	0.085	0.0375
LN	8	9	P	3	0.0479	0.0522	1624	0	0
LN	11	9	C	9	0.1208	0.1378	1500	0.11	0.11
LN	7	9	P	4	0.2001	0.2083	1462	0	0
LN	10	9	C	6	0.3658	0.4086	1375	0	0
LN	7	9	P	3	0.0285	0.0345	1374	0	0
LN	7	9	C	6	0.0455	0.063	1335	0.04	0.04
LN	8	9	P	3.5	0.1342	0.1402	1161	0	0
LN	6	9	P	3.25	0.0029	0.0043	1150	0.017	0.016
LN	7	9	P	3.25	0.0472	0.0553	1100	0	0
LN	7	9	C	5.5	0.0939	0.121	1050	0	0
LN	10	9	C	5.5	0.4872	0.5312	1000	0	0
LN	10	9	C	5	0.6467	0.6904	975	0	0
LN	7	9	P	3.75	0.1219	0.1303	900	0	0
LN	1	10	C	7.5	0.4719	0.4789	900	0	0
LN	6	9	P	4.25	0.1893	0.192	729	0.215	0.215
LN	12	9	P	4	0.1044	0.1199	710	0	0
LN	7	9	P	2.75	0.0163	0.0205	700	0	0
LN	6	9	C	4.25	0.2313	0.275	630	0	0
LN	7	9	C	6.75	0.0154	0.0237	600	0	0

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