



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 14, 2010

NATURAL GAS MARKET NEWS

The AGA in their bi-monthly "Natural Gas Market Indicators" report released yesterday noted that natural gas prices could receive some near term support from higher air conditioning load, temporary supply disruptions, drilling slowdowns, and fallout from the oil production accident. But it noted supply fundamentals remain strong with an extraordinary storage position of 2 tcf as of the end of April and only modest year to date increases in large volume customer demand such as industrial usage up only 2.7% and power generation up 3% from a year ago.

The group though noted that with new storage capacity rising to 4 tcf, a new paradigm for underground storage utilization may be developing and it makes one wonder whether current comparisons of storage data to the a five year average have any real meaning. The AGA estimated that U.S. marketed production prior to extraction losses remained in a range of 59.3 bcf/d to 60.3 bcf/d in May. But the AGA estimated that year to date production lags behind a year ago by 1.5%.

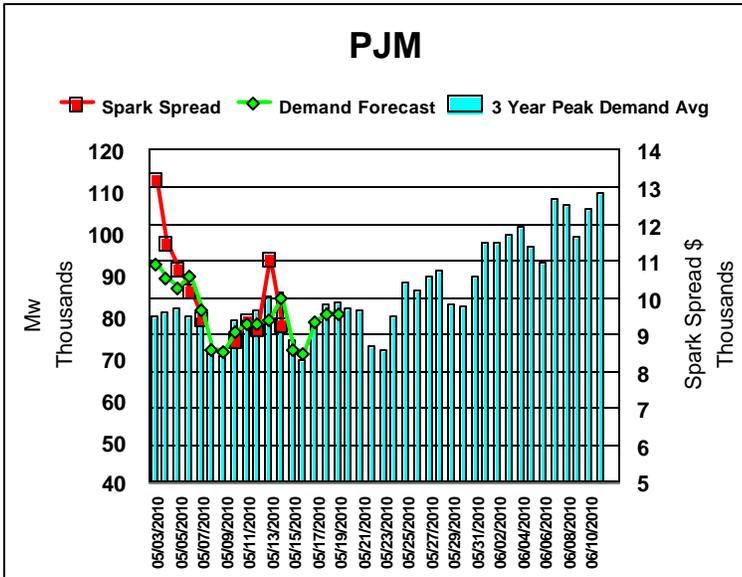
Reuters reported today that according to various industry trade sources Goldman Sachs recently purchased the North American natural gas trading book from Nexen. No estimates on the cost of the purchase were given or if any Nexen traders would be transferred to Goldman Sachs trading division of J. Aron in the deal.

Baker Hughes reported this afternoon that the number of drilling rigs searching for natural gas this week stood at 951, down 2 rigs from last week.

Statoil reported today that it made a small natural gas find in the Norwegian North Sea estimated at 2-4 million cubic meters.

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	879,700	\$4.267	\$0.004	(\$0.018)	\$0.064	(\$0.104)
Chicago City Gate	559,300	\$4.332	(\$0.009)	\$0.047	\$0.073	\$0.009
NGPL- TX/OK	1,165,300	\$4.154	(\$0.007)	(\$0.132)	\$0.075	(\$0.175)
SoCal	639,700	\$4.056	(\$0.039)	(\$0.229)	\$0.043	(\$0.248)
PG&E Citygate	650,900	\$4.443	\$0.008	\$0.157	\$0.090	\$0.127
Dominion-South	498,700	\$4.419	(\$0.060)	\$0.134	\$0.022	\$0.144
USTRade Weighted	19,978,900	\$4.206	(\$0.018)	(\$0.079)	\$0.06	(\$0.104)

The Coral Methane LNG tanker is scheduled to load at the Belgian port of Zeebrugge on Friday. The ship can carry only



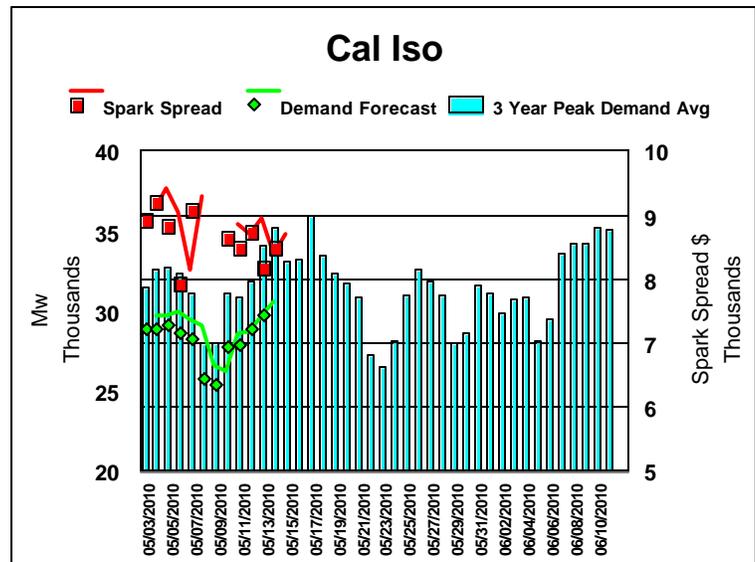
7500 cubic meters of LNG and reportedly would head to Bergen in southern Norway.

The US Commerce Department said US business inventories increased in March as sales rose. Inventories increased by 0.4% on the month to a seasonally adjusted \$1.327 trillion. Sales increased by 2.3% to \$1.069 trillion, the largest gain since November as demand increased for cars. February inventories rose an unrevised 0.5% and sales increased 0.6%, adjusted from a previously reported 0.3% gain. The inventory to sales ratio in March was 1.24, below February's 1.27 and March 2009's 1.46. The Commerce Department also reported that retail sales in April increased by 0.4% following a

2.1% increase in March. One year inflation expectations increased to 3.1% compared with 2.9%. The five year inflation reading increased to 2.9% from 2.7%.

The Federal Reserve said US manufacturing output increased slightly in April, its second consecutive rise. Widespread growth in durable goods gave manufacturing output a 1% increase. It reported that overall industrial production in April increased by 0.8%. Capacity utilization increased to 73.7%, the highest since November 2008 from a revised 73.1% in March.

The Thomson Reuters/University of Michigan's Surveys of Consumers report showed that US consumer sentiment increased in May. The preliminary May reading on the overall index on consumer sentiment was 73.3, up from April's 72.2. The one-year inflation expectation index increased to 3.1% in May, the highest since June 2009 from 2.9% in April while the 5-10 year inflation measure increased to 2.9% from 2.7%. The surveys' gauge of current economic conditions increased to 81.1 at the beginning of May from 81 in April. The barometer of consumer expectations also increased in May to 68.3 compared to 66.5 in April.



PIPELINE RESTRICTIONS

Rockies Express Pipeline said it has capacity available for quantities delivered to Tenn/Guernsey. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities may be scheduled.

Tennessee Gas Pipeline said it has restricted through approximately 57% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul Point.

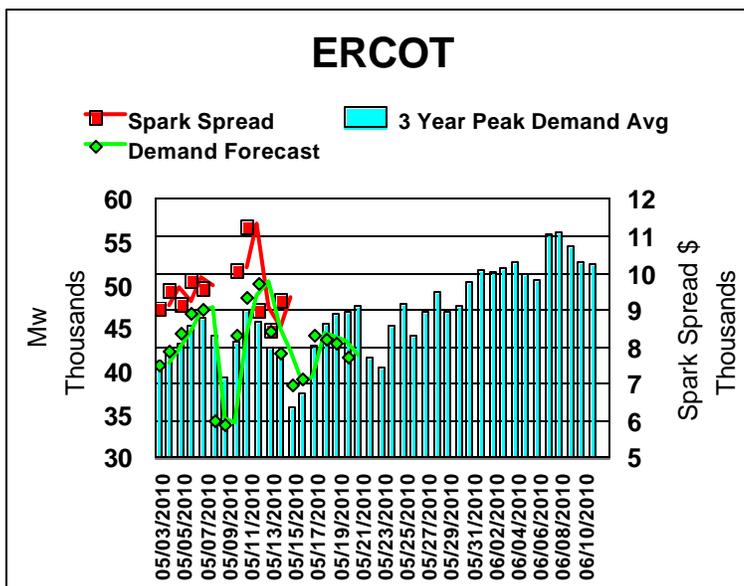
PIPELINE MAINTENANCE

Gulf South said it would perform its annual inspection on the mainline separators at the Hall Summit Compressor Station beginning May 24th and lasting for five days. Capacity reductions will occur for each separator during the maintenance. Based on system operations and nominations during the maintenance and depending on which separator is offline, scheduling reductions of as much as 150,000 Dth could occur.

Southern Natural Gas said it has identified some required maintenance that must be performed at Bienville Compressor Station. Firm capacity will not be impacted however the company does anticipate some reduction in available interruptible transportation capacity in the Group 57-Bienville-West. Maintenance will begin on May 17th and 18th.

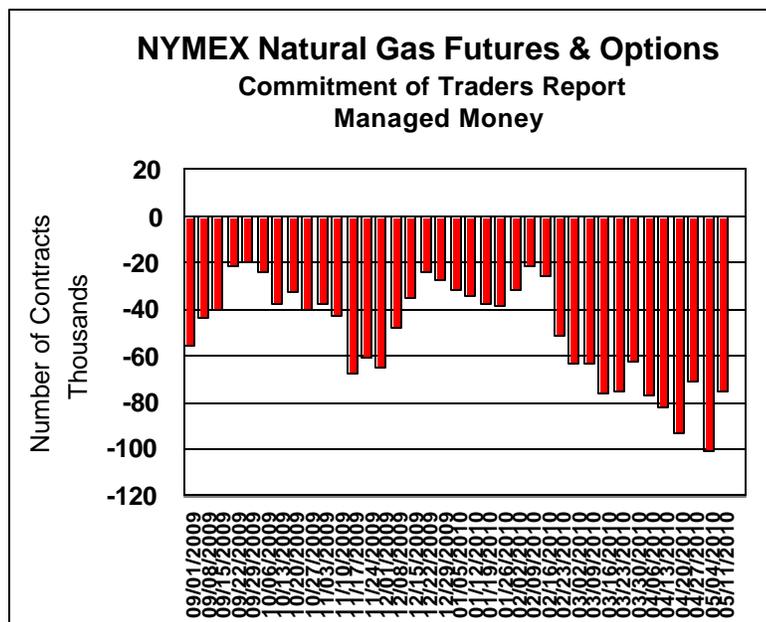
ELECTRIC MARKET NEWS

Genscape reported today that U.S. coal use this week has fallen by 1% from last week but was 3% greater than the same week last year.



In a report released earlier this week from Monitoring Analytics, the Independent Market Monitor for PJM said that PJM's wholesale electric energy and capacity markets produced competitive results during the first three months of this year. The report found load-weighted average energy prices fell 7.4% in the first three months of 2010 compared to the same period a year ago and that load fell 0.1% versus the same time period. The report concluded that the decrease in prices was the result of a decrease in fuel costs and load.

The report said that "prices in PJM are set, on average, by marginal units operating at, or close to, their marginal costs. This is evidence of competitive behavior and competitive market outcomes."

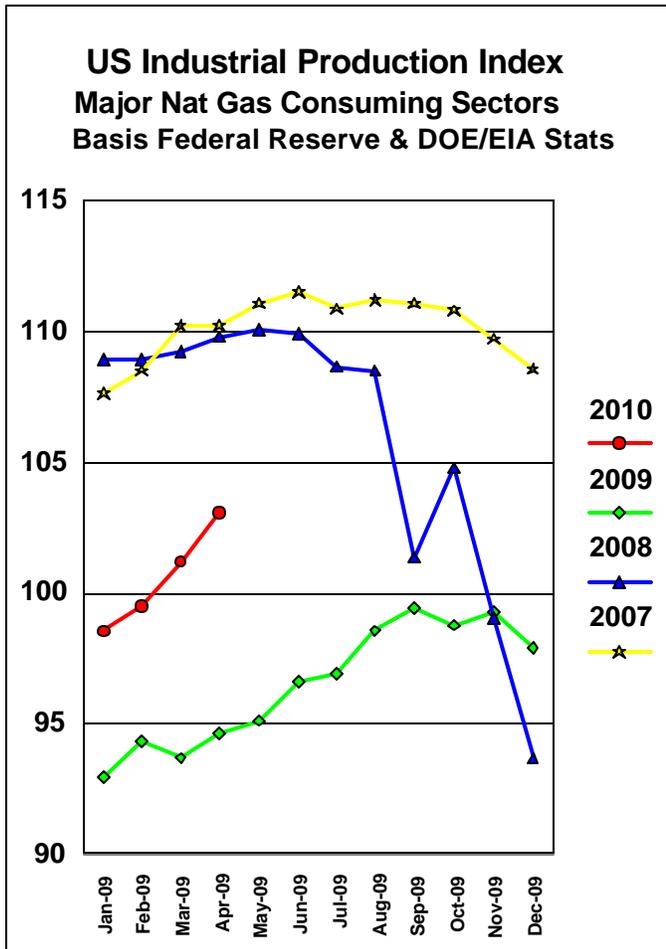


MARKET COMMENTARY

Not surprising after Thursday's price breakout session, following a supportive EIA Storage Report, the natural gas market on Friday saw a much quieter trading session as prices posted an inside trading session to finish the week. But the bulls could find comfort in the fact that the natural gas market posted only a small retracement in value despite the widespread contraction in the value of the equities and oil markets. The natural gas market took additional

comfort in the positive economic news from this morning, which showed that industrial production as reported by the Fed continued to expand, especially in the natural gas consuming sectors. This group saw production activity expand for the fourth consecutive month, expanding by 1.9% from last month and being 8.9% better than a year ago. The primary metals, paper and ag chemical sectors showed gains of 47%, 11% and 7 % expansion respectively from a year ago. Also the market found late

support in the session from the Baker Hughes report which showed yet another modest weekly contraction in drilling activity.



After the close the CFTC reported that commodity funds posted a significant contraction in their record short open interest position, decreasing it by 25,570 lots for the week ending May 11th.

As a result we think further reduction in short positions by the funds next week should enable this market to breach the two month old resistance at \$4.41-\$4.426 and make a run for the next major resistance areas of \$4.709, were we continue to look to begin being a scale up seller We see more distant resistance at \$4.959 and \$5.209. Support we see at \$4.20, \$4.17, \$4.135 and \$4.069. More distant support we see at \$3.885 and \$3.81.

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