



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 14, 2009

NATURAL GAS MARKET NEWS

The Federal Reserve Bank this morning reported that U.S. industrial production fell 0.5% in April, dropping for the sixth consecutive month, but at a slower rate than posted in recent months. While market expectations had been for a 0.6% decline, The Federal Reserve Bank did revise its March estimate from a 1.5% decline to a 1.7% decline. The capacity utilization rate for total industry, fell to 69.1% in April, the lowest level on records dating back to 1967. Meanwhile Statistics Canada reported the value of Canadian manufactured exports dropped unexpectedly by 2.7% in March to near a 10 year low. This has resulted manufacturing sales having now dropped almost 25% since their peak in July 2008.

Generator Problems

NPCC – Entergy shut its 1068 Mw Indian point #3 nuclear unit after a valve that controls waterflow failed. The outage is expected to be brief and operators placed the unit in “hot standby” mode.

OPG’s Nanticoke #2 coal fired unit was taken off line for short term maintenance ework

FRCC – FPL’s 693 Mw Turkey Point #3 nuclear unit ramped up to 94% of power, up 27% from Thursday.

MISO – FirstEnergy said its 1231 Mw Perry nuclear unit was at 32% this morning, up 2% from yesterday.

Northern States Power said its 613 Mw Monticello nuclear unit was at 59% power this morning, up 6% from Thursday morning.

WSCC – APS said Friday that its 1340 Mw Palo verde #3 nuclear unit will not return to service until next week end, not his weekend as previously announced.

SCE said its 1178 Mw San Onofre #3 nuclear unit was operating at 89% capacity this morning down from full power on Thursday.

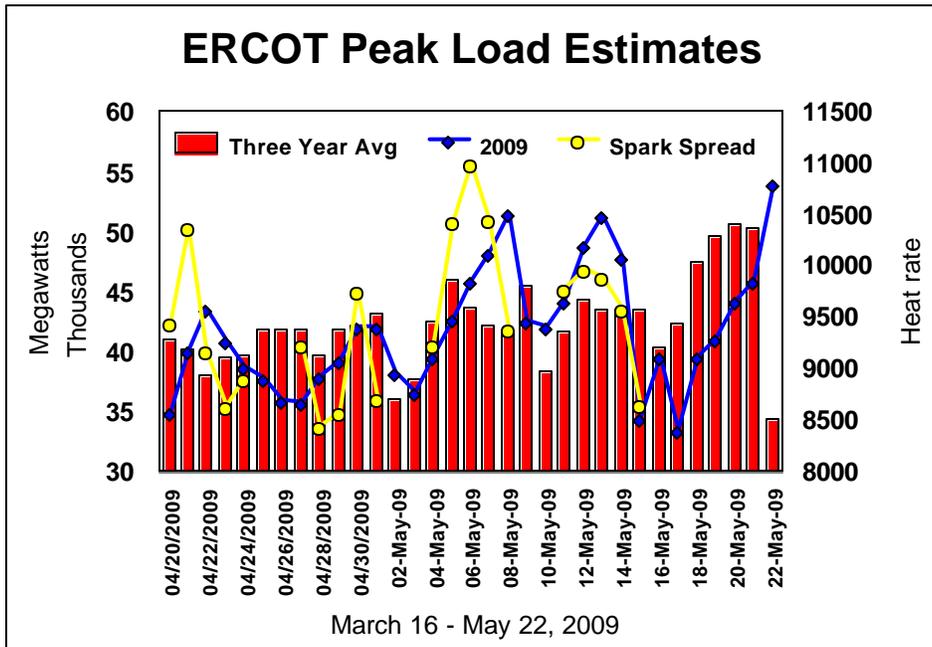
The NRC reported this morning that 84,822 Mw of nuclear generation capacity was on line, down 1% from yesterday and up 0.6% from the same time a year ago.

The Reuters/University of Michigan Survey of Consumers released its preliminary index of confidence for May and it showed it rose to 67.9 from 65.1 in April. Market expectations had been for a reading of 67.0.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day Moving Avg
				(As of 12:30 PM)		
Henry Hub	964,600	\$4.049	(\$0.048)	(\$0.112)	\$0.056	(\$0.223)
Chicago City Gate	458,100	\$4.008	\$0.019	(\$0.153)	\$0.127	(\$0.109)
NGPL- TXOK	520,400	\$3.882	\$0.046	(\$0.279)	\$0.154	(\$0.218)
SoCal	320,700	\$3.724	(\$0.051)	(\$0.437)	\$0.057	(\$0.351)
PG&E Citygate	637,400	\$4.050	(\$0.047)	(\$0.111)	\$0.061	(\$0.057)
Dominion-South	202,000	\$4.297	\$0.012	\$0.136	\$0.120	\$0.181
UTrade Weighted	17,727,700	\$3.839	(\$0.052)	(\$0.322)	\$0.06	(\$0.223)

The Rockies Express Pipeline again reported that recent adverse weather conditions have again delayed the service start up of the eastern end of its pipeline. Initial service to all REX East

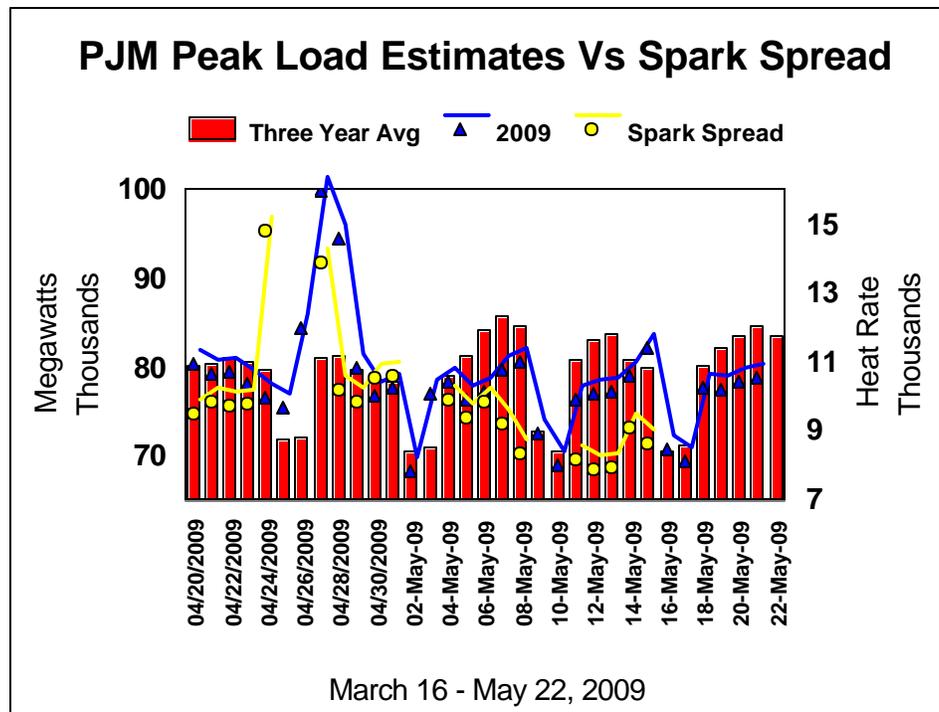
delivery points into Illinois and Indiana will be delayed until the first half of June. The company had previously estimated a mid to late May start up. When completed the pipeline will be able to deliver about 1.8 bcf/d of gas from Colorado into Ohio. Weather related problems, including Wabash River flooding has delayed the start of of this service several times already.



NGI is reporting that the proposed legislation governing emissions trading by Congressman Waxman and Markey would provide for state-regulated local natural gas distribution companies to receive 9% of the emission credit allowances for free under the proposed allocation method. Later in the day Reuters was reporting that the House leadership is planning to give away around 85% of the greenhouse gas

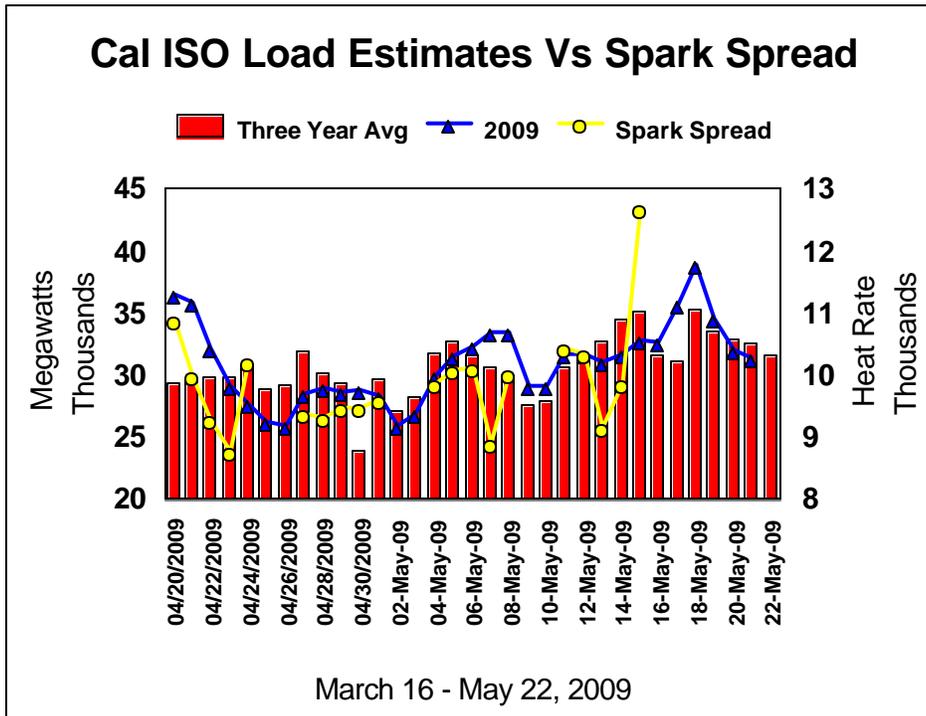
emission credits, as apart of an agreement to win moderate support for the legislation to pass this year. The Obama administration was seeking to auction off 100% of the credits as a potential trillion dollar revenue generator.

Congressman Stupal late Thursday re-introduced legislation that seeks to curb excessive speculation in energy markets, increase oversight of OTC markets and extend those provisions to the future U.S. carbon emission market. The bill has been introduced twice before but failed to move through Congress. The Congressman who heads the House Energy and Commerce Subcommittee on Oversight and Investigations, said that with crude oil inventories at their highest level in 20 years at the same time



demand is at a 10 year low, prices have jumped on the NYMEX from \$35 per barrel to nest \$60 per barrel. He views this price action as evidence that speculators are once again driving up the price of energy. His legislation seeks to subject all energy transactions to uniform position limits and large trader reporting, whether done on U.S regulated markets or those transacted on a U.S. terminal on a

foreign board of trade. It also seeks to eliminate hedge exemptions for swap contracts, as well as making participants disclose market data on the positions of swap dealers and index funds. The bill requires all OTC trades to take place on a CFTC registered derivatives clearing organization and bans the transacting of so-called "naked" credit default swaps.



Baker Hughes reported today that the number of drilling rigs searching for natural gas fell by just two rigs on the week to 728 rigs. The number of natural gas rigs had peaked this past September at 1606 rigs, but has now begun to slow in its contraction over the past several weeks.

BG Group's LNG tanker Methane Heather Sally, arrived at the Elba Island terminal on Friday, carrying LNG from Egypt.

Barclay's in a research note this week noted that investors are shifting away from exchange traded crude oil contracts into other listed energy products, especially natural gas, in anticipation of lower U.S. natural gas production and higher prices. They estimate that \$500 million flowed last month into the U.S. Natural Gas Fund, the sister product to the U.S. Oil Fund. The gas fund has \$1.1 billion in assets under management, the second highest on record. It holds 97,000 futures and swaps contracts. The U.S. Oil Fund, the world's largest exchange traded product, has shed almost 40% of its contracts since February. Barclay's warned though that interest in the gas fund may not be sustained, because the cost of rolling over contracts before expiry is high. To maintain its position, the fund sells or rolls over, its front month contracts before they expire and buys second month swaps and futures. Barclay's said it sees the recovery in natural gas prices are likely to be led by the back end of the curve and thus would look to establish positions in the 2010 contract months instead.

Barclay's in a research

Qatar's Al Shamal LNG tanker is due to arrive at Britain's South Hook LNG terminal on Saturday.

ConocoPhillips said it looks for natural gas prices to range between \$4-\$8 per Mmbtu and oil prices will average \$60-\$80 per barrel over the next five years.

Analysts at SunTrust Robinson Humphrey said a \$7.50 per Mcf natural gas price in 2010 would provide the economic stimulus to lift drilling activity enough to maintain market balance.

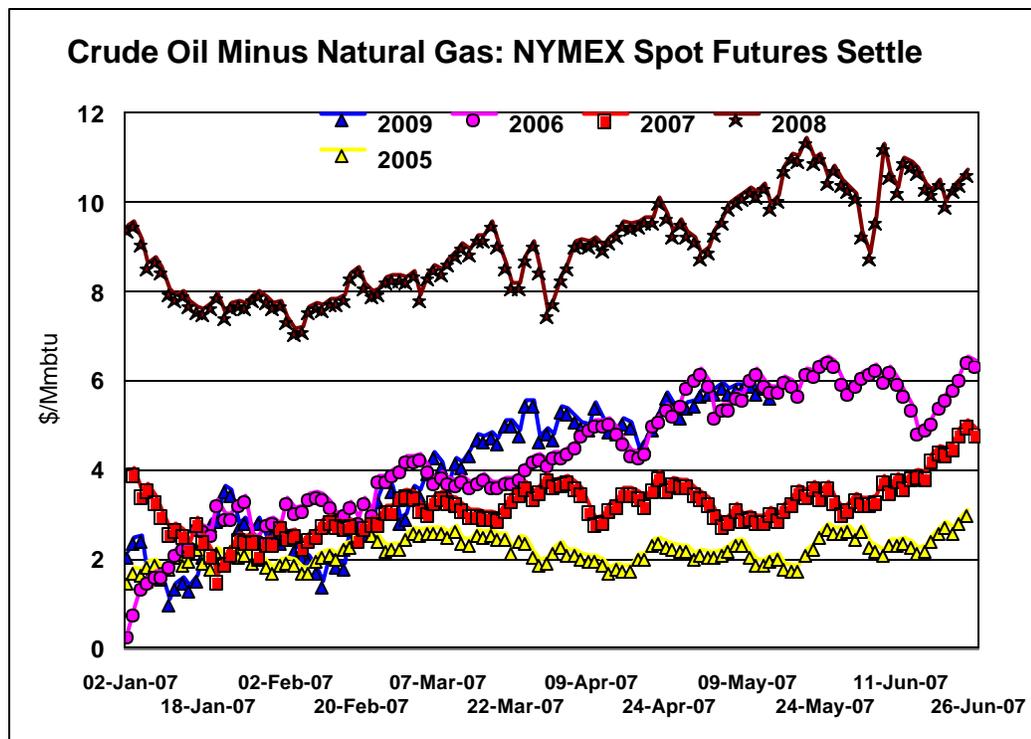
Gazprom said it is ready to buy all the gas from the Azeri Shah Deniz II, the second stage of the offshore development of natural gas in Azerbaijan. This project was targeted as a principal supply source for the proposed Nabucco pipeline project. The Deputy Director of Gazprom said the "optimal" route for the gas from Azerbaijan would be Russia's proposed South Stream pipeline. The second stage of Shah Deniz could add 12-14 billion cubic meters of annual gas output in three to five years once a market is found and a transit route is ensured.

Platt's June Japan Korea Marker assessed Asian spot LNG prices as being fairly flat for the second week of May, priced at \$3.80 Mmbtu. They noted that the sole source of active demand remained China's CNOOC, which was reportedly holding a formal tender for a June delivery.

Australian environmental authorities on Thursday stressed their continued opposition to the expansion of the proposed Gorgon LNG project to include three trains. Chevron though said it remains confident that the project will move ahead this year.

Eni SpA said today that it has signed an agreement with Gazprom that confirmed the companies' commitment to the South Stream pipeline project and increase the capacity of the project from 31

billion to 63 billion cubic meters per year.



Gazprom confirmed today that its natural gas exports to Western Europe fell 38% in the first quarter of this year to 22.07 billion cubic meters. In 2008, Gazprom's exports to Western Europe rose by 4%. Gazprom's exports to central Europe though were off by 70% during the first quarter, while exports to the Commonwealth of Independent States and Baltic states fell

10% during the period.

The Ukraine's Naftogaz said it would soon start buying gas for storage with advance payment received from Gazprom for the use of Ukraine's pipeline network. The company is projecting to inject up to 20 bcm of gas. This past winter the company had 17 bcm of stocks, which helped its domestic consumers survive the three week shut off of Russian gas supplies.

China's National Offshore Oil Corporation said it plans to build its South China Sea natural gas terminal in the city of Zhuhai.

Venezuela's President Chavez said that he expected to sign an agreement with Argentina that would set the location and construction date of an onshore LNG regasification terminal in Argentina. Venezuela is currently building a liquefaction plant in Venezuela that is expected to begin operations in two years. The LNG import terminal is expected to have the capacity to handle between 10 and 20 million cubic meters per day.

PIPELINE MAINTENANCE

SONAT said it returned to service on Thursday a portion of its 24-inch north main line in northern Alabama between its Providence and Tarrant compressor stations. The line had been taken out of service on Monday for maintenance work.

Questar Pipeline said that on Thursday May 14th it had completed the necessary repairs at the Kastler compressor station. As a result injection capacity at Clay Basin was returned to 375,000 Dth/d.

Gulf South Pipeline said it will be performing pipeline maintenance on its Index 219 beginning Wednesday May 20th. The work is expected to last two days. Receipt locations Caplis Well and Red Chute CP will be shut in and unavailable for service for the duration of the maintenance.

PIPELINE RESTRICTIONS

ANR Pipeline said that due to gas quality issues, it has posted a capacity restriction for SMI 61, located on its Southeast Area Fuel Segment. SMI 61 has been shut in until further notice.

TransCanada said there was the potential for an Alberta System tolerance change for April 16th due to current line pack level and draft rate.

KMIGT said that effective May 15th and until further notice it is at capacity for delivered quantities through Segment 340 (Ulysses Lateral). AOR/IT & Secondary out-of-path quantities are at risk of not being scheduled.

Natural Gas Most Active Spreads-Traded Volume		
Traded on Globex May 15th Change from Prior Session		
Contract	Volume	
Calendar: 1xNG JUN09:-1xJUL09	17077	-4368
Calendar: 1xNG JUN09:-1xOCT09	2948	-3285
Calendar: 1xNG JUN09:-1xAUG09	2231	-204
Calendar: 1xNG OCT09:-1xJAN10	2165	-918
Calendar: 1xNG JUL09:-1xAUG09	2070	-866
Calendar: 1xNG AUG09:-1xSEP09	1902	-1623
Calendar: 1xNG SEP09:-1xOCT09	1301	-555
Calendar: 1xNG JUN09:-1xSEP09	1080	25
Calendar: 1xNG OCT09:-1xNOV09	767	-202
Calendar: 1xNG JUL09:-1xSEP09	657	-600
Calendar: 1xNG DEC09:-1xJAN10	606	-92
Calendar: 1xNG JUN09:-1xNOV09	561	-320
Calendar: 1xNG JUL09:-1xOCT09	556	-742
Calendar: 1xNG MAR10:-1xAPR10	501	-385
Calendar: 1xNG OCT09:-1xDEC09	477	-70
Calendar: 1xNG JUN09:-1xJAN10	425	-329
Calendar: 1xNG JAN10:-1xMAR10	380	-326

NGPL said that effective May 15th and until further notice, it will not schedule any new overruns of LPS Parks or Loan Paybacks in the Production Zones on the Amarillo System. The company said though that there were no restrictions of LPS on the Gulf Coast System.

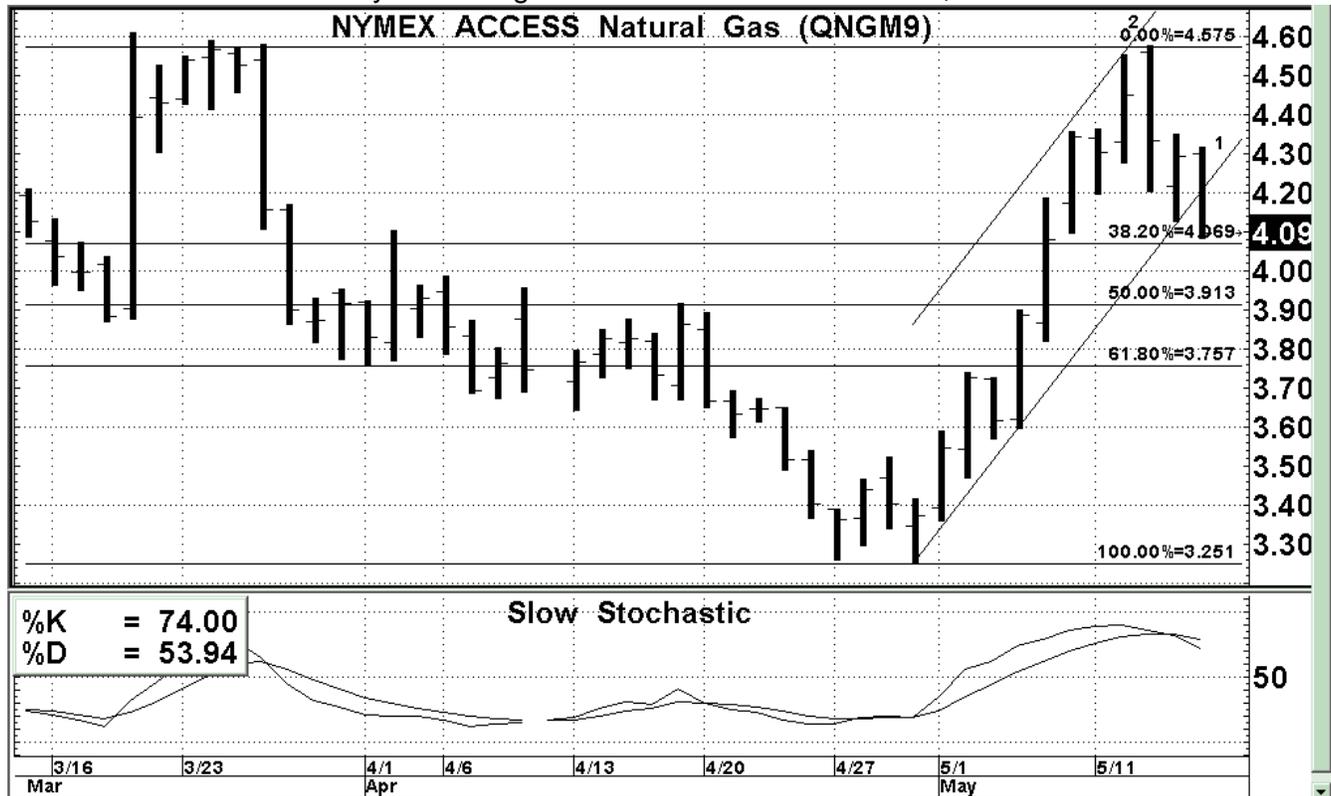
ELECTRIC MARKET NEWS

Atomic Energy of Canada reportedly has been chosen by the Ontario government as the lead bidder for a multi-billion dollar project to build nuclear power plants in the province. Ontario officials though noted that before the company, which is owned by the Canadian government, is formally award the contract, it is seeking assurances from the federal government that it will share in the projects risks as well.

Genscape reported that its U.S. national coal burn index continued to decline, falling 0.1% on the week ending Thursday, adding to a 4% loss from the previous week, and down 1%. They noted the absence of midwestern industrial demand as a key factor.

The New York State Public Service Commission today issued a notice that will require major electric and gas utilities in New York to file austerity plans with the commission within 30 days. These plans will detail current and future corporate actions during the economic downturn to reduce or postpone discretionary costs and eliminate unnecessary spending. These utilities must also show how the cost savings from their plans will be shared with customers and how soon the savings will be shared.

Ameren Illinois said it has finally restored service to all of its customers following the severe weather that struck its service territory a week ago that knocked out service to 68,800 customers.



MARKET COMMENTARY

The bulls seems to have finally moved onto defense as the natural gas market this morning breached the lower end of the ascending trade channel of the past three weeks and settled lower for the third consecutive trading session. The June natural gas market late this afternoon set the day's low on the close as prices tumbled down and came close to testing support at the 38% retracement of the recent bull move at \$4.069.

While we remain bearish on this natural gas market, we feel any further erosion in price is limited if it is not matched in the oil and equity markets. We see support on Monday at \$4.069 followed by \$3.913 and \$3.757. Resistance we see at \$4.27-\$4.29 followed by \$4.33, \$4.38-\$4.40 and \$4.575. More distant resistance we see at \$4.705 followed by \$5.14.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.