



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 17, 2010

NATURAL GAS MARKET NEWS

Spectra Energy's Maritimes U.S. and Maritimes Canada reported in separate website postings that natural gas production from the Sable Offshore Energy Project returned to normal levels. The project operated by Exxon Mobil had been undergoing planned maintenance that began in early May. The project produces between 400-500 million cf/d of natural gas and 20,000 barrels of natural gas liquids per day.

The Climate Prediction Center reported this morning that for the week ending May 15th it estimated that on a population weighted basis the U.S. saw some 21 cooling degree days for the period, some 23.5% more than normal but 12.5% less than the same week a year ago. For the current week that agency is

Generator Problems

NPCC – OPG's 494 Mw Lambton #3 coal fired power station was shut early Monday.

OPG's 490 Mw Nanticoke #3 coal fired power plant was shut early Monday.

Dominion's 1131 Mw Millstone #3 nuclear unit was warming up and at 3% power this morning.

Bruce Power's 822 Mw Unit #3 and #6 at the Bruce nuclear power station were shut over the weekend.

PJM – PPL's 1149 Mw Unit #1 at the Susquehanna nuclear power station tripped of line over the weekend. The unit had been at 94% power when it stripped off line.

SERC – Southern's 860 Mw Farley #2 nuclear unit started to exit its refueling outage and was at 2% power this morning. The unit had been shut since April 5th.

MISO – AEP's Cook #1 nuclear unit returned to full power today.

The OPPD has returned its 478 Mw Fort Calhoun nuclear unit to full power, up 9% from Friday.

ERCOT – The Martin Lake #2 coal fired power plant said maintenance would take place late Monday evening.

Maintenance at the Monticello coal fired unit #2 was expected to be restarted today after the unit had been shut last week to fix a condensate booster pump.

AEP planned to restart the 690 Mw Oklaunion coal fired power plant over the next couple of days. The unit had been shut last week due to a tube leak.

The NRC reported that there was some 84,484 Mw of nuclear power generated today, up 0.8% from yesterday and off 0.6% from a year ago.

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	757,900	\$4.337	\$0.071	\$0.001	\$0.058	(\$0.083)
Chicago City Gate	655,500	\$4.408	\$0.075	\$0.072	\$0.024	\$0.028
NGPL- TX/OK	796,200	\$4.211	\$0.058	(\$0.125)	\$0.007	(\$0.157)
SoCal	495,500	\$4.182	\$0.126	(\$0.154)	\$0.075	(\$0.225)
PG&E Citygate	850,900	\$4.512	\$0.069	\$0.176	\$0.018	\$0.135
Dominion-South	535,900	\$4.569	\$0.150	\$0.233	\$0.099	\$0.168
USTRade Weighted	19,995,800	\$4.315	\$0.109	(\$0.021)	\$0.06	(\$0.083)

estimating 23 CDD some 4.2% less than normal but 4.5% more than the same week a year ago.

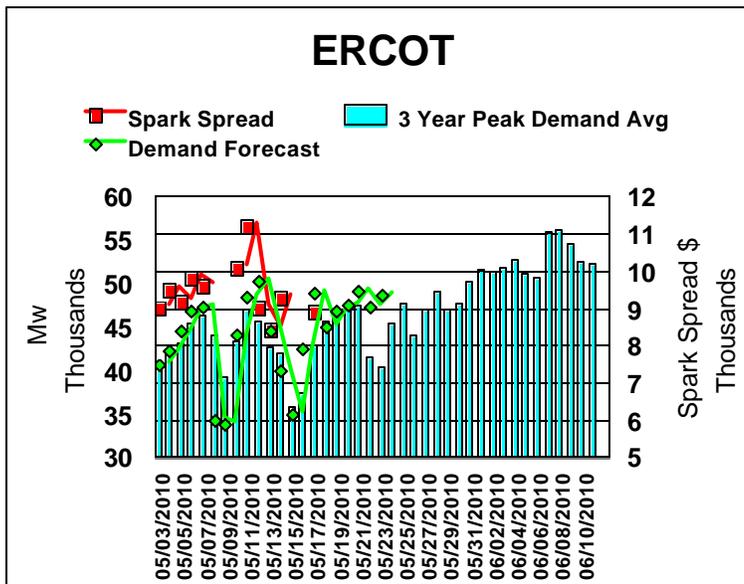
Louisiana officials said today that two more offshore oil and gas wells have been shut by

operators due to the oil spill in the Gulf of Mexico. The shutdowns were voluntary due to the threat posed by the spreading oil spill as it surrounds potential ignition sources. The state declined to say how much productions was affected.

Sempra's Costa Azul LNG terminal in Baja California, in northern Mexico, is expected to receive the Tangguh Hiri LNG tanker from Indonesia on Monday.

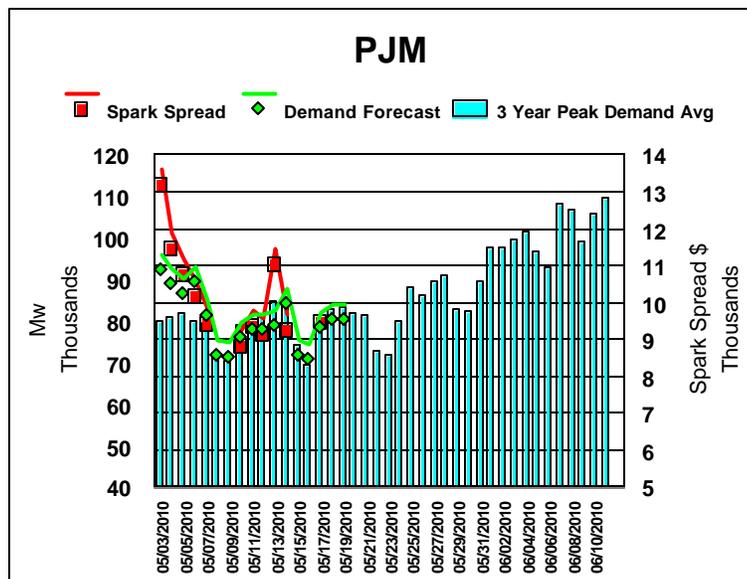
Milford Haven port authority reported today that the 138,000 cm Methane Kari Elin LNG tanker is expected to berth at the Dragon terminal on May 24th. Meanwhile the 138,000 cm British Innovator LNG tanker is scheduled to arrive at the Isle of Grain terminal on May 17th.

Royal Dutch Shell said it expects to make a final investment decision on its Prelude floating LNG project in Australia in early 2011 and plans to sell most gas via its own trading firm. The company said it plans to boost its gas portfolio by adding 15 million tones per year of LNG capacity by 2020, with most of its gas investments are being planned in Australia.



Chevron said it is on track to make a final investment decision on its proposed Wheatstone LNG project by 2011. The company is currently assessing the Australian government's proposed tax

changes to the resource sector. The proposed tax would be the imposition of a 40% profit tax on Australian miners' "super profits" as defined as mining returns above the 10-year government bond yield of less than 6%.



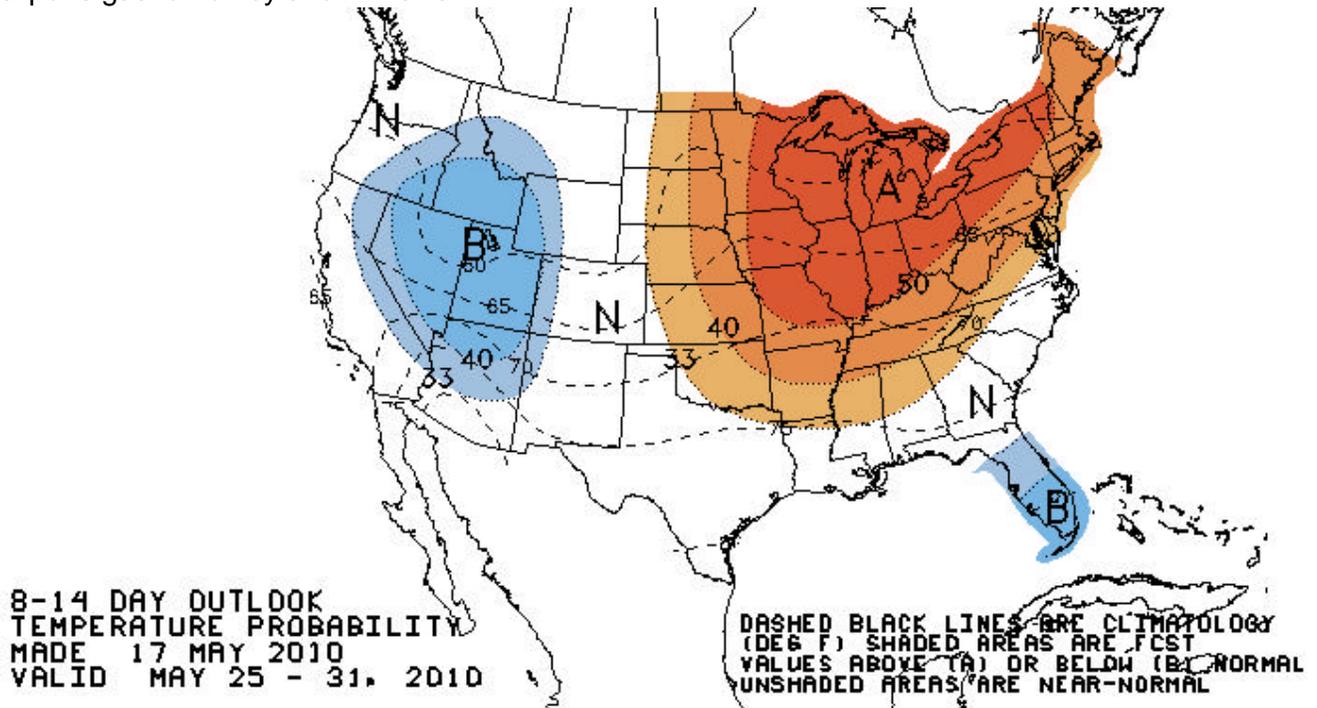
Australia's Resource and Energy Minister said today that the Australian government is committed to helping the nation's fledgling coal seam gas industry to get started. He noted the government was open to negotiation over the final details of the tax with the resource sector

Gazprom's CEO said today that it would be ready to fund a complete overhaul of the Ukrainian gas network if Kiev agreed to merge Naftogas with Gazprom. The

company head said its proposal for a merger "is fully in line with global trends to merge energy firms." Meanwhile the Ukraine's Energy Ministry reported that the volume of Russian gas crossing the Ukraine to Europe rose 54.7% to 36 bcm in the first four months of 2010 versus the same time a year ago.

Reuters reported today that Kuwait's Mina Al Ahmadi LNG terminal is expected to receive a cargo of LNG on May 22nd. This would follow the recent arrival of the Grand Elena tanker, which arrived, from Sakhalin, Russia on May 15th and the Trinity Arrow which arrived from Belgium on May 10th.

The managing director of the National Iranian Gas Company said that Iran's gas exports have doubled in the first two months of the Iranian year, which started on March 21st versus a year ago. Iran currently exports gas to Turkey and Armenia.



Qatar reportedly is in talks with Turkey's state run pipeline operator Botas for LNG sales, but Qatar's energy minister declined to give further details. Qatar is also believed to be in talks with Lebanon and Turkey for sales of LNG. Lebanon is looking for supplies of 3 million tones of LNG per year

The UAE said it would start production from its offshore associated gas project in July. It looks to bring some 211 mmcf/d of gas produced at offshore oil wells onshore for gas processing via a 200 km gas pipeline.

German gas imports in March were estimated at 362,302 tj, up 46.2% from a year ago, with imports for the first three months of the year running 29.9% above a year ago.

Azerbaijan said on Monday that it was still working with Turkey on the technical details of a long negotiated gas supply deal. The negotiations have dragged on for two years but could be announced this week. If an elusive agreement is reached it could unlock further supply deals of another 6-7 bcm per year of gas from Shah Deniz II and this could further free up volumes of gas to flow to Nabucco.

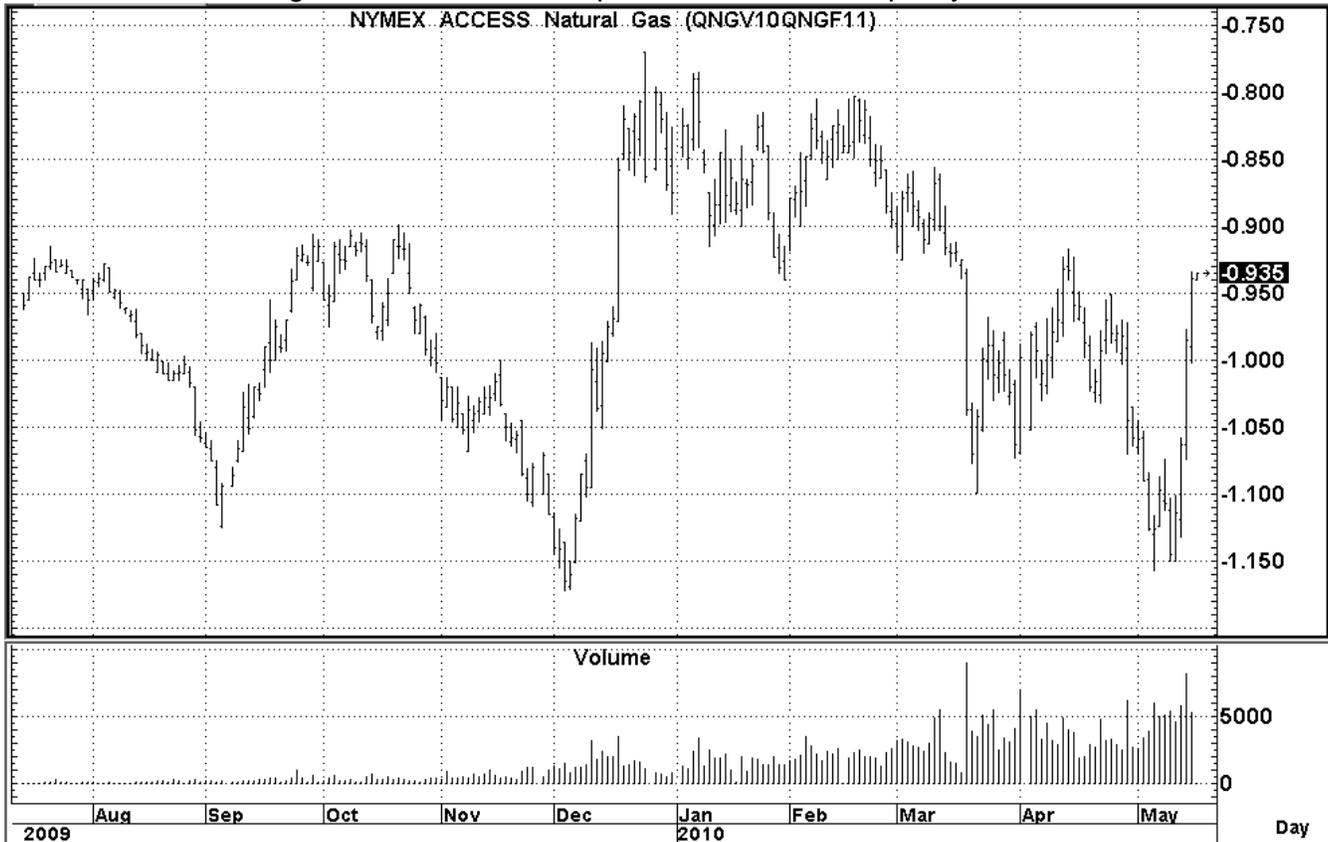
The New York Federal Reserve said its gauge of manufacturing in New York State showed growth advanced at a slower pace in May. Its Empire State general business conditions index fell to 19.11 in May from 31.86 in April. The index has shown growth for 10 consecutive months. The NY Federal Reserve also stated that employment grew for a fifth consecutive month, reaching its highest level since 2004. The number of employees increased to 22.37 from 20.25 in April. The new orders index fell to 14.3 from 29.49 in April.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline restricted through approximately 56% of market to supply secondary out of path nominations pathed through the Niagara Spur Backhaul point.

PIPELINE MAINTENANCE

California Gas Transmission said the Nox retrofit at the Kettleman compressor station, which will begin on June 7th and continue until August 13th. To help mitigate the majority of potential Baja path firm cuts during the summer, CGT has been able to reduce the amount of firm contracts on the Baja Path down to a level of contracting the matches the anticipated available firm capacity.



ELECTRIC MARKET NEWS

Genscape reported that U.S. power output for the week ending May 13th fell 4% from the prior week and was 1.8% less than the same week last year.

PJM announced on Friday the results of its Reliability Pricing Model capacity auction for resources to meet electric power demand in June 1, 2013 to May 31, 2014 delivery year. The RPM auction procured 152,743 Mw of capacity resources including 9,282 Mw of demand response; a 32% increase compared to last year’s auction results. The auction also featured 679 Mw of energy efficiency, 590 mw of wind power and 10.6 Mw of solar power. The RPM price in half of PJM will be \$27.73 per Mw day and will be between \$226.15 per Mw day and \$247.14 per Mw day in the remaining transmission constrained areas.

MARKET COMMENTARY

Despite the continued erosion in oil prices today the natural gas market finished higher for the third time in the last four trading sessions. Stronger cash market values appeared to help push futures values higher, but the June contract was still unable to break above the resistance at \$4.426 by the end of the day. The June contract though still recorded its highest settlement since March 17th.

Given the approach of warmer than normal temperatures over the 814 day period this market it appears should continue to press to break above the major resistance at \$4.427. If this resistance can finally be breached additional short covering should be set off that could allow prices to run up to the \$4.60 area followed by additional resistance at \$4.678. This is the area where we would look to be a seller once again. More distant resistance points we see are at \$4.86 and \$4.933. Support we see at \$4.213 followed by \$4.145 and \$4.077. More distant support we see at \$3.869 and \$3.81.

While the 12 month strip did not challenge the recent resistance in the strip at the \$5.09-\$5.10 area today the Oct-Jan spread continued to rebound strongly, up nearly another 5 cents today and up 20 cents in the last 4 trading sessions. Judging by open interest changes it appears that this spreads has seen strong new buying in recent days.

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