



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 18, 2009

NATURAL GAS MARKET NEWS

While not a threat to production areas at this time, weather forecasters were watching a tropical wave that is just north of Cuba. The weather system has the potential to acquire at least, some tropical characteristics is expected to head towards the Florida east coast on Tuesday before moving inland and possibly reorganizing off the west coast of Florida later in the week. Accuweather noted that the storm system could potentially develop sub-tropical characteristics, similar to Sub-Tropical Andrea of 2007. Any storm they note would take several days to develop, and they would not expect to see such a potential system until the end of the week.

The FERC on Friday issued a draft environmental review of the Downeast LNG's proposal for a LNG import terminal in Robinson, Maine.

Repsol's LNG tanker, the Sestao Knutsen is expected to arrive at the Bahia Blanca LNG terminal in Argentina from Trinidad on May 28th. Excelerate Energy's specially designed Excelsior tanker will be docked at the terminal for the next few months

Generator Problems

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

OPG's 490 Mw Nanticoke #2 coal fired power plant returned to service Monday morning.

Constellation Energy's 498 Mw Ginna nuclear unit dropped to 50% of capacity early Monday, from full power recorded on Friday.

Entergy's 1025 Mw Indian Point #3 nuclear unit has exited its recent outage and was back to full power this morning.

PJM – Dominion Resources 799 Mw Surry #1 nuclear unit was back to full power this morning. The unit had been at 70% capacity on Friday following its restart last week from its earlier refueling and maintenance outage.

Dominion Power's 925 Mw North Anna #1 nuclear unit was at 85% capacity down 15% from Sunday.

PPL's 1150 Mw Susquehanna nuclear unit, which was shut down on April 7th was ramping back up and was at 20% capacity this morning.

PSEG Nuclear's 1120 Mw Hope Creek nuclear unit was off line experiencing a manual reactor scram from full power on May 17th.

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit was at full power this morning, up 6% from Friday's levels.

MISO – First Energy's 1231 Mw Perry nuclear power station was back up towards 60% capacity this morning, up 28% from Friday as the unit was restarted last week following a maintenance outage that began back on February 23rd.

Xcel Energy's 572 Mw Monticello nuclear unit had ramped up to 92% power this morning, 33% from Friday.

ERCOT – Luminant's 750 Mw Martin lake coal fired Unit #1 was shut and restarted this morning due to earlier boiler problems. The unit reportedly was back to normal by noon.

Luminant's 565 Mw Monticello #2 coal fired power plant was expected to be restarted today. The unit has been off line since May 7th.

WSCC – PG&E's 1118 Mw Diablo Canyon #1 nuclear unit was at 80% power this morning. Operators had lowered operating levels over the weekend as a result of some planned maintenance activities. The unit had been at full power on Friday.

SGE's 1178 Mw San Onofre #3 nuclear unit was operating at 99% power this morning, up 10% from Friday.

The NRC reported this morning that 84,994 Mw of nuclear generation capacity was on line, up 0.5% from yesterday and down 1.9% from the same time a year ago.

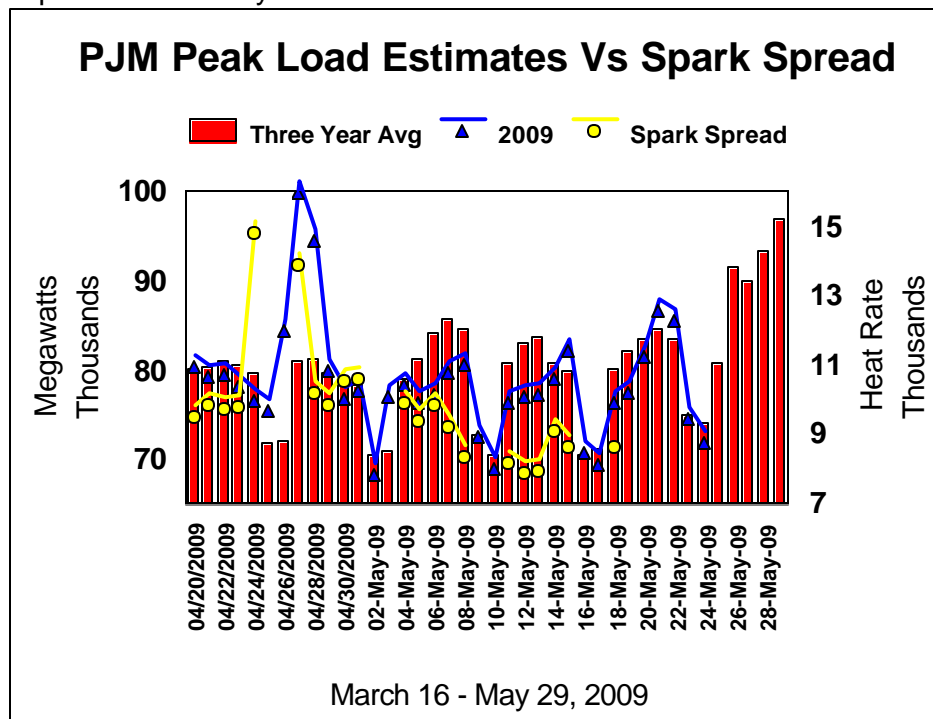
and will regasify LNG from incoming vessels before sending it via pipeline to the onshore grid.

The Kurdish regional government over the weekend reportedly signed

an agreement with Crescent Petroleum and Dana Gas, which would ultimately supply the Nabucco pipeline project. The Kurdish government noted that its primary focus is on creating gas supplies that would serve the domestic market, but it noted that its gas fields could produce a “substantial surplus” that could supply projects such as the Nabucco pipeline. The Iraqi oil minister said today that the central government of Iraq will not allow gas exports from Kurdish regions without its approval and its plans would not include any firms that have sought to negotiate with the Kurdish government directly.

Russia’s energy minister said today that he believes Russia’s South Stream pipeline project will be completed before the rival Nabucco project and that the Russian project is on the verge of being implemented shortly.

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	987,400	\$4.015	(\$0.033)	(\$0.136)	\$0.066	(\$0.254)
Chicago City Gate	520,200	\$3.974	(\$0.034)	(\$0.177)	(\$0.024)	(\$0.148)
NGPL- TX/OK	577,400	\$3.801	(\$0.081)	(\$0.350)	(\$0.071)	(\$0.250)
SoCal	343,700	\$3.689	(\$0.035)	(\$0.462)	(\$0.025)	(\$0.387)
PG&E Citygate	593,100	\$4.110	\$0.060	(\$0.041)	\$0.070	(\$0.063)
Dominion-South	396,100	\$4.331	\$0.034	\$0.180	\$0.044	\$0.150
USTrade Weighted	18,137,200	\$3.895	\$0.056	(\$0.256)	\$0.07	(\$0.254)



Natural Gas Week noted today that in order for the market to keep natural gas inventories below 4 trillion cubic feet by the end of October, some analysts have warned that domestic natural gas production may have to drop by 2 bcf/d for the rest of the summer. But they noted the recent rally in June natural gas futures prices has not encouraged producers to shut in additional production, but rather enticed some to return some shut in supply to the market.

The president of the World Bank said today that he

sees the pace of decline in the global economy is set to slow and that growth may return to the global economy as early as late 2009 or into 2010.

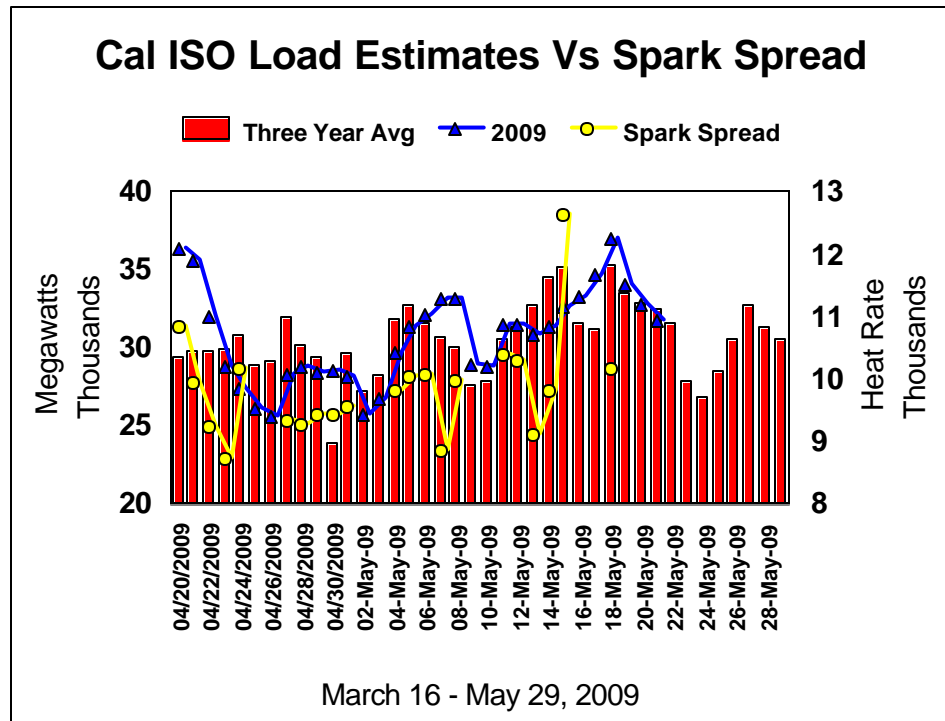
Calais LNG said it will conduct an open season this month, as it attempts to gauge interest in use of a gas pipeline running from its proposed LNG import terminal in Maine to the local grid. The binding open season will run between May 22 to June 12 and will be for the transport of 1 bcf/d. The proposed 20-mile pipeline would connect the Calais LNG terminal to the pipeline system of Maritimes & Northeast Pipeline and is expected to be in service by the first quarter of 2014.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective for today it anticipated restrictions on the Carthage Line Lateral. Due to nominations in excess of capacity the company restricted through 68% of Supply to market Secondary out of the Path nominations pathed from meters located on the Carthage Line Lateral.

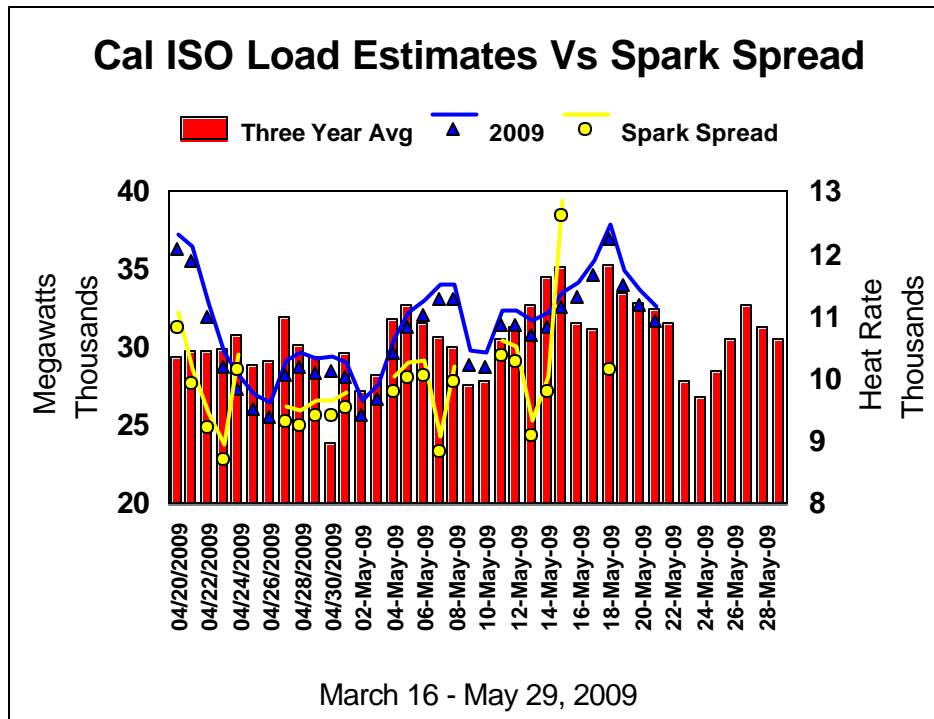
ELECTRIC MARKET NEWS

Genscape reported for today that U.S power output for the week ending May 14th rose 3.91% from the previous week and was 1.41% below the same week a year ago.



PJM announced today that demand resources in the PJM Interconnection will increase by more than 400% as a result of its electricity capacity auction for the 2012/2013 planning year. The market and the elimination of a special interruptible load provision whereby suppliers received payments for curtailing

usage drove the increase. Suppliers in this new program are now required to bid as demand resources.



MARKET COMMENTARY

While the oil and equity markets worked higher today, the natural gas market struggled to finish the day in positive territory. The market did not seem too worried by the forecasters warning that a subtropical system could form in the eastern Gulf of Mexico by the end of the week. Rather traders appeared disappointed that power generation demand for natural gas could remain limited over the next couple

of weeks due to moderate temperatures especially in the southern half of the nation, as well as given the holiday shortened week should also suppress industrial demand even further.

The exchange reported at midday that open interest basis Friday's trading showed the first time in ten trading sessions that the combined and adjusted number of open contracts in the Henry Hub futures and swaps declined by just over 1700 contracts. This would have to be seen as some modest long liquidation.

It appears that this market is ready to move back below the \$4.00 barrier once again. The market did breach this price level for only a short time upon the start of trading on Sunday evening, but for the most part spent much of Monday trading between \$4.07-\$4.23. But if outside markets such as the equity and oil markets move lower this week then the bears may feel comfortable in selling this market back through the \$4.00 price level once again. We see support \$3.913 tomorrow followed by \$3.883, \$3.76, \$3.60 and \$3.25. Resistance we see at \$4.21 followed by \$4.278, \$4.345, \$4.495 and \$4.56.

