



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 19, 2008

NATURAL GAS MARKET NEWS

Scientists with the National Oceanic and Atmospheric Administration determined that global warming would not lead to an increase in Atlantic Basin hurricanes. They said it may lead to fewer tropical storms and hurricanes.

A regulatory report on the Mackenzie Gas Project has been delayed for several months, which once again will push back the delayed startup date for Canada's Arctic pipeline.

Sempra Energy said its 17 bcf Liberty Gas Storage project in Louisiana would be ready for injections late this summer.

Interior Department's Bureau of Land Management said it would make available land for leasing in the Northeast portion of the National Petroleum Reserve-Alaska that could yield about 3 billion barrels of crude and trillions of cubic feet of natural gas for North American markets through gas pipelines that are currently in the planning stages.

Tenaska Capital Management LLC announced that Tenaska Power Fund and the other owners have agreed to sell Caledonia Energy Partners LLC a high deliverability, multi-cycle gas storage facility in Northeast Mississippi. The transaction is expected to close in the second quarter of 2008. The Caledonia gas storage facility currently is permitted to store 11.7 bcf of working natural gas. A permit to expand the facility to 16.9 bcf is currently pending approval by the FERC.

Generator Problems

NPCC – PSE&G's 1,130 Mw unit 2 at the Salem nuclear power station in NJ ramped up to 85% power as of early Monday. The unit was shut on May 12 due to an instrument problem related to the steam generator flow channels.

Dominion Resources Inc's 870-Mw Millstone nuclear power station #2 ramped up to 100% power from 18% early Friday. The unit has been shut since April 6 for a refueling outage.

Constellation Energy Group Inc's 600 MW Ginna nuclear power station is back up to full capacity after running at 50% power early Friday. On Thursday, the unit was operating at full power after ramping up this week from a refueling outage that began April 20.

PSE&G Nuclear said its 1,050 MW Hope Creek Nuclear Generating Station is at a reduced 87%, down from full capacity on Friday. Specific details remain unknown regarding the reduction, which was first noted by the NRC Saturday.

PSE&G operates Salem units 1 & 2, two 1,150 MW pressurized water reactors. Salem 1 is at full capacity and Salem 2 has climbed to 85% after a recent outage.

WSCC – Nebraska Public Power District has restarted its 800 MW Cooper nuclear facility in Nebraska, reconnecting the unit to the regional grid and increasing production to 22% capacity this morning. The reactor was shut April 12 for a regularly scheduled refueling and maintenance outage though no specific details are known.

SERC – Wolf Creek Nuclear Operating Corp's 1,167 Mw nuclear plant is running at full capacity, up from 48% on Friday, May 16. This unit was shut March 17 for refueling.

The TN Valley Authority shut down its 1,121 MW Watts Bar nuclear station this weekend. No reason for the outage was stated. The unit was running at full power on Friday, May 16.

Main – Exelon Generation has restarted its 1,120 MW Braidwood nuclear unit 2 and it is now at 72% capacity after completing a regularly scheduled refueling and maintenance outage. The unit was shut April 19 for the outage, which occurs every 18 months at Braidwood.

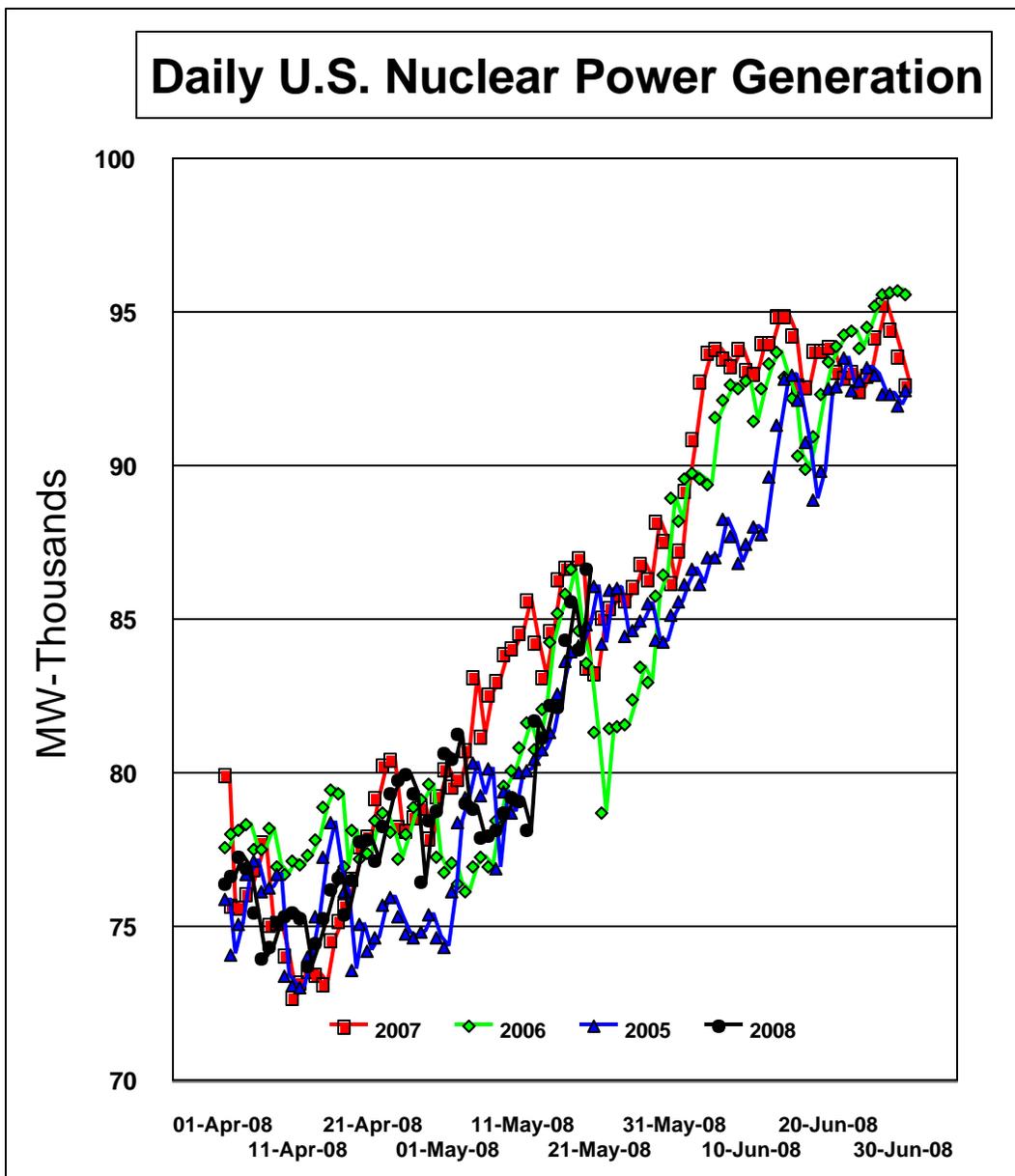
The NRC reported that 86,660 Mw of nuclear capacity is online, up 2.73% from Friday and up 1.8% on the year.

Pipeline Restrictions

Florida Gas Transmission announced that due to 90-degree weather, it issued an Overage Alert Day at 25% tolerance. FGT said it would not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.

PIPELINE MAINTENANCE

Kinder Morgan said that its Rockies Express system has received all necessary regulatory approvals to place the remaining 210-mile portion of the Rex-West, which runs from an ANR Pipeline meter station in Brown County, KS to Panhandle Eastern Pipe Line in Audrain County, MO in service. It is expected to begin full service on Tuesday.



KM Interstate Gas Transmission said it would perform maintenance at its Herndon Compressor Station on Tuesday. Capacity through Segment 775 will be limited to 220,000 Dth. It also stated that it would perform maintenance at its Laton Compressor Station on Thursday. Capacity through Segment 775 will be limited to 235,000 Dth.

ELECTRIC MARKET NEWS

Electric Transmission America, a joint venture of American Electric Power and MidAmerican Energy Holdings co, has formed a joint venture company with Westar Energy Inc to build and own new electric transmission assets in Kansas. It is proposing to build about 230 miles of extra high voltage 765 kv transmission facilities extending from Wichita, KS to a substation northeast of Dodge, KS and then south to the Kansas border from Medicine Lodge, KS.

Patriot Coal Corp announced that it has entered into a joint venture agreement to develop certain coal reserves in Central Appalachia. The joint venture has made arrangements to purchase two existing underground mines

with more than 5 million tons of Eagle seam reserves and will use the Rocklick preparation plant to process the coal.

MARKET COMMENTARY

Once again the natural gas market traded higher early in the session in follow through strength seen in the crude market. The market retraced some of its gains but held good support above \$11.10 for much of the session. However the natural gas market later breached that level amid some profit taking ahead of the close. The market sold off to a low of \$10.857 and settled down 14 cents at \$10.954. The natural gas market traded lower despite the late day rally in the oil market, which saw its premium over natural gas move out to yet another high of \$10.951. The market seemed to have been shrugged off the strength in the crude as nuclear generation continued to rebound and as mild spring weather is expected to spark little demand for natural gas.

Technically, the natural gas market is seen retracing some more of its previous gains after the market breached and settled below its upward trendline in place since mid-March. The market is seen finding support at its low of \$10.857 followed by \$10.781, \$10.609, \$10.595, \$10.36 and \$10.311. Resistance is seen at \$11.00, \$11.18,

\$11.202 and its high of \$11.278. More distant resistance is seen at \$11.451, \$11.583 and \$11.623.

