



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 19, 2009

NATURAL GAS MARKET NEWS

The U.S. National Hurricane Center this morning said the development of the low pressure system near the central Bahamas and Florida is now unlikely, since the system is being absorbed by a larger non-tropical low pressure system currently over Florida. Accuweather though continued to look for a hybrid storm system will develop in near Key West over the next 24-36 hours and could generate winds similar to a tropical storm. Computer models point to this system will move northwest toward the upper Gulf Coast on Thursday and Friday.

The U.S. Commerce Department reported today that new U.S. housing starts and permits dropped to record lows in April, while retail sales fell last week. Housing starts fell 12.8% to an annual rate of 458,000 units last month, the lowest since records were started back in January 1959.

StatoilHydro reported that it has halted production and evacuated workers at its Kollsnes gas processing plant after a condensate leak was discovered on Tuesday. A spokesman for the plant said it was too early to say when the plant, one of Norway's largest gas export plants, could be restarted or estimate the production impact of the stoppage.

GDF Suez LNG tanker, the Maran Gas Coronis is expected to arrive at the UK Isle of Grain terminal from Egypt on May 29th. One ship tracking service has estimated that Britain has regasified over 73 bcf of gas so far this year versus just 9 bcf a year ago.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #7 coal fired unit was shut down for short-term maintenance Tuesday.

Constellation Energy's 610 Mw Ginna nuclear unit was at 51% capacity this morning, up marginally from yesterday.

Entergy's 685 Mw Pilgrim nuclear unit was warming up but still remained off line at 15% power. The unit has been off line since April 17th.

PJM – PPL's 1150 Mw Susquehanna nuclear unit #1 was at 93% capacity up 13% from yesterday. The company also noted that Unit #2 was at 38% capacity up 18% from yesterday.

PSEG Nuclear's 1120 Mw Hope Creek nuclear unit was warming up today and was at 10% power. The unit tripped off line on Sunday morning.

MISO – Xcel Energy's 551 Mw Prairie Island #1 nuclear unit was shut due to a problem with a circulating water pump. The unit had been at full power on Monday.

Northern States Power's 613 Mw Monticello nuclear unit was back to full power this morning, up 8% from yesterday.

FirstEnergy's 1231 Mw Perry nuclear unit was at 50% power this morning down 10% from Monday.

FPL Energy's 615 Mw Duane Arnold nuclear unit was at 90% capacity this morning, down 10% from yesterday.

ERCOT – Xcel Energy's 545 Mw Tolk #2 coal fired unit was expected to be restarted over the next week. The unit has been shut since May 8th for maintenance.

Luminat's 1150 Mw Comanche Peak #1 nuclear unit was at full capacity today, up 30% from Monday.

WSCC – PG&E's 1118 Mw Diablo Canyon #2 nuclear unit dropped to 48% capacity on Tuesday, off 32% from Monday.

The NRC reported this morning that 84,999 Mw of nuclear generation capacity was on line, basically unchanged from yesterday and down 2.8% from the same time a year ago.

The Ukrainian Energy Ministry said today that it hopes to have 28 billion cubic meters of gas in storage by this winter. The country currently has 16 bcm of gas storage.

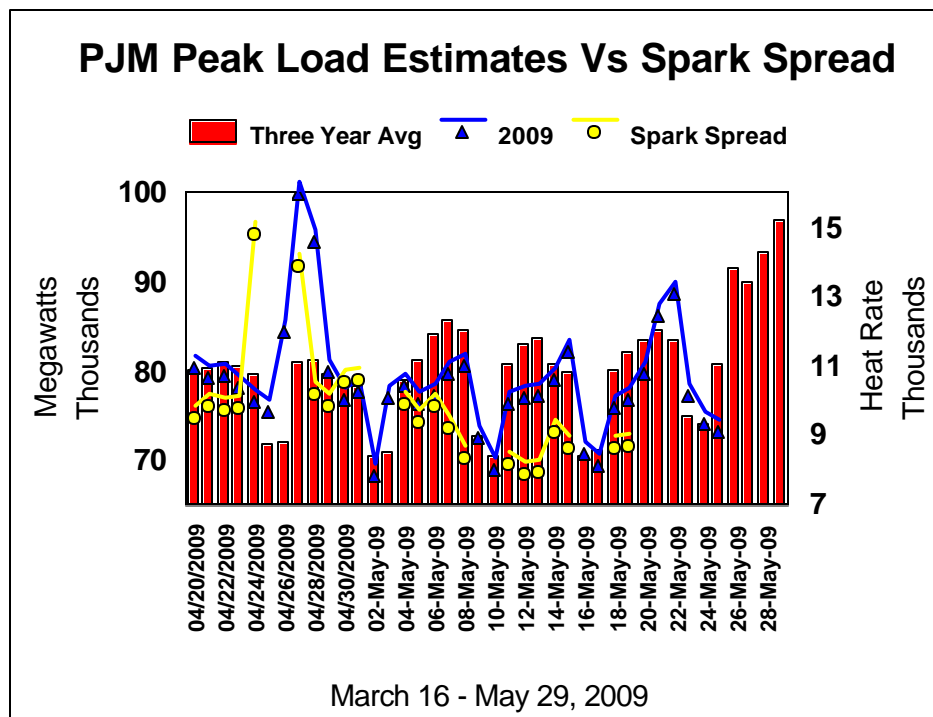
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	803,800	\$3.985	(\$0.030)	\$0.018	\$0.090	(\$0.277)
Chicago City Gate	362,500	\$3.882	(\$0.092)	(\$0.085)	\$0.092	(\$0.179)
NGPL- TX/OK	510,600	\$3.740	(\$0.062)	(\$0.228)	\$0.122	(\$0.275)
SoCal	326,900	\$3.586	(\$0.103)	(\$0.381)	\$0.081	(\$0.429)
PG&E Citygate	772,400	\$3.976	(\$0.134)	\$0.009	\$0.050	(\$0.081)
Dominion-South	256,700	\$4.223	(\$0.108)	\$0.256	\$0.076	\$0.129
USTrade Weighted	16,679,300	\$3.801	(\$0.094)	(\$0.166)	\$0.09	(\$0.277)

Total said it plans to sign its final agreement to supply LNG from Indonesia's Bontang plant to Japanese buyers next month. Indonesia reportedly has agreed to extend

the contract with Japanese firms for 2011 for 10 years. Under the agreement the buyers will purchase a total of 3 million tonnes per year of LNG from 2011-2015 and 2 million from 2015-2020. The LNG price reportedly will be tied to Japan's crude oil cocktail price.

Greek officials said today that the Greek section of the proposed Russian backed South Stream natural gas pipeline could cost up to \$1 billion euros (\$1.36 billion), depending on which path is selected for the line. Final decisions on the pipeline are expected by May 2011. The pipeline is

projected to carry 10 bcm through Greece, of which 2 bcm will be targeted for domestic consumption.

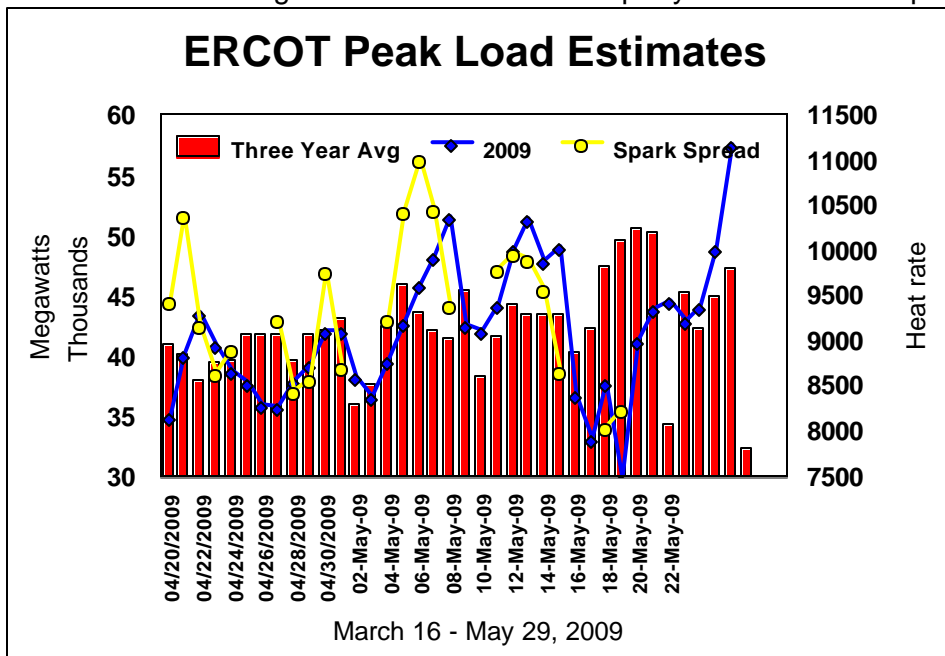


A spokesman for the UK South Hook LNG terminal confirmed that some sub-contractor workers have walked off the site. It appears that these workers were joining some contract workers from the Dragong LNG import terminal and workers from the RWE AG's Aberthaw Power Station in Wales that staged a walkout as part of an unofficial work action. Meanwhile the National Grid declined to comment on market rumors that the Isle of Grain terminal which

suspended operations at one point today, was due to technical problems. The National Grid website showed that the terminal suspended operations late in the afternoon.

Gazprom said it is seeking to resume natural gas imports from Turkmenistan under existing contracts. Gas supplies to Russia have been suspended since Turkmengaz, reported a pipeline blast and an ensuing blaze early in April.

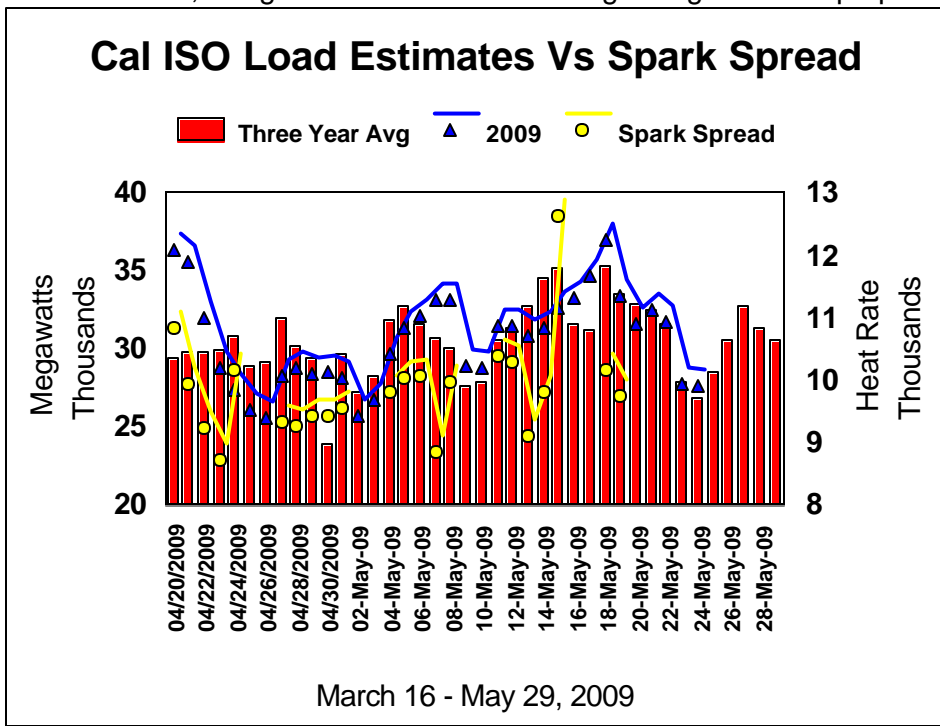
Gazprom officials said today that they expect the French energy company GDF Suez to finalize its entry into the Gazprom-led Nord Stream gas pipeline project "before the end of the summer". GDF Suez is looking at taking a 9% stake in the project. Gazprom said E.ON and BASF/Wintershall each with 20% stakes in the project would reduce their stakes to allow the entry of GDF Suez. Nord Stream is scheduled to start gas deliveries at 27.5 bcm per year in the fourth quarter of 2011.



Gazprom said today that it is considering building a LNG storage facility near St. Petersburg.

Local Italian authorities said today that ERG and Shell have requested more time to study the feasibility of building a LNG import terminal on the island of Sicily. The 8 bcm/year facility had originally been targeted to be operational by 2010, but due to continued authorization delays, now would not be operational until 2013 at the earliest.

The Bank of International Settlements said in a recent report that the global derivatives market shrank for the first time in the second half of 2008 as the global financial crisis curbed trading. The amount of outstanding contracts linked to bonds, currencies, commodities, stocks and interest rates fell 13.4% to \$592 trillion. That was the first decline in 10 years of compiling data. The amount of credit default swaps fell 27% to cover a notional value of \$41.9 trillion. BIS analysts noted that trading volume could decline further after more than 2000 banks, hedge funds and asset managers agreed to a proposal last month that will make it easier to move contracts to a clearing house and eliminate overlapping trades. Interest rate derivatives remained the largest part of the market accounting for \$418.7 trillion, down 8.6%, forex swaps accounted for \$49.8 trillion, down 20%, equity derivatives \$6.5 trillion, down 36% and commodities \$4.4 trillion, down 67%.



PIPELINE MAINTENANCE

Wyoming Interstate Company said one unit at Laramie will be out of service May 18th through

June 1st in order to facilitate the rebuilding of a turbocharger. The capacity through LRC will be reduced from 770 MMcf/d to 685 MMcf/d.

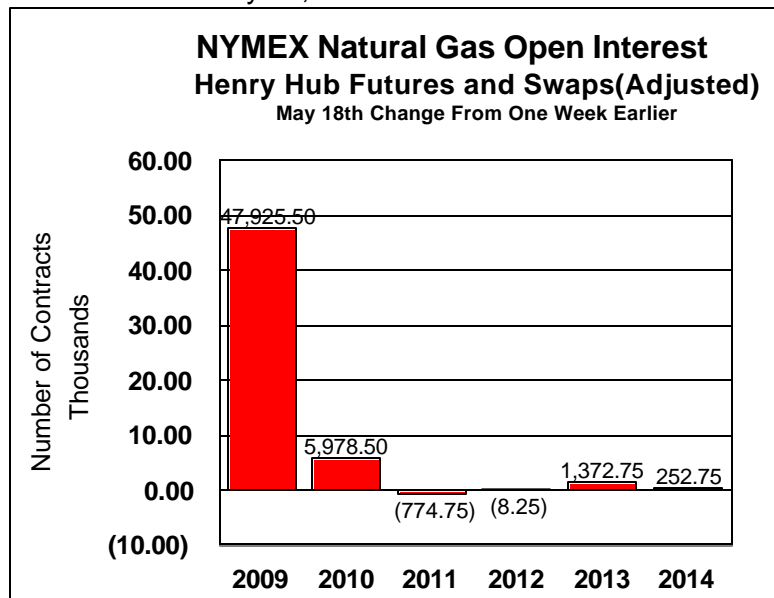
PIPELINE RESTRICTIONS

Questar Pipeline said that due to unseasonably high inventory levels at Clay Basin, it will not accept any ISS Injection or transfer nominations into ISS accounts effective June 1st until further notice.

Tennessee Gas Pipeline said that effective May 19th it anticipates the restriction on Carthage Line Lateral. The company looks to restrict through approximately 66% of Supply to market Secondary Out of Path nominations pathed from meters along the line

ELECTRIC MARKET NEWS

The North American Electric Reliability group released their Summer 2009 assessment and it looks for the economic recession to contribute to an overall reduction in power demand this summer by 2% from last year’s forecast assuming normal weather conditions. NERC said capacity reserve margins, which have been shrinking in recent years, will exceed target levels this summer in every region. Summer peak reserve margins are expected to be 4.7% points higher in 2009 than a year ago, due to lower expected demand and a 2.3% increase in generation. The NERC though did see on a regional basis, New England, parts of the U.S. Northwest, the central U.S. and Virginia and the Carolinas, could see power use match or slightly exceed last summer’s consumption. Supplies of fuel to generate power are at above average levels heading into summer. Utilities have about 52 days of supply of eastern coal and 69 days of supply of Powder River coal. The supply of natural gas in working storage is at 1.65 bcf, versus 1.7 bcf historic high. Generation from wind farms has grown by 45% from last summer and now reaches nearly 30,000 Mw.



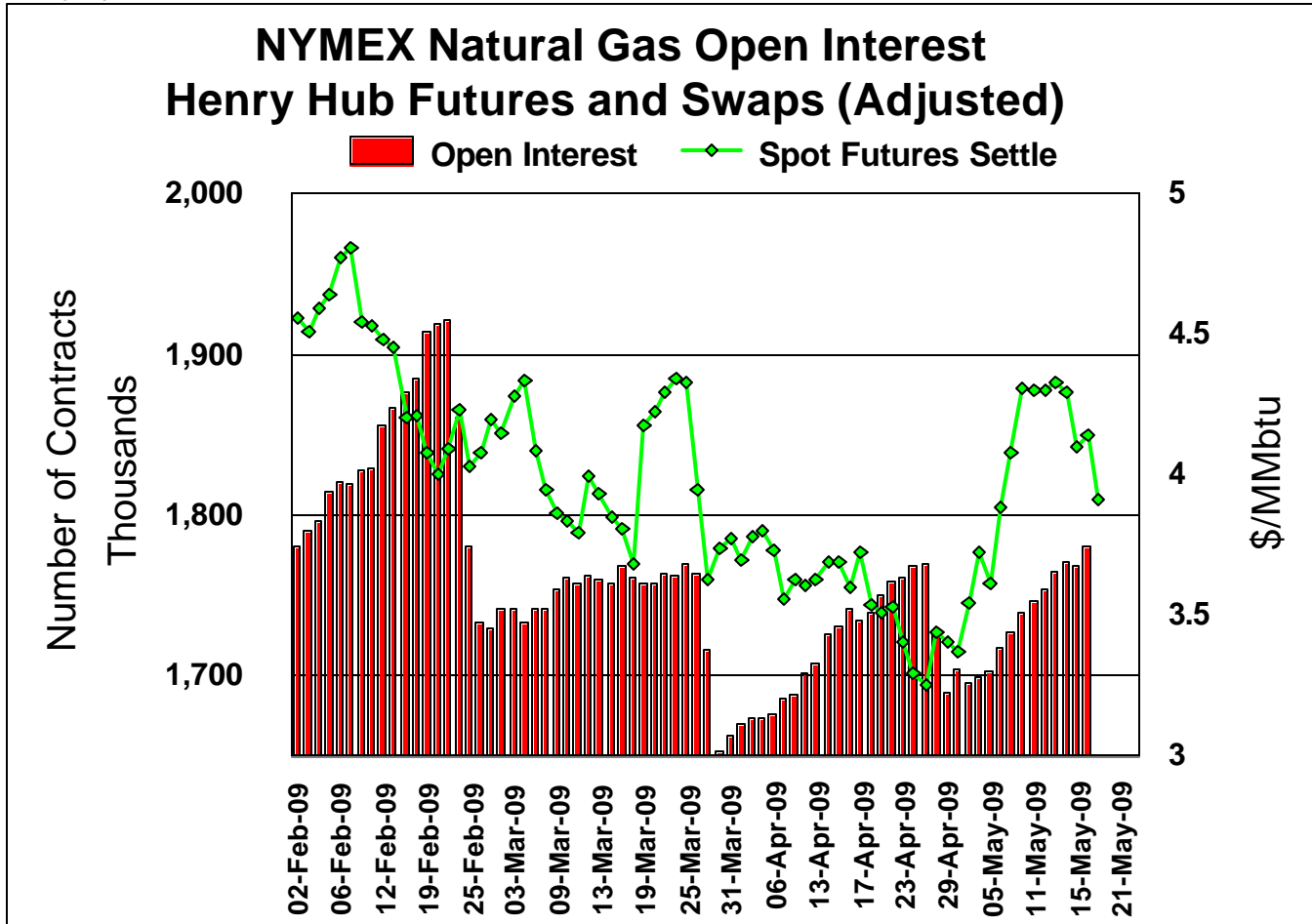
Reuters estimated today that U.S. nuclear plant autumn refueling outages is expected to reach 19,000 Mw, which would be in line with the five year seasonal outage and a little above last year’s outages of 18,300 Mw.

Genscape reported that U.S. coal stocks at power plants rose 0.8% from a week ago and are 15% greater than the same week a year ago.

ERCOT was requested by the Texas Public Utility Commission to conduct an analysis of the likely effects of the proposed climate change legislation on electricity prices within ERCOT area.

ERCOT study found the following: In its reference case, with \$7.00 Mmbtu natural gas prices, expected load levels and the existing and committed level of wind and other generation, the carbon allowance costs must rise between \$40 and \$60 per ton in order to reduce carbon emissions from electric generation in ERCOT to 2005 levels by 2013. This level of allowance costs would result in an annual increase in wholesale power costs of approximately \$10 billion and would increase a typical consumer’s bill by \$27 per month. At higher natural gas prices, such as \$10 per Mmbtu, brought about by increased demand for natural gas due to carbon dioxide emission limitations or other reasons, allowances would rise well over \$60 per ton, and result in annual costs increases of \$20 billion in power costs in order to meet 2005 level of emissions.

Cal ISO approved the Highwind Project transmission upgrade that will reach renewable generation facilities planned for a remote area of California. The project will include 10 miles of new transmission lines and a new substation, is the first project considered under the state's new rules that allow the Cal ISO to designate a renewable energy resource area and allow it to move forward under the FERC's Location Constrained Resource Interconnection (LCRI) process. The process allows for a cost recovery to be set up and a project approval mechanism that breaks the so-called "chicken – or – egg" dilemma. The project has a \$46.1 million cost.



The U.S. Commerce and Energy secretaries on Monday announced significant progress that will help expedite development of a nationwide "smart" electric power grid. A Smart Grid would replace the current, outdated system and employ real time, two way communication technologies to allow users to connect directly with power suppliers. The department heads announced the first set of standards that are needed for the interoperability and security of the Smart grid.

MARKET COMMENTARY

Despite crude oil prices pushing back toward the \$60.00 price level as the June crude oil contract expired today, natural gas prices remained on the defensive throughout the trading session basis the diminishing threat of a tropical threat in the Gulf of Mexico, coupled with a continued poor near term economic outlook. By mid morning natural gas had breached the \$4.00 price level and never looked back. Prices just before the close reached an intraday low of \$3.859 before bouncing basically a dime. Price though still finished the session at their lowest level since May 6th. It is interesting that the exchange reported that open interest basis trading for May 18th actually increased on a combined and adjusted basis by 12,147 lots, in what has to be seen as new shorts coming into the market rather than long liquidation.

We remain bearish on this market and would look for continued price pressure this week, especially if Thursday's storage report is neutral to bearish. We see support tomorrow at today's low of \$3.859 followed by \$3.776-\$3.757, \$3.697 and \$3.59-\$3.57. Additional support we see at \$3.251 and \$3.155. Resistance we see at \$4.00 followed by \$4.133, \$4.217 and \$4.30. Additional resistance we see at \$4.575.

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.