



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 20, 2008

NATURAL GAS MARKET NEWS

Amaranth LLC yesterday called on the FERC to dismiss charges that the hedge fund had influenced the cash price of natural gas in 2006 through its manipulation of NYMEX natural gas contracts.

Excalibur Energy announced today that it plans to build a \$550 million natural gas pipeline and associated LNG import system for offshore New Jersey. The facility would have a designated capacity to regasify 2.4 bcf/d of LNG and is projected to be in operation by 2011.

Texas Eastern Transmission said today that it has finalized the design of its proposed TIME III pipeline expansion project. The project would handle 120 million cf/d of additional natural gas transportation capacity from Oakford, Pennsylvania to Station 195 on the Transco pipeline system in York, Pennsylvania. The company is now holding an open season for the project.

Rockies Express Pipeline said Tuesday that the final 210 miles of the REX-West pipeline are in service. Some 500 miles of the pipeline had begun service back in January.

Excellerate Energy announced yesterday that its Northeast Gateway offshore LNG system in Massachusetts Bay has received its first LNG tanker shipment over the weekend and has thus begun commercial operations.

Raymond James analysts noted that natural gas production which was up 7% in the first quarter, by domestic publically traded companies, was being driven by stronger productivity gains in areas like the Barnett Shale region and was only temporarily masking the overall declining well productivity trends of core U.S. supply of the past decade.

Total led a group of investors that announced today that it had signed a \$2.8 billion financing package for a \$4 billion liquefaction plant in Belhaf, Yemen. The project will produce 6.7 million tones per year of LNG and is 75% complete.

A FERC administrative judge ruled today that the market manipulation charges against Energy Transfer Partners and affiliates and the allegations against Oasis Pipeline and affiliates are different and should be considered in two separate hearings.

Wyoming Interstate Pipeline today filed an application with the FERC seeking authorization to construct a 230 MDth/d compression expansion on its Piceance Lateral in Northwest Colorado.

Generator Problems

NPCC – OPG took off line its 535 Mw Lennox #1 oil and gas fired generating unit for short-term maintenance today.

PJM – PSEG Nuclear's 1100 Mw Salem #2 nuclear unit was at 95% of capacity this morning up 10% from the prior day.

SERC – TVA's 1155 Mw Browns ferry nuclear unit #3 ramped up to 90% up 30% from Monday.

MAPP – NPPD's 478 Mw Fort Calhoun nuclear unit ramped up to 58% of capacity, up 22% from Monday.

MAIN – Exelon's 1120 Mw Braidwood #2 nuclear unit was at 80% of capacity this morning up 8% from yesterday.

The NRC reported that 87,431 Mw of nuclear capacity is online, up 0.89% from Monday and up 2.34% on the year.

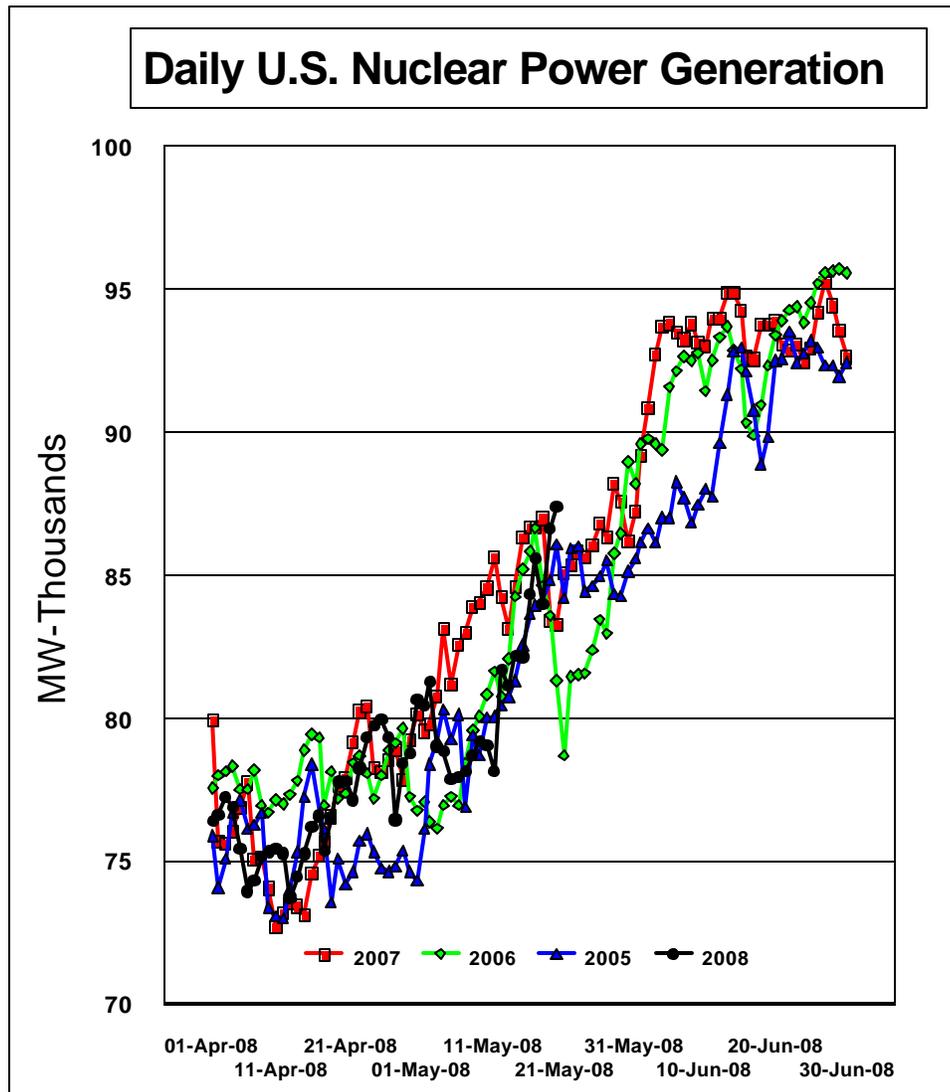
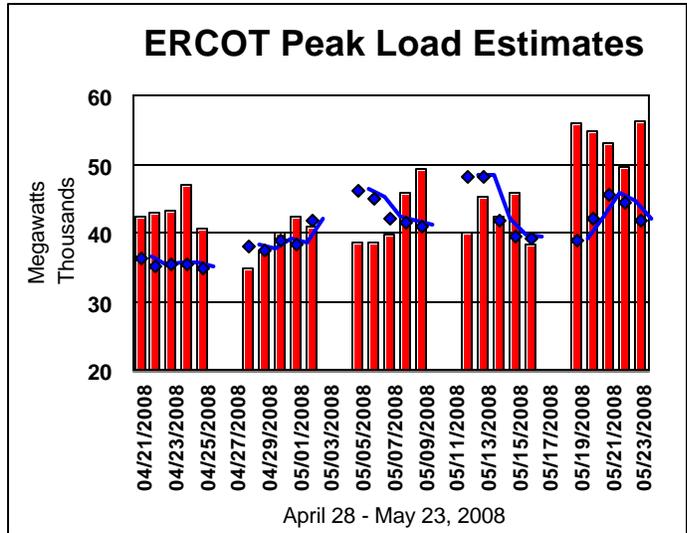
The office of the Alaska's governor said today that the governor would make a decision by Thursday on whether to endorse a proposal by TransCanada to build an Alaskan natural gas pipeline. The aides to the governor also noted that the governor should release an analysis of a proposal by BP and ConocoPhillips to build a gas pipeline outside of the state's AGIA process.

PIPELINE RESTRICTIONS

FGT said that given 90+ degree weather is forecasted for its Market Area over the next several days, there was the potential the company may issue an Overage Alert Day.

PIPELINE MAINTENANCE

KMIGT said that maintenance at its Herdon Compressor Station scheduled for today was cancelled, given the work was completed at an earlier date.



Gulf South Pipeline said that maintenance at its Marksville Unit #4 has been extended through July 1st. The maintenance work, which began on May 5th, was originally expected to last 30-45 days. Capacity through the station could be reduced by as much as 150,000 Dth during the period.

ELECTRIC MARKET NEWS

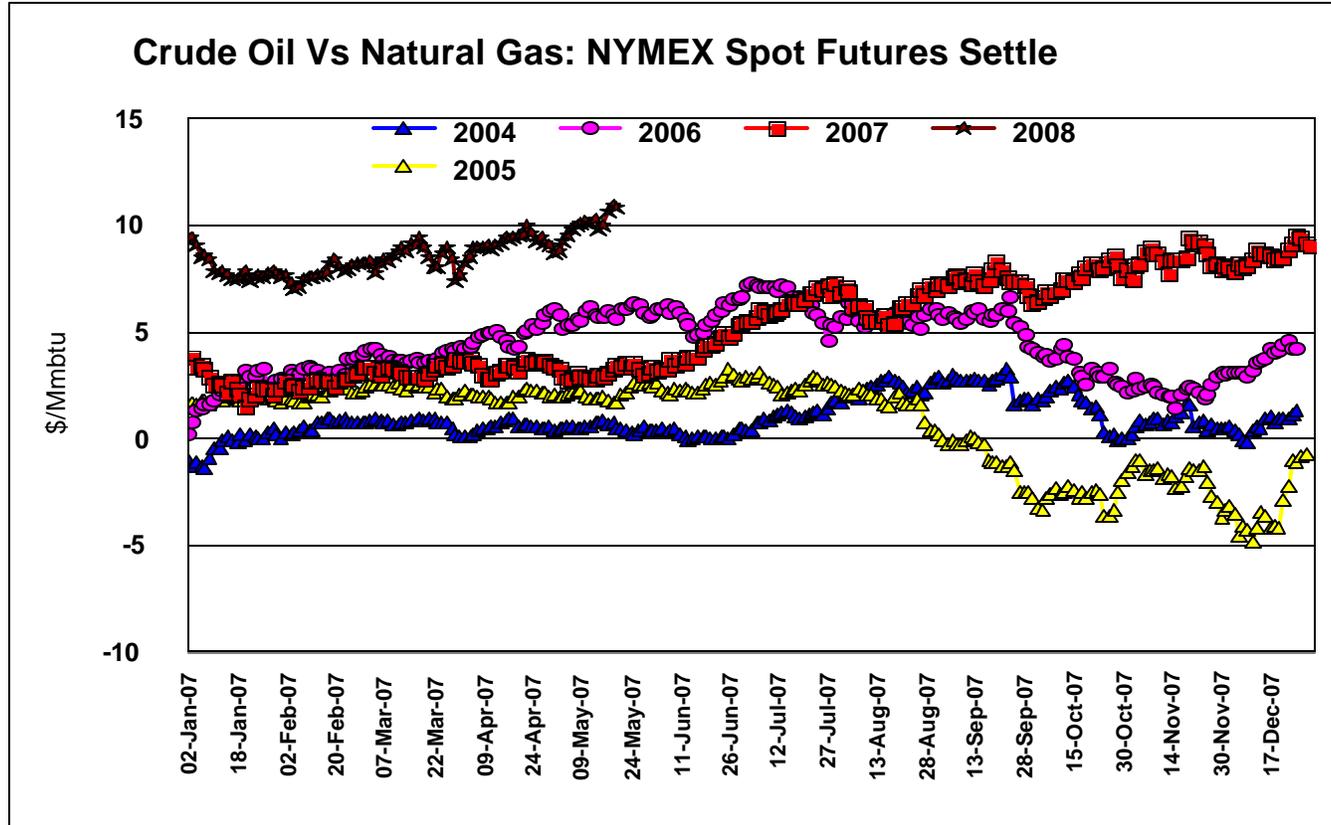
Genscape reported today that total U.S. coal stocks at U.S. power plants rose 1.48% for the week ending Monday but while running 7.8% above year ago levels this was a 0.2% decline for the week.

Electric Transmission America reported that it has formed a joint venture with Westar Energy to build a new high voltage electric transmission line in Kansas. The \$600 million project would be the first ultra-high-voltage line west of the Mississippi.

The EIA said today that U.S. energy related CO2 emissions rose by 1.6% in

2007, due to a 2.2% increase in GDP and weather related energy usage due to higher cooling and heating needs. The report noted that natural gas related emissions rose by 6.6% while coal related emissions rose by 1.1%. While the electric generation sector's carbon emissions rose by 3% it was at a faster pace than overall generation levels which rose by 2.5%. Natural gas generating emissions were up 10.5% on the year while coal related emissions only rose 1.8%. Non-carbon generation fell by 15 billion kWh in 2007, led by a dramatic 40 billion kWh drop in hydro generation, while increases in wind and nuclear generation were recorded.

ERCOT announced today that it has postponed the December 1st launch of a nodal market transmission-pricing program. The grid operator noted that delays in the delivery of software needed to implement the market. No new implementation date was given. The new pricing system is slated to replace the current congestion zone management system. The nodal design will create pricing points for more than 4,000 nodes or generation locations.



MARKET COMMENTARY

The natural gas market today while opening a few pennies better received a major shove upward this morning following on the dramatic upwards surge in oil prices. This allowed natural gas to retrace two thirds of its losses of the past week and seriously challenge the trend line of this sell off before noon. While the market moved in a sideways patten for the afternoon it was able to settle up 40 cents on the day, a single day price gain not seen since the beginning of the month. While the bullish oil market remains the overriding factor on this market, supportive fundamentals that are in the background are the delay in the restart of the Independence Hub coupled with load forecasts for the remainder of this week continue to show strong demand out of the ERCOT region coupled with a late season demand in the upper Midwest and the Northeast.

We would look for this market to seek initial resistance tomorrow at \$11.414 followed by \$11.477, and \$11.578. More distant resistance we see at \$11.791-\$11.794 and \$12.105. Support we see at \$11.24, followed by \$11.167, \$11.094 and \$11.05. Additional support we see at \$10.922, \$10.954\$10.737 and \$10524.