



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 20, 2009

NATURAL GAS MARKET NEWS

World Gas Intelligence pointed out this morning that statistics from the Texas Railroad Commission appear to highlight some interesting trends in domestic natural gas production. It shows that production in Texas in February dropped 6.6% from January, with the sharpest rate of decline coming in the Barnett shale areas, which dropped 8.5%. The downturn reflects slumping drilling and steep decline rates in producing shale gas wells. They noted though that shut-ins appear scarce.

Enbridge reported that it has completed a successful nonbinding open season for its proposed interstate LaCrosse pipeline. The pipeline has a projected capacity of 1.0-1.8 bcf/d from the Carthage Hub in East Texas to an interconnect with SONAT in southeastern Louisiana. The company plans to move forward with the project and is expected to be in service by 2011.

Generator Problems

NPCC – Entergy’s 685 Mw Pilgrim nuclear unit was at 50% capacity, up 35% from yesterday.

Constellation Energy’s 610 Mw Ginna nuclear unit was at 50% capacity this morning down marginally from the day before.

PJM – Operators at PSEG Nuclear’s 1200 Mw Hope Creek nuclear unit ramped the unit back to full power up 80% from yesterday.

Operators at PPL’s Susquehanna nuclear plant increased output at its 1150 Mw Unit #1 up to 94% and the sister Unit #2 to 60%.

MISO – Xcel Energy said that it expects a short term outage at its 538 Mw Prairie Island #1 nuclear unit. The unit went off line on May 18th.

FirstEnergy’s 1231 Mw Perry nuclear unit is at 82% capacity, up 32% from yesterday.

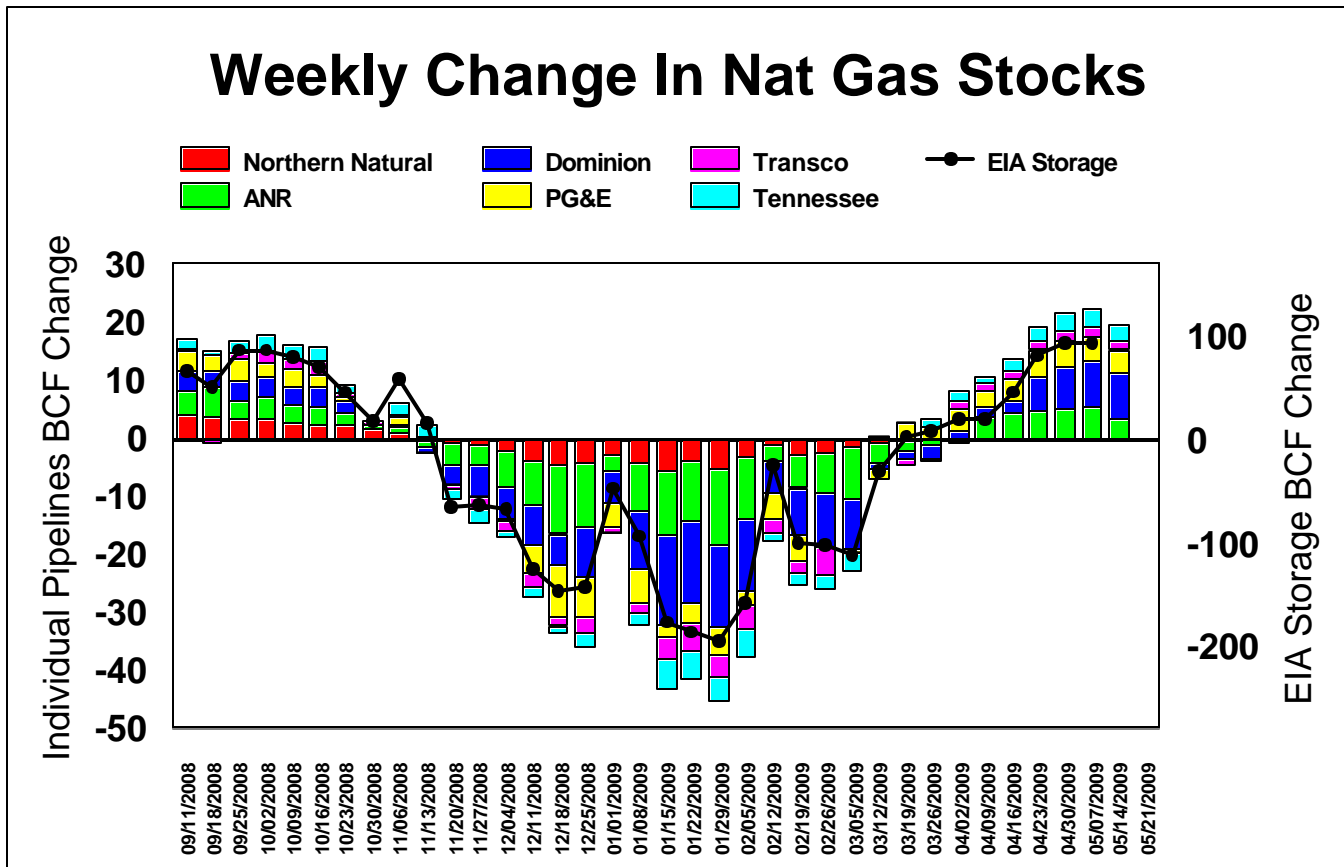
The NRC reported this morning that 8,724 Mw of nuclear generation capacity was on line, up 2% from yesterday and down 0.8% from the same time a year ago.

The Excalibur LNG tanker arrived at the Everett, Massachusetts LNG terminal from Trinidad, on Wednesday

Gassco AS, Norway’s natural gas pipeline operator plans to re-start the Kollsnes gas processing plant tonight after its shutdown yesterday due to a condensate leak. The plant processes as much as 143 million cubic meters per day.

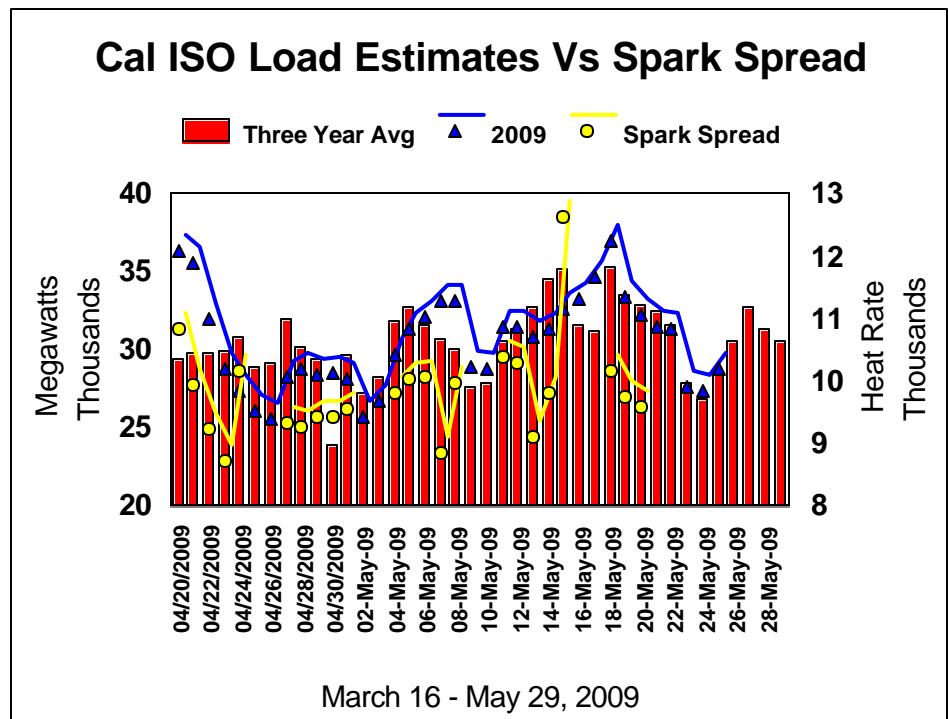
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,087,600	\$3.753	(\$0.232)	(\$0.160)	(\$0.147)	(\$0.287)
Chicago City Gate	494,300	\$3.692	(\$0.191)	(\$0.221)	(\$0.137)	(\$0.183)
NGPL- TXOK	472,400	\$3.554	(\$0.186)	(\$0.359)	(\$0.132)	(\$0.330)
SoCal	316,600	\$3.388	(\$0.198)	(\$0.525)	(\$0.144)	(\$0.460)
PG&E Citygate	543,400	\$3.715	(\$0.261)	(\$0.198)	(\$0.207)	(\$0.103)
Dominion-South	247,600	\$4.060	(\$0.163)	\$0.147	(\$0.109)	\$0.147
USTRade Weighted	17,018,300	\$3.600	(\$0.201)	(\$0.313)	(\$0.15)	(\$0.287)

StatoilHydro reportedly will shut down Norway's biggest gas field, Troll A, for scheduled maintenance from May 25th through June 5th. The field produced 9.36 bcm in the first quarter of this year.



The Ukrainian energy minister said today that the transit of Russian gas through the Ukraine has dropped almost 50% over the first four months of 2009 versus a year earlier. As a result traders have begun to question the ability of the Ukrainian gas company Naftogaz to purchase Russian gas for storage this summer since with transport volumes down, the earnings from transport fees from Russia will greatly restrict income for the company to buy gas for storage.

The Iraqi oil minister said today that Iraq, which holds the world's tenth largest



gas reserves is in talks with the Arab Gas Pipeline on exporting its gas to Egypt and then onto Europe.

A senior Omani official said today that Oman's output of LNG will be steady at around 80% of total capacity in 2009 for the second year running. Oman's domestic demand for natural gas continues to keep the plant from running at full capacity. Oman has three production trains with a total capacity of nearly 10 million tons per year.

South Korean imports of LNG fell for the fourth consecutive month in April, compared to a year earlier as weak demand from utilities and industry was the main factor. The country imported just 1.76 million tonnes of LNG in April down

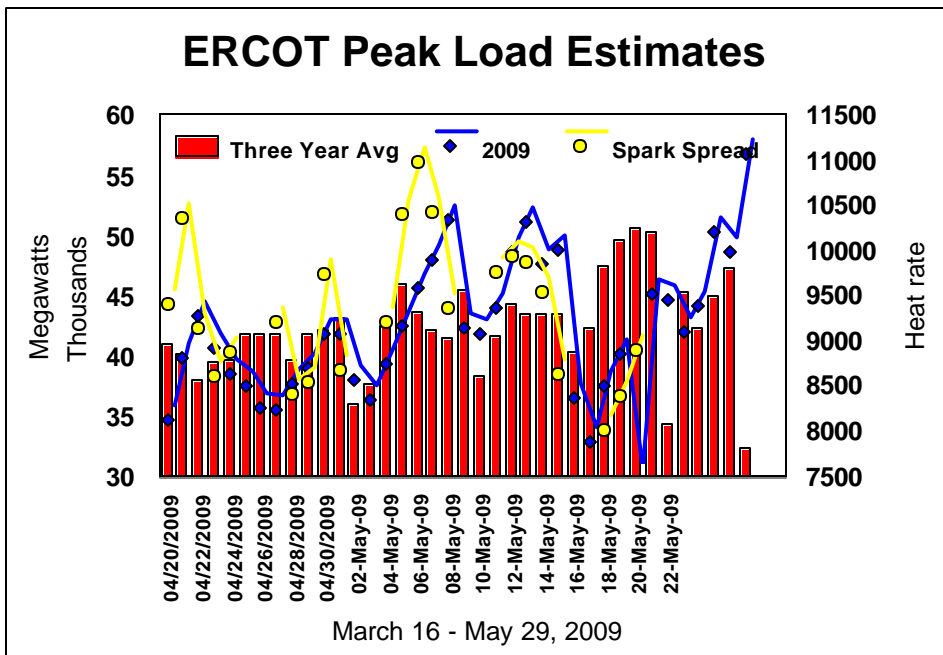
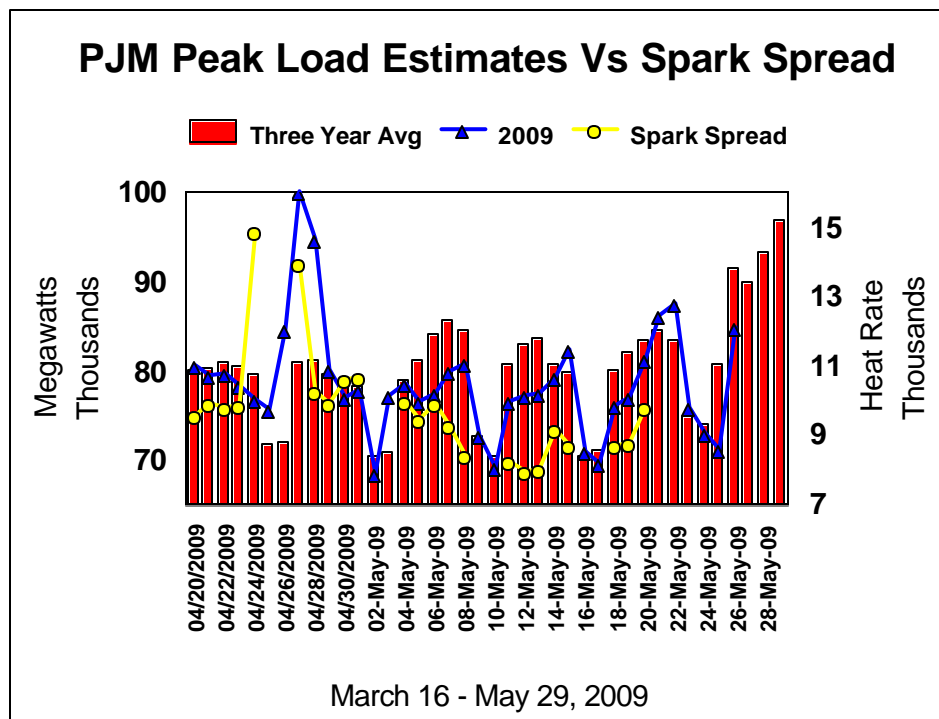
19% from a year ago. The average price of LNG it paid in April was \$8.70 per Mmbtu. Korea Gas noted that South Korean utilities are buying less natural gas and more fuel oil. As a result KORGAS has been left with high inventories of gas. The company said it was considering LNG swaps with GS

Caltex in which it would supply 120,000 tonnes of LNG as a feedstock from June through September and GS Caltex would return the borrowed supplies in the winter season after it begins direct imports of 120,000 to 180,000 tonnes of LNG in the second half of the year under a new 20 year supply contract from Chevron.

A report by consultants Global Insight forecasts gas demand in the OECD countries of Europe will fall by 10% to 478.9 billion

cubic meters this year and although some recovery is likely next year the economic downturn is likely to have a permanent impact. They estimate gas demand for this group to grow by only 2.9%.

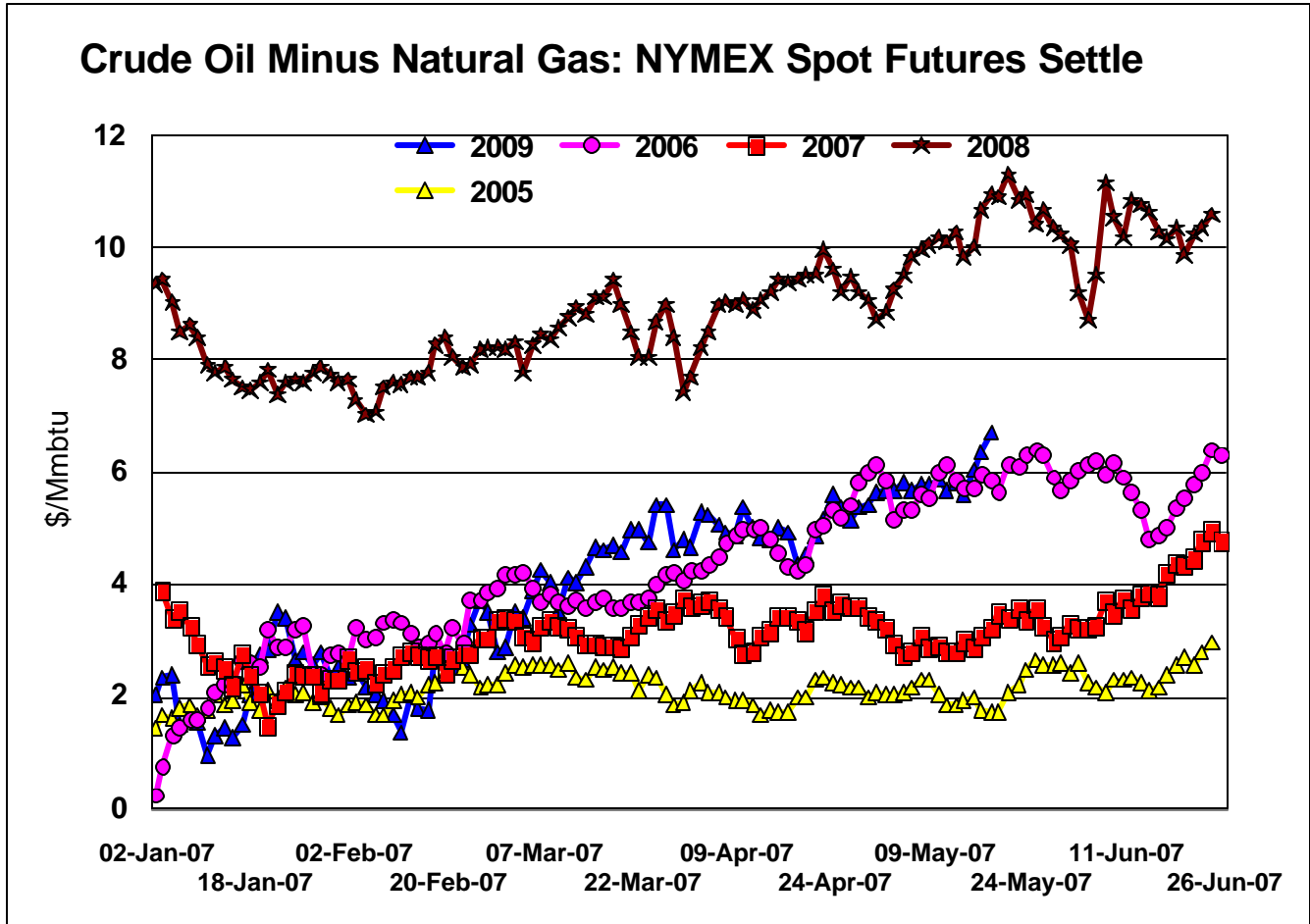
PIPELINE RESTRICTIONS



ANR Pipeline said that based on improved operating conditions in its Southwest Area, effective May 20th, it has lifted all restrictions at the Beaver-CIG interconnect.

NGPL said that effective today and until further notice it is at capacity for gas going northbound through Segment 14 located in Muscatine County, Iowa. ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled.

Tennessee Gas Pipeline said effective today it would increase for nominations sourced from meters locate don the Carthage Line Lateral,



ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending May 16th, U.S. power production reached 69,472 Gwh, down 0.17% from last week and off some 0.24% from the same week a year ago

MARKET COMMENTARY

The market was under pressure over night and into early this morning, but once the floor session opened prices followed the positive direction in oil and equity markets and finished the day in positive territory for only the second time in the last seven trading sessions. Traders though did post a rather narrow trading range on the day as most were content to await tomorrow's storage report before making additional price bets on this market.

Open interest report by the exchange at midday showed that the Henry Hub futures and swaps contracts posted yet another strong build, increasing by nearly 10,600 lots on a combined and

adjusted basis. This was the second consecutive trading session of a build of over 10,000 contracts and has to be seen as new shorts coming back into the market.

Market expectations for tomorrow's EIA Storage report appear to be running between an 80-105 bcf build, with the median expectation at a 95 bcf build. Our model is coming in at the lower end of expectations with a projection of 82 bcf build on the week. Last year saw a 86 bcf build on an adjusted basis while the five year seasonal average is for a 90 bcf build.

Given our rather supportive inventory expectation we would look for some type of price bounce following the release of the report tomorrow. But we feel that this will not be sustained and would look for it to be a selling opportunity. Ideally we would look for a bounce back towards \$4.10 as our target to establish new shorts. We see resistance tomorrow at \$4.01, \$4.042, \$4.105, \$4.227 and \$4.285. More distant resistance we see at \$4.365 and \$4.575. Support we see at \$3.815, \$3.755-\$3.745, \$3.672 and \$3.469. More distant support is at \$3.251.

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